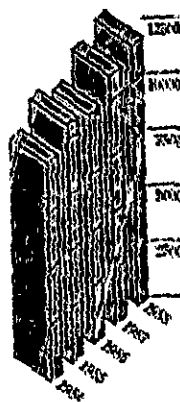


ICI GROUP FINANCIAL HIGHLIGHTS

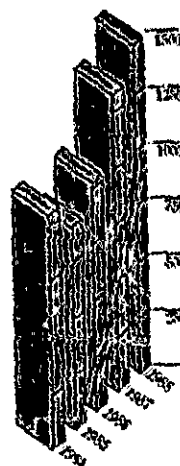
Group means ICI and its subsidiaries. £m means millions of pounds sterling.

	1988	1987	1986
	£m	£m	£m
TURNOVER _____	11,699	11,123	10,136
TRADING PROFIT _____	1,470	1,297	1,049
PROFIT BEFORE TAXATION _____	1,470	1,412	1,016
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY BEFORE EXTRAORDINARY ITEM _____	881	700	600
EARNINGS (<i>before extraordinary item</i>) per £1 Ordinary Share _____	129.7p	114.6p	92.0p
DIVIDEND per £1 Ordinary Share (<i>see page 29</i>) _____	50p	11p	39p

Turnover
£m



Profit before tax
£m



MEETING NEEDS

One of the most important developments in ICI in recent years has been a new determination to identify the needs of the market and to meet those needs better than anyone else.

To achieve that end, the Group itself has had to change.

It has had to focus its technological effort, concentrating on areas in which it can excel. This technological focus is now central to ICI's strategy – so much so that a large part of this Report is devoted to recent developments (see pages 7 to 14).

It has had to become more international, not only to recover the cost of advanced research and development but to gain access to new technologies as they emerge around the world. The Group's growing internationalism also brings it closer to its international customers, making it easier to meet their needs.

It has had to become more responsive. The trend towards 'effort' products in ICI's portfolio is a recognition that customers should have precisely the product they require. The 'Total Quality' schemes now in place in many ICI businesses are helping to achieve competitive edge in service as well as product.

The contents of this Annual Report illustrate ICI's drive to serve its customers better. The themes of internationalism, responsiveness and technological focus recur throughout the document.

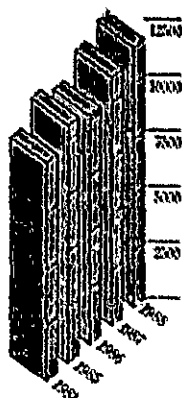
Indeed, this year's Report of the Directors represents a response to need, being shorter, clearer and more digestible than in previous years. We trust you will find the changes helpful.

ICI GROUP FINANCIAL HIGHLIGHTS

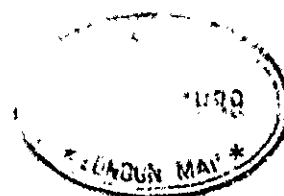
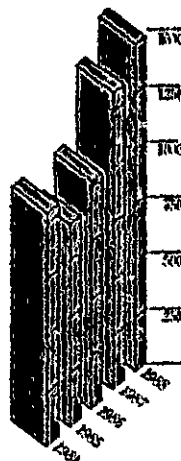
Group means ICI and its subsidiaries. £m means millions of pounds sterling.

	1988	1987	1986
	£m	£m	£m
TURNOVER _____	11,699	10,123	10,136
TRADING PROFIT _____	1,470	1,297	1,049
PROFIT BEFORE TAXATION _____	1,470	1,312	1,016
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY BEFORE EXTRAORDINARY ITEM _____	881	790	680
EARNINGS (before extraordinary item) per £1 Ordinary Share _____	129.7p	113.6p	92.0p
DIVIDEND per £1 Ordinary Share (see page 29) _____	50p	11p	36p

Turnover
£m



Profit before tax
£m



BOARD OF DIRECTORS

D. H. Henderson *Chairman*

F. Whiteley *Deputy Chairman*

J. D. F. Barnes, CBE

A. W. Clements

P. Doyle

R. C. Hampel

C. Hampson

T. O. Hutchison

Sir Alex Jarratt, CB*

W. G. L. L. Kiep*

Sir Patrick Meaney*

Sir Jeremy Morse, KCMG*

S. Saba*

The Rt. Hon. Lord Thomson of Monifieth, KT*

P. A. Volcker*

T. H. Wyman*

**Non-Executive Directors
Further information about the Directors is given on pages 34 to 36 and a list of Senior Executives
appears on page 38.*



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 recognise as being consistently better than that of any of our competitors;
- operating safely and in harmony with the global environment.

MEETING NEEDS

One of the most important developments in ICI in recent years has been a new determination to identify the needs of the market and to meet those needs better than anyone else.

To achieve that end, the Group itself has had to change.

It has had to focus its technological effort, concentrating on areas in which it can excel. This technological focus is now central to ICI's strategy – so much so that a large part of this Report is devoted to recent developments (see pages 7 to 14).

It has had to become more international, not only to recover the cost of advanced research and development but to gain access to new technologies as they emerge around the world. The Group's growing internationalism also brings it closer to its international customers, making it easier to meet their needs.

It has had to become more responsive. The trend towards 'effect' products in ICI's portfolio is a recognition that customers should have precisely the product they require. The 'Total Quality' schemes now in place in many ICI businesses are helping to achieve competitive edge in service as well as product.

The contents of this Annual Report illustrate ICI's drive to serve its customers better. The themes of internationalism, responsiveness and technological focus recur throughout the document.

