ICI ANNUAL REPORT 1989

World Solutions

CONTENTS

Cover: Global spread – part of a satellite photograph of the world.

WORLD SOLUTIONS

ICI's business addresses the essentials of life – health, food, clothing, shelter, transport – and helps to make them available to as many people as possible. By focusing on specific market needs, applying its technological skills, developing innovative products and selling them internationally, ICI continued in 1989 to meet world problems with world solutions.

GROUP PURPOSE

The chemical industry is a major force for the improvement of the quality of life across the world. ICI aims to be the world's leading chemical company, serving customers internationally through the innovative and responsible application of chemistry and related sciences.

Through achievement of our aim we will enhance the wealth and well-being of our shareholders, our employees, our customers and the communities which we serve and in which we operate.

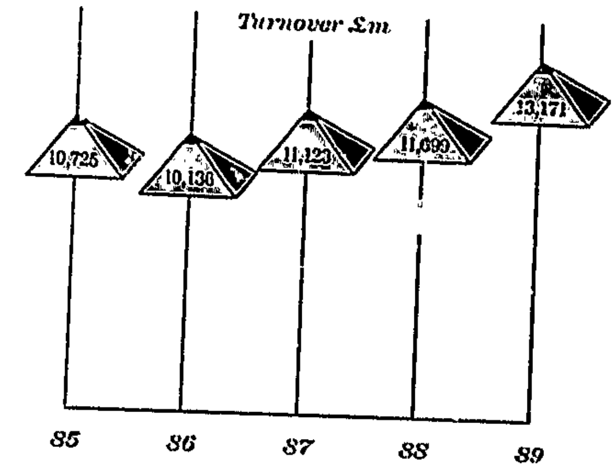
We will do this by:

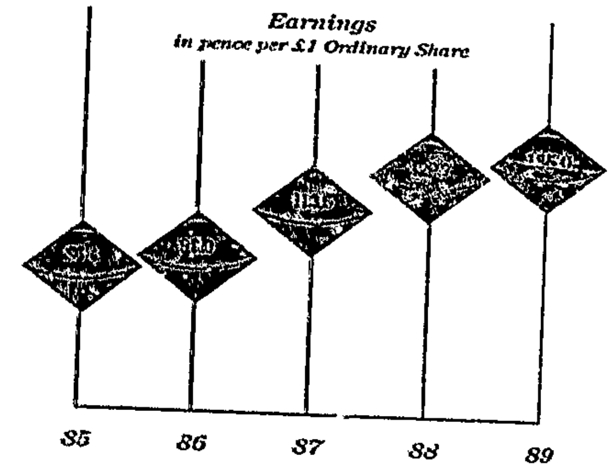
- *seeking consistent, profitable growth;*
- *providing challenge and opportunity for our employees, releasing their skills and creativity;*
- *achieving a standard of quality and service internationally which our customers recognize as being consistently better than that of any of our competitors;*
- *operating safely and in harmony with the global environment.*

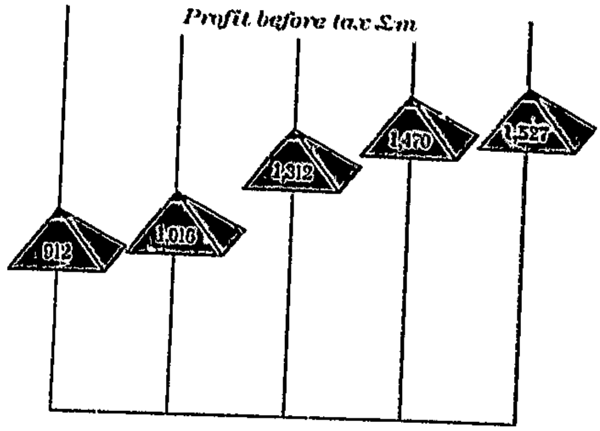
(The notice convening ICI's 1990 Annual General Meeting is on pages 3 and 4 of a separate document dated 18 March 1990 issued to Shareholders)

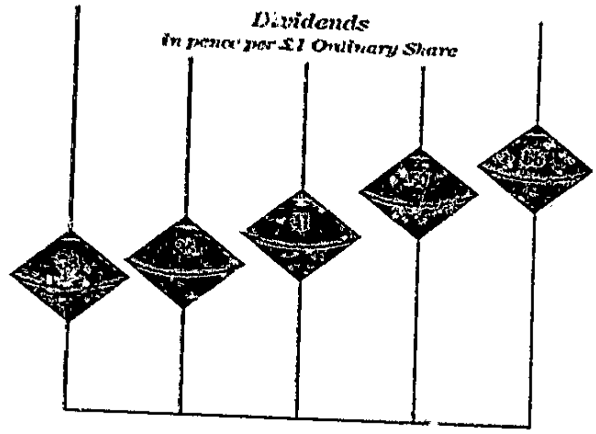
ICI GROUP FINANCIAL HIGHLIGHTS

Group means ICI and its subsidiaries.	1989 £m	1988 £m	1987 £m
TURNOVER	13,171	11,690	11,123
TRADING PROFIT	1,467	1,470	1,297
PROFIT BEFORE TAXATION	1,527	1,470	1,312
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY BEFORE EXTRAORDINARY ITEM	930	881	760
EARNINGS (before extraordinary item) per £1 Ordinary Share	135.0p	129.7p	113.6p
DIVIDEND per £1 Ordinary Share (see page 30)	55p	50p	41p









CHAIRMAN'S STATEMENT

In 1989 ICI passed an important milestone with profit before tax exceeding £1.5 billion for the first time.

This was achieved in a challenging year. The first half of 1989 represented a chemical-industry peak with demand at record levels. The second six months, however, saw growth rates slowing in a number of key markets.

Group sales for the year were £13,171 million, with earnings per share at 135p and exports from the UK increasing by 11 per cent. These results and our confidence in the future have enabled the Board to agree a dividend of 55p – an increase of ten per cent on 1988.

The Consumer and Specialty Products segment produced profits of £568 million. Pharmaceuticals had an excellent year – the result of a strong performance from the established range and the successful launch around the world of new products with important long-term potential. Colours and Fine Chemicals, Polyurethanes and Specialty Chemicals also did well and Paints performed robustly despite being affected by the economic downturn in the UK and USA.

On the other hand, results from the Films business were less than satisfactory – a consequence of world over-capacity, production problems and high raw-material costs. At the same time, we continued to invest heavily in research and development in the newer businesses such as Advanced Materials and Biological Products. Important for the future, this expenditure inevitably affected 1989 results.

Profits in the Industrial Products segment were similar to the previous year's at £789 million. Slackening demand in the second six months squeezed margins, especially in Petrochemicals and Plastics and General Chemicals. Even so, at the year end, most plants were operating at full capacity.

The Agriculture segment produced profits of £141 million. Fertilizers continued to make losses, however, and decisions were taken to trim back the UK and Canadian businesses. In contrast, Agrochemicals performed excellently.

The overall result is confirmation that the strategies we have worked so hard to implement over the past few years are bearing fruit.

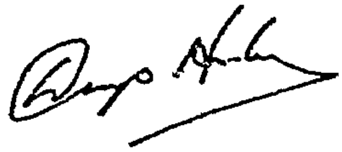
Our strategies can be simply stated: to be thoroughly competitive in everything we do; to be a major force in all the markets of the world; to be innovative in all aspects of our business; and increasingly to be focused, selecting those markets and activities where we see ourselves, both now and in the future, having distinctive commercial and technological strengths. We continue to pursue these strategies vigorously. For example, the past year alone has seen nearly 50 acquisitions and disposals as we shape our business to the needs of the 1990s.

Thus, we enter the decade far stronger than we were ten years ago. 1990 looks like being an uncertain year economically, but I see no return to the dark days of recession. Indeed, I am optimistic for the decade as a whole and confident that the strategies now in place will ensure the Group's full participation in world growth.

I say more on this in the following interview, where I also address other vital issues. One of the most important of these is, of course, the environment. We share common concerns and we are determined to play our full part in meeting them.

In summary, our objective of becoming the world's leading chemical company means following, consistently and with determination, the policies that have served us so well in the last decade, adapting them as necessary to changing conditions. There is no single bound that is now needed to transform ICI.

And the driving force behind our profitable growth will continue to be our people throughout the world, whose skills, dedication and professionalism are essential to the Group's continuing success. Once again, I express my thanks to them all.



Sir Denys Henderson
5 March 1990

THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT 1989 TO ICI PHARMACEUTICALS

THE QUEEN'S AWARD FOR TECHNOLOGICAL ACHIEVEMENT 1989 TO CAMBRIDGE RESEARCH BIOCHEMICALS LTD

DISCUSSING VITAL ISSUES

ICI Chairman, Sir Denys Henderson, was recently questioned by Derek Harris, Industrial Editor of 'The Times', on the Group's strategy and priorities as it enters the 1990s. The main points of the interview are summarized here.

What shape is ICI in at the end of the 80s?

Infinitely better than at the start of the decade, bearing in mind the difficult trading conditions at that time. Look at the record. Earnings per share are up by a factor of six. Dividends have trebled. Profits have risen from around £300 million to over £1,500 million. Crucially, our return on assets is up from a modest 8 per cent to 24 per cent, and we haven't had to go back to our shareholders for funds. Despite considerable expansion, our gearing today is lower than it was in 1980.

We left the '80s thoroughly innovative, highly competitive by world standards and more international than any of our competitors. Internationalization is critical. To be a world leader in our industry, you need to be able to sell quality products globally. World sales enable us to finance the research and development which will give us the products for the future.

A lot of people are not fully aware of how much we have changed. During the decade we have altered the balance very much towards the speciality end and have selectively acquired about £3 billion worth of new companies.

All of this enables us to focus on our business and technological strengths. Doing what we're best at, better than anyone else, will make us winners in the '90s. Quality is all important.

"To be a world leader you need to sell quality products globally"

So how and where do you envisage ICI growing?

We will grow largely through our own efforts – organically. But where we can acquire sound companies which fit our strategy we will do so if the price is sensible.

In geographic terms, Europe, including the UK, will continue to be a strong home market, especially with opportunities presented by 1992 and the opening up of the Eastern bloc. We've battled for business on the Continent for many years. We've planned for our present success and can build still further from the base we now occupy.

Our already significant position in North America – a vital market – has been strengthened by recent acquisitions and we'll continue expanding there.

Another area of enormous importance is Asia Pacific, which could account for around 35 per cent of chemical industry growth in the next decade. But it's far from being an homogeneous region, which is why we're investing differently in different parts of it. Pure terephthalic acid in Taiwan and Thailand; pharmaceuticals and films in Japan and so on. Again, it's a question of focus and of meeting market needs in the most effective way.

"It's a question of focus and meeting market needs"

So where will your research and development be centred?

Still in the UK where we have a strong scientific base. Of the £639 million spent on research and development in 1989, we invested about 70 per cent in Britain and 30 per cent in other countries. It's vital to have that non-UK component. Good though our UK scientists are, they don't have a monopoly on invention. We need to be on the spot with the right technology and skills – which is why we're investing £27 million in our new Japan Technical Centre. We must be able to turn on the technology to win and retain business wherever we sell.

How important is Britain to ICI?

Very. Over 80 per cent of our shareholders are here. It's also our technological heart, as I've indicated, and that heart continues to beat strongly. We have more staff here than in any other country and while the UK represents only 22 per cent of our total sales, one has to add to that over £3 billion of exports. Our contribution to the balance of payments is massive, quite apart from all the taxes we pay. ICI is very important to Britain.

Derek Harris, "The Times"

"Dedicated people are the key to our success"

You will obviously need good people. Are you getting the quality of recruits you'd like?

I believe we are. But we're not complacent. We're intensifying our efforts to ensure we can attract talented men and women, both graduates and the more experienced. To bring the best people forward, we make a point of transferring skills across national boundaries. The next generation of managers will be totally international in their outlook and experience. Many of them already are.

I'm certain of this: dedicated, well trained, thoroughly motivated people are the key to our present and future success.

And what about the environment? Won't the cost of meeting all the problems affect chemical industry share performance?

It would be wrong if that were to happen. Markets tend to over-react in the short term to any given situation. What is certain is that chemical companies are going to have to spend large sums on meeting society's environmental requirements. In 1989 alone, ICI spent a total of around £225 million. But we can cope with that without serious effects on our profits.

What people tend to forget is that chemical companies, through their technology, can tackle environmental problems. ICI thrives on solving problems through science and so satisfying its customers. Where there are needs, ICI will meet them.

"ICI thrives on solving problems through science"

You're optimistic about the '90s?

Yes. ICI is extremely well placed to prosper, and the great thing about the chemical industry is that it doesn't have to go looking for markets. As long as human beings need food, clothing, health, homes and transport, we have potential customers.

Good news for shareholders?

Absolutely, because ICI happens to be very good at meeting society's needs. Ours is a high quality stock with a good yield and excellent longer-term growth prospects. Shareholders both large and small can share in our growth.

We can and will deliver.

WORLD SOLUTIONS

Millions of people around the world benefit every day from products developed by ICI. The following pages focus on five such individuals. Their stories show the variety of ways in which ICI is improving the quality of life – from pharmaceuticals to agrochemicals, from old materials to the very new, and through skilfully adapting its products to the precise needs of its customers.

Like millions of fellow-sufferers, this patient found his work and way of life severely limited by his condition . . . until recently. Now he lives a normal life and holds down an active, outdoor job, thanks to a small tablet developed by ICI.

Under the initial guidance of Sir James Black, who in 1988 received the Nobel Prize for Medicine, ICI revolutionized the treatment of high blood pressure by developing beta-blockers – now one of the commonest treatments in cardiovascular medicine. Subsequent research at ICI has helped millions of people around the world to live more comfortably with heart disease.

At present, nearly one third of ICI Pharmaceuticals' research and development is dedicated to cardiovascular disorders. Of the £2,000 million or more that ICI will spend on pharmaceutical research and development in the 1990s, a large proportion will continue to be spent on cardiovascular research.

The simple and effective treatment of high blood pressure is just one way in which ICI has helped the fight against heart disease. ICI is also developing new treatments for angina, heart-failure and arrhythmias and exploring ways of limiting the damage caused by heart attacks and coronary artery disease.

Looking to the future, ICI is searching out novel medicines to control blood lipids and atheroma development, to prevent heart attacks and to treat peripheral and cerebrovascular disease.

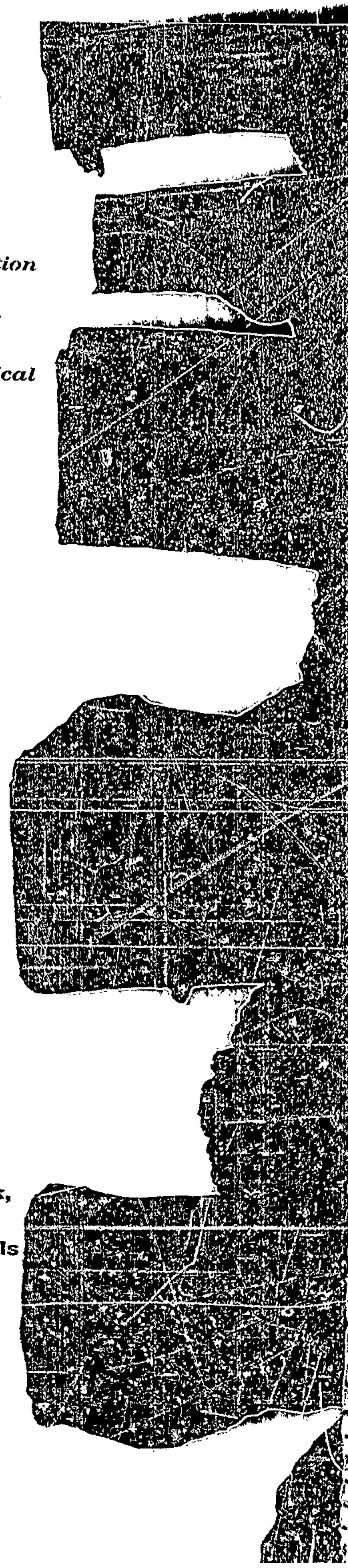
"My problem was high blood pressure, but my previous medication wasn't doing any good. Hard physical work was impossible; I thought I'd get a heart attack."

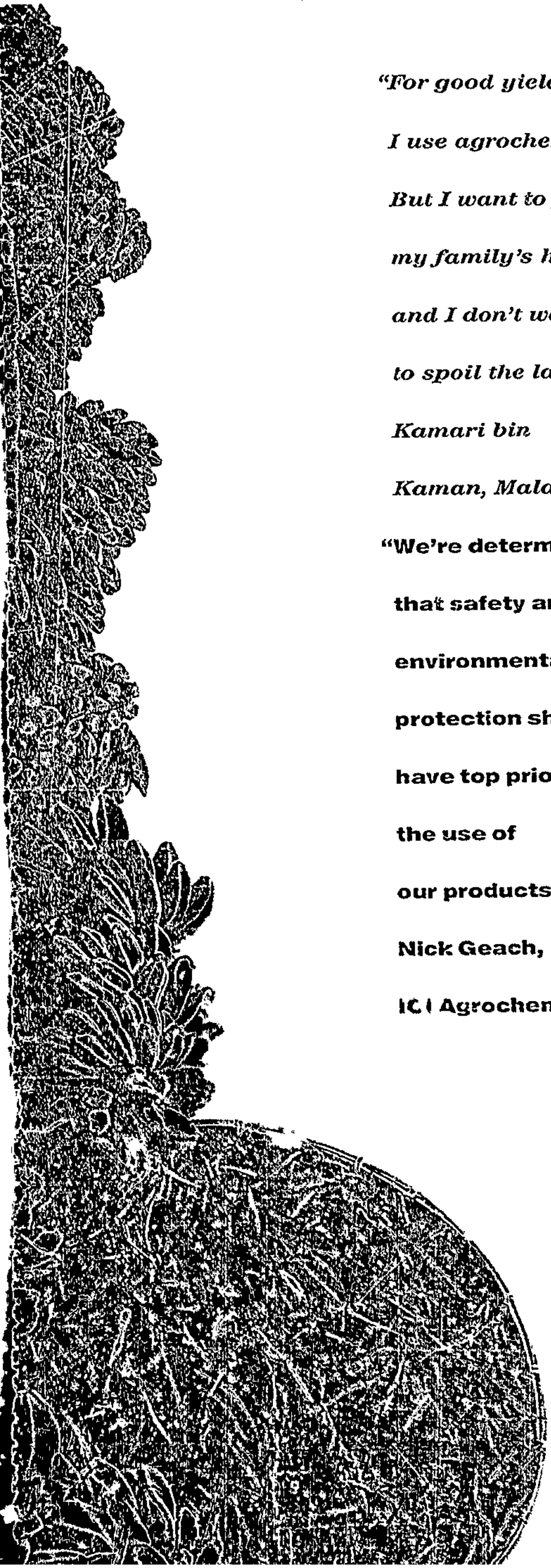
Pawnee Indian*, Oklahoma, USA.

"The development of innovative treatments for heart disease is a prime example of ICI solutions to worldwide problems."

Michael D. Romack, ICI Pharmaceuticals

**The name of the patient is not disclosed for ethical reasons.*





*"For good yields,
I use agrochemicals.
But I want to protect
my family's health
and I don't want
to spoil the land."*

*Kamari bin
Kaman, Malaysia.*

**"We're determined
that safety and
environmental
protection should
have top priority in
the use of
our products."**

**Nick Geach,
ICI Agrochemicals**

The world needs agrochemicals. Each year they prevent the equivalent of the combined populations of India and China from starving. But used wrongly, the very products that help feed and clothe the world's population can also impair health and damage the environment.

So ICI is determined to encourage the responsible use of agrochemicals. The aim is to maximize their effectiveness while minimizing the risks inherent in their use.

ICI's Product Stewardship campaign is one example of this intent in action. Product Stewardship looks at the safety of every step from manufacture, through marketing and distribution, to final use and impact on the environment.

The risks are not always the obvious ones. Some years ago, ICI discovered that its leading herbicide could be mistaken for cola or coffee, especially as farmers sometimes stored leftovers in old bottles against the advice on the label. The company immediately changed the colour of the product and added an unpleasant-smelling agent. The risk of accidental swallowing was greatly reduced.

In Malaysia, for example, ICI uses posters, radio advertising, training sessions and videos to teach good practice to dealers, smallholders and estate managers. Much work also goes into clear, informative labels to ensure that distributors and users understand each product and any related dangers.

It all helps Kamari select the right agrochemicals for his needs, to use them in the right quantities, to protect his family and land and to make sure his produce is safe to eat.

"A year ago I had cataracts in both eyes and was rapidly losing my sight. I knew cataracts could be removed, but I didn't know if my sight would ever improve."

Marjorie Hughes, Isle of Wight, UK.

As Mrs Hughes discovered, a cataract patient's sight can be restored thanks to intraocular lenses made of 'Perspex' acrylic sheet from ICI.

It all began during the Battle of Britain. Surgeon Harold Ridley was treating fighter pilots for eye injuries caused by splinters of 'Perspex' from aircraft canopies. He noticed that 'Perspex', unlike glass, did not cause secondary inflammation of the eye.

Then, in 1949, a medical student who witnessed a cataract operation expressed his disappointment that the patient's sight was still impaired. "Couldn't another lens be inserted?" he asked. Stimulated by the question, Ridley set to work developing an intraocular lens implant. He knew that in 'Perspex' he already had a transparent material that would probably not be rejected by the eye tissues.

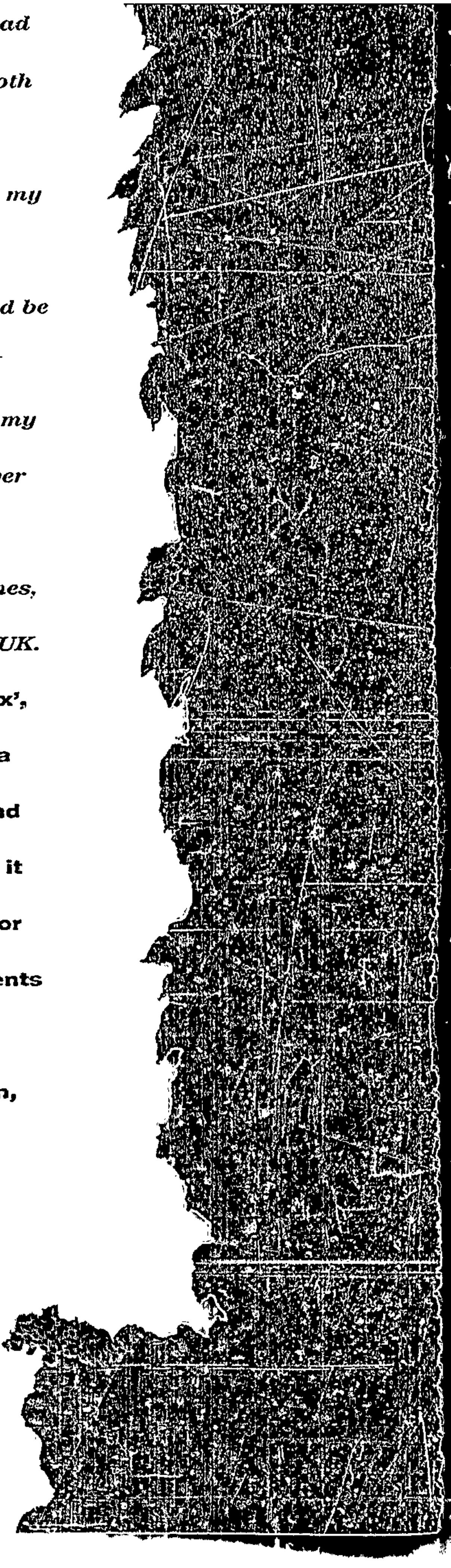
The ability to implant intraocular lenses – and to do so quickly and simply – is one of the most important medical developments of modern times. Mrs Hughes' operation was one of almost two million performed around the world last year. Inserting the new lens adds only five to ten minutes to the standard cataract operation and the success rate is over 98 per cent. After the operation, patients regain most of their vision.

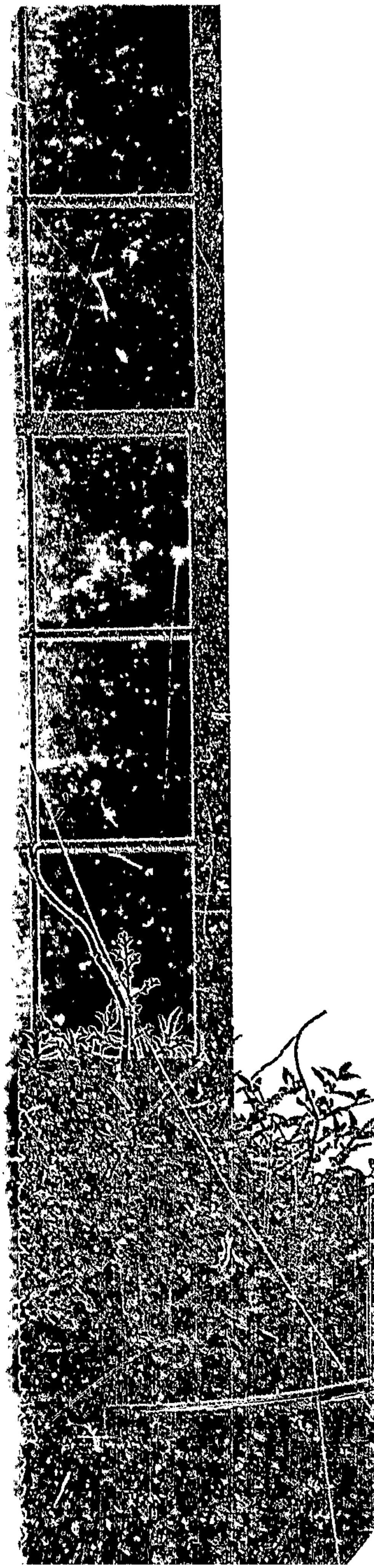
'Perspex' has been the favoured material from the start, the product used today being a highly developed grade known as 'Perspex' CQ (Clinical Quality).

Lenses made of 'Perspex' are sent to hospitals throughout the world. As the cost continues to fall, implant operations are being carried out more and more by locally-trained ophthalmologists.

"Using 'Perspex', I has taken a simple idea and helped to turn it into a reality for cataract patients worldwide."

Bob Cinnamon, ICI Acrylics





"In developing a pure-water system for the manufacture of high-capacity integrated circuits, my company needed a new engineering material."

Yoshihiro Nabeta, Director, Performance Plastics Division, Mitsui Toatsu Chemicals Inc, Japan.

"With 'Victrex', ICI helped to solve the problem."

Yoshi Yamanaka, ICI Japan Ltd

Integrated circuits (ICs) lie at the heart of every computer. They're made by a complex process that includes laying down ultra-pure chemicals in a strictly controlled pattern on a microscopic scale.

During the process it's essential there is no contamination from stray particles or ions. If there is, circuits will be defective. Because the process involves large amounts of water, the purity of the water is of paramount importance.

With the trend towards smaller and smaller circuits of ever higher capacity, contamination becomes more of an issue. While the water itself can now be purified to a very high degree, the system through which it flows can still cause contamination.

Traditional materials such as metal and PVC are unsuitable for systems of this type. Even the more specialized materials of recent years have proved unsatisfactory for the level of purity now required.

Mitsui Toatsu of Japan were developing a pure water system for IC fabrication and needed to find a new, non-contaminating material. The answer was 'Victrex' PEEK, a high-performance engineering polymer developed by ICI. It releases ions at a very low rate; it can be engineered with ultra-smooth surfaces to inhibit biological growth inside the pipes; and it's able to be sterilized at high temperature without deteriorating.

In short, 'Victrex' PEEK performs better in this application than any other known material. Mitsui Toatsu has begun supplying PEEK-based systems to Japanese circuit producers.

"My store sells paint to people who want brighter homes. We have to offer as wide a choice as we can, but we don't have the shelf space for hundreds of tins."

Roger King, Texas Homecare, UK.

"'Colour Options' paint mixers show ICI at its innovative best, using its skills to meet a specific market need."

Chris Harris, ICI Paints

Roger King's problem is a common one in the retail trade, but only now has a practical solution been developed.

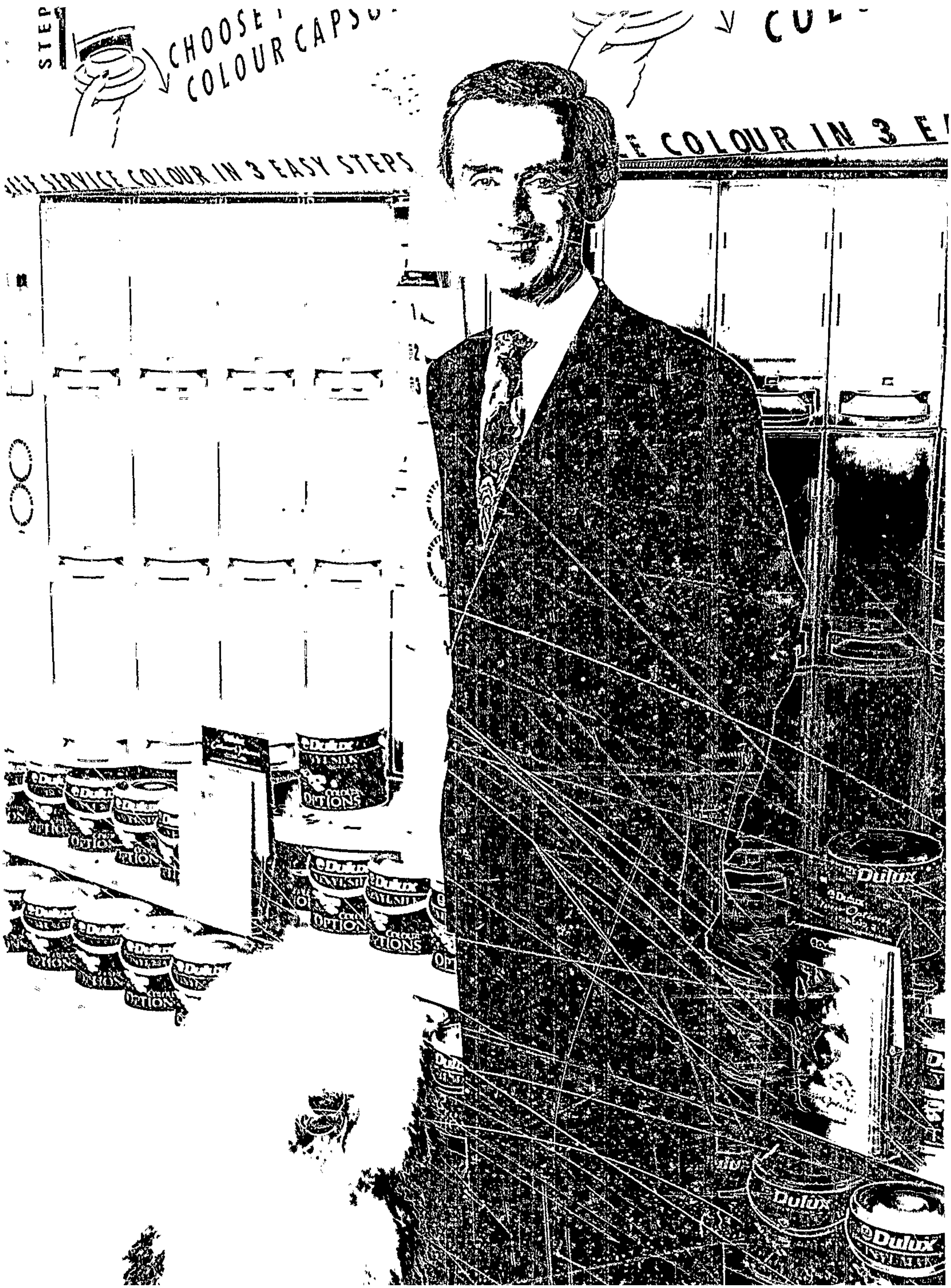
Launched regionally in 1989, 'Colour Options' paint mixers from 'Dulux' allow paint retailers to display 84 colours on a unit just 7 feet high and 12 feet wide. The dispenser simply holds the paint lids. The innovation is that these lids contain the pigment.

The customer chooses a lid, clicks it onto a can of base paint and places both in a mixing machine. The lid's inner casing is crushed and the pigment forced into the base paint where the machine ensures it is properly mixed. The whole process takes less than a minute.

Although the concept is simple, turning it into a viable product has taken five years and involved a multitude of skills within ICI. Much effort was devoted, for example, to making sure an exact and consistent amount of pigment is released every time. Both the paint technology and the packaging were industry 'firsts'.

The benefits for the customer are a wide and easy choice of colours, a clean mixing process and the ability to go back to the store at any time and be sure of getting the same colour again.

Roger King, on the other hand, can offer his selection without tying up capital or shelf space with lots of tins. The self-serve process also frees his staff for other jobs.


STEP
SERVICE COLOUR IN 3 EASY STEPS
COLOUR IN 3
Dulux
OPTIONS

REPORT OF THE DIRECTORS 1989

The Directors of Imperial Chemical Industries PLC present their sixty-third Annual Report, together with the Accounts of the Company for the year 1989. They will be laid before the shareholders at the sixty-third Annual General Meeting to be held on 1 May 1990.

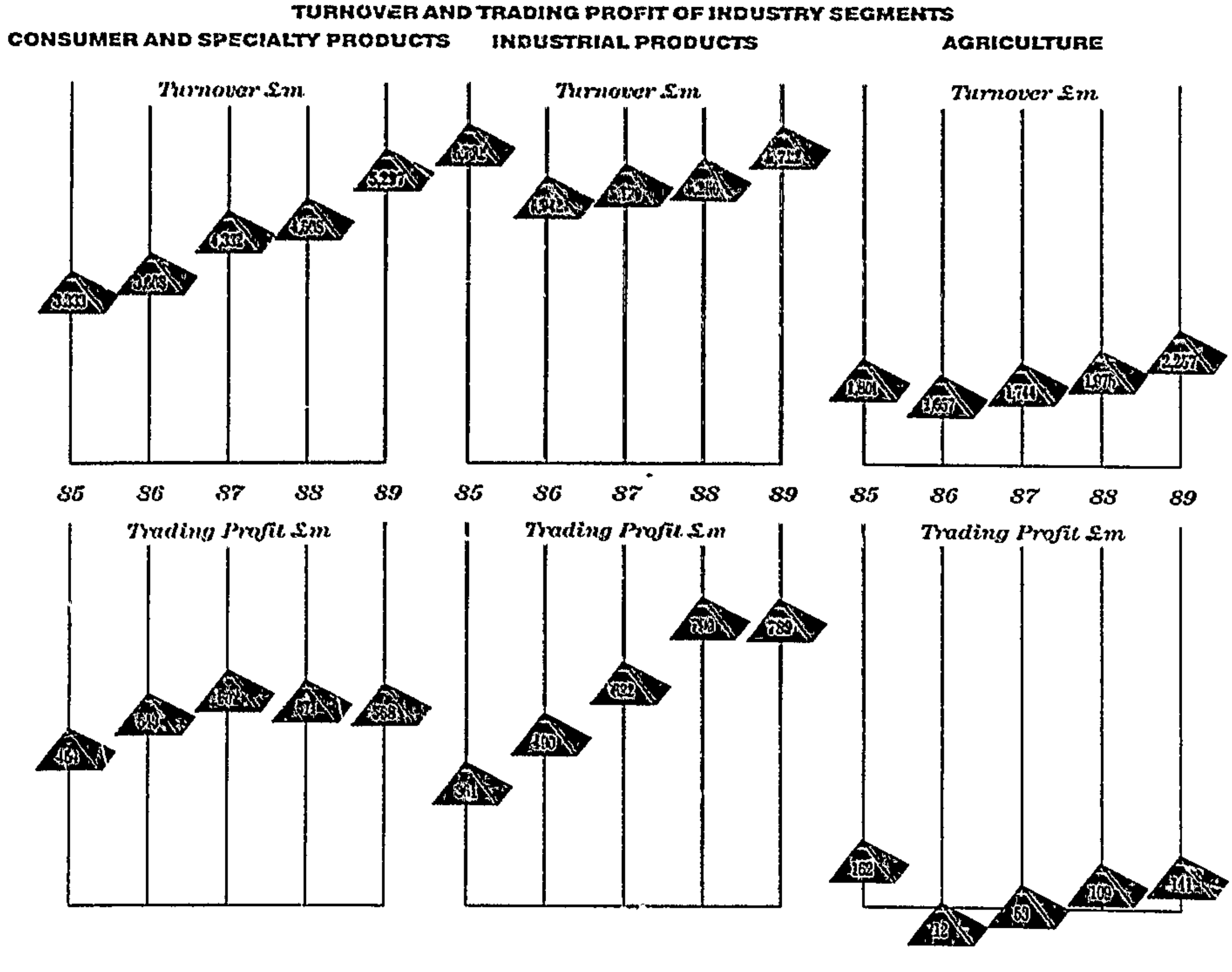
The ICI businesses whose activities are reported in the Operational Review are grouped into three industry segments – Consumer and Specialty Products, Industrial Products and Agriculture. These businesses cover the spectrum from commodity chemicals to research-intensive products with high added-value. They also range from small offshoots of existing businesses (ICI Imagedata, for example) to operations such as Pharmaceuticals and Agrochemicals that are global businesses in their own right.

From chlor-alkali to novel seeds, ICI's business portfolio shares a common objective of using science and technology to answer society's needs. This year's Report demonstrates several important aspects of ICI's strategy and business development – notably the continuing globalization of ICI's businesses, the emphasis on innovation, and the development of products, services and processes that will help safeguard the environment.

ICI's three industry segments are reviewed on pages 17 to 25. Accompanying charts show the relative sizes of the businesses in 1989, as well as turnover and trading profits in 1988 and 1989 for each of the businesses within the segments. These figures include sales between businesses in any one segment, but such sales are excluded from the segment totals.

A territorial review of Group operations is contained on pages 26 to 29. The charts on pages 26 and 27 show the results achieved by Group companies located in each area.

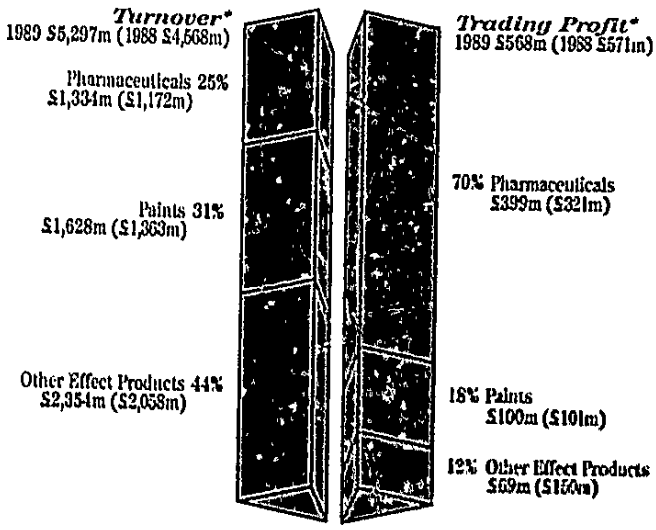
TURNOVER AND TRADING PROFIT OF INDUSTRY SEGMENTS



CONSUMER AND SPECIALTY PRODUCTS

This segment comprises Pharmaceuticals, Paints and Other Effect Products. Businesses in the last category range from large, established units such as Colours and Fine Chemicals to new, emerging operations such as Biological Products.

CONSUMER AND SPECIALTY PRODUCTS



*Total excludes sales and profits within the Consumer and Specialty Products segment

PHARMACEUTICALS

By focusing on high-technology research and development, ICI Pharmaceuticals seeks to introduce products which will make a worthwhile contribution to human health. It is presently concentrating on cardiovascular disorders; cancer; infection; pulmonary, metabolic and arthritic diseases; and disorders of the central nervous system.

1989 was an excellent year with sales up by 14 per cent and profits by 24 per cent. The business was honoured once again with the Queen's Award for Export Achievement.

Sales of 'Tenormin', the world's biggest selling beta-blocker, continue to grow, while 'Tenif' ('Tenormin' combined with nifedipine – 'Nif-Ten' outside the UK) has now been launched successfully in several European countries.

A number of newer products also increased their sales and are set to make an important contribution to the business in the 1990s. The hypertension and heart-failure product, 'Zestril', now has a significant share of the rapidly growing ACE-inhibitor market.

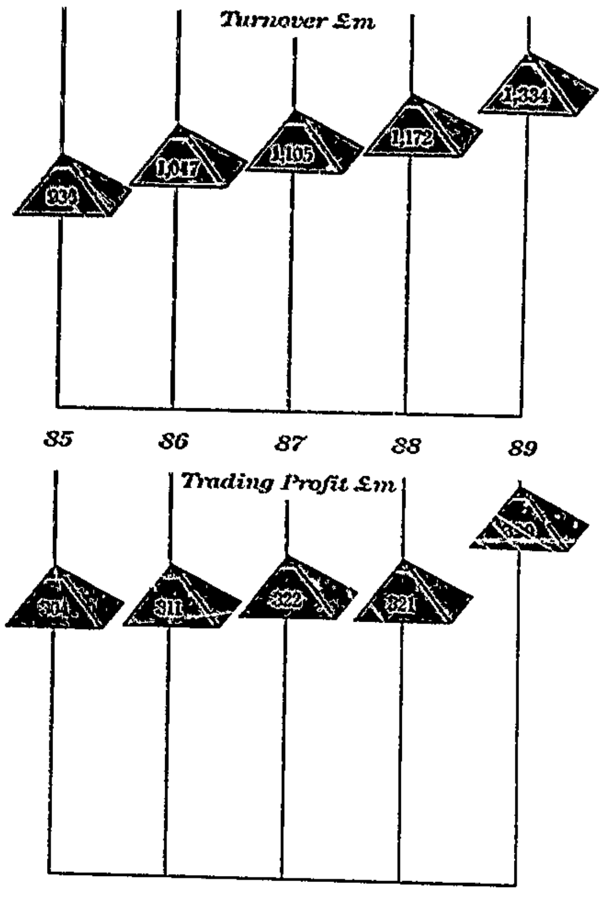
ICI continues to make progress in products for treating cancer. 'Nolvadex' has now become the world's leading anti-cancer product by value of sales, while the prostatic cancer treatment, 'Zoladex', is the fastest growing product in its class and has now been approved for sale in the USA.

'Diprivan', meanwhile, doubled its sales over 1988. This intravenous anaesthetic is now available in nearly all major markets.

The beta-blocker, 'Inderal', and the 'Hibitane' antiseptics range maintained sales levels in highly competitive markets. The injectable antibiotic, 'Cefotan' ('Apatef' in some markets), did particularly well in the USA.

Divestment of ICI's over-the-counter range in the USA and, early in 1990, in the UK will allow the company to concentrate more fully on the development and marketing of prescription products. As part of the American divestment, ICI obtained the US rights to the anti-depressant, 'Elavil'. This will provide valuable experience for ICI in an important market relating to disorders of the central nervous system.

PHARMACEUTICALS



PAINTS

ICI Paints is the world's largest supplier of surface coatings. The business concentrates on decorative and automotive paints, coatings for cans, and high-performance speciality finishes.

Despite difficult conditions in some product sectors during the year, ICI Paints strengthened its position as world market leader.

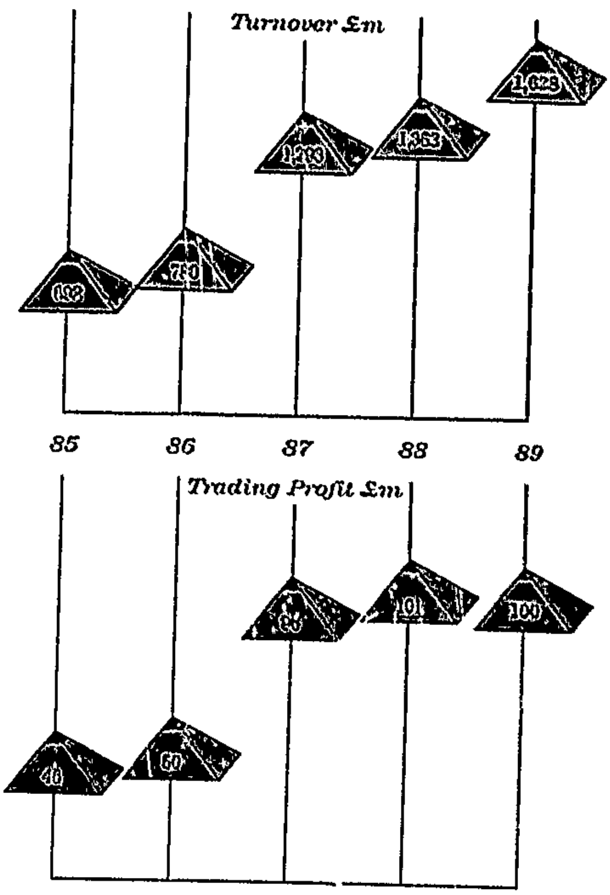
The new, high-speed tinting service, 'Colour Dimensions', helped ICI increase its share of the UK decorative trade sector. DIY demand was hit by the depressed state of the housing market in the UK and North America. Nevertheless, Glidden became brand leader in consumer paint in the USA.

Elsewhere, Dulux Australia achieved record profits following the integration of the Berger businesses acquired in the previous year. Sales in South East Asia also grew strongly as a result of the successful marketing of new paint ranges. A joint venture with Swire Pacific in Hong Kong will increase the Group's ability to develop business in the People's Republic of China.

In the increasingly competitive can-coatings market, ICI's reputation and worldwide operation enabled the Group to increase its share. Its ability to compete in Europe was strengthened with the acquisition of the business assets of Quimilac SA in Spain.

In the powder-coatings sector, ICI maintained strong growth in Europe – a consequence of the trend towards environment-friendly high-solids paints. In Asia Pacific, a joint venture with Nippon Oil & Fats Co. Ltd is providing new openings to supply Japanese companies operating in Malaysia and Singapore.

PAINTS



OTHER EFFECT PRODUCTS

The following businesses supply high added-value, customer-specific products, designed to solve particular problems or produce a given effect.

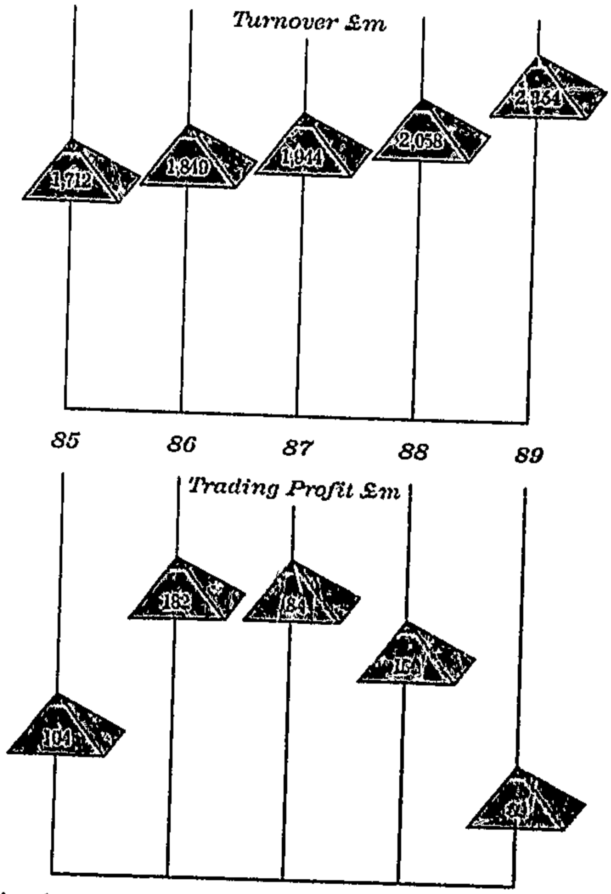
COLOURS AND FINE CHEMICALS ***The ICI Colours and Fine Chemicals product range includes dyestuffs and chemical auxiliaries for the textile industry, industrial colours and pigments, dyestuffs for leather and paper, and organic and fine chemicals.***

In 1989 profits rose again as the business continued to benefit from restructuring and expansion. Although some markets slowed towards the end of the year, demand for most products remained high. 'Procion' reactive dyes, azo disperse dyes and leather dyes did particularly well and there were strong performances in Western Europe, South East Asia, the USA and Brazil.

The year saw capital investments in both established and newer businesses. Projects included the expansion of capacity in cotton reactive dyes, ink pigments and aniline, and the introduction of a new, high-quality, granular form of indigo. In addition, the business is building new plants to produce fluoroaromatic compounds and has established a new, biochemical route to LCPA (an intermediate for agrochemicals).

In a highly successful year, ICI acquired Rayca Chemical Corporation in the USA and withdrew from a number of peripheral

OTHER EFFECT PRODUCTS



businesses including sulphur dyes and colours and additives for foodstuffs.

POLYURETHANES ***These are among the world's most versatile polymers with applications as diverse as insulation, automotive parts, shoe-soling and furnishings. ICI Polyurethanes produces purpose-designed polyurethane systems.***

ICI shared in the strong worldwide growth of the polyurethane market in the first half of the year, thanks, largely, to the buoyant state of the construction, refrigeration and automotive industries. Despite a weakening of some markets later in the year, the business continued to perform well.

ICI Polyurethanes enlarged its geographic spread, especially into the high-growth economies of Asia Pacific. In the USA, the major new extension at Geismar was completed within budget and brought fully on stream in record time. The new facility increases ICI's capacity by a third and strengthens its ability to supply worldwide markets. At the same site, a new unit has been approved for specialty polyols, allowing ICI to manufacture them for the first time in North America.

In the UK, ICI acquired the polyurethanes business of the shoemakers, C & J Clark International Ltd – a move that strengthens links with an important customer industry.

SPECIALTY CHEMICALS ***ICI Specialty Chemicals is a portfolio of business units serving customers in specialized market niches. The main units are Biocides, Effect Chemicals, Packaging Inks and Coatings, Polymer Additives, Stahl (leather finishes), Surfactants, Thoro System Products (concrete and masonry treatments) and Tribol (engineering lubricants).***

1989 was another year of good profits and international expansion. New factories opened in several countries.

Biocides led the way with increased production in the UK and new facilities in the USA and Latin America. The biocide, 'Proxel', is now being manufactured in the USA as well as in the UK – a demonstration of the product's success and of ICI's intention to continue moving production, formulation and service closer to the customer.

Stahl expanded its facilities in Singapore, opened a new factory in Mexico and acquired the Brazilian leather-treatment company, Toki-lbis Quimica SA – a recognition of Brazil's grow-

Dyes and pigments from ICI

ing importance in the leather-treatment industry. A surfactants plant was completed in India.

During the year, much effort has been devoted to the continued improvement of health and safety measures, especially at some of the newly acquired sites. A Total Quality programme is also under way.

ADVANCED MATERIALS ***This business is a world leader in high-performance composite materials for aircraft and spacecraft structures, engineering plastics for the electronics and automotive industries, and the development of ceramic superconductors.***

The globalization of ICI Advanced Materials continued in 1989. ICI technology is now applied worldwide through facilities in Europe, the USA and Japan.

During the year, commercial production began at two new plants – the advanced composites plant at Oestringen, West Germany, and the specialty thermoplastic compounds plant at Tsukuba, Japan. In the USA, engineering plastics activities are now concentrated at Exton, Pennsylvania, where the new business centre also began operating. This centre offers technical advice to customers together with computer-aided design and application development. It links with the composites facility at Phoenix, Arizona, the unit at Tsukuba and the Wilton Materials Centre to form a worldwide customer-service network.

In thermoplastic advanced composites, ICI is working closely with a number of aerospace manufacturers to develop low-cost methods of fabricating composite parts. Meanwhile, two major manufacturers of limb and bone replacements have been licensed to use ICI materials.

In advanced ceramics, a joint patent has been filed by ICI and AT&T (Bell Labs) on superconducting radio frequency receivers.

Advanced Materials is a field in which research and development costs are high. Although currently not in profit, it forms an important part of ICI's investment in effect products.

FILMS ***ICI Films works in close partnership with industrial customers worldwide to develop and manufacture high-performance plastic films for applications as diverse as floppy disks and heat-resistant packaging. It includes ICI Imagedata which supplies consumables and media for the imaging and data-storage markets, and Flex Products Inc, a joint venture specializing in vacuum-deposited coated films.***

1989 was a difficult year for ICI Films. Raw material prices rose sharply, while overcapacity in the industry and low-priced exports from Asia Pacific made it difficult to raise selling prices to compensate.

ICI's newest 'Melinex' film line at Hopewell, USA – an investment of £28 million – began production early in the year. In Japan, construction work started on a new 'Melinex' film plant – ICI's biggest investment in Japan so far and the Films business's first manufacturing presence there.

Digital paper, the award-winning, high-capacity, optical-data storage system developed recently by ICI Imagedata, was delivered to Creo Products Inc in Canada for use at the Canadian government's satellite recording centre.

In the 'Propafilm' film business, the commissioning of a completely refurbished research and technology pilot plant increases ICI's ability to test and develop new product and process concepts.

Other developments include greater use of the high-performance films, 'Stabar' and 'Upilex', by the electronics and aerospace industries.

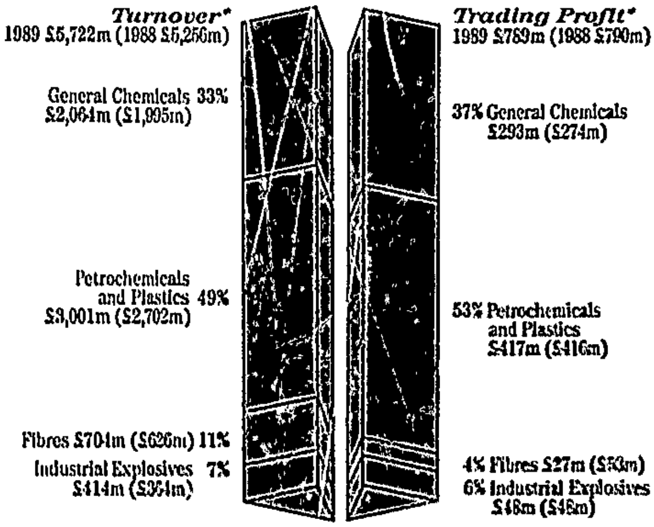
BIOLOGICAL PRODUCTS ***This business exploits ICI's expertise in biotechnology in a range of industrial, agricultural and environmental applications. It furthers ICI's strategy of building a new, international business based on biological science.***

The business continues to grow, with the product range broadened this year by the acquisition of Cambridge Research Biochemicals Ltd. ICI is soon to launch 'Biopol', a biodegradable thermoplastic made from renewable resources. Applications range from medical to packaging. Expansion into North America has taken a step forward with the setting up of a new technical centre in Canada.

INDUSTRIAL PRODUCTS

The Industrial Products segment includes the General Chemicals, Petrochemicals and Plastics, Fibres and Industrial Explosives businesses.

INDUSTRIAL PRODUCTS



**Total excludes sales and profits within the Industrial Products segment*

GENERAL CHEMICALS

ICI's general chemicals business supplies a diverse range of products from large-volume chemicals based on salt to more specialist chemicals such as chlorine derivatives and performance resins.

Demand started strongly in 1989, in some cases outstripping ICI's capacity to supply. Soda ash, lime, acrylic and urethane resins all sold well, and the integrated nature of the chlor-alkali business enabled ICI to benefit from exceptional demand for caustic soda. In the second half of the year, however, it became more difficult to raise prices in line with costs.

Environmental concerns are cutting demand for CFCs and restricting the growth of the chlorine business. At the same time they have opened up new markets for lime (useful, among other things, for treating sulphur emissions from power stations), for a new water-treatment business, and for resins which avoid the use of solvents. (In 1989 these won a prestigious environmental prize from the Dutch government.)

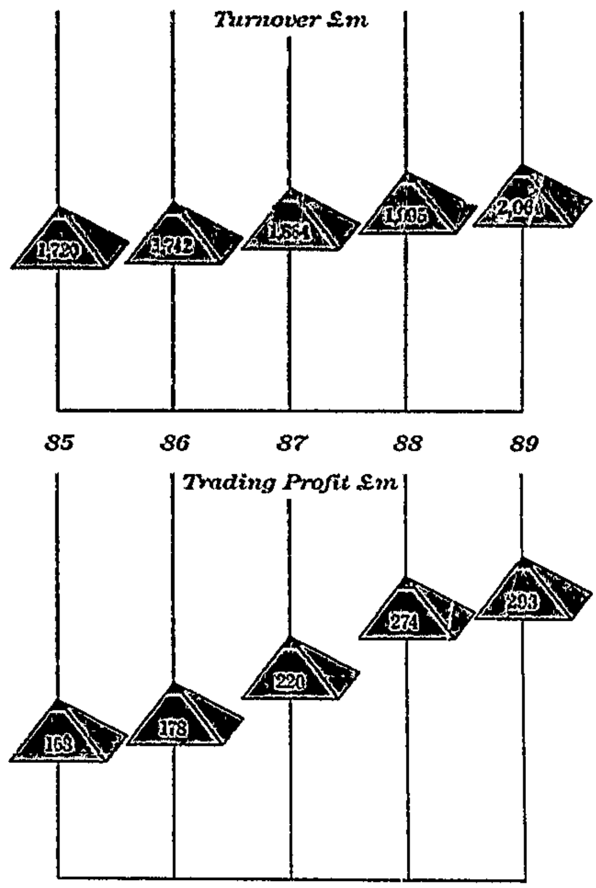
ICI supports the Montreal Protocol which urges a sharp reduction in the use of CFCs, and during the year has made progress towards developing replacements. 'Klea' 134a, the first of a new generation of CFC substitutes, is to be manufactured in the UK and USA. To prevent CFCs from old refrigerators leaking into the environment, ICI has begun a CFC-recycling scheme in the UK.

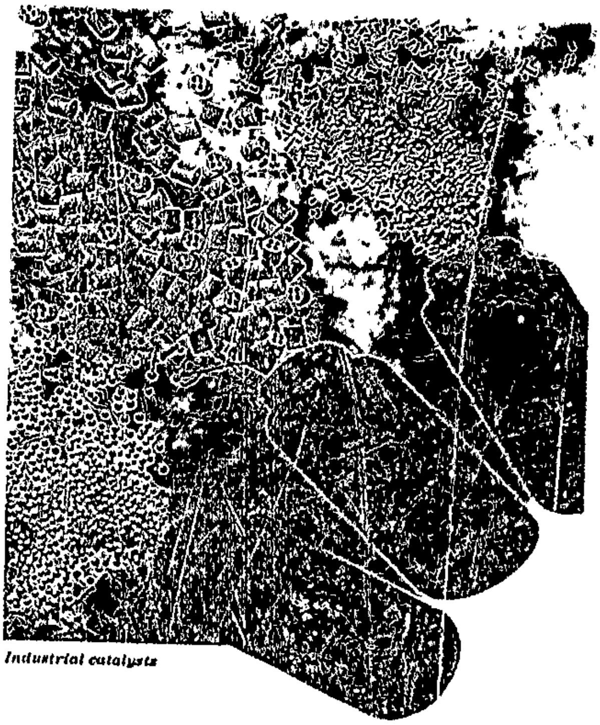
Also helping the environment is ICI's FM21 membrane-cell technology, a method of producing chlorine without using mercury. Two major US chlor-alkali producers were among the year's new customers.

New product launches included the 'Neocrest' range of polyester powder resins, fire-retardant chemicals, photocopier toner resins and a new generation of catalysts for the manufacture of methanol. The first licences were granted for ICI's Leading Concept Ammonia process technology.

Demand for PVC remained reasonably strong, but higher raw material costs, and rising imports later in the year affected European Vinyls Corporation's profits.

GENERAL CHEMICALS





Industrial catalysts

PETROCHEMICALS AND PLASTICS

ICI's petrochemicals and plastics range includes olefines, aromatics, pure terephthalic acid, ethylene oxide derivatives, 'Propathene' polypropylene, 'Melinar' PET resin and acrylics.

At the start of the year, profits from petrochemicals rose as demand outstripped supply. Later in the year they eased as products became more freely available and as higher crude-oil costs worked through the supply chain. In October, ICI's raffinate-sieving plant began production, allowing ICI to manufacture lead-free petrol and improving the feed quality to the ethylene cracker.

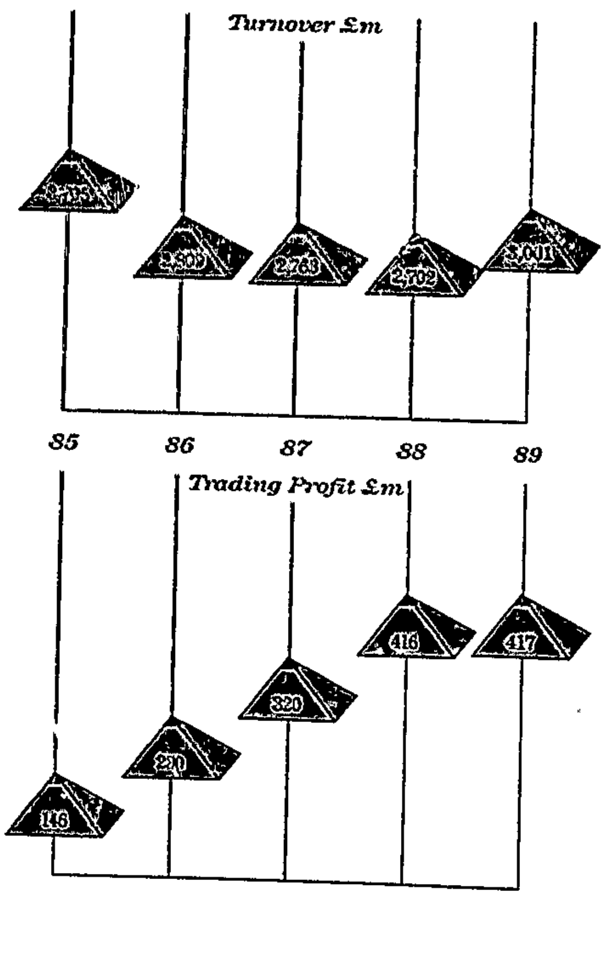
There was growing demand for pure terephthalic acid (PTA). To improve the supply, especially to the fast-expanding markets of Asia Pacific, a new £150 million PTA plant was approved for Taiwan. In Thailand, ICI has set up a PTA-producing joint venture with the Thai government.

Sales of chemical products were helped by stronger demand for ethylene oxide, phenol and amines. Projects announced during the year include the expansion of amines, anionic surfactants and synthetic lubricants, and the upgrading of ICI's alcohols-manufacturing technology.

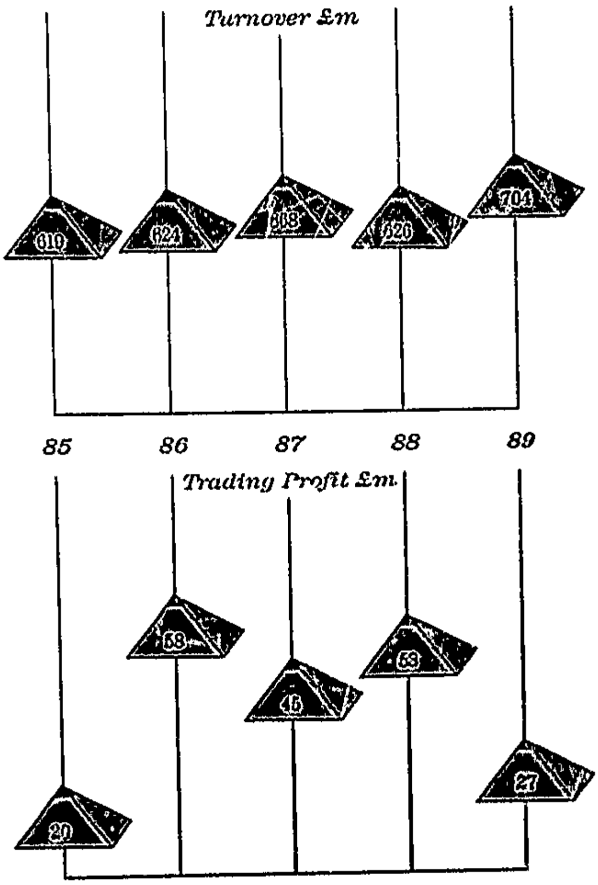
The acrylics business continued to expand. The acquisition in the USA of K-S-H, Inc provides a strong base from which to advance the business in North America. In the UK, a new acrylic dispersion plant was brought on stream to support the rapidly-expanding businesses of 'Asterite' acrylic dispersion and 'Avron' acrylic composite. ICI increased its spending on acrylics research and announced plans for major expenditure on acid-recovery systems – part of its strategy of constantly improving its environmental performance.

Polypropylene continues to be the fastest growing major thermoplastic. In the face of increasing competition, however, prices weakened and higher feedstock costs could not be fully recovered. To improve its cost-effectiveness, ICI expanded its modern gas-phase polypropylene plants and announced the closure of its older diluent plants.

PETROCHEMICALS AND PLASTICS



FIBRES



FIBRES

ICI Fibres is Europe's largest producer of polyamide (nylon) fibre. It comprises three main fibres businesses – specialized apparel, carpet and technical products.

With the nylon market at its most buoyant for ten years, ICI Fibres sales increased by 12 per cent with notable progress in weaving, hosiery, carpet and performance fibres. However, the year also saw rises in raw material costs, not all of which could be passed on. Profits declined as a result.

A stream of new products is helping key customers in Europe and North America to become more competitive. Customers increasingly share in the specification and development of new fibres.

Use of the latest technology has improved cost-efficiency and made possible the development of new products for the 1990s. An example is the innovative clothing fibre, 'Tactel', which in 1989 increased its market penetration.

1989 saw the divestment of several peripheral businesses including polyester industrial yarns and linear composites. In Spain, a high-growth market for polyamide, ICI acquired its partner's interests in Nurel SA.

INDUSTRIAL EXPLOSIVES

ICI Explosives is the world's largest supplier of industrial explosives and accessories, serving mainly the mining, quarrying, construction and seismic-exploration industries.

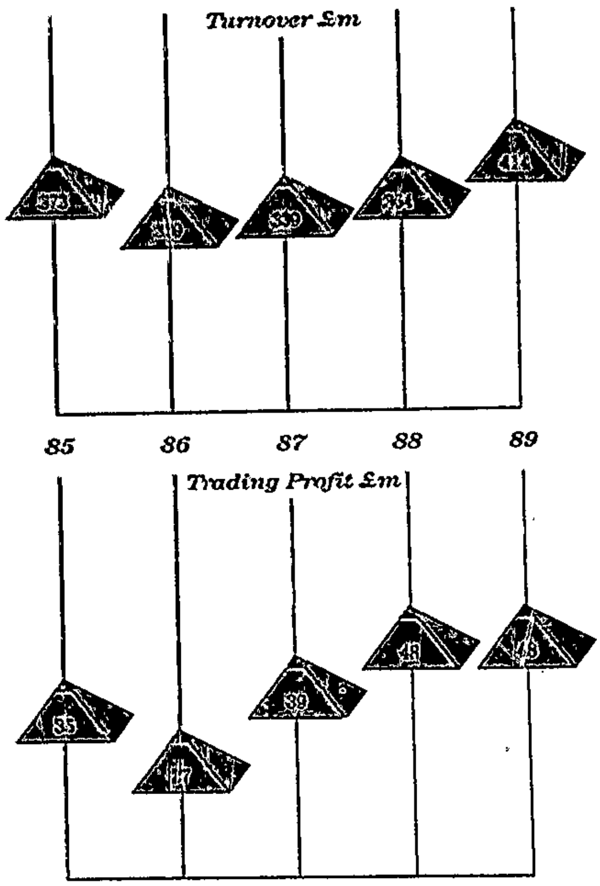
1989 was ICI Explosives' first full year as an ICI international business. Group sales finished 14 per cent above 1988 levels.

Demand was exceptionally strong in the Australian coal- and gold-mining industries, while ammonium nitrate, TNT and sodium azide achieved strong sales in Canada. Sales in India were held back by a lengthy strike.

ICI Explosives intends to achieve a strong presence in the USA. To this end, ICI has agreed in principle to buy the US explosives manufacturer, Atlas Powder Co.

In 1989, ICI gained a patent on 'Exel', an advanced type of signal tube, and will soon be marketing the product worldwide.

INDUSTRIAL EXPLOSIVES

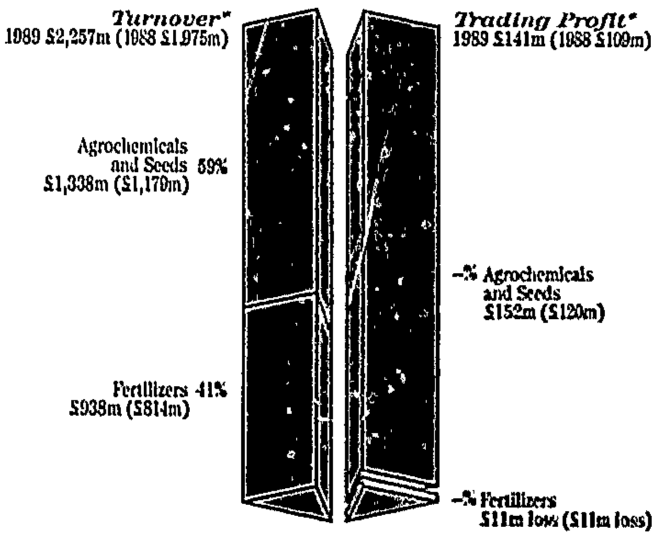


AGRICULTURE

The ICI Group serves agriculture worldwide through its Agrochemicals business (one of the world's largest), its Seeds business and the manufacture and sale of fertilizers. Owing to seasonal factors, sales and profits of agricultural products are usually much greater in the first half of the year.

1989 was a good year for ICI Agrochemicals with sales and profits up significantly.

AGRICULTURE



**Total excludes sales and profits within the Agriculture segment*

AGROCHEMICALS

ICI Agrochemicals helps farmers feed the world.

In 1989 the business maintained its position as an industry leader. New products developed strongly, while several established lines continued to hold leading market positions. Examples are the pyrethroid insecticides, 'Ambush'/'Cymbush'/'Karate', and the aphicide, 'Aphox'/'Pirimor', which, although nearly 25 years old, has environmental qualities which are increasingly appreciated.

US results were outstanding. Good marketing and a strong product range enabled ICI Agrochemicals to take advantage of increased demand following the 1988 drought and to raise its market share. The year also saw the launch of a new range of products for the important corn-rootworm market in the USA.

In Europe, the summer drought affected sales but performance overall was satisfactory. New herbicides and a fungicide were launched. ICI increased its share of the depressed Eastern European market.

The business also did well in Japan and Brazil. Elsewhere, sales in some tropical markets were badly affected by falling prices for coffee and cocoa.

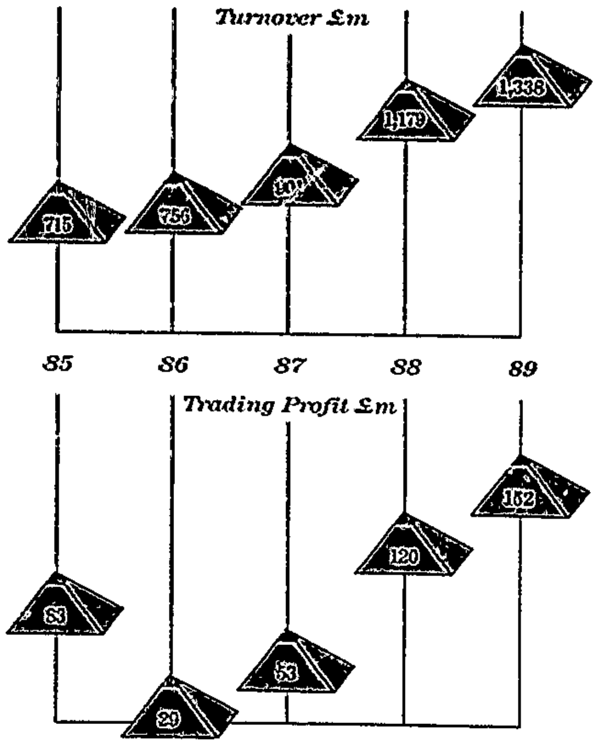
Safe and proper use of products continues to be a priority and the business is increasing its efforts to this end throughout the world.

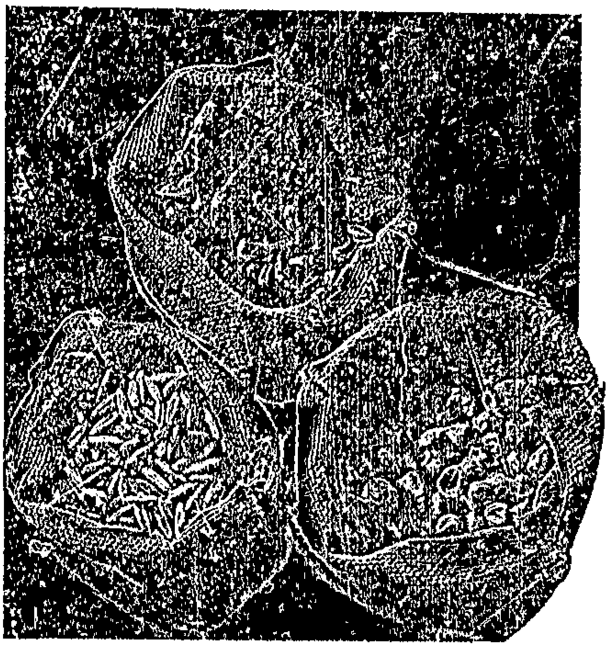
SEEDS

ICI Seeds was formed in 1985 to apply ICI's bioscience skills to plant breeding. Its aim is to develop crops with useful new characteristics – for example, better yield and quality, controlled ripening and higher resistance to disease. In so doing it offers enormous potential benefits to farmers, processors and consumers, as well as contributing to the care of the environment.

The major development for ICI Seeds in 1989 was the purchase and successful integration of the ContiSeed Division of Continental Grain Company, a US-based company with significant market shares in the

AGROCHEMICALS AND SEEDS





Seeds for better crops

southern hemisphere. ContiSeed is also at the forefront in the development of oilseed rape hybrids. As well as providing an excellent fit with existing businesses, the acquisition enables ICI Seeds both to expand territorially and to broaden its range of crops.

Established ICI Seeds businesses performed well. In the USA, marketing efforts were rewarded with an increased market share. Worldwide, a number of new products were introduced, many of them setting new standards for yield and quality.

ICI Seeds continues to maintain its competitive edge in bioscience research. Gene-mapping technology, for example, is having a dramatic impact on the efficiency of the maize-breeding programme and is now being applied to other crops.

ICI Seeds aims to achieve a strong global position in major hybrid field crops. It will also use its bioscience skills to exploit opportunities in related, downstream industries.

FERTILIZERS

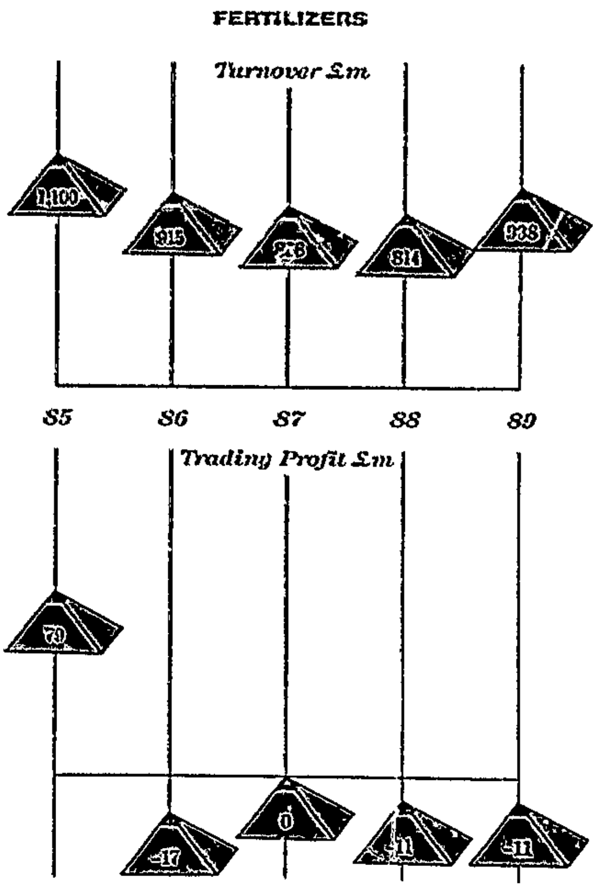
This business supplies fertilizers and related products and services to agricultural customers in the UK, Australia, Canada, India and Malaysia.

In the UK the fertilizer market continued to suffer from declining demand, the result both of environmental pressures and of action to cut agricultural surpluses. In 1989, sales in the UK were also hit by the drought and a high level of imports. Trading conditions were also difficult in other parts of the world.

Against this background, ICI benefited from the cost-cutting programme announced in 1988. Nevertheless, by autumn 1989, it was clear that further streamlining of UK fertilizer production was necessary. More plant closures were announced and further steps taken to run the remaining operations at maximum efficiency. The distributor network was streamlined.

Products continue to be tailored to specific customer needs. Examples this year include a new range of nitrogen-free autumn compounds and an extra-durable grass surface – 'Techturf' – suitable for football pitches and golf courses.

In line with ICI's environmental strategy, the Fertilizers business in 1989 committed further resources to environmental research and the development of environment-friendly products and services.



GEOGRAPHIC AREAS

EUROPE

ICI in the ***UK*** recorded another strong export performance during the year, with 54 per cent of total UK production being sold overseas. Profits suffered, however, largely because of unrecovered increases in raw material costs in the fibres business and the weak performance of UK paints.

The UK is a major market in its own right, home to most of ICI's shareholders and the heartland of the Group's research effort. Its importance in this respect was underlined in 1989 with new facilities at the Environmental Sciences Unit at Jealott's Hill and the opening of a £7.5 million extension at the Wilton Materials Research Centre.

The Group benefited from strong economic growth in ***Continental Western Europe*** with sales, in sterling terms, increasing by eight per cent. Profits, however, were down – the result, mainly, of higher crude oil and feedstock costs in the plastics business. ICI's European network continues to be strengthened and greater use of information technology is making the sales operation more efficient. The quality improvement process in operation at all major plants and in all national companies is helping the drive towards greater efficiency and better customer service.

Staff recruitment and training have been strengthened in response to the growing competition for high-calibre personnel. Meanwhile, a comprehensive corporate-image campaign continues to boost ICI's image in the major European countries.

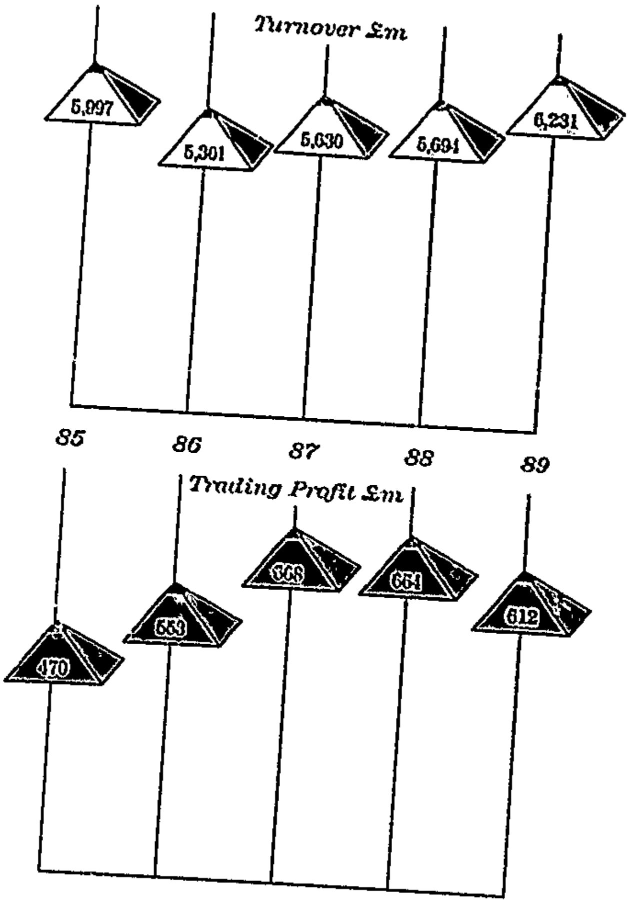
As part of a general move towards higher added-value products, the first European plant for high-performance composites was commissioned in West Germany.

ICI Chemicals & Polymers achieved profits of £560 million on total sales of £4,672 million.

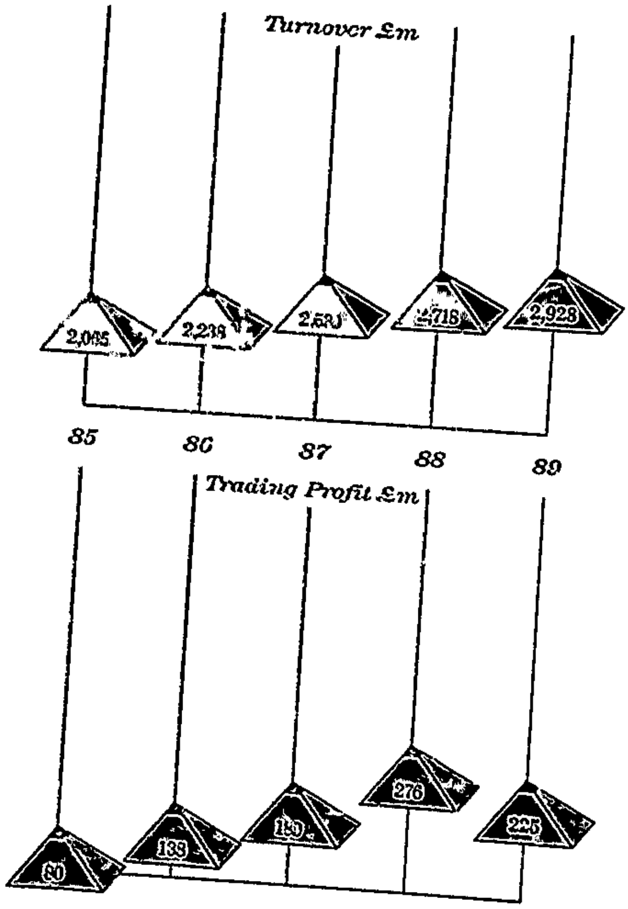
With its long-standing presence in Europe and its vigorous expansion there in recent years, ICI is already well prepared for 1992

TURNOVER AND TRADING PROFIT OF GROUP COMPANIES LOCATED IN PRINCIPAL GEOGRAPHIC AREAS

UNITED KINGDOM



CONTINENTAL EUROPE



and the Single Market.

Sales volume in ***Eastern Europe*** was slightly down on 1988 – almost entirely the result of Romania's decision not to import agrochemicals and of changes in the USSR's purchasing methods. ICI Paints and LNPO Pigment have agreed to set up an engineering and marketing centre in Leningrad, ICI's first joint venture in the USSR.

ICI is closely following events in Eastern Europe. As state monopolies loosen their control, the Group is well placed to take advantage of new opportunities. It now has offices in all Eastern European countries except Albania. A corporate counter-purchase unit has been set up in Geneva and further joint marketing ventures are being explored.

THE AMERICAS

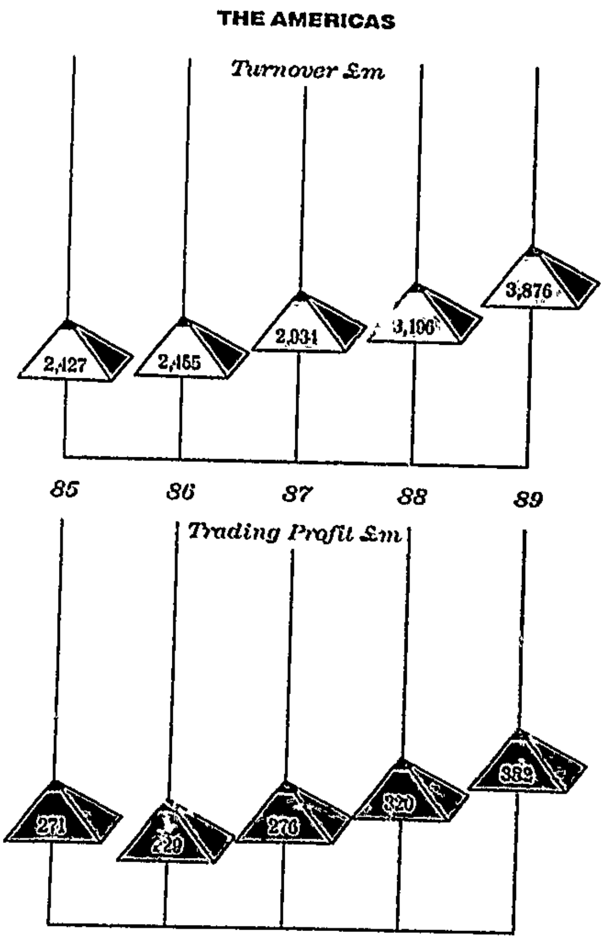
In the *USA*, despite a slowdown in the economy, overall sales were up by 13 per cent.

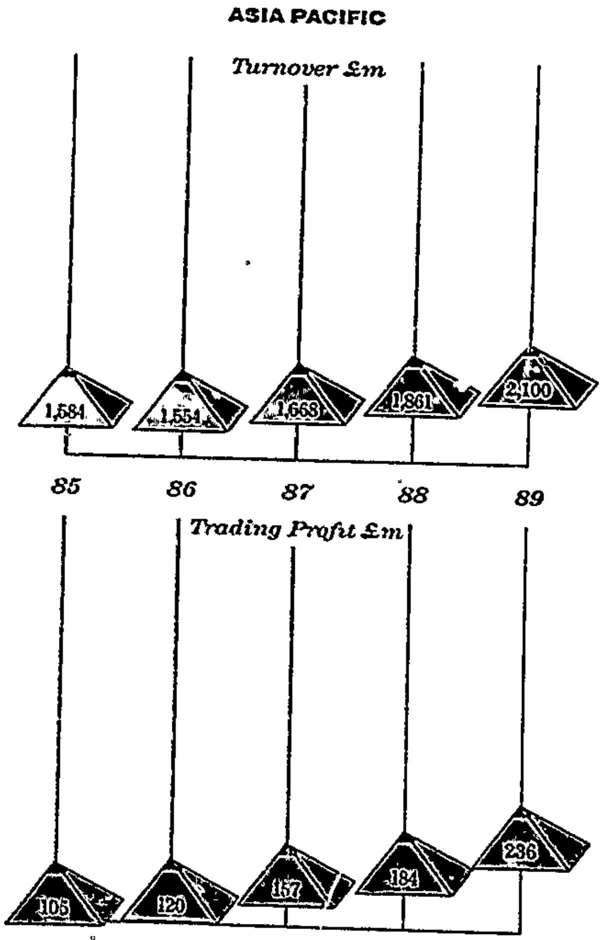
The final phase of the assimilation of Stauffer's agrochemical interests and the concentration of research at Richmond, California, were accompanied by strong growth in agrochemical sales. At the same time, the success of 'Zestril' for the treatment of hypertension and heart failure contributed to rising sales for ICI Pharmaceuticals. Over-the-counter pharmaceuticals were divested, and the Group announced its decision to discontinue its electronic components business.

The Group strengthened its US presence by acquiring K-S-H, Inc, an acrylics business, while expansion of the Hopewell line enabled it to meet growing demand for polyester films. New production capacity helped ICI Polyurethanes to increase its market share.

GROUP SALES TO EXTERNAL CUSTOMERS

United Kingdom	22%
Continental Europe	25%
The Americas	29%
Asia Pacific	18%
Other countries	6%





The year's developments include investment in the volume production of initiators for automotive safety air-bags, and plans for a plant to manufacture a new ozone-friendly fluorocarbon.

C-I-L Inc, ICI's wholly-owned subsidiary in *Canada*, underwent further restructuring in line with the Group's international strategies. Plastics, Sulphur Products and other smaller regional businesses were divested. A change of name – to ICI Canada Inc – is planned for mid-1990.

Within Canada, chlor-alkali, automotive paints and explosives all did well. However, sales of decorative paints suffered and the collapse of ammonia prices in North America depressed returns from fertilizers. To make itself more competitive, C-I-L's fertilizer business began a major restructuring programme and shut down one of its two ammonia plants. ICI Biological Products established a research foothold in North America by locating research and development staff in the C-I-L Research Centre.

The Group enjoyed strong sales growth this year in *Latin America*, despite the prevailing economic difficulties. The main lines continue to be effect products, with agrochemicals the biggest followed by dyestuffs, explosives and specialty chemicals.

The acquisition of ContiSeed has provided major hybrid seeds companies in Argentina and Brazil and sales operations in Venezuela and Chile. Stahl acquired the Brazilian leather-treatment company, Toki-Ibis Química SA, and opened a new plant at Toluca in Mexico. In Chile, an explosives joint venture has been formed.

ASIA PACIFIC

ICI continues to expand in this increasingly-important part of the world. The process was helped in 1989 by the setting up of a new regional organization.

Both as a market and as a base for research and manufacture, *Japan* remains important to ICI's success in the area. In line with the Group's growth plan, work began on constructing the new 'Melinex' polyester film plant at Tamatsukuri. In addition, both the Japan Technical Centre and the Japan Agricultural Research Station are being extended. Sales of pharmaceutical products continue to grow, especially the beta-blocker, 'Tenormin', and the anti-cancer product, 'Nolvadex'.

In *Thailand*, the government has given approval for a major new investment in pure terephthalic acid (PTA), of which ICI will own 40 per cent. In recognition of the country's growing strategic importance, the Group formed ICI (Thailand) Ltd during the year and opened a Bangkok office. In *Malaysia*, an ammonia import terminal was completed to support the manufacture of fertilizers.

In *Taiwan*, approval was given for the construction of a wholly-owned PTA plant – the largest single fixed capital investment by ICI for a decade. In the same country, ICI Polyurethanes opened a new technical centre and raised its manufacturing capacity to help meet Asia Pacific's growing demand for polyurethane systems. A dispute with local fishermen over the disposal of waste caused a shutdown at Kaohsiung Monomer Company Ltd: however, the completion of a new acid-recovery plant in 1990 will make further disposal unnecessary and should resolve the problem.

Meanwhile, agreement was reached with the Swire Group in Hong Kong for a paints joint venture that will eventually give ICI its first manufacturing presence in the *People's Republic of China*.

In *Australasia*, demand for most products was firm with ICI Explosives and ICI Paints doing particularly well. However, wet weather in eastern Australia affected demand for fertilizers. This, together with industrial disputes, some production problems and the disposal of the animal health and soda ash businesses, limited sales growth to five per cent. Profits grew by 20 per cent, helped by gains from the sale of assets and businesses.

During the year, ICI Australia authorized new capital projects totalling A$340 million, the largest being a A$100 million plant at Botany to produce linear low-density polyethylene.

New initiatives include research into the biological control of insects and the use by the motor industry of advanced ceramics to reduce pollution from exhausts.

In *New Zealand,* low consumer spending plus the costs of restructuring produced a trading loss. However, the purchase by ICI Australia Ltd of the 25 per cent minority shareholding to make ICI New Zealand Ltd its wholly-owned subsidiary will strengthen both companies and enable a more co-ordinated approach to markets in the region. A return to profitability is expected as the economy recovers.

OTHER TERRITORIES

In *India,* ICI's 51 per cent-owned subsidiary, IEL Ltd, changed its name to ICI India Limited, signalling the Group's commitment to the Indian market. Sales overall were well up, helped by strong growth in the Indian economy. Trading profits in most areas were ahead of last year.

In polyester fibres, a new staple plant was commissioned during the year. Trading, however, was disappointing – a consequence of steep raw material price rises and a local monopoly on supplies.

With the successful launch of the beta-blocker, 'Tenormin', and the commissioning of a new specialty chemicals plant, ICI India Ltd is steadily expanding its effect-chemicals businesses.

In *Pakistan,* polyester fibre capacity has been increased by 50 per cent, while a 30 per cent increase in soda ash production is planned by 1992.

The end of hostilities between Iraq and Iran contributed to an increase in exports to the *Middle East.*

General chemicals remain the largest part of ICI's exports to *Africa.* That said, the continent's need for better food production will mean continued and possibly growing demand for agrochemicals.

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 EEC Code of Conduct is available on request.

FINANCIAL PERFORMANCE

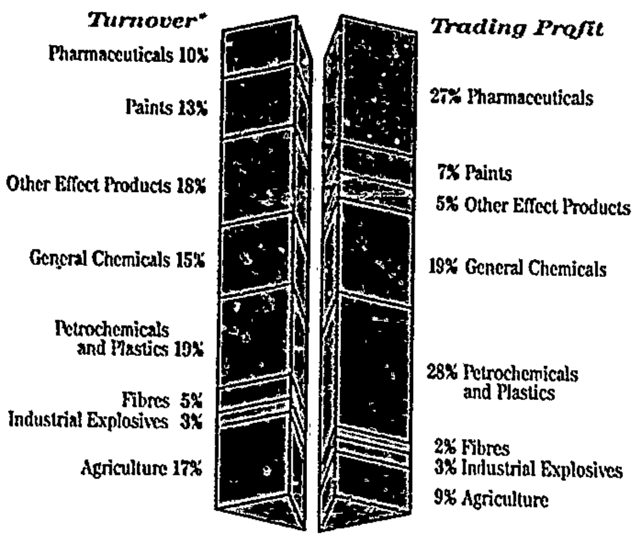
TURNOVER

The Group's turnover from trading operations in 1989 was £13.2 billion, an increase of 13 per cent on the 1988 figure of £11.7 billion. Sales showed an improvement on 1988 levels in all major territories, particularly the Americas, due to favourable exchange effects and a strong advance in Pharmaceuticals and Agrochemicals. In Sterling terms, sales increased by eight per cent in the UK and nine per cent in Continental Europe, with the Americas showing an increase of 20 per cent and Asia Pacific 14 per cent.

The volume of ICI sales grew by three per cent, notably in Pharmaceuticals and Agrochemicals. Selling prices in local currencies improved on average by five per cent and changes in exchange rates, particularly the weakening of Sterling against the US Dollar and the Australian Dollar, increased the Sterling value of sales by a further five per cent.

The relative size of each of the businesses in 1989 in terms of turnover and trading profit is shown in the chart below.

1989 TURNOVER* AND TRADING PROFIT BY BUSINESS SECTOR



**Group external sales*

PROFITS

Group profits from trading operations amounted to £1,467m, close to the £1,470m achieved in 1988. Group profit on ordinary activities before taxation was £1,527m (£1,470m in 1988). This included £279m pre-tax profits for related companies compared with £162m in 1988, reflecting a continuing strong performance across the range of the Group's interests and including gains on disposals of investments in Canada. (Further details of related companies are given on page 37.) Net interest payable rose from £162m in 1988 to £219m due to an increase during 1989 in bank and short-term borrowings and higher interest rates.

The charge for taxation was £531m (£540m in 1988) representing 35 per cent of profit before tax. The charge comprised £182m of UK taxation, £272m of overseas taxation and £77m of taxation on related companies.

Earnings for Ordinary shareholders were £930m before an extraordinary item, compared with £881m in 1988. Earnings per £1 Ordinary Share were 135.0p (1988 129.7p). The extraordinary item of £127m relates to the gain on disposal of the over-the-counter pharmaceuticals business in the USA to Johnson & Johnson – Merck Consumer Pharmaceuticals Co.

The return on assets employed was 24.2 per cent compared with 26.7 per cent in 1988.

EMPLOYEES' PROFIT-SHARING SCHEME

The bonus earned by most UK employees is calculated according to a pre-determined scale based on the ratio of added-value to employee costs. The rate for 1989 is 8.3p per £1 of remuneration (at a total cost of £62m) compared with 9.2p (£63m) in 1988.

DIVIDEND

The Annual General Meeting will be asked to confirm a second interim Ordinary dividend of 34p per £1 Share as the final dividend for 1989, payable on 30 April 1990. Together with the first interim dividend of 21p per £1 Share paid on 2 October 1989, this makes a total Ordinary dividend of 55p for the year, an increase of 5p from 1988. The gross equivalent of this (including the related tax credit) at the current basic rate of income tax is 73p. The payment of these dividends requires £381m (1988 £341m), leaving £676m (1988 £496m) retained in the business.

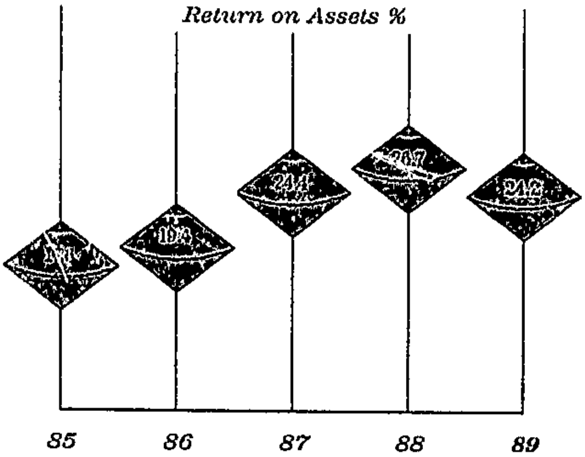
INVESTMENT

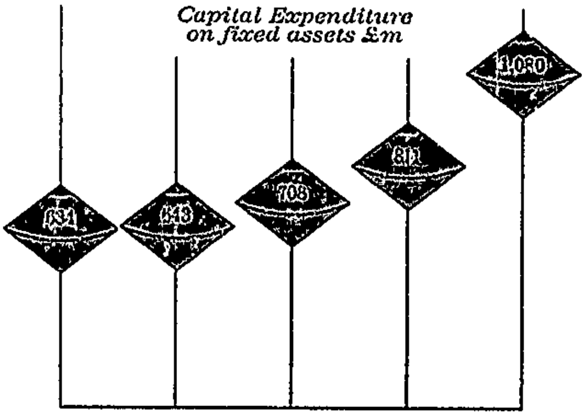
During 1989 the Group made a total of 22 acquisitions and 26 divestments as part of its continuing strategy to emphasize high added-value effect products and to improve its geographic coverage. Divestments included the disposal of the over-the-counter pharmaceuticals business in the USA, the sale of Plastics, Sulphur Products and other regional businesses in Canada (part of the restructuring in ICI's Canadian subsidiary C-I-L Inc) and the disposal of the investment in Coopers Animal Health Group. Examples of acquisitions include the purchase in the USA of the acrylics business, K-S-H, Inc, the acquisition of the US-based ContiSeed division of Continental Grain Company and the purchase of the polyurethanes business of C & J Clark International Ltd.

GROUP AUTHORIZATIONS AND EXPENDITURE ON FIXED ASSETS AND EXPENDITURE ON INVESTMENTS

	Authorized			Expenditure		
	1987 £m	1988 £m	1989 £m	1987 £m	1988 £m	1989 £m
Tangible fixed assets:						
United Kingdom	313	509	365	357	377	437
Continental Europe	136	96	123	77	102	112
The Americas	188	206	325	184	210	260
Other countries	112	271	408	90	122	271
	749	1,082	1,221	708	811	1,080
Total authorized but unspent at end of year				624	895	1,036
Expenditure on acquisitions and other new investments				544	265	373
Proceeds from disposal of tangible fixed assets and investments in subsidiaries and related companies				(140)	(194)	(640)*

**Includes an amount of £239m received on 2 January 1990 in respect of the disposal of ICI's over-the-counter pharmaceuticals business in the USA*





The Group also invested a further £146m by taking up its entitlement to a share issue by Enterprise Oil plc and maintaining its 25 per cent interest in that company.

Capital expenditure on tangible fixed assets was further increased in 1989. The emphasis continued on maintaining a strong UK base, and on developing effect businesses. Some capital projects were designed to increase capacity and increasing sums were spent on maintaining or improving safety, health and environmental performance. Major new projects authorized during the year included a pure terephthalic acid plant in Taiwan, polyols expansion in the USA, a linear low-density polyethylene plant in Australia, a plant in the UK for the production of alternative fluorocarbons and a large number of minor projects in the Consumer and Specialty products businesses.

The table on page 30 summarizes Group authorizations and expenditure on tangible fixed assets over the past three years. It also shows expenditure on acquisitions, other new investments and proceeds from disposals.

FINANCE

The Group's financial position remains robust, with £1,973m generated from operations compared with £1,860m last year. Interest and taxation paid during the year amounted to £814m, an increase of £189m on the previous year. This increase was mainly due to two payments of UK corporation tax falling into 1989 following the acceleration in payment dates under the Finance Act 1987. Sources of funds net of interest and taxation amounted to £1,159m (1988 £1,235m).

Expenditure on acquisitions and new investments amounted to £373m (1988 £265m) and £1,080m was spent on new tangible fixed assets (1988 £811m). Proceeds from the disposal of tangible fixed assets, subsidiaries and other investments amounted to £640m (1988 £194m). An extra £538m was required in 1989 as working capital (including £239m arising on the sale of the over-the-counter pharmaceuticals business in the USA, received in January 1990). This compared with an extra £77m in 1988. Dividend payments during the period amounted to £406m compared with £317m in 1988.

The net result of the above was to leave a requirement for finance of £598m which was met largely by an increase in short-term borrowings of £482m. The value of Ordinary Shares issued was £101m and cash, current asset investments and short-term deposits decreased by £73m to £383m at the year end. Net repayments of loans and movements on other external finance amounted to £58m.

Major new borrowings included the issue of two Australian $100m Guaranteed Eurobonds repayable in 1992 (one issued at a price of $101\frac{3}{8}$ with an interest rate of 15 per cent and the other issued at a price of $101\frac{3}{8}$ with an interest rate of $15\frac{1}{2}$ per cent) and US$50m medium-term notes due 1994/2002 issued by a subsidiary.

ICI issued 11 million Ordinary Shares in 1989, of which six million related to Employees' Profit-Sharing and share option schemes and five million were issued on conversion of loan stock and the exercise of warrants. The total value of Ordinary Shares issued, including share premium, was £101m (1988 £65m).

ICI's financial strength continues to be reflected in its low level of loans as a proportion of assets employed and also in its interest cover which shows the ability to service debt. In 1989 net interest payable was covered eight times by profit on ordinary activities before tax and before deducting net interest payable.

PEOPLE

People are the Group's most valuable resource: ICI's competitive edge depends on their talents. Through its structure and ethos, and the training and opportunities it offers, ICI seeks to give its people in all parts of the world the chance to develop their full potential.

ICI employs 133,800 people worldwide. Of this total, 41 per cent are in the UK, 26 per cent in the Americas, 12 per cent in Continental Europe, 12 per cent in Asia Pacific and 9 per cent in other countries.

High priority is given to individual training and development and the Group continues to improve the practice of its equal opportunities policy. While personnel policy is determined nationally, the Group nevertheless encourages the exchange of best practice across business and national boundaries.

Recruitment becomes more important as demographic change in OECD countries leads to greater competition from other employers. To help it attract the best young people throughout the world, the Group has introduced a scheme that provides five-year individual development programmes for newly recruited graduates.

In a group as complex, interrelated and widespread as ICI, it is important that senior managers have a clear understanding of ICI Group strategy and as much experience as possible of how the business operates worldwide. In 1989, 265 senior managers from 21 countries attended strategy conferences with ICI Directors and other senior executives and 849 staff were working outside their own country. As well as creating a valuable cross-flow of ideas and personal links, this interchange of talented people helps to give the next generation of senior executives the breadth of experience th , vill need to assume responsible positions i. .ne ICI of tomorrow.

SAFETY, HEALTH AND THE ENVIRONMENT

The Group recognizes that business success depends on caring for the environment and on vigilant concern for the health and safety of its employees, its customers and the public. In 1989, ICI's total expenditure on safety, health and the environment was £600 million.

SAFETY With major safety initiatives being undertaken by every business and territory, the year saw further improvements in the Group's safety record. The number of lost-time accidents was 25 per cent down on 1988.

Nevertheless, the Group regrets to report the deaths of two staff in a plant accident at Billingham, UK, and of a public-service fireman at Peterborough, UK, in an incident involving an ICI Explosives van. Three ICI staff died in car accidents while on company business.

Across the world, ICI senior executives are heavily involved in the chemical industry's efforts to raise its standards, while Group safety experts are frequently called upon by governments to help with training and education. Projects during 1989 included the co-sponsoring of safety videos for developing countries.

HEALTH ICI is constantly improving its health-protection programme for employees and customers. The last two years have seen the strengthening of occupational health departments in businesses and regional companies and the introduction of consistent standards throughout the Group.

Occupational health has become an integral part of ICI's management training, while advanced information systems allow speedy communication on health matters with employees, customers and government departments. All parts of the Group continue to benefit from ICI's investment in toxicology, notably at its Central Toxicology Laboratory in the UK.

THE ENVIRONMENT ICI's policy is constantly to improve its environmental performance. This involves managing its activities so that they are acceptable to the community, adopting best practice to keep adverse effects on the environment to a practical minimum, and co-operating fully with relevant authorities to ensure that legal obligations are met.

The Group's reporting mechanisms enable it to track environmental performance and each site has developed improvement plans. Progress against these plans is regularly monitored.

The 'greening' of world markets creates new needs that the Group is well placed to meet. Recent developments include water-borne resins, CFC replacements and FM21 technology for producing chlorine without using mercury.

A £3 million extension to ICI's environmental laboratory at Brixham, UK, is due to open in 1990: the laboratory itself continues to advise governments and industry and to build up an international reputation.

On Teesside, UK, ICI has helped set up a new advisory service for developers under the auspices of the Nature Conservancy Council. In Brazil, it has co-sponsored a study of one of the country's most important ecological sanctuaries – Maracá Island on the Uraricoera River.

ICI continues to incur substantial expenditure on minimizing the discharge of materials into the environment and to comply with laws and regulations relating to the protection of the environment. It is also involved in various stages of investigation and clean-up of old waste disposal and other sites, principally in the USA. Wherever appropriate, ICI continues to provide for anticipated future costs where these can be reasonably estimated. The costs involved and their effect on future operations are difficult to predict. The expense and effectiveness of alternative remedial technologies, the extent of the pollution, the interpretation of complex regulations and the degree to which ICI itself is involved all affect future liabilities.

ICI believes that its financial position and competitiveness will not be materially affected by the fulfilment of its environmental responsibilities.

ICI IN THE COMMUNITY

ICI is committed to the local communities of which it is a part and seeks to contribute accordingly. Responsibility for putting this commitment into practice belongs to local managers who are best placed to judge a community's needs.

In 1989, ICI businesses around the world helped their local communities in innumerable ways. The following are just a few examples.

ICI Americas contributed money to the earthquake disaster-relief fund in California and airlifted a shipment of rodenticide to Puerto Rico in the aftermath of Hurricane Hugo.

In Armenia, ICI Agrochemicals and ICI Paints contributed products to the recovery programme following the major earthquake.

In Calcutta, a factory site donated by ICI India Ltd to Mother Teresa's Missionaries of Charity Order is now used as a residential home for the poor and sick. ICI continues to contribute to its upkeep.

A group of employees at ICI Films in Wilmington, USA, has been organizing projects to help the homeless in the local area and has so far raised several thousand dollars.

A children's colouring competition organized by ICI Colours and Fine Chemicals drew 3,500 entries from all over the world and was won by an eight-year-old from Korea. The prize, a trip to Disney World, was awarded in October 1989 in the appropriate setting of the Louvre in Paris.

At the Louvre, ICI is sponsoring the restoration of Veronese's painting, 'The Wedding at Cana'.

In the UK, ICI is acting as consultant to the Department of Education and Science as it runs a series of 'taster' courses to give suitably qualified mature people the opportunity to decide whether they wish to pursue science teaching as a second career.

In the UK alone, ICI's expenditure on community projects and charitable donations in 1989 amounted to £3.6 million. Of this, £1.1 million was spent by local units, who also gave about 17,000 days of staff time. Charitable donations amounted to £2.7 million (£2.5 million in 1988).

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Sir Denys Henderson Aged 57. A Director since 1980 and Chairman since 1987. He has particular responsibility for Group Planning and Group Public Affairs and has overview responsibility for Group Identity and Marketing. He is also a non-executive director of Barclays PLC and the RTZ Corporation PLC.

F. Whiteley Aged 59. A Director since 1979 and Deputy Chairman since 1987. He is currently Group Personnel and Group Management Services Director and has Group overview responsibility for Engineering. He is also President of the UK Chemical Industries Association.

J. D. F. Barnes, CBE Aged 54. A Director since 1986, he is currently Business Director for the agrochemicals, explosives, colours and fine chemicals, pharmaceuticals and seeds businesses and Territorial Director for the Indian sub-continent and the Middle East. He is also a non-executive director of THORN EMI plc and British & Commonwealth Holdings PLC.

A. W. Clements Aged 61. A Director since 1979, he is currently Group Finance Director and Territorial Director for Africa. He is also a non-executive director of Cable and Wireless PLC, Trafalgar House PLC and Guinness Mahon Holdings plc.

P. Doyle Aged 51. A Director since January 1989, he is currently Group Research and Technology Director and Business Director for the biological products business.

R. C. Hampel Aged 57. A Director since 1985, he is currently Business Director for the paints and specialty chemicals businesses and Territorial Director for the Americas. He is also a non-executive director of British Aerospace PLC and the Commercial Union Assurance Company plc.

C. Hampson Aged 58. A Director since 1987, he is currently Business Director for the advanced materials business, Territorial Director for Asia Pacific (excluding Australasia) and Chairman of ICI Chemicals & Polymers Ltd. He has Group overview responsibility for safety, health and environment matters. He is also a non-executive director of Costain Group PLC and Hawker Siddeley PLC.

T. O. Hutchison Aged 59. A Director since 1985, he is currently Business Director for the films and polyurethanes businesses, Territorial Director for Continental Europe and Australasia and has Group overview responsibility for Productivity. He is also a non-executive director of Cadbury Schweppes plc, the Bank of Scotland and Enterprise Oil plc.

NON-EXECUTIVE DIRECTORS

Lord Chilver, FRS Aged 63. A Director since January 1990. He is Chairman of English China Clays P.L.C., Chairman of Milton Keynes Development Corporation, Chairman of the Universities Funding Council, a director of BASE International Holdings PLC and a director of Porton International plc.

Sir Alex Jarratt, CB Aged 66. A Director since 1975. He is Chairman of Smiths Industries Plc, a Deputy Chairman of Midland Bank plc and a Deputy Chairman of Prudential Corporation PLC.

W. G. L. L. Kiep Aged 64. A Director since 1982. He is Managing Partner of Gradmann & Holler, the West German insurance group, Chairman of the Supervisory Board of Glunz AG, a director of Marsh & McLennan Companies, New York, a director of the Bank of Montreal and a member of the Supervisory Board of Volkswagen A.G.

Sir Patrick Meaney Aged 64. A Director since 1981. He is Chairman of The Rank Organisation Plc, Chairman of A. Kershaw & Sons Plc, a Deputy Chairman of Midland Bank plc, and a director of MEPC plc.

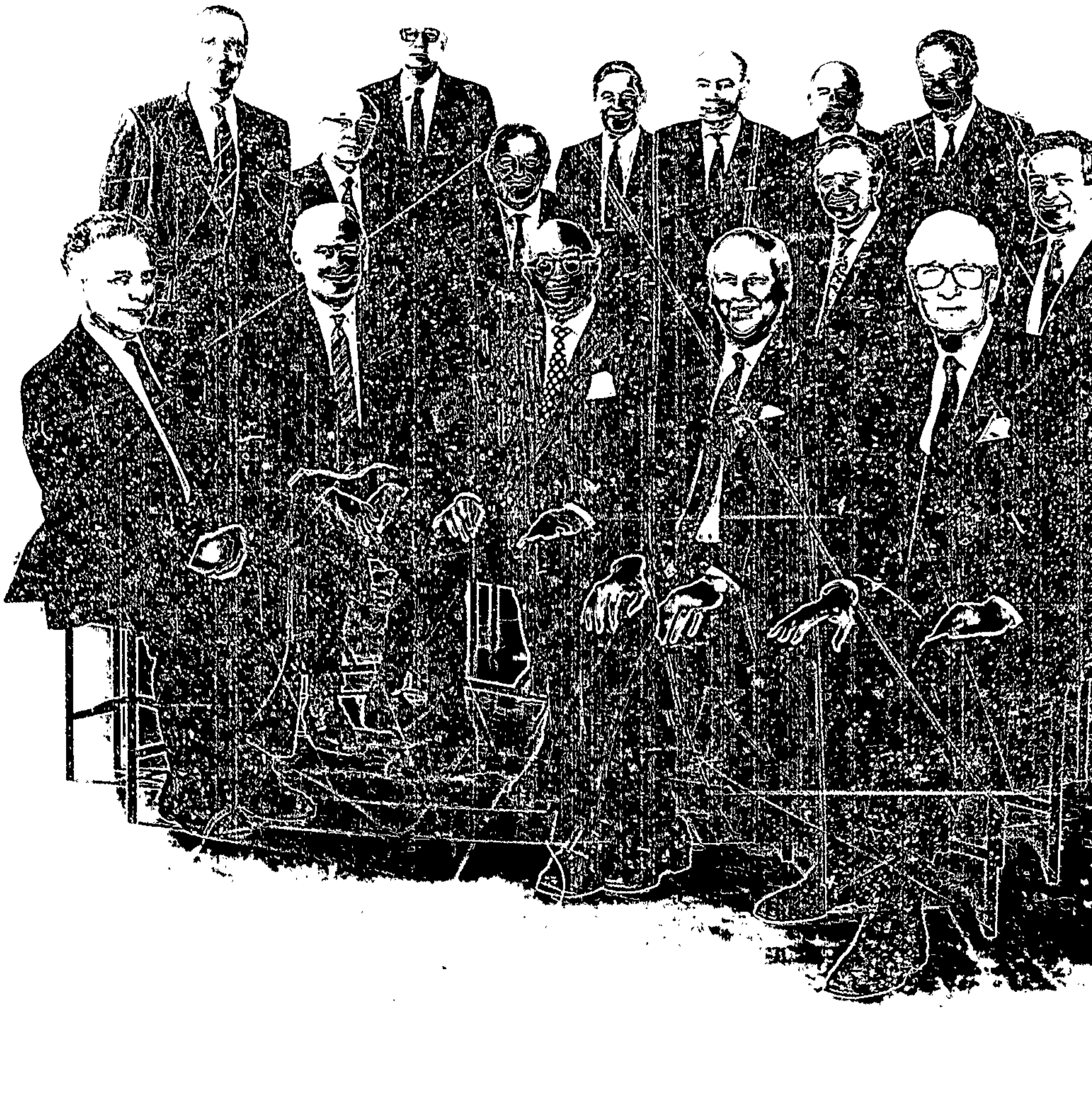
Sir Jeremy Morse, KCMG Aged 61. A Director since 1981. He is Chairman of Lloyds Bank Plc.

S. Saba Aged 71. A Director since 1985. He is Adviser to the Board of Toshiba Corporation. He is also a Vice Chairman of Keidanren (Japan Federation of Economic Organizations).

P. A. Volcker Aged 62. A Director since 1988. He is Chairman of James D. Wolfensohn Inc. and Professor of International Economic Policy at Princeton University. He is also a director of Nestlé S.A., The Prudential Insurance Company of America and of MBIA Inc.

T. H. Wyman Aged 60. A Director since 1986. He is also a director of American Telephone and Telegraph Company, General Motors Corporation, United Biscuits (Holdings) plc and S. G. Warburg Group plc.

Back row (left to right)	*Paul Volcker, David Barnes, Sir Jeremy Morse, Tom Hutchison, Tom Wyman*
Middle row (left to right)	*Chris Hampson, Shoichi Saba, Ronnie Hampel, Lord Chilver, Peter Doyle*
Front row (left to right)	*Frank Whiteley, Alan Clements, Sir Patrick Meaney, Sir Denys Henderson, Sir Alex Jarratt*
Absent	*Walther Kiep*



D. J. ROBARTS It is with deep regret that the Board record the death, on 26 August 1989, of Mr D. J. Robarts, who was a Non-Executive Director between 1952 and 1972.

BOARD MEMBERS The names of the Directors of the Company at the date of this Report are shown on page 34. With the exception of Lord Chilver, who was appointed a Non-Executive Director with effect from 1 January 1990, all served as Directors for the whole of the year. In addition, Sir Charles Reece was a Director for part of the year.

Lord Thomson retired from the Board on 31 December 1989, after 12 years as a Non-Executive Director. A former UK Government Minister and European Economic Community Commissioner, Lord Thomson's knowledge and experience were greatly valued, and his colleagues on the Board record their grateful appreciation of his warm friendship and wise counsel.

SIR DENYS HENDERSON It is with great pleasure that the Directors record the honour of Knighthood conferred on the Chairman in the Queen's Birthday Honours for 1989.

DIRECTORS RECOMMENDED FOR RE-ELECTION
Under Article 74, Lord Chilver retires, together with Mr J. D. F. Barnes, Mr A. W. Clements, Mr C. Hampson, Sir Patrick Meaney and Mr T. H. Wyman who retire under Article 92. All are recommended for re-election.

Mr J. D. F. Barnes, Mr A. W. Clements and Mr C. Hampson 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; the 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 stocks, shares and debentures of the Company and its subsidiaries is set out on page 60.

EMPLOYMENT IN THE UK

EMPLOYEE INVOLVEMENT ICI continued to develop an open management style which involves employees in frequent work-group discussions about day-to-day operations and the factors affecting each business. This 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.

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

In 1984, when approval was sought from shareholders for renewal of the share option schemes, it was stated that, in addition to limiting the number of Ordinary Shares to be made available for the schemes, it would be the Directors' intention to purchase shares in the market if, at the end of any three year period, the aggregate of the shares required for the employee share schemes during that period exceeded three per cent of the Company's issued equity.

At the end of the first three year period, there was such an excess but, as shareholders were advised in March 1988, the Directors were at that time satisfied that, over a longer period, there was unlikely to be an excess. On further review in 1989, the Directors concluded that there is likely to be a continuing excess and they have accordingly instructed the Trustees of the profit-sharing scheme to arrange for the purchase, during 1990, of up to 1.8 million Ordinary Shares to be utilized towards the shares requirement of the scheme in 1991.

EQUAL OPPORTUNITIES ICI recruits and promotes employees solely according to merit, the requirements of the job, and business needs. Policy and practice demand equal treatment for all, regardless of sex, marital status, race, nationality, ethnic or national origin, colour or religious beliefs.

The Company has further undertaken not to introduce any measures disproportionately affecting any of the above groups which cannot be shown to be necessary for satisfactory performance.

In 1989 34 per cent of graduates recruited direct from university were women, and we are pleased that the number of women managers and professional staff employed is increasing steadily.

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 realizing their full potential within the Company.

PENSIONS UK pensions were increased by 7.5 per cent from 1st November 1989 and a guarantee was given that pensions being paid would in future rise by 4.5 per cent or, if lower, the increase in the Retail Price Index. These improvements were financed by resources already provided within the Funds. The 1989 valuations of the UK Pension Funds showed they were satisfactorily solvent.

RELATED COMPANIES

Information on the four largest related companies is given below and details of ICI's investments in these companies are given on page 63.

AECI LTD AECI Ltd, the South African Group in which ICI has a 38 per cent interest, produces a wide range of general chemicals, plastics, vinyl products, paints, industrial explosives, fibres and fertilizers.

Sales by AECI were R4.8 billion in 1989 (1988 R4.1 billion) and net trading income was R604m (R473m). Earnings per ordinary share were 203 cents (165 cents).

ENTERPRISE OIL plc ICI has a 25 per cent interest in Enterprise Oil plc, a major UK independent oil and gas exploration and production company, operating mainly in the UK sector of the North Sea. During 1989, ICI paid £146m to take up its entitlement in respect of an issue of loan stock of Enterprise Finance 1989 PLC which was converted into new ordinary shares in Enterprise Oil plc. The share issue was to finance the purchase of exploration and production interests from Texas Eastern.

The Enterprise Group's operating profit more than doubled to £35m in the first half year of 1989, with after tax profit of £52m. This compared with an after tax profit of £43m in the same period in 1988; and of £73m for the whole of that year.

EUROPEAN VINYLS CORPORATION (HOLDINGS) BV European Vinyls Corporation (Holdings) BV (EVC) is jointly owned by ICI and EniMont SpA. The EVC Group is engaged in the manufacture and sale of vinyl chloride monomer (VCM), polyvinyl chloride (PVC) and fabricated PVC products. In 1989 EVC's sales increased by over 20 per cent, but profits declined due to higher raw material costs and rising imports.

TIOXIDE GROUP PLC Tioxide Group PLC, in which ICI has a 50 per cent interest, is the second largest manufacturer of titanium dioxide pigments in the world, the largest in Europe and also has substantial manufacturing operations in Canada, Australia and South Africa. The pigments are sold mainly to industrial companies and are used in the production of paints, plastics, paper, fibres, printing inks, flooring, rubber, vitreous enamel and cosmetics.

Tioxide enjoyed further success in 1989 when, demand remaining strong, it recorded turnover of £340m, and a pre-tax profit of £93m in the first half of the year, compared with £288m and £83m respectively in the same period in 1988; pre-tax profit for the whole of that year was £173m. During the year, the construction of a new pigment-manufacturing plant in Malaysia and the expansion of Tioxide's Huelva (Spain) factory were sanctioned, while work commenced upon the Group's £200m environmental programme, announced in 1988.

AUDITORS

On 1 January 1990, the Auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and, accordingly, they have signed their report in their new name. A resolution appointing KPMG Peat Marwick McLintock as Auditors of the Company and authorizing 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 1989, provided for in the Group accounts, amounted to £310,000 (1988 £301,000). The total figure for the Group was £4.1m (1988 £3.9m) 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.

SHAREHOLDERS

The following table analyses the holdings of £1 Ordinary Shares at the end of 1989:

Size of holding	Number of Ordinary shareholders' accounts	Amount £m
1-250	154,697	20
251-500	89,183	33
501-1,000	63,892	46
1,001-5,000	33,700	58
5,001-10,000	1,095	8
10,001-50,000	1,017	25
50,001-1,000,000	715	153
Over 1,000,000	89	351
All holdings	344,388	694

In addition to the number of registered shareholders shown, there are approximately 16,000 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 13 February 1990 (one month prior to the date of the Notice of Meeting) Morgan Guaranty Trust Company of New York had a non-beneficial interest in 75,646,956 Ordinary Shares of the Company (being 10.9 per cent of the issued Ordinary Share Capital), all of which was registered in the name of their nominee company, Guaranty Nominees Limited. At that date no other person held an interest in shares comprising five per cent or more of the issued Ordinary Share capital of the Company.

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

D J Allen

Imperial Chemical House
Millbank, London SW1P 3JF
5 March 1990

On behalf of the Board
D. J. Allen
Secretary

SENIOR EXECUTIVES

PRINCIPAL EXECUTIVE OFFICERS

ICI Advanced Materials	A. I. H. Pink
ICI Agrochemicals and ICI Seeds	A. Hayes
ICI Colours and Fine Chemicals	A. T. G. Rodgers
ICI Explosives	R. W. Clark
ICI Films	J. F. H. Park
ICI Paints	H. M. Scopes
ICI Pharmaceuticals	D. Friend
ICI Polyurethanes	A. E. Pedder
ICI Specialty Chemicals	K. M. Naprstek

GENERAL MANAGERS

Secretary	D. J. Allen
Finance	P. G. Rogerson
Group Solicitor	V. O. White
Planning	J. T. Harrison
Personnel	R. J. Margetts
Insurance and Investments	B. C. Hines
External Relations	J. D. Rushton

CHIEF EXECUTIVES OF MAJOR SUBSIDIARY COMPANIES

ICI Chemicals & Polymers Ltd	R. I. Lindsell, CBE
ICI Americas Inc.	B. H. Lochtenberg
ICI Australia Ltd	C. M. Deeley
C-I-L Inc.	J. G. Spence
ICI India Ltd	P. E. G. Daubeney

REGIONAL EXECUTIVE OFFICER

Asia Pacific	W. F. Madden

REGISTERED OFFICE

Imperial Chemical House, Millbank, London SW1P 3JF
Telephone: (01) 834 4444; from 6 May 1990 (071) 834 4444

REGISTRAR AND TRANSFER OFFICE

B. P. Mould, MBE, PO Box 251, Wexham Road, Slough SL2 5DP
Telephone: (0753) 31151

AUDITORS

KPMG Peat Marwick McLintock, 1 Puddle Dock,
Blackfriars, London EC4V 3PD

ACCOUNTS

CONTENTS

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1989	*Notes*	1989 £m	1988 £m
Turnover		13,171	11,699
Operating costs	3	(11,884)	(10,412)
Other operating income	3	180	183
Trading profit	3	1,467	1,470
Share of profits less losses of related companies	4	279	162
Net interest payable	5	(219)	(162)
Profit on ordinary activities before taxation		1,527	1,470
Tax on profit on ordinary activities	6	(531)	(540)
Profit on ordinary activities after taxation		996	930
Attributable to minorities		(66)	(49)
Net profit attributable to parent company		930	881
Extraordinary item	8	127	(44)
Net profit for the financial year		1,05[illegible]	837
Dividends	9	(381)	(341)
Profit retained for year		676	496
Earnings before extraordinary item per £1 Ordinary Share	10	135.0p	129.7p

GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY

	Note	1989 £m	1988 £m
At beginning of year		3,242	2,769
Profit retained for year			
Company		25	170
Subsidiaries		621	260
Related companies		30	66
		676	496
Amounts taken direct to reserves		402	(23)
At end of year	11	4,320	3,242

Figures in brackets represent deductions; £m means millions of pounds sterling.

BALANCE SHEETS

At 31 December 1989	Notes	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
ASSETS EMPLOYED					
Fixed assets					
Tangible assets	12	4,856	4,092	999	840
Investments:					
Subsidiaries	13			4,375	3,916
Related and other companies	14	767	524	223	123
		5,623	4,616	5,597	4,879
Current assets					
Stocks	15	2,380	2,004	421	373
Debtors	16	2,885	2,324	702	456
Investments and short-term deposits	17	250	296	18	18
Cash	17	133	160	20	10
		5,648	4,784	1,161	857
Total assets		11,271	9,400	6,758	5,736
Creditors due within one year					
Short-term borrowings	18	(771)	(289)	(48)	(12)
Current instalments of loans	22	(109)	(50)		
Other creditors	19	(2,738)	(2,671)	(1,855)	(1,229)
		(3,618)	(3,010)	(1,903)	(1,241)
Net current assets (liabilities)		2,030	1,774	(742)	(384)
Total assets less current liabilities		7,653	6,390	4,855	4,495
FINANCED BY					
Creditors due after more than one year					
Loans	22	1,627	1,627	574	653
Other creditors	19	86	137	540	535
		1,713	1,764	1,114	1,188
Provisions for liabilities and charges	20	497	282	(38)	(49)
Deferred income: Grants not yet credited to profit		94	115	8	10
Minority interests		335	304		
Capital and reserves attributable to parent company					
Called-up share capital	21	694	683	694	683
Reserves					
Share premium account		384	294	384	294
Revaluation reserve		56	61		
Other reserves		486	289	768	432
Profit and loss account		3,096	2,368	1,925	1,937
Related companies' reserves		298	230		
Total reserves	11	4,320	3,242	3,077	2,663
Total capital and reserves attributable to parent company		5,014	3,925	3,771	3,346
		7,653	6,390	4,855	4,495

The accounts on pages 40 to 63 were approved by the Board of Directors on 5 March 1990 and were signed on its behalf by:

Sir Denys Henderson *Director*
A. W. Clements *Director*
P. G. Rogerson *General Manager – Finance*

STATEMENT OF SOURCES AND APPLICATIONS OF GROUP FUNDS

For the year ended 31 December 1989	Notes	1989 £m	1988 £m
SOURCES			
Funds generated from operations			
Trading profit		1,467	1,470
Depreciation		536	484
Government grants credited to profit, less received		(22)	(20)
Dividends from related companies		135	77
Extraordinary charge		—	(52)
Miscellaneous items, including exchange		(143)	(99)
		1,973	1,860
Less: interest and taxation paid during year			
Interest (net)		(221)	(166)
Taxation		(593)	(459)
Sources net of interest and taxation		1,159	1,235
APPLICATIONS			
Dividends paid during year			
Parent company		364	291
Subsidiaries to minority shareholders		42	26
		406	317
Fixed assets			
Tangible assets		1,080	811
Disposals of tangible assets		(61)	(45)
Acquisitions and new investments	24	373	265
Disposals of subsidiaries and related company investments	24	(579)	(149)
		813	882
Working capital changes			
Stocks increase		219	136
Debtors increase		†450	108
Creditors increase (excluding dividends, interest and taxation)		(131)	(167)
		538	77
Total applications		1,757	1,276
Deficit		(598)	(41)
FINANCED BY			
Issues of ICI Ordinary Shares		101	65
Movement in other external finance		(5)	(36)
Decrease in loans (1988 increase)		(53)	92
Increase in short-term borrowings (1988 decrease)	*	482	(270)
Decrease in cash, current asset investments and short-term deposits	*	73	190
		598	41

†Includes an amount of £239m received on 2 January 1990 in respect of the disposal of ICI's over-the-counter pharmaceuticals business in the USA.

*Movements in these items represent the differences between amounts shown in the opening and closing balance sheets. Movements in other items do not correspond to the change in balance sheet amounts, due to effects of acquisitions and disposals of subsidiaries and effects of retranslating opening currency balances of overseas subsidiaries at closing exchange rates.

ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985. Group accounting policies conform with UK 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 period. 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 foreign currency loans, are taken to trading profit. In the Group accounts exchange differences arising on consolidation of the net investments in overseas subsidiary and related companies are taken to reserves, as are differences arising on equity investments denominated in foreign currencies in the Company accounts. Differences on 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 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 amortisation over a period. Elimination against reserves has been selected as appropriate to the goodwill purchases made during recent years.

GOVERNMENT GRANTS

Grants related to expenditure on tangible fixed assets are credited to profit over a period approximating to the lives of qualifying assets. The grants shown in the balance sheets consist of the total grants receivable to date less the amounts so far credited to profit.

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

Pension costs have been accounted for this year for the first time in accordance with the UK Accounting Standard No. 24 "Accounting for Pension Costs" issued in May 1988.

The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified consulting 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 subsidiaries are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiaries recognize the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of qualified actuaries.

RELATED COMPANIES

A related company is a company, not being a subsidiary, in which the Group has an interest of between 20 per cent and 50 per cent and on whose commercial and financial policy decisions the Group exercises significant

ACCOUNTING POLICIES (continued)

influence. The Group's share of the profits less losses of all significant related companies is included in the Group profit and loss account on the equity accounting basis.

The holding value of significant related companies in the Group balance sheet is calculated by reference to the Group's equity in the net tangible assets of such companies, 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 and net realizable value, raw materials and other stocks at the lower of cost and 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.

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 subsidiaries, of which there were 582 at 31 December 1989. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 113 subsidiaries, representing 11 per cent of Group total assets, made up their accounts to dates earlier than 31 December, but not earlier than 30 September.

2 CHANGES IN GROUP STRUCTURE

Subsidiaries acquired during 1989 have been accounted for on the acquisitions basis. The effect of these acquisitions on the Group results was not material.

3 TRADING PROFIT

	1989 £m	1988 £m
Turnover	13,171	11,699
Operating costs		
Cost of sales	(8,065)	(7,022)
Distribution costs	(881)	(837)
Research and development (£559m (1988 £492m)) and technical service (1989 £80m (1988 £73m))	(639)	(565)
Administrative and other expenses	(2,237)	(1,925)
Employees' profit-sharing bonus	(62)	(63)
	(11,884)	(10,412)
Other operating income		
Government grants	27	29
Royalties	31	35
Other income	122	119
	180	183
Trading profit	1,467	1,470
Total charge for depreciation included above	536	484
Gross profit, as defined by the Companies Act 1985	5,106	4,677

NOTES RELATING TO THE ACCOUNTS

4 SHARE OF PROFITS LESS LOSSES OF RELATED COMPANIES

	1989 £m	1988 £m
Share of profits less losses		
Dividend income	135	77
Share of undistributed profits less losses	88	72
Share of profits less losses before tax	223	149
Gains less losses on disposals of investments	51	5
Amounts written off investments (including provisions raised £5m (1988 £2m) and released £10m (£10m))	5	8
	279	162

Total dividend income from shares in related companies comprised £27m (1988 £21m) from listed companies and £108m (£56m) from unlisted companies.

The gains less losses on disposals of investments include £33m for the disposal of related companies arising as part of the restructuring of Group activities in Canada.

The Group's 50 per cent share of profits from its joint venture in European Vinyls Corporation (Holdings) BV has been included in trading profit as it represents income earned from the provision by the Group of fixed assets used by the joint venture.

5 NET INTEREST PAYABLE

	1989 £m	1988 £m
Interest payable and similar charges		
Loan interest	175	160
Interest on short-term borrowings and other financing costs	112	65
	287	225
Interest receivable and similar income from current asset investments		
Listed redeemable securities	(8)	(11)
Short-term deposits	(57)	(47)
	(65)	(58)
Exchange gains on short-term currency borrowings and deposits	(3)	(5)
	219	162

Loan interest includes £105m (1988 £109m) on loans not wholly repayable within 5 years.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989 £m	1988 £m
ICI and subsidiaries		
United Kingdom taxation: Corporation tax	206	309
Double taxation relief	(43)	(90)
Deferred taxation	19	9
	182	228
Overseas taxation: Overseas taxes	250	254
Deferred taxation	22	12
	272	266
	454	494
Related companies	77	46
Tax on profit on ordinary activities	531	540

UK and overseas taxation has been provided on the profits earned for the periods covered by the Group accounts. UK corporation tax has been provided at the rate of 35 per cent (1988 35 per cent).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Accounted for at balance sheet date (see note 20)				
Timing differences on UK capital allowances and depreciation	53	47		
Miscellaneous timing differences	125	(30)	17	1
Advance corporation tax recoverable	(79)	(73)	(79)	(73)
	99	(56)	(62)	(72)
Not accounted for at balance sheet date				
UK capital allowances utilized in excess of depreciation charged	324	336	157	154
Miscellaneous timing differences	16	(36)	1	14
	340	300	158	168
Full potential deferred taxation	439	244	96	96

7 SEGMENT INFORMATION

Industry segments

The table below sets out information, on a worldwide basis, for each of the Group's industry segments. The Group's policy is to transfer products internally at external market prices.

	Total assets less current liabilities 1989 £m	Total assets less current liabilities 1988 £m	Turnover 1989 £m	Turnover 1988 £m	Profit 1989 £m	Profit 1988 £m
Consumer and Specialty Products	2,756	2,268	5,297	4,568	568	571
Industrial Products	2,614	2,235	5,722	5,256	789	790
Agriculture	1,308	1,237	2,257	1,975	141	109
Miscellaneous			242	224	(33)	7
			13,518	12,023	1,465	1,477
Net operating assets	6,678	5,740				
Inter-segment eliminations			(347)	(324)	2	(7)
Non-operating and miscellaneous assets	975	650				
	7,653	6,390	13,171	11,699		
Trading profit					1,467	1,470
Share of profits less losses of related companies					279	162
Net interest payable					(219)	(162)
Profit on ordinary activities before taxation					1,527	1,470

Non-operating and miscellaneous assets include investments in related and other companies, current asset investments and short-term deposits and cash, less short-term borrowings.

	Capital expenditure 1989 £m	Capital expenditure 1988 £m	Depreciation 1989 £m	Depreciation 1988 £m
Consumer and Specialty Products	517	361	177	137
Industrial Products	388	290	230	231
Agriculture	154	138	103	96
Other	21	22	26	20
	1,080	811	536	484

NOTES RELATING TO THE ACCOUNTS

7 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 profits made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

	Net operating assets 1989 £m	Net operating assets 1988 £m	Turnover 1989 £m	Turnover 1988 £m	Profit 1989 £m	Profit 1988 £m
United Kingdom						
Sales in the UK			2,872	2,663		
Sales overseas			3,359	3,031		
	2,495	2,513	6,231	5,694	612	664
Continental Europe	1,026	735	2,928	2,718	225	276
The Americas	1,839	1,399	3,876	3,196	382	320
Asia Pacific	1,058	905	2,100	1,861	236	184
Other countries	260	188	451	389	45	35
	6,678	5,740	15,586	13,858	1,500	1,479
Inter-area eliminations			(2,415)	(2,159)	(33)	(9)
			13,171	11,699		
Trading profit					1,467	1,470

Employees

	1989	1988
Average number of people employed by the Group in:		
United Kingdom	54,700	54,800
Continental Europe	16,700	16,300
The Americas	33,900	32,000
Asia Pacific	16,700	15,200
Other countries	11,800	12,100
Total employees	133,800	130,400

Geographic markets

	1989 £m	1988 £m
Turnover in each geographic market in which customers are located:		
United Kingdom	2,917	2,705
Continental Europe	3,258	2,989
The Americas	3,867	3,232
Asia Pacific	2,378	2,096
Other countries	751	677
Total turnover	13,171	11,699

Industry Segment and Geographic Area analyses of profit include royalty income and government grants. In previous years these were shown separately; comparative figures for 1988 have been restated.

NOTES RELATING TO THE ACCOUNTS

8 EXTRAORDINARY ITEM

	Group 1989 £m	Group 1988 £m
Disposal of over-the-counter pharmaceuticals business in the USA (after deferred taxation of £83m)	127	
Restructuring UK compound fertilizer production facilities (net of relief from taxation of £8m)		(44)
	127	(44)

9 DIVIDENDS

	1989 pence per £1 Share	1988 pence per £1 Share	1989 £m	1988 £m
Interim, paid 2 October 1989	21p	18p	145	122
Second interim, to be confirmed as final, payable 30 April 1990	34p	32p	236	219
	55p	50p	381	341

10 EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE

	1989	1988
Earnings for Ordinary Shareholders, before extraordinary item (£m)	930	881
Average Ordinary Shares in issue during year, weighted on a time basis	689	679
Earnings per £1 Ordinary Share	135.0p	129.7p

The effect on earnings per £1 Ordinary Share of (a) full conversion of outstanding convertible bonds of subsidiaries and (b) issue of shares under option (note 21) would not be material.

11 RESERVES

	Share premium account £m	Revaluation £m	Other £m	Profit and loss account £m	Related companies £m	1989 Total £m	1988 Total £m
Group reserves attributable to parent company							
At beginning of year	294	61	289	2,368	230	3,242	2,769
Profit retained for year				646	30	676	496
Amounts taken direct to reserves							
Share premiums	90					90	58
Goodwill				(41)		(41)	(92)
Exchange adjustments		2	170	140	55	367	34
Other movements		(8)	(5)	(5)	4	(14)	(23)
	90	(6)	165	94	59	402	(23)
Other movements between reserves		1	32	(12)	(21)	–	–
At end of year	384	56	486	3,096	298	4,320	3,242

NOTES RELATING TO THE ACCOUNTS

11 RESERVES (continued)

	Share premium account £m	Other £m	Profit and loss account £m	1989 Total £m	1988 Total £m
Company reserves					
At beginning of year	294	432	1,937	2,663	2,428
Profit retained for year			25	25	170
Amounts taken direct to reserves					
Share premiums	90			90	58
Exchange adjustments		332		332	4
Purchased goodwill			(37)	(37)	–
Other movements		4		4	3
	90	336	(37)	389	65
At end of year	384	768	1,925	3,077	2,663

By virtue of S228(7) of the Companies Act 1985, the Company is exempt from presenting a profit and loss account.

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries or related companies; 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 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 related companies at equity accounted value.

In the Group accounts, £69m of net exchange losses on foreign currency loans (1988 – gains £5m) have been offset in reserves against exchange gains on the net investment in overseas subsidiary and related companies.

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 subsidiaries, to be added to the nominal amount of the share capital of the Company, was £5,220m at 31 December 1989.

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	1,473	6,169	719	8,361
Exchange adjustments	120	337	33	490
Revaluations and adjustments	3	7		10
New subsidiaries	21	42	19	82
Capital expenditure			1,080	1,080
Transfers	226	706	(932)	—
Disposals and other movements	(99)	(278)		(377)
At end of year	1,744	6,983	919	9,646
Depreciation				
At beginning of year	560	3,709		4,269
Exchange adjustments	44	193		237
Revaluations and adjustments	1	6		7
Disposals and other movements	(43)	(216)		(259)
Charge for year	66	470		536
At end of year	628	4,162		4,790
Net book value at end 1989	1,116	2,821	919	4,856
Net book value at end 1988	913	2,460	719	4,092

The net book value of the tangible fixed assets of the Group includes capitalized finance leases of £35m comprising cost of £90m and depreciation thereon of £55m. The depreciation charge for the year in respect of capitalized leases was £3m and finance charges £3m.

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in course of construction £m	Total £m
COMPANY				
Cost or as revalued				
At beginning of year	250	981	274	1,505
Capital expenditure			265	265
Transfers	93	191	(284)	—
Disposals and other movements	(2)	(28)		(30)
At end of year	341	1,144	255	1,740
Depreciation				
At beginning of year	90	575		665
Disposals and other movements	(1)	(25)		(26)
Charge for year	12	90		102
At end of year	101	640		741
Net book value at end 1989	240	504	255	999
Net book value at end 1988	160	406	274	840

The net book value of the tangible fixed assets of the Company includes capitalized finance leases of £5m comprising cost of £8m and depreciation thereon of £3m. The depreciation charge for the year in respect of capitalized leases was £1m and finance charges £1m.

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
The net book value of land and buildings comprised:				
Freeholds	1,063	861	235	154
Long leases (over 50 years unexpired)	39	9	5	1
Short leases	14	43	—	5
	1,116	913	240	160

12 TANGIBLE FIXED ASSETS (continued)

	Group				Company			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m
Revalued assets included in tangible fixed assets:								
Revalued amount	159	183	240	244	9	11	20	23
Depreciation	65	68	185	182	8	10	20	23
Net book value	94	115	55	62	1	1	–	–
Revalued assets at historical cost:								
Cost	83	92	211	210	7	8	12	14
Depreciation	42	44	178	177	6	7	12	14
Net book value	41	48	33	33	1	1	–	–

13 INVESTMENTS IN SUBSIDIARIES

	Shares £m	Loans £m	Total £m
Book value			
At beginning of year			
Cost	2,041	1,962	4,003
Scrip issues capitalized	36		36
	2,077	1,962	4,039
Exchange adjustments	221	176	397
Additions	553	178	731
Reclassifications	27	(27)	–
Transfers from subsidiaries	152		152
Transfers to subsidiaries	(398)	(93)	(491)
Repayments		(330)	(330)
At end of year	2,632	1,866	4,498
Cost	2,594	1,866	4,460
Scrip issues capitalized	38		38
Provisions			
At beginning of year	(90)	(33)	(123)
Exchange adjustments	(10)		(10)
Additions	(14)	(6)	(20)
Transfers to subsidiaries	27		27
Reclassifications	(27)	27	–
Releases	3		3
At end of year	(111)	(12)	(123)
Balance sheet value at end 1989	2,521	1,854	4,375
Balance sheet value at end 1988	1,987	1,929	3,916

	1989 £m	1988 £m
The balance sheet value of investments in shares in subsidiary companies which are listed investments	77	75
With an aggregate market value of	610	661

Information on principal subsidiary companies is given on page 62.

14 INVESTMENTS IN RELATED AND OTHER COMPANIES

	Related companies Shares £m	Related companies Loans £m	Other investments £m	Total £m
GROUP				
Book value				
At beginning of year				
Cost	318	3	4	325
Scrip issues capitalized	7			7
	325	3	4	332
Exchange adjustments	25		1	26
Additions	201	3	5	209
Reclassified as subsidiaries	(4)			(4)
Disposals and repayments	(67)	(1)		(68)
Other movements	(5)		5	–
At end of year	475	5	15	495
Cost	466	5	15	486
Scrip issues capitalized	9			9
Share of post-acquisition reserves less losses				
At beginning of year	233			233
Exchange adjustments	54			54
Retained profits less losses	30			30
Other movements	(17)			(17)
At end of year	300			300
Provisions				
At beginning of year	(37)	(3)	(1)	(41)
Exchange adjustments	2			2
Other movements	11			11
At end of year	(24)	(3)	(1)	(28)
Balance sheet value at end 1989	751	2	14	767
Balance sheet value at end 1988	521	–	3	524
The balance sheet value of the above investments included:				
1989				
Investments listed on The International Stock Exchange, London	295		2	297
Other listed investments	120			120
	415		2	417
With an aggregate market value of	1,020		16	1,036
1988				
Investments listed on The International Stock Exchange, London	125			125
Other listed investments	66			66
	191			191
With an aggregate market value of	542			542

Information on principal related companies is given on page 63.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN RELATED AND OTHER COMPANIES (continued)

		Related companies Shares £m	Related companies Loans £m	Total £m
COMPANY				
Book value				
At beginning of year				
Cost		138	2	140
Scrip issues capitalized		1		1
		139	2	141
Additions		146	1	147
Reclassified as subsidiary		(3)		(3)
Disposals and repayments		(59)		(59)
At end of year		223	3	226
Cost		222	3	225
Scrip issues capitalized		1		1
Provisions				
At beginning of year		(16)	(2)	(18)
Disposals and releases		15		15
At end of year		(1)	(2)	(3)
Balance sheet value at end 1989		222	1	223
Balance sheet value at end 1988		123	–	123
Balance sheet value of investments listed on The International Stock Exchange, London	1989	214		214
	1988	69		69
Market value of listed investments	1989	745		745
	1988	378		378

15 STOCKS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Raw materials and consumables	669	561	110	91
Stocks in process	277	223	86	82
Finished goods and goods for resale	1,434	1,220	225	200
	2,380	2,004	421	373

16 DEBTORS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Amounts due within one year				
Trade debtors	2,071	1,774	3	1
Amounts owed by subsidiaries			620	356
Amounts owed by related companies	21	49	1	1
Other debtors*	572	343	63	79
Prepayments and accrued income	126	110	14	18
	2,790	2,276	701	455
Amounts due after more than one year*	95	48	1	1
	2,885	2,324	702	456

*Includes prepaid pension costs (note 28).

NOTES RELATING TO THE ACCOUNTS

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Redeemable securities listed on The International Stock Exchange, London	45	80		
Other listed investments	1	1		
Total listed investments	46	81		
Unlisted investments	4	11		
	50	92		
Short-term deposits	200	204	18	18
	250	296	18	18
Market value of listed investments	46	81		

Included in current asset investments, short-term deposits and cash are amounts totalling £204m (1988 £198m) held by the Group's insurance subsidiaries.

18 SHORT-TERM BORROWINGS

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Bank borrowings				
Secured by – fixed charge	1	1		
– floating charge	25	23		
Unsecured	648	187	48	12
	674	211	48	12
Other borrowings (unsecured)	97	78		
	773	289	48	12

19 OTHER CREDITORS

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
Amounts due within one year				
Trade creditors	1,108	964	132	123
Bills of exchange payable	26	24		
Payments received on account	27	18		
Amounts owed to subsidiaries			1,271	529
Amounts owed to related companies	25	26	4	1
Corporate taxation	333	545	74	240
Value added and payroll taxes and social security	93	93	7	7
Other creditors*	607	526	70	57
Accruals	283	256	61	53
Dividends to Ordinary Shareholders	236	219	236	219
	2,738	2,671	1,855	1,229
Amounts due after more than one year				
Trade creditors	1	10	1	7
Amounts owed to subsidiaries			534	522
Amounts owed to related companies	2	–		
Corporate taxation	5	31		
Other creditors*	78	96	5	6
	86	137	540	535

*Includes obligations under finance leases (note 23) and accrued pension costs (note 28).

NOTES RELATING TO THE ACCOUNTS

20 PROVISIONS FOR LIABILITIES AND CHARGES

	At beginning of year £m	Movement in year £m	At end of year £m
GROUP			
Deferred taxation:			
Advance corporation tax recoverable	(73)	(6)	(79)
Other tax†	17	161	178
	(56)	155	99
Employee benefits*	160	18	178
Rationalization, environmental and other provisions	178	42	220
	282	215	497
COMPANY			
Deferred taxation	1	16	17
Advance corporation tax recoverable	(73)	(6)	(79)
Other provisions	23	1	24
	(49)	11	(38)

†The movement in the year includes taxation arising on the extraordinary item.

*Includes provisions for unfunded pension costs (note 28).

Movements in the year on provisions relating to acquisitions were not material.

21 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized £m	Allotted, called-up and fully paid 1989 £m	1988 £m
Ordinary Shares (£1 each)	694	694	683
Unclassified shares (£1 each)	97		
	791	694	683

Ordinary Shares issued during the year totalled £11m comprising issues in respect of the Employees' Profit-Sharing Scheme £4m, the Company's share option schemes £2m and conversions of loan stock and exercise of warrants £5m.

At 31 December 1989 there were options outstanding in respect of 12,531,895 Ordinary Shares of £1 under the Company's share option schemes for staff (1988 10,553,493) normally exercisable in the period 1990 to 1999 (1989 to 1998) at subscription prices of £5.33 to £15.12 (£3.55 to £15.12). The weighted average subscription price of options outstanding at 31 December 1989 was £10.26.

Options granted to directors are shown in note 27.

During 1989 movements in the number of shares under option comprised new options issued 4,153,985, options exercised 1,775,011 and options lapsed 400,572. At the end of 1989 there were 21,569,264 shares available for the granting of options (1988 25,010,71[illegible]).

Warrants granting options to subscribe for 1,175,967 Ordinary Shares of £1 each at 540p were exercised during the year, leaving a balance representing options over 714,636 shares exercisable until 1 June 1991.

NOTES RELATING TO THE ACCOUNTS

22 LOANS

	Repayment dates	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Secured loans					
US dollars (5½ to 10⅞%)	1990/2012	51	36		
Australian dollars (10¼ to 18⅛%)	1990/97	56	62		
Other currencies	1990/2007	49	32		
Total secured		156	130		
Secured by fixed charge		146	114		
Secured by floating charge		10	16		
Unsecured loans					
Sterling:					
7¾ and 8½% Stocks	1989	—	109	—	109
9¾ to 11¼% bonds	1992/2005	400	400	400	400
9⅞% Notes	1993	75	75	75	75
11¾% Stock	1989	—	43	—	43
8½% convertible bonds*	1999	13	45		
5¾% Stock	1989	—	26	—	26
Others	1990/95	41	34		
		529	732	475	653
US dollars:					
9¾% bonds*	1990	28	26		
7½ to 8% Eurodollar bonds	1990/96	66	60		
6¾% convertible Eurodollar bonds*	1997	1	2		
8⅛ to 9.05% bonds	1990/2006	333	305		
8.85 to 8.9% medium-term notes	1994/2002	31	—		
Others	1990/2013	50	52		
		509	445		
Australian dollars (15 to 15½%)	1990/93	106	5	99	—
Canadian dollars (10⅜ to 14½%)	1990/96	87	79		
Deutschemarks (6¼%)	1989	—	9		
Dutch florins (9%)	1990/91	6	8		
Swiss francs (3⅜ to 4½%)	1990/99	180	176		
Japanese yen (variable)	1990/95	12	15		
Other currencies	1990/2002	76	78		
Multi-currency credit facility†		75	—		
Total unsecured		1,580	1,547	574	653
Total loans		1,736	1,677	574	653

*Conversion rights attach to certain bonds, unless previously redeemed and subject to adjustment in certain events, as follows:

8½% Sterling bonds, until 1 October 1999, into Ordinary Shares of the Company at 800 pence per £1 Ordinary Share;

9¾% US dollar bonds, until 1 June 1990, into sterling bonds at a conversion rate of US$1.5773 = £1;

6¾% Eurodollar bonds, until 1 September 1997, into Ordinary Shares of the Company at 460 pence per £1 Ordinary Share (with a fixed rate of exchange applicable on conversion of the bonds of US$1.7423 = £1).

Loans from banks included in the table above amounted to £229m (1988 £13.m) in the Group of which £75m (£68m) was secured. New borrowings during the year included A$200m 15-15½% Guaranteed Eurobonds due 1992 issued by the Company and US$50m medium-term notes due 1994/2002 issued by a subsidiary and the proceeds are to be used for the general purposes of the ICI Group.

†Variable interest; repayable and redrawable at borrower's option.

22 LOANS (continued)

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Loans or instalments thereof are repayable:				
After 5 years from balance sheet date:				
Lump sums	608	716	200	269
Instalments	219	318	62	125
	827	1,034	262	394
From 2 to 5 years	643	470	312	259
From 1 to 2 years	157	123		
Total due after more than one year	1,627	1,627	574	653
Total due within one year	109	50		
	1,736	1,677	574	653
Aggregate amount of loans repayable by instalments any of which fall due after 5 years	462	619	125	125

23 LEASES

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

	Group 1989 £m	Group 1988 £m
Hire of plant and machinery	116	101
Other	38	40
	154	141

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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Land and buildings:				
Expiring within 1 year	4	9		
Expiring in years 2 to 5	18	12		
Expiring thereafter	15	8	2	2
	37	29	2	2
Other assets:				
Expiring within 1 year	17	20	2	1
Expiring in years 2 to 5	61	31	3	9
Expiring thereafter	8	10	1	1
	86	61	6	11
Obligations under finance leases comprise:				
Rentals due within 1 year	6	6	1	1
Rentals due in years 2 to 5	17	16	4	4
Rentals due thereafter	48	45	3	5
Less: interest element	(39)	(36)	(3)	(4)
	32	31	5	6

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.

24 ACQUISITIONS AND NEW INVESTMENTS

	Group 1989 £m	Group 1988 £m
Acquisitions and new investments comprised:		
Fixed assets	82	37
Goodwill	41	84
Related companies	209	55
Net current assets	60	22
Long term liabilities	(33)	–
Rationalization and other provisions	—	(3)
Minorities	14	70
	373	265

The purchase considerations for acquisitions and new investments made during the year were met from the Group's cash resources.

Disposals in 1989 comprised businesses and subsidiaries £458m (1988 £140m) and related and other companies £121m (£9m).

There were no material differences between the book values and the fair values to the Group of assets and liabilities of companies acquired during the year.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Commitments for capital expenditure not provided for in these accounts (including acquisitions):				
Contracts placed for future expenditure	261	218	60	67
Expenditure authorized but not yet contracted	910	727	174	178
	1,171	945	234	245

Contingent liabilities existed at 31 December 1989 in connection with guarantees and uncalled capital relating to subsidiary and other companies and guarantees relating to pension funds, including the solvency of pension funds. 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. Litigation and other proceedings against companies in the Group are not considered material in the context of these accounts.

The maximum contingent liability in respect of guarantees of borrowings and uncalled capital at 31 December 1989 was £44m (1988 £66m) for the Group. The maximum contingent liability for the Company, mainly on guarantees of borrowings of subsidiaries, was £1,085m (1988 £832m).

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £3,071,000 (1988 £2,805,000) including directors' fees of £269,000 (1988 £249,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £4,811,000 (1988 £4,469,000).

The table which follows shows the number of directors and employees of the Company, other than those who worked wholly or mainly outside the UK, whose emoluments during the year were within the bands stated (excluding employees whose emoluments were below £30,000).

Some directors and employees were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (notes 21 and 27).

Emoluments	Directors		Employees		Emoluments	Directors		Employees	
£	1989	1988	1989	1988	£	1989	1988	1989	1988
15,001- 20,000	3	3			120,001-125,000			2	4
20,001- 25,000	1	1			130,001-135,000			1	1
25,001- 30,000	1				135,001-140,000			2	2
30,001- 35,000			798	533	145,001-150,000			1	
35,001- 40,000		1	343	258	150,001-155,000			1	
40,001- 45,000	2	2	212	130	155,001-160,000				1
45,001- 50,000			106	84	160,001-165,000			1	
50,001- 55,000	1	1	77	55	175,001-180,000			1	
55,001- 60,000			66	45	235,001-240,000		1		
60,001- 65,000			27	18	255,001-260,000	1	1		
65,001- 70,000			32	26	265,001-270,000		1		
70,001- 75,000			25	19	270,001-275,000	1	2		
75,001- 80,000	1		19	9	290,001-295,000	1			
80,001- 85,000			11	15	300,001-305,000		1		
85,001- 90,000			16	3	305,001-310,000	1			
90,001- 95,000		1	8	7	315,001-320,000	1			
95,001-100,000			1	3	335,001-340,000	1	1		
100,001-105,000			1	1	375,001-380,000	1			
105,001-110,000			3	2	475,001-480,000		1		
110,001-115,000			5		510,001-515,000	1			
115,001-120,000				2					

One of the directors whose emoluments are shown above for 1989 was a director for part of the year only.

The emoluments of the Chairman were £514,000 (1988 £478,000).

The average number of people employed by the Group in 1989 was 133,800 (1988 130,400) and the staff costs incurred during the year in respect of those employees were:

	1989 £m	1988 £m
Salaries	2,094	1,844
Social security costs	189	179
Pension costs	143	166
Severance costs	46	69
Other employment costs	68	49
Employees' profit-sharing bonus	62	63
	2,602	2,370
Less: amounts allocated to capital expenditure, etc.	(44)	(33)
Charged to profit and loss account	2,558	2,337

NOTES RELATING TO THE ACCOUNTS

27 DIRECTORS' INTERESTS IN STOCKS, SHARES AND DEBENTURES

The interests at 31 December 1989 of the persons who on that date were directors (including the interests of their families) in stocks, shares and debentures of the Company and its subsidiaries, are shown below. Their interests at 1 January 1989 (or, if appointed during 1989, 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	
A. W. Clements	11,038	(10,622)
P. Doyle	2,530	
R. C. Hampel	4,492	
C. Hampson	922	
Sir Denys Henderson	20,000	(10,100)
T. O. Hutchison	2,616	
Sir Alex Jarratt: beneficial	562	
non-beneficial	118	
W. G. L. L. Kiep	500	
Sir Patrick Meaney	1,325	
Sir Jeremy Morse	1,819	
S. Saba	500	
Lord Thomson	500	
P. A. Volcker	2,000	(1,000)
F. Whitwley	11,579	(9,850)
T. H. Wyman	500	

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1989 are included in the table below:

	At 1 January 1989	Options granted	Price £	Options exercised	At 31 December 1989
J. D. F. Barnes	30,600	37,400	11.77	—	68,000
A. W. Clements	78,116	—		416	77,700
P. Doyle	29,847	34,800	11.77	17,500	58,347
		11,200	12.18		
R. C. Hampel	60,792	23,900	11.77	40,400	69,092
		24,800	12.18		
C. Hampson	58,915	7,700	11.77	—	66,961
		346	11.83		
Sir Denys Henderson	106,900	39,900	11.77	36,700	128,000
		17,900	12.18		
T. O. Hutchison	59,000	45,800	11.77	35,000	69,800

The options outstanding are exercisable at prices between £5.33 and £15.12.

C. Hampson has a beneficial interest in 1,400 ICI Australia Ltd A$1 Ordinary Shares.

NOTES RELATING TO THE ACCOUNTS

28 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.

Prior to 1989 the pension cost charged in the Group profit and loss account in respect of funded retirement plans equalled the annual contributions to these plans by companies in the Group. In the case of a small number of plans which are unfunded, the pension cost was the amount of pensions paid net of the movement on the provisions for pension costs which were actuarially valued. From 1989, the method of accounting for pension costs for the year is as set out under accounting policies on page 43. The effect of this change in accounting policy on the 1989 results was not material.

The total pension cost for the Group for 1989 was £143m (1988 £166m). 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 9.2 per cent. The weighted average expected long-term rate of return on investments was 9.3 per cent. The weighted average rate of increase of future earnings was 6.8 per cent. The actuarial value of the fund assets of these plans was sufficient to cover 105 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings.

The market value of the assets of the major plans in the Group at the date of the latest valuations was £5,582m. Accrued pension costs amounted to £52m and are included in other creditors (note 19); provisions for the benefit obligation of the small number of unfunded plans mentioned above amounted to £81m (1988 £73m) and are included in provisions for employee benefits (note 20). Prepaid pension costs amounting to £33m are included in other debtors (note 16).

29 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans of £225,000 (1988 £267,500) to officers of the Company, comprising £20,000 in total to two directors and £205,000 in total to six other officers. The loans to directors were made prior to their joining the Board, in accordance with the Company's policy of providing housing assistance to staff who have been transferred. An amount of £35,000 was outstanding at 1 January 1989 from Dr P. Doyle. He repaid £25,000 of this in January 1989 leaving the balance of £10,000 outstanding throughout the remainder of the year. An amount of £10,000 was outstanding throughout the year from Mr T. O. Hutchison. The loans to the other officers were also in respect of housing assistance.

On 30 June 1989, the Company's wholly-owned subsidiary C-I-L Inc in Canada disposed of its shareholding in a related company, Canadian Fracmaster Ltd, by means of a management buy-out involving two directors of that company for a total consideration of C$30.8m.

Remuneration of auditors charged in the Group accounts for 1989 was £4.1m (1988 £3.9m).

30 SUBSEQUENT EVENT

In December 1989, ICI agreed in principle to acquire the US-based Atlas Powder Co., a wholly-owned subsidiary of the Tyler Corporation. The agreement which is subject to satisfactory completion of due diligence and US regulatory clearance is valued at US$193m. The consideration will be made up of the assumption of approximately US$58m of debt, with the balance of US$135m being paid through an issue of ICI shares.

PRINCIPAL SUBSIDIARY COMPANIES

At 31 December 1989	Class of capital	Held by ICI %	Principal activities
EUROPE (accounting dates 31 December)			
Deutsche ICI GmbH (West Germany)	Ordinary	100†	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine, advanced materials, polyurethanes and specialty chemicals; merchanting of other ICI products
ICI Chemicals & Polymers Ltd (England)	Ordinary	100	Manufacture of chemicals, plastics, 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 plasticisers, ethylene/propylene oxide derivatives, pharmaceuticals and polyurethanes; merchanting of other ICI products
ICI Holland BV (Holland)	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
Nobel's Explosives Company Ltd (Scotland)	Ordinary	100	Manufacture of industrial explosives, blasting accessories, propellants and propellant devices
THE AMERICAS (accounting dates 31 December)			
C-I-L Inc (Canada)	Common Preference	100† 100†	Manufacture of fertilizers, agrochemicals, industrial explosives, paints and chemicals; merchanting of other ICI products and packaged chemicals
Duperial SAIC (Argentina)	Ordinary	100	Manufacture of chemicals, plastics, seeds, polyurethanes, pharmaceuticals, agrochemicals and sporting ammunition; merchanting of ICI and other products
ICI American Holdings Inc (USA)	Common	100	Manufacture of pharmaceuticals, agrochemicals, seeds, colours, films, paints, advanced materials, polyurethanes, specialty and other chemicals; merchanting of other ICI products
ICI Brasil SA (Brazil)	Ordinary	87 13†	Manufacture of agrochemicals, colours, seeds, polyester polymers and films, specialty and other chemicals; merchanting of ICI and other products
OTHER COUNTRIES (accounting dates 31 December unless otherwise stated)			
Chemical Company of Malaysia Berhad (Malaysia)	Ordinary*	2 50†	Manufacture of fertilizers, chlor-alkali chemicals, agrochemicals and paints; merchanting of ICI and other products
ICI Australia Ltd (Australia) (accounting date 30 September)	Ordinary*	63†	Manufacture of chemicals, fertilizers, industrial explosives, paints, plastics and pharmaceuticals
ICI (China) Ltd (Hong Kong and China)	Ordinary	100	Merchanting of ICI and other products; manufacture of paints, pharmaceuticals and other chemicals
ICI Japan Ltd (Japan)	Ordinary	25 75†	Merchanting of ICI and other products; manufacture of advanced materials
ICI Pakistan Ltd (Pakistan)	Ordinary*	61	Manufacture of polyester staple fibre, soda ash, paints and specialty chemicals; merchanting of agrochemicals, general chemicals and pharmaceutical products
ICI-Pharma Ltd (Japan)	Ordinary	60	Marketing of ICI pharmaceutical products
ICI (South Africa) Ltd (Republic of South Africa)	Ordinary	100	Merchanting of ICI and other products; manufacture of pharmaceuticals; holding company
ICI India Ltd (India) (accounting date 31 March; reporting date 31 December)	Ordinary*	51	Manufacture of fertilizers, industrial explosives and accessories, polyester fibres, paints, agrochemicals, pharmaceuticals and rubber chemicals

*Listed †Held by subsidiaries

The country of principal operations and registration or incorporation is stated after each company.

PRINCIPAL RELATED COMPANIES

At 31 December 1989	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)	Ordinary*	36	38†	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
	Preference	1	–	
	Loan	110	–	
Enterprise Oil plc (England)	Ordinary*	81	25	Oil and gas exploration and production
	Loan	436	–	
European Vinyls Corporation (Holdings) BV (Holland)	Ordinary	156	50†	Manufacture of vinyl chloride monomer, polyvinyl chloride and fabricated PVC products
Tioxide Group PLC (England)	Ordinary	31	50†	Manufacture of titanium pigments
	Loan	30	–	

*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 after each company. The principal operations are carried out in that country except in the case of the European Vinyls Corporation (Holdings) BV, where they are carried out in the UK, West Germany, Italy and Switzerland.

The accounting date for ICI Group accounts purposes is 31 December, except AECI Ltd (30 September). Where audited accounts are not available, the results are taken from unaudited management accounts.

AUDITORS' REPORT

To the Members of Imperial Chemical Industries PLC.

We have audited the financial statements on pages 40 to 63 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 1989 and of the profit and sources and applications of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
5 March 1990

KPMG Peat Marwick McLintock
Chartered Accountants

GROUP FINANCIAL RECORD

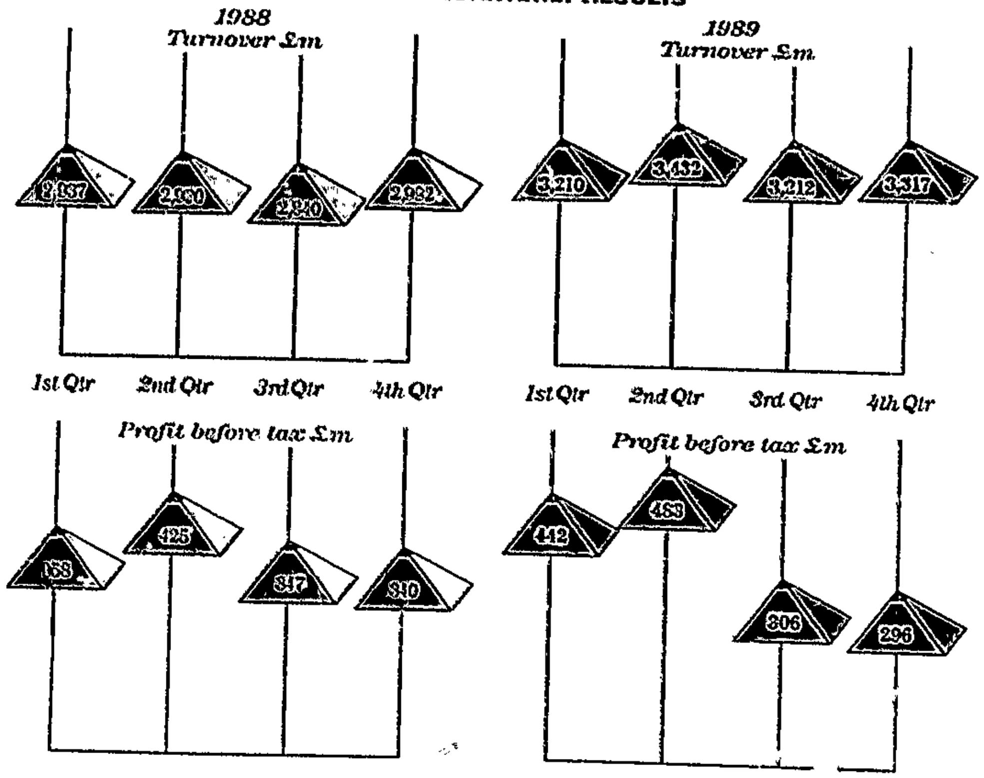
For the years ended 31 December	1985 £m	1986 £m	1987 £m	1988 £m	1989 £m
Balance sheet					
Tangible fixed assets	3,533	3,912	3,750	4,092	4,856
Investments	287	333	417	524	767
Current assets					
Stocks	1,750	1,734	1,812	2,004	2,380
Debtors	1,950	2,015	2,162	2,324	2,885
Cash and short-term investments	797	692	646	456	383
	4,497	4,441	4,620	4,784	5,648
Total assets	8,317	8,686	8,787	9,400	11,271
Creditors due within one year:					
Short-term borrowings	(511)	(441)	(559)	(289)	(771)
Current instalments of loans	(131)	(74)	(46)	(50)	(109)
Other creditors	(1,961)	(2,022)	(2,365)	(2,371)	(2,738)
Total assets less current liabilities	5,714	6,149	5,817	6,390	7,653
Creditors due after more than one year:					
Loans	1,208	1,538	1,511	1,627	1,627
Other creditors	76	83	70	137	86
Provisions and deferred income	530	459	434	397	591
Minority interests	405	404	357	304	335
Capital and reserves attributable to parent company	3,495	3,665	3,445	3,925	5,014
	5,714	6,149	5,817	6,390	7,653
Turnover and profits					
Turnover	10,725	10,136	11,123	11,699	13,171
Trading profit (after depreciation)	978	1,049	1,297	1,470	1,467
Depreciation	474	491	464	484	536
Share of profits less losses of related companies	56	95	157	162	279
Interest other than loan interest (net)	21	7	8	(2)	(44)
Profit before loan interest	1,055	1,151	1,462	1,630	1,702
Loan interest	(143)	(135)	(150)	(160)	(175)
Profit before taxation	912	1,016	1,312	1,470	1,527
Taxation	(308)	(382)	(504)	(540)	(531)
Attributable to minorities	(52)	(34)	(48)	(49)	(66)
Net profit attributable to parent company, before extraordinary items	552	600	760	881	930
Extraordinary items	(40)	(43)		(44)	127
Dividends	(214)	(238)	(277)	(341)	(381)
Profit retained, transferred to reserves	298	319	483	496	676
Sources and applications of funds					
Sources net of interest and taxation	1,136	1,062	1,308	1,235	1,159
Dividends	(227)	(249)	(283)	(317)	(406)
Fixed assets:					
Tangible assets	(603)	(608)	(682)	(766)	(1,019)
Investments less disposals	(791)	(548)	(439)	(116)	206
Working capital changes	(60)	94	(187)	(77)	(538)
Deficit	(545)	(249)	(274)	(41)	(598)
Return on assets					
Profit before loan interest as a percentage of assets employed (average total assets less current liabilities)	17.6	19.4	24.4	26.7	24.2

ICI ORDINARY SHARE COMPARISONS

	1985	1986	1987	1988	1989
Millions					
Shares in issue					
At year-end	648	657	676	683	694
Weighted average for year	639	652	669	679	689
Pence per £1 Ordinary Share					
Stock Market price					
Highest	882p	1,116p	1,645p	1,184p	1,335p
Lowest	632p	727p	965p	950p	1,013p
Year-end	756p	1,068p	1,082p	1,013p	1,134p
Earnings per £1 share	86p	92p	114p	130p	135p
Dividends					
Dividends (net)	33p	36p	41p	50p	55p
Dividends grossed up for imputed tax credit	47p	51p	56p	67p	73p*
Dividends (net) in 1989 money (adjusted by RPI)	40p	42p	46p	54p	55p
Balance sheet value of Ordinary shareholders' equity at end of year per £1 share	538p	558p	510p	575p	722p
Indexed value of the £, expressed in average 1989 £'s, based on RPI	1.22	1.18	1.13	1.08	1.00

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

CHARTS OF QUARTERLY RESULTS



SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1989 £m	1988 £m	Change %
SOURCES OF INCOME				
Sales turnover		13,171	11,699	+13%
Royalties and other trading income		153	154	−1%
Less: materials and services used		(8,790)	(7,591)	+16%
Value added by manufacturing and trading activities		4,534	4,262	+6%
Share of profits less losses of related companies		279	162	+72%
Total value added		4,813	4,424	+9%
DISPOSAL OF TOTAL VALUE ADDED				
Employees	1			
Pay, plus pension and national insurance contributions, and severance costs		2,496	2,274	
Profit-sharing bonus	2	62	63	
		2,558	2,337	+9%
Governments	3			
Corporate taxes		531	540	
Less: grants		(27)	(29)	
		504	511	−1%
Providers of capital				
Interest cost of net borrowings		219	162	
Dividends to shareholders		381	341	
Minority shareholders in subsidiaries		66	49	
		666	552	+21%
Re-investment in the business				
Depreciation		536	484	
Extraordinary item		(127)	44	
Profit retained		676	496	
		1,085	1,024	+6%
Total disposal		4,813	4,424	+9%

Notes

1. The average number of employees in the Group worldwide increased by 3 per cent. The average number employed in the UK decreased by 0.2 per cent.
2. The 1989 UK bonus rate was 8.3p per £1 of remuneration (1988 9.2p).
3. Do[illegible] not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £171m in 1989 (1988 £152m).

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 this increase in value has been disposed.

FINANCIAL CALENDAR

DIVIDEND PAYMENTS

A second interim dividend for the year 1989, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 30 April 1990 to Ordinary Shareholders registered in the books of the Company on 22 March 1990.

Dividends are normally paid as follows:

First Interim:

Announced on the last Thursday in July and paid in the first week in October.

Second Interim:

Announced on the last Thursday in February and paid in the last week of April.

QUARTERLY RESULTS

Unaudited trading results of the ICI Group for 1990 are expec d to be announced as follows:

First quarter	30 April 1990
Half year	26 July 1990
Nine months	25 October 1990
Full year	28 February 1991

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 purpose 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 Co . oration Taxes Act 1988.

This Report is circulated to members of the Company and copies of the Report are provided for those employees of the Company who are not also shareholders.

Over 400,000 copies of the Report are despatched to sharehol es and Group employees worldwide. To facilitate delivery of this very large number of copies, posting of this Report will be phased over a period. An audio tape of highlights from this Report will be available from Group Communications, ICI Group Headquarters, 9 Millbank, London SW1P 3JF.

Reports of the Chairman's speech at the Annual General Meeting will be published in the Press. A copy of the speech will be sent to any shareholder on request.

The Company from time to time files reports with the United States Securities and Exchange Commission. As a standing arrangement a copy of each such report filed within the preceding twelve months can be inspected by any shareholder or ADR holder at any time during normal business hours at the offices of ICI at Imperial Chemical House, Millbank, London SW1P 3JF and at Olympic Tower, 645 Fifth Avenue, New York.

Design: CGI London Ltd, New York, Los Angeles.
Production: Ron Challis Associates.
Typesetting: En to En.
Printed in England by Brown Knight & Truscott Ltd.

ACCOUNTS

CONTENTS

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1989	*Notes*	1989 £m	1988 £m
Turnover		13,171	11,699
Operating costs	3	(11,884)	(10,412)
Other operating income	3	180	183
Trading profit	3	1,467	1,470
Share of profits less losses of related companies	4	279	162
Net interest payable	5	(219)	(162)
Profit on ordinary activities before taxation		1,527	1,470
Tax on profit on ordinary activities	6	(531)	(540)
Profit on ordinary activities after taxation		996	930
Attributable to minorities		(66)	(49)
Net profit attributable to parent company		930	881
Extraordinary item	8	127	(44)
Net profit for the financial year		1,057	837
Dividends	9	(381)	(341)
Profit retained for year		676	496
Earnings before extraordinary item per £1 Ordinary Share	10	135.0p	129.7p

GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY

	Note	1989 £m	1988 £m
At beginning of year		3,242	2,769
Profit retained for year:			
Company		25	170
Subsidiaries		621	260
Related companies		30	66
		676	496
Amounts taken direct to reserves		402	(23)
At end of year	11	4,320	3,242

Figures in brackets represent deductions; £m means millions of pounds sterling.

BALANCE SHEETS

At 31 December 1989	Notes	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
ASSETS EMPLOYED					
Fixed assets					
Tangible assets	12	4,856	4,092	999	840
Investments:					
Subsidiaries	13			4,375	3,916
Related and other companies	14	767	524	223	123
		5,623	4,616	5,597	4,879
Current assets					
Stocks	15	2,380	2,004	421	373
Debtors	16	2,885	2,324	702	456
Investments and short-term deposits	17	250	296	18	18
Cash	17	133	160	20	10
		5,648	4,784	1,161	857
Total assets		11,271	9,400	6,758	5,736
Creditors due within one year					
Short-term borrowings	18	(771)	(289)	(48)	(12)
Current instalments of loans	22	(109)	(50)		
Other creditors	19	(2,738)	(2,671)	(1,855)	(1,229)
		(3,618)	(3,010)	(1,903)	(1,241)
Net current assets (liabilities)		2,030	1,774	(742)	(384)
Total assets less current liabilities		7,653	6,390	4,855	4,495
FINANCED BY					
Creditors due after more than one year					
Loans	22	1,627	1,627	574	653
Other creditors	19	86	137	540	535
		1,713	1,764	1,114	1,188
Provisions for liabilities and charges	20	497	282	(38)	(49)
Deferred income: Grants not yet credited to profit		94	115	8	10
Minority interests		335	304		
Capital and reserves attributable to parent company					
Called-up share capital	21	694	683	694	683
Reserves:					
Share premium account		384	294	384	294
Revaluation reserve		56	61		
Other reserves		486	289	768	432
Profit and loss account		3,096	2,368	1,925	1,937
Related companies' reserves		298	230		
Total reserves	11	4,320	3,242	3,077	2,663
Total capital and reserves attributable to parent company		5,014	3,925	3,771	3,346
		7,653	6,390	4,855	4,495

The accounts on pages 40 to 63 were approved by the Board of Directors on 5 March 1990 and were signed on its behalf by:

Director

Director

General Manager Finance

STATEMENT OF SOURCES AND APPLICATIONS OF GROUP FUNDS

For the year ended 31 December 1989	Notes	1989 £m	1988 £m
SOURCES			
Funds generated from operations			
Trading profit		1,467	1,470
Depreciation		536	484
Government grants credited to profit, less received		(22)	(20)
Dividends from related companies		135	77
Extraordinary charge		—	(52)
Miscellaneous items, including exchange		(143)	(99)
		1,973	1,860
Less: interest and taxation paid during year			
Interest (net)		(221)	(166)
Taxation		(593)	(459)
Sources net of interest and taxation		1,159	1,235
APPLICATIONS			
Dividends paid during year			
Parent company		364	291
Subsidiaries to minority shareholders		42	26
		406	317
Fixed assets			
Tangible assets		1,080	811
Disposals of tangible assets		(61)	(45)
Acquisitions and new investments	24	373	265
Disposals of subsidiaries and related company investments	24	(579)	(149)
		813	882
Working capital changes			
Stocks increase		219	136
Debtors increase		†450	108
Creditors increase (excluding dividends, interest and taxation)		(131)	(167)
		538	77
Total applications		1,757	1,276
Deficit		(598)	(41)
FINANCED BY			
Issues of ICI Ordinary Shares		101	65
Movement in other external finance		(5)	(36)
Decrease in loans (1988 increase)		(53)	92
Increase in short-term borrowings (1988 decrease)	*	482	(270)
Decrease in cash, current asset investments and short-term deposits	*	73	190
		598	41

†Includes an amount of £230m received on 2 January 1990 in respect of the disposal of ICI's over-the-counter pharmaceuticals business in the USA.

*Movements in these items represent the differences between amounts shown in the opening and closing balance sheets. Movements in other items do not correspond to the change in balance sheet amounts, due to effects of acquisitions and disposals of subsidiaries and effects of retranslating opening currency balances of overseas subsidiaries at closing exchange rates.

ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985. Group accounting policies conform with UK 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 period. 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 foreign currency loans, are taken to trading profit. In the Group accounts exchange differences arising on consolidation of the net investments in overseas subsidiary and related companies are taken to reserves, as are differences arising on equity investments denominated in foreign currencies in the Company accounts. Differences on 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 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 amortisation over a period. Elimination against reserves has been selected as appropriate to the goodwill purchases made during recent years.

GOVERNMENT GRANTS

Grants related to expenditure on tangible fixed assets are credited to profit over a period approximating to the lives of qualifying assets. The grants shown in the balance sheets consist of the total grants receivable to date less the amounts so far credited to profit.

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

Pension costs have been accounted for this year for the first time in accordance with the UK Accounting Standard No. 24 "Accounting for Pension Costs" issued in May 1988.

The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified consulting 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 subsidiaries are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiaries recognize the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of qualified actuaries.

RELATED COMPANIES

A related company is a company, not being a subsidiary, in which the Group has an interest of between 20 per cent and 50 per cent and on whose commercial and financial policy decisions the Group exercises significant

ACCOUNTING POLICIES (continued)

influence. The Group's share of the profits less losses of all significant related companies is included in the Group profit and loss account on the equity accounting basis.

The holding value of significant related companies in the Group balance sheet is calculated by reference to the Group's equity in the net tangible assets of such companies, 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 and net realizable value, raw materials and other stocks at the lower of cost and 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.

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 subsidiaries, of which there were [illegible]82 at 31 December 1989. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 113 subsidiaries, representing 11 per cent of Group total assets, made up their accounts to dates earlier than 31 December, but not earlier than 30 September.

2 CHANGES IN GROUP STRUCTURE
Subsidiaries acquired during 1989 have been accounted for on the acquisitions basis. The effect of these acquisitions on the Group results was not material.

3 TRADING PROFIT

	1989 £m	1988 £m
Turnover	13,171	11,699
Operating costs		
Cost of sales	(8,065)	(7,022)
Distribution costs	(881)	(837)
Research and development (£559m (1988 £492m)) and technical service (1989 £80m (1988 £73m))	(639)	(565)
Administrative and other expenses	(2,237)	(1,925)
Employees' profit-sharing bonus	(62)	(63)
	(11,884)	(10,412)
Other operating income		
Government grants	27	29
Royalties	31	35
Other income	122	119
	180	183
Trading profit	1,467	1,470
Total charge for depreciation included above	536	484
Gross profit, as defined by the Companies Act 1985	5,106	4,677

NOTES RELATING TO THE ACCOUNTS

4 SHARE OF PROFITS LESS LOSSES OF RELATED COMPANIES

	1989 £m	1988 £m
Share of profits less losses		
Dividend income	135	77
Share of undistributed profits less losses	88	72
Share of profits less losses before tax	223	149
Gains less losses on disposals of investments	51	5
Amounts written off investments (including provisions raised £5m (1988 £2m) and released £10m (£10m))	5	8
	279	162

Total dividend income from shares in related companies comprised £27m (1988 £21m) from listed companies and £108m (£56m) from unlisted companies.

The gains less losses on disposals of investments include £33m for the disposal of related companies arising as part of the restructuring of Group activities in Canada.

The Group's 50 per cent share of profits from its joint venture in European Vinyls Corporation (Holdings) BV has been included in trading profit as it represents income earned from the provision by the Group of fixed assets used by the joint venture.

5 NET INTEREST PAYABLE

	1989 £m	1988 £m
Interest payable and similar charges		
Loan interest	175	160
Interest on short-term borrowings and other financing costs	112	65
	287	225
Interest receivable and similar income from current asset investments		
Listed redeemable securities	(8)	(11)
Short-term deposits	(57)	(47)
	(65)	(58)
Exchange gains on short-term currency borrowings and deposits	(3)	(5)
	219	162

Loan interest includes £105m (1988 £109m) on loans not wholly repayable within 5 years.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989 £m	1988 £m
ICI and subsidiaries		
United Kingdom taxation: Corporation tax	206	309
Double taxation relief	(43)	(90)
Deferred taxation	19	9
	182	228
Overseas taxation: Overseas taxes	250	254
Deferred taxation	22	12
	272	266
	454	494
Related companies	77	46
Tax on profit on ordinary activities	531	540

UK and overseas taxation has been provided on the profits earned for the periods covered by the Group accounts. UK corporation tax has been provided at the rate of 35 per cent (1988 35 per cent).

NOTES RELATING TO THE ACCOUNTS

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Accounted for at balance sheet date (see note 20)				
Timing differences on UK capital allowances and depreciation	53	47		
Miscellaneous timing differences	125	(30)	17	1
Advance corporation tax recoverable	(79)	(73)	(79)	(73)
	99	(56)	(62)	(72)
Not accounted for at balance sheet date				
UK capital allowances utilized in excess of depreciation charged	324	336	157	154
Miscellaneous timing differences	16	(36)	1	14
	340	300	158	168
Full potential deferred taxation	439	244	96	96

7 SEGMENT INFORMATION

Industry segments
The table below sets out information, on a worldwide basis, for each of the Group's industry segments. The Group's policy is to transfer products internally at external market prices.

	Total assets less current liabilities 1989 £m	Total assets less current liabilities 1988 £m	Turnover 1989 £m	Turnover 1988 £m	Profit 1989 £m	Profit 1988 £m
Consumer and Specialty Products	2756 ~~2,817~~	2,268	5,297	4,568	568	571
Industrial Products	2614 ~~2,674~~	2,235	5,722	5,256	789	790
Agriculture	1308 ~~1,916~~	1,237	2,257	1,975	141	109
Miscellaneous			242	224	(33)	7
			13,518	12,023	1,465	1,477
Net operating assets	6678 ~~6,897~~	5,740				
Inter-segment eliminations			(347)	(324)	2	(7)
Non-operating and miscellaneous assets	975 ~~816~~	650				
	7653 ~~7,653~~	6,290	13,171	11,699		
Trading profit					1,467	1,470
Share of profits less losses of related companies					279	162
Net interest payable					(219)	(162)
Profit on ordinary activities before taxation					1,527	1,470

Non-operating and miscellaneous assets include investments in related and other companies, current asset investments and short-term deposits and cash, less short-term borrowings.

	Capital expenditure 1989 £m	Capital expenditure 1988 £m	Depreciation 1989 £m	Depreciation 1988 £m
Consumer and Specialty Products	517	361	177	137
Industrial Products	388	290	230	231
Agriculture	154	138	103	96
Other	21	22	26	20
	1,080	811	536	484

NOTES RELATING TO THE ACCOUNTS

7 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 profits made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

	Net operating assets 1989 £m	Net operating assets 1988 £m	Turnover 1989 £m	Turnover 1988 £m	Profit 1989 £m	Profit 1988 £m
United Kingdom						
Sales in the UK			2,872	2,663		
Sales overseas			3,359	3,031		
	2495 ~~2,556~~	2,513	6,231	5,694	612	664
Continental Europe	1026 ~~1,077~~	735	2,928	2,718	225	276
The Americas	1839 ~~1,869~~	1,399	3,876	3,196	382	320
Asia Pacific	1058 ~~1,078~~	905	2,100	1,861	236	184
Other countries	260 ~~260~~	188	451	389	45	35
	6678 ~~6,837~~	5,740	15,586	13,858	1,500	1,479
Inter-area eliminations			(2,415)	(2,159)	(33)	(9)
			13,171	11,699		
Trading profit					1,467	1,470

Employees

	1989	1988
Average number of people employed by the Group in:		
United Kingdom	54,700	54,800
Continental Europe	16,700	16,300
The Americas	33,900	32,000
Asia Pacific	16,700	15,200
Other countries	11,800	12,100
Total employees	133,800	130,400

Geographic markets

	1989 £m	1988 £m
Turnover in each geographic market in which customers are located:		
United Kingdom	2,917	2,705
Continental Europe	3,258	2,989
The Americas	3,867	3,232
Asia Pacific	2,378	2,096
Other countries	751	677
Total turnover	13,171	11,699

Industry Segment and Geographic Area analyses of profit include royalty income and government grants. In previous years these were shown separately; comparative figures for 1988 have been restated.

NOTES RELATING TO THE ACCOUNTS

8 EXTRAORDINARY ITEM

	Group 1989 £m	Group 1988 £m
Disposal of over-the-counter pharmaceuticals business in the USA (after deferred taxation of £83m)	127	
Restructuring UK compound fertilizer production facilities (net of relief from taxation of £8m)		(44)
	127	(44)

9 DIVIDENDS

	1989 pence per £1 Share	1988 pence per £1 Share	1989 £m	1988 £m
Interim, paid 2 October 1989	21p	18p	145	122
Second interim, to be confirmed as final, payable 30 April 1990	34p	32p	236	219
	55p	50p	381	341

10 EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE

	1989	1988
Earnings for Ordinary Shareholders, before extraordinary item (£m)	930	881
Average Ordinary Shares in issue during year, weighted on a time basis	689	679
Earnings per £1 Ordinary Share	135.0p	129.7p

The effect on earnings per £1 Ordinary Share of (a) full conversion of outstanding convertible bonds of subsidiaries and (b) issue of shares under option (note 21) would not be material.

11 RESERVES

	Share premium account £m	Revaluation £m	Other £m	Profit and loss account £m	Related companies £m	1989 Total £m	1988 Total £m
Group reserves attributable to parent company							
At beginning of year	294	61	289	2,368	230	3,242	2,769
Profit retained for year				646	30	676	496
Amounts taken direct to reserves							
Share premiums	90					90	58
Goodwill				(41)		(41)	(92)
Exchange adjustments		2	170	140	55	367	34
Other movements		(8)	(5)	(5)	4	(14)	(23)
	90	(6)	165	94	59	402	(23)
Other movements between reserves		1	32	(12)	(21)	–	–
At end of year	384	56	486	3,096	298	4,320	3,242

NOTES RELATING TO THE ACCOUNTS

11 RESERVES (continued)

	Share premium account £m	Other £m	Profit and loss account £m	1989 Total £m	1988 Total £m
Company reserves					
At beginning of year	294	432	1,937	2,663	2,428
Profit retained for year			25	25	170
Amounts taken direct to reserves					
Share premiums	90			90	58
Exchange adjustments		332		332	4
Purchased goodwill			(37)	(37)	–
Other movements		4		4	3
	90	336	(37)	389	65
At end of year	384	768	1,925	3,077	2,663

By virtue of S228(7) of the Companies Act 1985, the Company is exempt from presenting a profit and loss account.

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries or related companies; 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 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 related companies at equity accounted value.

In the Group accounts, £69m of net exchange losses on foreign currency loans (1988 – gains £5m) have been offset in reserves against exchange gains on the net investment in overseas subsidiary and related companies.

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 subsidiaries, to be added to the nominal amount of the share capital of the Company, was £5,220m at 31 December 1989

NOTES RELATING TO THE ACCOUNTS

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	1,473	6,169	719	8,361
Exchange adjustments	120	337	33	490
Revaluations and adjustments	3	7		10
New subsidiaries	21	42	19	82
Capital expenditure			1,080	1,080
Transfers	226	706	(932)	—
Disposals and other movements	(99)	(278)		(377)
At end of year	1,744	6,983	919	9,646
Depreciation				
At beginning of year	560	3,709		4,269
Exchange adjustments	44	193		237
Revaluations and adjustments	1	6		7
Disposals and other movements	(43)	(216)		(259)
Charge for year	66	470		536
At end of year	628	4,162		4,790
Net book value at end 1989	1,116	2,821	919	4,856
Net book value at end 1988	913	2,460	719	4,092

The net book value of the tangible fixed assets of the Group includes capitalized finance leases of £35m comprising cost of £90m and depreciation thereon of £55m. The depreciation charge for the year in respect of capitalized leases was £3m and finance charges £3m.

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in course of construction £m	Total £m
COMPANY				
Cost or as revalued				
At beginning of year	250	981	274	1,505
Capital expenditure			265	265
Transfers	93	191	(284)	—
Disposals and other movements	(2)	(28)		(30)
At end of year	341	1,144	255	1,740
Depreciation				
At beginning of year	90	575		665
Disposals and other movements	(1)	(25)		(26)
Charge for year	12	90		102
At end of year	101	640		741
Net book value at end 1989	240	504	255	999
Net book value at end 1988	160	406	274	840

The net book value of the tangible fixed assets of the Company includes capitalized finance leases of £5m comprising cost of £8m and depreciation thereon of £3m. The depreciation charge for the year in respect of capitalized leases was £1m and finance charges £1m.

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
The net book value of land and buildings comprised:				
Freeholds	1,063	861	235	154
Long leases (over 50 years unexpired)	39	9	5	1
Short leases	14	43	—	5
	1,116	913	240	160

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (continued)

	Group				Company			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m
Revalued assets included in tangible fixed assets:								
Revalued amount	159	183	240	244	9	11	20	23
Depreciation	65	68	185	182	8	10	20	23
Net book value	94	115	55	62	1	1	–	–
Revalued assets at historical cost:								
Cost	83	92	211	210	7	8	12	14
Depreciation	42	44	178	177	6	7	12	14
Net book value	41	48	33	33	1	1	–	–

13 INVESTMENTS IN SUBSIDIARIES

	Shares £m	Loans £m	Total £m
Book value			
At beginning of year			
Cost	2,041	1,962	4,003
Scrip issues capitalized	36		36
	2,077	1,962	4,039
Exchange adjustments	221	176	397
Additions	553	178	731
Reclassifications	27	(27)	–
Transfers from subsidiaries	152		152
Transfers to subsidiaries	(398)	(93)	(491)
Repayments		(330)	(330)
At end of year	2,632	1,866	4,498
Cost	2,594	1,866	4,460
Scrip issues capitalized	38		38
Provisions			
At beginning of year	(90)	(33)	(123)
Exchange adjustments	(10)		(10)
Additions	(14)	(6)	(20)
Transfers to subsidiaries	27		27
Reclassifications	(27)	27	–
Releases	3		3
At end of year	(111)	(12)	(123)
Balance sheet value at end 1989	2,521	1,854	4,375
Balance sheet value at end 1988	1,987	1,929	3,916

	1989 £m	1988 £m
The balance sheet value of investments in shares in subsidiary companies which are listed investments	77	75
With an aggregate market value of	610	661

Information on principal subsidiary companies is given on page 62.

14 INVESTMENTS IN RELATED AND OTHER COMPANIES

	Related companies Shares £m	Related companies Loans £m	Other investments £m	Total £m
GROUP				
Book value				
At beginning of year				
Cost	318	3	4	325
Scrip issues capitalized	7			7
	325	3	4	332
Exchange adjustments	25		1	26
Additions	201	3	5	209
Reclassified as subsidiaries	(4)			(4)
Disposals and repayments	(67)	(1)		(68)
Other movements	(5)		5	—
At end of year	475	5	15	495
Cost	466	5	15	486
Scrip issues capitalized	9			9
Share of post-acquisition reserves less losses				
At beginning of year	233			233
Exchange adjustments	54			54
Retained profits less losses	30			30
Other movements	(17)			(17)
At end of year	300			300
Provisions				
At beginning of year	(37)	(3)	(1)	(41)
Exchange adjustments	2			2
Other movements	11			11
At end of year	(24)	(3)	(1)	(28)
Balance sheet value at end 1989	751	2	14	767
Balance sheet value at end 1988	521	—	3	524
The balance sheet value of the above investments included:				
1989				
Investments listed on The International Stock Exchange, London	295		2	297
Other listed investments	120			120
	415		2	417
With an aggregate market value of	1,020		16	1,036
1988				
Investments listed on The International Stock Exchange, London	125			125
Other listed investments	66			66
	191			191
With an aggregate market value of	542			542

Information on principal related companies is given on page 63.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN RELATED AND OTHER COMPANIES (continued)

		Related companies Shares £m	Related companies Loans £m	Total £m
COMPANY				
Book value				
At beginning of year				
Cost		138	2	140
Scrip issues capitalized		1		1
		139	2	141
Additions		146	1	147
Reclassified as subsidiary		(3)		(3)
Disposals and repayments		(59)		(59)
At end of year		223	3	226
Cost		222	3	225
Scrip issues capitalized		1		1
Provisions				
At beginning of year		(16)	(2)	(18)
Disposals and releases		15		15
At end of year		(1)	(2)	(3)
Balance sheet value at end 1989		222	1	223
Balance sheet value at end 1988		123	–	123
Balance sheet value of investments listed on The International Stock Exchange, London	1989	214		214
	1988	69		69
Market value of listed investments	1989	745		745
	1988	378		378

15 STOCKS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Raw materials and consumables	669	561	110	91
Stocks in process	277	223	86	82
Finished goods and goods for resale	1,434	1,220	225	200
	2,380	2,004	421	373

16 DEBTORS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Amounts due within one year				
Trade debtors	2,071	1,774	3	1
Amounts owed by subsidiaries			620	356
Amounts owed by related companies	21	49	1	1
Other debtors*	572	343	63	79
Prepayments and accrued income	126	110	14	18
	2,790	2,276	701	455
Amounts due after more than one year*	95	48	1	1
	2,885	2,324	702	456

*Includes prepaid pension costs (note 28).

NOTES RELATING TO THE ACCOUNTS

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Redeemable securities listed on The International Stock Exchange, London	45	80		
Other listed investments	1	1		
Total listed investments	46	81		
Unlisted investments	4	11		
	50	92		
Short-term deposits	200	204	18	18
	250	296	18	18
Market value of listed investments	46	81		

Included in current asset investments, short-term deposits and cash are amounts totalling ~~£217~~m 204 (1988 £198m) held by the Group's insurance subsidiaries.

18 SHORT-TERM BORROWINGS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Bank borrowings				
Secured by – fixed charge	1	1		
– floating charge	25	23		
Unsecured	648	187	48	12
	674	211	48	12
Other borrowings (unsecured)	97	78		
	771	289	48	12

19 OTHER CREDITORS

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Amounts due within one year				
Trade creditors	1,108	954	132	123
Bills of exchange payable	26	24		
Payments received on account	27	18		
Amounts owed to subsidiaries			1,271	529
Amounts owed to related companies	25	26	4	1
Corporate taxation	333	545	74	240
Value added and payroll taxes and social security	93	98	7	7
Other creditors*	607	526	70	57
Accruals	283	256	61	53
Dividends to Ordinary Shareholders	236	219	236	219
	2,738	2,671	1,855	1,229
Amounts due after more than one year				
Trade creditors	1	10	1	7
Amounts owed to subsidiaries			534	522
Amounts owed to related companies	2	–		
Corporate taxation	5	31		
Other creditors*	78	96	5	6
	86	137	540	535

*Includes obligations under finance leases (note 23) and accrued pension costs (note 28).

NOTES RELATING TO THE ACCOUNTS

20 PROVISIONS FOR LIABILITIES AND CHARGES

	At beginning of year £m	Movement in year £m	At end of year £m
GROUP			
Deferred taxation:			
Advance corporation tax recoverable	(73)	(6)	(79)
Other tax†	17	161	178
	(56)	155	99
Employee benefits*	160	18	178
Rationalization environmental and other provisions	178	42	220
	282	215	497
COMPANY			
Deferred taxation	1	16	17
Advance corporation tax recoverable	(73)	(6)	(79)
Other provisions	23	1	24
	(49)	11	(38)

†The movement in the year includes taxation arising on the extraordinary item.

*Includes provisions for unfunded pension costs (note 28).

Movements in the year on provisions relating to acquisitions were not material.

21 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized £m	Allotted, called-up and fully paid 1989 £m	1988 £m
Ordinary Shares (£1 each)	694	694	683
Unclassified shares (£1 each)	97		
	791	694	683

Ordinary Shares issued during the year totalled £11m comprising issues in respect of the Employees' Profit-Sharing Scheme £4m, the Company's share option schemes £2m and conversions of loan stock and exercise of warrants £5m.

At 31 December 1989 there were options outstanding in respect of 12,531,895 Ordinary Shares of £1 under the Company's share option schemes for staff (1988 10,553,493) normally exercisable in the period 1990 to 1999 (1989 to 1998) at subscription prices of £5.33 to £16.12 (£3.55 to £16.12). The weighted average subscription price of options outstanding at 31 December 1989 was £10.26.

Options granted to directors are shown in note 27.

During 1989 movements in the number of shares under option comprised new options issued 4,153,985, options exercised 1,775,011 and options lapsed 400,572. At the end of 1989 there were 21,569,264 shares available for the granting of options (1988 25,010,713).

Warrants granting options to subscribe for 1,175,967 Ordinary Shares of £1 each at 540p were exercised during the year, leaving a balance representing options over 714,636 shares exercisable until 1 June 1991.

NOTES RELATING TO THE ACCOUNTS

22 LOANS

	Repayment dates	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Secured loans					
US dollars (5½ to 10⅞%)	1990/2012	51	36		
Australian dollars (10¼ to 18⅛%)	1990/97	56	62		
Other currencies	1990/2007	49	32		
Total secured		156	130		
Secured by fixed charge		146	114		
Secured by floating charge		10	16		
Unsecured loans					
Sterling:					
7¾ and 8¼% Stocks	1989	—	109	—	109
9¾ to 11¾% bonds	1992/2005	400	400	400	400
9⅞% Notes	1993	75	75	75	75
11⅜% Stock	1989	—	43	—	43
8½% convertible bonds*	1999	13	45		
5½% Stock	1989	—	26	—	26
Others	1990/95	41	34		
		529	732	475	653
US dollars:					
9⅞% bonds*	1990	28	26		
7¼ to 8% Eurodollar bonds	1990/96	66	60		
6⅞% convertible Eurodollar bonds*	1997	1	2		
8¼ to 9.05% bonds	1990/2006	333	305		
8.65 to 8.9% Medium term notes	1994/2002	31	—		
Others	1990/2013	50	52		
		509	445		
Australian dollars (15 to 15½%)	1990/93	106	5	99	—
Canadian dollars (10¾ to 14½%)	1990/96	87	79		
Deutschemarks (6½%)	1989	—	9		
Dutch florins (9%)	1990/91	6	8		
Swiss francs (3¼ to 4½%)	1990/99	180	176		
Japanese yen (variable)	1990/95	12	15		
Other currencies	1990/2002	76	78		
Multi-currency credit facility†		75	—		
Total unsecured		1,580	1,547	574	653
Total loans		1,736	1,677	574	653

*Conversion rights attach to certain bonds, unless previously redeemed and subject to adjustment in certain events, as follows:

8½% Sterling bonds, until 1 October 1999, into Ordinary Shares of the Company at 800 pence per £1 Ordinary Share;

9⅞% US dollar bonds, until 1 June 1990, into sterling bonds at a conversion rate of US$1.5773 = £1;

6⅞% Eurodollar bonds, until 1 September 1997, into Ordinary Shares of the Company at 460 pence per £1 Ordinary Share (with a fixed rate of exchange applicable on conversion of the bonds of US$1.7423 = £1).

Loans from banks included in the table above amounted to £229m (1988 £135m) in the Group of which £75m (£68m) was secured. New borrowings during the year included A$200m 15-15½% Guaranteed Eurobonds due 1992 issued by the Company and US$50m medium term notes due 1994/2002 issued by a subsidiary and the proceeds are to be used for the general purposes of the ICI Group.

†Variable interest; repayable and redrawable at borrower's option.

22 LOANS (continued)

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Loans or instalments thereof are repayable:				
After 5 years from balance sheet date:				
Lump sums	608	716	200	269
Instalments	219	318	62	125
	827	1,034	262	394
From 2 to 5 years	643	470	312	259
From 1 to 2 years	157	123		
Total due after more than one year	1,627	1,627	574	653
Total due within one year	109	50		
	1,736	1,677	574	653
Aggregate amount of loans repayable by instalments any of which fall due after 5 years	462	619	125	125

23 LEASES

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

	Group 1989 £m	Group 1988 £m
Hire of plant and machinery	116	101
Other	38	40
	154	141

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 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Land and buildings:				
Expiring within 1 year	4	9		
Expiring in years 2 to 5	18	12		
Expiring thereafter	15	8	2	2
	37	29	2	2
Other assets:				
Expiring within 1 year	17	20	2	1
Expiring in years 2 to 5	61	31	3	9
Expiring thereafter	8	10	1	1
	86	61	6	11
Obligations under finance leases comprise:				
Rentals due within 1 year	6	6	1	1
Rentals due in years 2 to 5	17	16	4	4
Rentals due thereafter	48	45	3	5
Less: interest element	(39)	(36)	(3)	(4)
	32	31	5	6

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.

NOTES RELATING TO THE ACCOUNTS

24 ACQUISITIONS AND NEW INVESTMENTS

	Group 1989 £m	Group 1988 £m
Acquisitions and new investments comprised:		
Fixed assets	82	37
Goodwill	41	84
Related companies	209	55
Net current assets	60	22
Long term liabilities	(33)	–
Rationalization and other provisions	–	(3)
Minorities	14	70
	373	265

The purchase considerations for acquisitions and new investments made during the year were met from the Group's cash resources.

Disposals in 1989 comprised businesses and subsidiaries £458m (1988 £140m) and related and other companies £121m (£9m).

There were no material differences between the book values and the fair values to the Group of assets and liabilities of companies acquired during the year.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
Commitments for capital expenditure not provided for in these accounts (including acquisitions):				
Contracts placed for future expenditure	261	218	60	67
Expenditure authorized but not yet contracted	910	727	174	178
	1,171	945	234	245

Contingent liabilities existed at 31 December 1989 in connection with guarantees and uncalled capital relating to subsidiary and other companies and guarantees relating to pension funds, including the solvency of pension funds. 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. Litigation and other proceedings against companies in the Group are not considered material in the context of these accounts.

The maximum contingent liability in respect of guarantees of borrowings and uncalled capital at 31 December 1989 was £44m (1988 £66m) for the Group. The maximum contingent liability for the Company, mainly on guarantees of borrowings of subsidiaries, was £1,085m (1988 £832m).

NOTES RELATING TO THE ACCOUNTS

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £3,071,000 (1988 £2,805,000) including directors' fees of £269,000 (1988 £249,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £4,811,000 (1988 £4,469,000).

The table which follows shows the number of directors and employees of the Company, other than those who worked wholly or mainly outside the UK, whose emoluments during the year were within the bands stated (excluding employees whose emoluments were below £30,000).

Some directors and employees were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (notes 21 and 27).

Emoluments £	Directors 1989	Directors 1988	Employees 1989	Employees 1988	Emoluments £	Directors 1989	Directors 1988	Employees 1989	Employees 1988
15,001- 20,000	3	3			120,001-125,000			2	4
20,001- 25,000	1	1			130,001-135,000			1	1
25,001- 30,000	1				135,001-140,000			2	2
30,001- 35,000			798	533	145,001-150,000			1	
35,001- 40,000		1	343	258	150,001-155,000			1	
40,001- 45,000	2	2	212	130	155,001-160,000				1
45,001- 50,000			106	84	160,001-165,000			1	
50,001- 55,000	1	1	77	55	175,001-180,000			1	
55,001- 60,000			66	45	235,001-240,000		1		
60,001- 65,000			27	18	255,001-260,000	1	1		
65,001- 70,000			32	26	265,001-270,000		1		
70,001- 75,000			25	19	270,001-275,000	1	2		
75,001- 80,000	1		19	9	290,001-295,000	1			
80,001- 85,000			11	15	300,001-305,000		1		
85,001- 90,000			16	3	305,001-310,000	1			
90,001- 95,000		1	8	7	315,001-320,000	1			
95,001-100,000			1	3	335,001-340,000	1	1		
100,001-105,000			1	1	375,001-380,000	1			
105,001-110,000			3	2	475,001-480,000		1		
110,001-115,000			5		510,001-515,000	1			
115,001-120,000				2					

One of the directors whose emoluments are shown above for 1989 was a director for part of the year only.

The emoluments of the Chairman were £514,000 (1988 £478,000).

The average number of people employed by the Group in 1989 was 133,800 (1988 130,400) and the staff costs incurred during the year in respect of those employees were:

	1989 £m	1988 £m
Salaries	2,094	1,844
Social security costs	189	170
Pension costs	143	166
Severance costs	46	69
Other employment costs	68	49
Employees' profit-sharing bonus	62	63
	2,602	2,370
Less: amounts allocated to capital expenditure, etc.	(44)	(33)
Charged to profit and loss account	2,558	2,337

NOTES RELATING TO THE ACCOUNTS

27 DIRECTORS' INTERESTS IN STOCKS, SHARES AND DEBENTURES

The interests at 31 December 1989 of the persons who on that date were directors (including the interests of their families) in stocks, shares and debentures of the Company and its subsidiaries, are shown below. Their interests at 1 January 1989 (or, if appointed during 1989, 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	
A. W. Clements	11,038	(10,622)
P. Doyle	2,530	
R. C. Hampel	4,492	
C. Hampson	922	
Sir Denys Henderson	20,000	(10,100)
T. O. Hutchison	2,616	
Sir Alex Jarratt: beneficial	562	
non-beneficial	118	
W. G. L. L. Kiep	500	
Sir Patrick Meaney	1,325	
Sir Jeremy Morse	1,819	
S. Saba	500	
Lord Thomson	500	
P. A. Volcker	2,000	(1,000)
F. Whiteley	11,579	(9,850)
T. H. Wyman	500	

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1989 are included in the table below:

	At 1 January 1989	Options granted	Price £	Options exercised	At 31 December 1989
J. D. F. Barnes	30,600	37,400	11.77	—	68,000
A. W. Clements	78,116	—		416	77,700
P. Doyle	29,847	34,800	11.77	17,500	58,347
		11,200	12.18		
R. C. Hampel	60,792	23,900	11.77	40,400	69,092
		24,800	12.18		
C. Hampson	58,915	7,700	11.77	—	66,961
		346	11.83		
Sir Denys Henderson	106,900	39,900	11.77	36,700	128,000
		17,900	12.18		
T. O. Hutchison	59,000	45,800	11.77	35,000	69,800

The options outstanding are exercisable at prices between £5.33 and £15.12.

C. Hampson has a beneficial interest in 1,400 ICI Australia Ltd A$1 Ordinary Shares.

NOTES RELATING TO THE ACCOUNTS

28 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.

Prior to 1989 the pension cost charged in the Group profit and loss account in respect of funded retirement plans equalled the annual contributions to these plans by companies in the Group. In the case of a small number of plans which are unfunded, the pension cost was the amount of pensions paid net of the movement on the provisions for pension costs which were actuarially valued. From 1989, the method of accounting for pension costs for the year is as set out under accounting policies on page 43. The effect of this change in accounting policy on the 1989 results was not material.

The total pension cost for the Group for 1989 was £143m (1988 £166m). 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 9.2 per cent. The weighted average expected long-term rate of return on investments was 9.3 per cent. The weighted average rate of increase of future earnings was 6.8 per cent. The actuarial value of the fund assets of these plans was sufficient to cover 105 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings.

The market value of the assets of the major plans in the Group at the date of the latest valuations was £5,582m. Accrued pension costs amounted to £52m and are included in other creditors (note 19); provisions for the benefit obligation of the small number of unfunded plans mentioned above amounted to £81m (1988 £73m) and are included in provisions for employee benefits (note 20). Prepaid pension costs amounting to £33m are included in other debtors (note 16).

29 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans of £225,000 (1988 £267,500) to officers of the Company, comprising £20,000 in total to two directors and £205,000 in total to six other officers. The loans to directors were made prior to their joining the Board, in accordance with the Company's policy of providing housing assistance to staff who have been transferred. An amount of £35,000 was outstanding at 1 January 1989 from Dr P. Doyle. He repaid £25,000 of this in January 1989 leaving the balance of £10,000 outstanding throughout the remainder of the year. An amount of £10,000 was outstanding throughout the year from Mr T. O. Hutchison. The loans to the other officers were also in respect of housing assistance.

On 30 June 1989, the Company's wholly-owned subsidiary C-I-L Inc in Canada disposed of its shareholding in a related company, Canadian Fracmaster Ltd, by means of a management buy-out involving two directors of that company for a total consideration of C$30.8m.

Remuneration of auditors charged in the Group accounts for 1989 was £4.1m (1988 £3.9m).

30 SUBSEQUENT EVENT

In December 1989, ICI agreed in principle to acquire the US-based Atlas Powder Co., a wholly-owned subsidiary of the Tyler Corporation. The agreement which is subject to satisfactory completion of due diligence and US regulatory clearance is valued at US$193m. The consideration will be made up of the assumption of approximately US$58m of debt, with the balance of US$135m being paid through an issue of ICI shares.

PRINCIPAL SUBSIDIARY COMPANIES

At 31 December 1989	Class of capital	Held by ICI %	Principal activities
EUROPE (accounting dates 31 December)			
Deutsche ICI GmbH (West Germany)	Ordinary	100†	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine, advanced materials, polyurethanes and specialty chemicals; merchanting of other ICI products
ICI Chemicals & Polymers Ltd (England)	Ordinary	100	Manufacture of chemicals, plastics, 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 plasticisers, ethylene/propylene oxide derivatives, pharmaceuticals and polyurethanes; merchanting of other ICI products
ICI Holland BV (Holland)	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
Nobel's Explosives Company Ltd (Scotland)	Ordinary	100	Manufacture of industrial explosives, blasting accessories, propellants and propellant devices
THE AMERICAS (accounting dates 31 December)			
C-I-L Inc (Canada)	Common Preference	100† 100†	Manufacture of fertilizers, agrochemicals, industrial explosives, paints and chemicals; merchanting of other ICI products and packaged chemicals
Duperial SAIC (Argentina)	Ordinary	100	Manufacture of chemicals, plastics, seeds, polyurethanes, pharmaceuticals, agrochemicals and sporting ammunition; merchanting of ICI and other products
ICI American Holdings Inc (USA)	Common	100	Manufacture of pharmaceuticals, agrochemicals, seeds, colours, films, paints, advanced materials, polyurethanes, specialty and other chemicals; merchanting of other ICI products
ICI Brasil SA (Brazil)	Ordinary	87 13†	Manufacture of agrochemicals, colours, seeds, polyester polymers and films, specialty and other chemicals; merchanting of ICI and other products
OTHER COUNTRIES (accounting dates 31 December unless otherwise stated)			
Chemical Company of Malaysia Berhad (Malaysia)	Ordinary*	2 50†	Manufacture of fertilizers, chlor-alkali chemicals, agrochemicals and paints; merchanting of ICI and other products
ICI Australia Ltd (Australia) (accounting date 30 September)	Ordinary*	63†	Manufacture of chemicals, fertilizers, industrial explosives, paints, plastics and pharmaceuticals
ICI (China) Ltd (Hong Kong and China)	Ordinary	100	Merchanting of ICI and other products; manufacture of paints, pharmaceuticals and other chemicals
ICI Japan Ltd (Japan)	Ordinary	25 75†	Merchanting of ICI and other products; manufacture of advanced materials
ICI Pakistan Ltd (Pakistan)	Ordinary*	61	Manufacture of polyester staple fibre, soda ash, paints and specialty chemicals; merchanting of agrochemicals, general chemicals and pharmaceutical products
ICI-Pharma Ltd (Japan)	Ordinary	60	Marketing of ICI pharmaceutical products
ICI (South Africa) Ltd (Republic of South Africa)	Ordinary	100	Merchanting of ICI and other products; manufacture of pharmaceuticals; holding company
ICI India Ltd (India) (accounting date 31 March; reporting date 31 December)	Ordinary*	51	Manufacture of fertilizers, industrial explosives and accessories, polyester fibres, paints, agrochemicals, pharmaceuticals and rubber chemicals

*Listed †Held by subsidiaries

The country of principal operations and registration or incorporation is stated after each company.

PRINCIPAL RELATED COMPANIES

At 31 December 1989	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)	Ordinary*	36	38†	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
	Preference	1	–	
	Loan	110	–	
Enterprise Oil plc (England)	Ordinary*	81	25	Oil and gas exploration and production
	Loan	436	–	
European Vinyls Corporation (Holdings) BV (Holland)	Ordinary	156	50†	Manufacture of vinyl chloride monomer, polyvinyl chloride and fabricated PVC products
Tioxide Group PLC (England)	Ordinary	31	50†	Manufacture of titanium pigments
	Loan	30	–	

*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 after each company. The principal operations are carried out in that country except in the case of the European Vinyls Corporation (Holdings) BV, where they are carried out in the UK, West Germany, Italy and Switzerland.

The accounting date for ICI Group accounts purposes is 31 December, except AECI Ltd (30 September). Where audited accounts are not available, the results are taken from unaudited management accounts.

AUDITORS' REPORT

To the Members of Imperial Chemical Industries PLC.

We have audited the financial statements on pages 40 to 63 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 1989 and of the profit and sources and applications of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

London
5 March 1990

Chartered Accountants

GROUP FINANCIAL RECORD

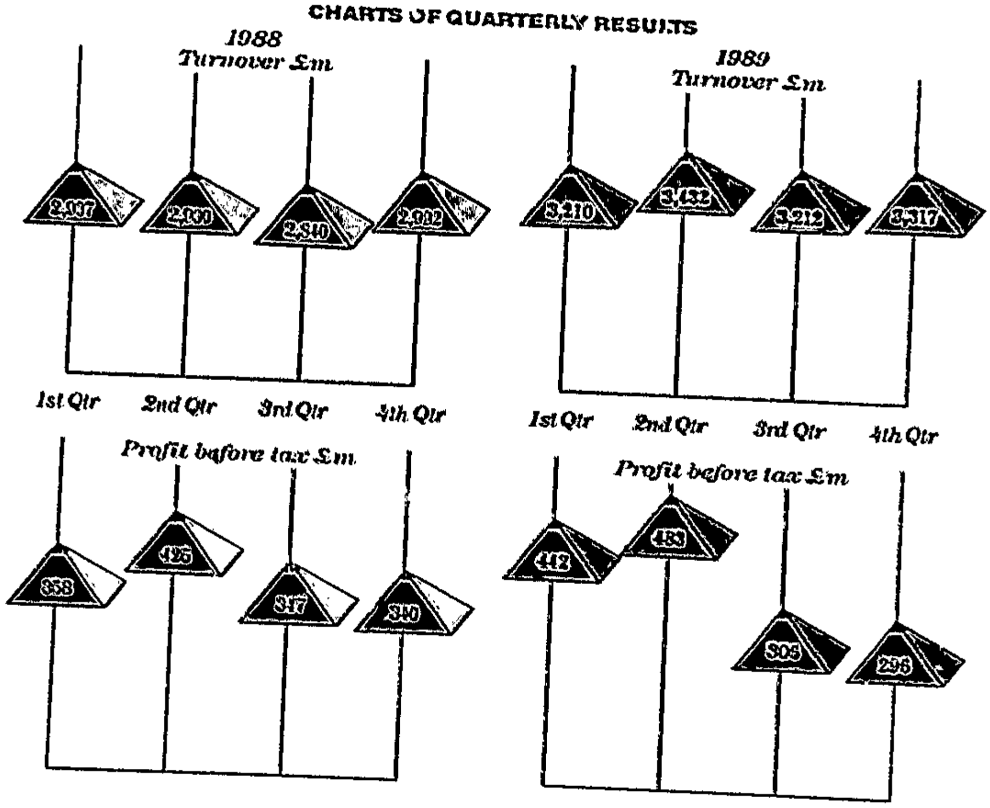
For the years ended 31 December	1985 £m	1986 £m	1987 £m	1988 £m	1989 £m
Balance sheet					
Tangible fixed assets	3,533	3,912	3,750	4,092	4,856
Investments	287	333	417	524	767
Current assets:					
Stocks	1,750	1,734	1,812	2,004	2,380
Debtors	1,950	2,015	2,162	2,324	2,885
Cash and short-term investments	797	692	646	456	383
	4,497	4,441	4,620	4,784	5,648
Total assets	8,317	8,686	8,787	9,400	11,271
Creditors due within one year:					
Short-term borrowings	(511)	(441)	(559)	(289)	(771)
Current instalments of loans	(131)	(74)	(46)	(50)	(109)
Other creditors	(1,961)	(2,022)	(2,365)	(2,671)	(2,738)
Total assets less current liabilities	5,714	6,149	5,817	6,390	7,653
Creditors due after more than one year:					
Loans	1,208	1,538	1,511	1,627	1,627
Other creditors	76	83	70	137	86
Provisions and deferred income	530	459	434	397	591
Minority interests	405	404	357	304	335
Capital and reserves attributable to parent company	3,495	3,665	3,445	3,925	5,014
	5,714	6,149	5,817	6,390	7,653
Turnover and profits					
Turnover	10,725	10,136	11,123	11,699	13,171
Trading profit (after depreciation)	978	1,049	1,297	1,470	1,467
Depreciation	474	491	464	484	536
Share of profits less losses of related companies	56	95	157	162	279
Interest other than loan interest (net)	21	7	8	(2)	(44)
Profit before loan interest	1,055	1,151	1,462	1,630	1,702
Loan interest	(143)	(135)	(150)	(160)	(175)
Profit before taxation	912	1,016	1,312	1,470	1,527
Taxation	(308)	(382)	(504)	(540)	(531)
Attributable to minorities	(52)	(34)	(48)	(49)	(66)
Net profit attributable to parent company, before extraordinary items	552	600	760	881	930
Extraordinary items	(40)	(43)		(44)	127
Dividends	(214)	(238)	(277)	(341)	(381)
Profit retained, transferred to reserves	298	319	483	496	676
Sources and applications of funds					
Sources net of interest and taxation	1,136	1,062	1,308	1,235	1,159
Dividends	(227)	(249)	(283)	(317)	(406)
Fixed assets:					
Tangible assets	(603)	(608)	(682)	(766)	(1,019)
Investments less disposals	(791)	(548)	(430)	(116)	206
Working capital changes	(60)	94	(187)	(77)	(538)
Surplus (deficit)	(545)	(249)	(274)	(41)	(598)
Return on assets					
Profit before loan interest as a percentage of assets employed (average total assets less current liabilities)	17.6	19.4	24.4	26.7	24.2

ICI ORDINARY SHARE COMPARISONS

Millions	1985	1986	1987	1988	1989
Shares in issue					
At year-end	648	657	676	683	694
Weighted average for year	639	652	669	679	689
Pence per £1 Ordinary Share					
Stock Market price					
Highest	882p	1,116p	1,645p	1,184p	1,335p
Lowest	632p	727p	965p	950p	1,013p
Year-end	756p	1,068p	1,082p	1,013p	1,134p
Earnings per £1 share	86p	92p	114p	130p	135p
Dividends					
Dividends (net)	33p	36p	41p	50p	55p
Dividends grossed up for imputed tax credit	47p	51p	56p	67p	73p*
Dividends (net) in 1989 money (adjusted by RPI)	40p	42p	46p	54p	55p
Balance sheet value of Ordinary shareholders' equity at end of year per £1 share	538p	558p	510p	575p	722p
Indexed value of the £, expressed in average 1989 £'s, based on RPI	1.22	1.18	1.13	1.08	1.00

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

CHARTS OF QUARTERLY RESULTS



SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1989 £m	1988 £m	Change %
SOURCES OF INCOME				
Sales turnover		13,171	11,699	+13%
Royalties and other trading income		153	154	−1%
Less: materials and services used		(8,790)	(7,591)	+16%
Value added by manufacturing and trading activities		4,534	4,262	+6%
Share of profits less losses of related companies		279	162	+72%
Total value added		4,813	4,424	+9%
DISPOSAL OF TOTAL VALUE ADDED				
Employees	1			
Pay, plus pension and national insurance contributions, and severance costs		2,496	2,274	
Profit-sharing bonus	2	62	63	
		2,558	2,337	+9%
Governments	3			
Corporate taxes		531	540	
Less: grants		(27)	(29)	
		504	511	−1%
Providers of capital				
Interest cost of net borrowings		219	162	
Dividends to shareholders		381	341	
Minority shareholders in subsidiaries		66	49	
		666	552	+21%
Re-investment in the business				
Depreciation		536	484	
Extraordinary item		(127)	44	
Profit retained		676	496	
		1,085	1,024	+6%
Total disposal		4,813	4,424	+9%

Notes

1 The average number of employees in the Group worldwide increased by 3 per cent. The average number employed in the UK decreased by 0.2 per cent.
2 The 1989 UK bonus rate was 8.3p per £1 of remuneration (1988 9.2p).
3 Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £171m in 1989 (1988 £152m).

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 this increase in value has been disposed.