Indeed, this year's Report of the Directors represents a response to need, being shorter, clearer and more digestible than in previous years. We trust you will find the changes helpful.



CHAIRMAN'S STATEMENT

1988 reinforced ICI's position as a world-class business. Record sales and profits bear witness to the sound strategies of the past decade and the Group's success in responding to the changing world market. They demonstrate the fundamental strength of ICI as it approaches the 1990s.

Group sales in 1988 rose in value by 5 per cent to £11,000 million. Group profit before tax was £1,470 million, an increase of 12 per cent on 1987. Earnings per share rose by 14 per cent to 120.7p. With these results, we have raised the dividend from 41p in 1987 to 50p in 1988. Besides allowing shareholders to benefit from a very good year, this increase also demonstrates the confidence of the Board in ICI's continuing success.

Each of our three industry segments continued to grow strongly. Results from Consumer and Specialty Products inevitably suffered from the relative strength of Sterling against the US dollar but nevertheless reflect a strong local performance with profits of £546 million. Industrial Products had an

exceptionally good year with profits up 28 per cent to £780 million. Agriculture, despite the problems of the farming industry in many parts of the world, ended the year with profits of £102 million – £54 million higher than in 1987.

Of the 7 per cent increase in total sales volume, 2 per cent was directly the result of recent acquisitions. The Stauffer business, acquired in 1987, was successfully integrated into ICI Agrochemicals and contributed strongly to its profits. The Glidden paints business, taken over in 1986, was further strengthened and expanded.

With Stauffer and Glidden now absorbed, and ICI Chemicals and Polymers firmly established and performing well, 1988 was in some respects a year of consolidation. But it also saw important new initiatives as ICI continued to expand its global interests.

In Canada, we bought out the minority shareholding in C-I-L and set about disposing of those parts of the portfolio that are not strategically necessary – in this way aligning C-I-L more closely with ICI's North American strategy.

The Paints business, already the largest of its kind in the world, expanded further with the acquisition of Berger paints in Australasia, the outstanding 50 per cent of BAPCO in Canada and a joint venture with Du Pont to supply the European automotive industry.

In December, ICI obtained a listing on the Tokyo Stock Exchange, a move designed to raise our profile in the strategically important Japanese market. 1988 also saw approval of a \$55 million investment in a new 'Melinex' film plant in Japan – ICI's first major manufacturing investment in that country. This, together with a major expansion of the methyl methacrylate plant in Taiwan, underlines the importance of Asia Pacific to the Group's future growth.

The year's total of 45 acquisitions and divestments, at a net outlay of £116 million, and £811 million in capital expenditure around the world demonstrates the



THE QUEEN'S AWARD FOR
TECHNOLOGICAL ACHIEVEMENT
1988 TO ICI PAINTS

continuing momentum of the ICI Group as it faces the 1990s. Not least, we're in good shape to benefit from the single European market of 1992.

With the next decade nearly upon us, it is perhaps appropriate to glance back at the last ten years and recall the changes that have taken place in ICI during that period. Our newly refurbished Group Headquarters provides an analogy. From the outside, it looks much the same as it always did. Inside, the building has been spectacularly transformed, as you can see from the picture on page 34. The Group, similarly, may look superficially like the ICI of ten years ago, but is in fact very different.

Since the start of the decade, we have radically restructured the entire business. We now operate in more countries than any other chemical company in the world. We're growing where the markets are growing – fastest in Asia Pacific, but strongly, too, in North America and Europe. We have expanded our high added-value, effect businesses, at the same time streamlining and strengthening our industrial businesses for greater profitability.

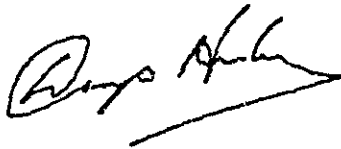
Some of that growth, as I have indicated, has been through acquisition. But far more important to our future success is the Group's own innovation. ICI intends to be at the forefront of those technologies in which it has chosen to compete, and the article on pages 7 to 14 of this Report shows some of the ways in which we are going about it. The progress we've made this year towards ozone-friendly alternatives to chlorofluorocarbons (CFCs) is just one example of ICI's ability to innovate in response to market need. (It also shows ICI's keen awareness of the importance of a healthy environment.)

We also take pride in the awarding of the Nobel Prize for Medicine to Sir James Black, whose pioneering work in the development of beta-blockers was carried out in ICI Pharmaceuticals' laboratories at Alderley Edge, UK. Technological strength – still largely centred in

the UK – will remain the main driving force behind the Group's expansion.

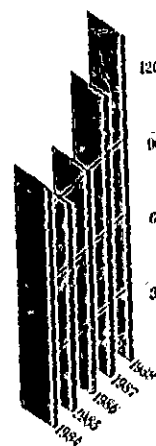
We approach the 1990s more resilient than ever to world economic swings. We have a range of non-cyclical, high added-value, research-intensive businesses at the effect end of our portfolio, balanced by solid, cash-generating businesses at the industrial end. We're cost competitive; we're expanding; we're increasing our research expenditure year on year; we're laying the foundations now for the 21st century. The statement of Group purpose on page 2 shows the direction we have set. The strategy is in place for long-term, profitable growth, with ICI leading the changes in international business.

Our greatest strength, of course, is our people. We rely on their skills to discover and develop new products, to operate sophisticated plants safely and efficiently, and to sell the results of our research around the world. Again this year, I'm grateful to the men and women of ICI for the commitment they've shown. It is a privilege to lead them. With such a team, shareholders can be confident of even greater success in 1989 and beyond.



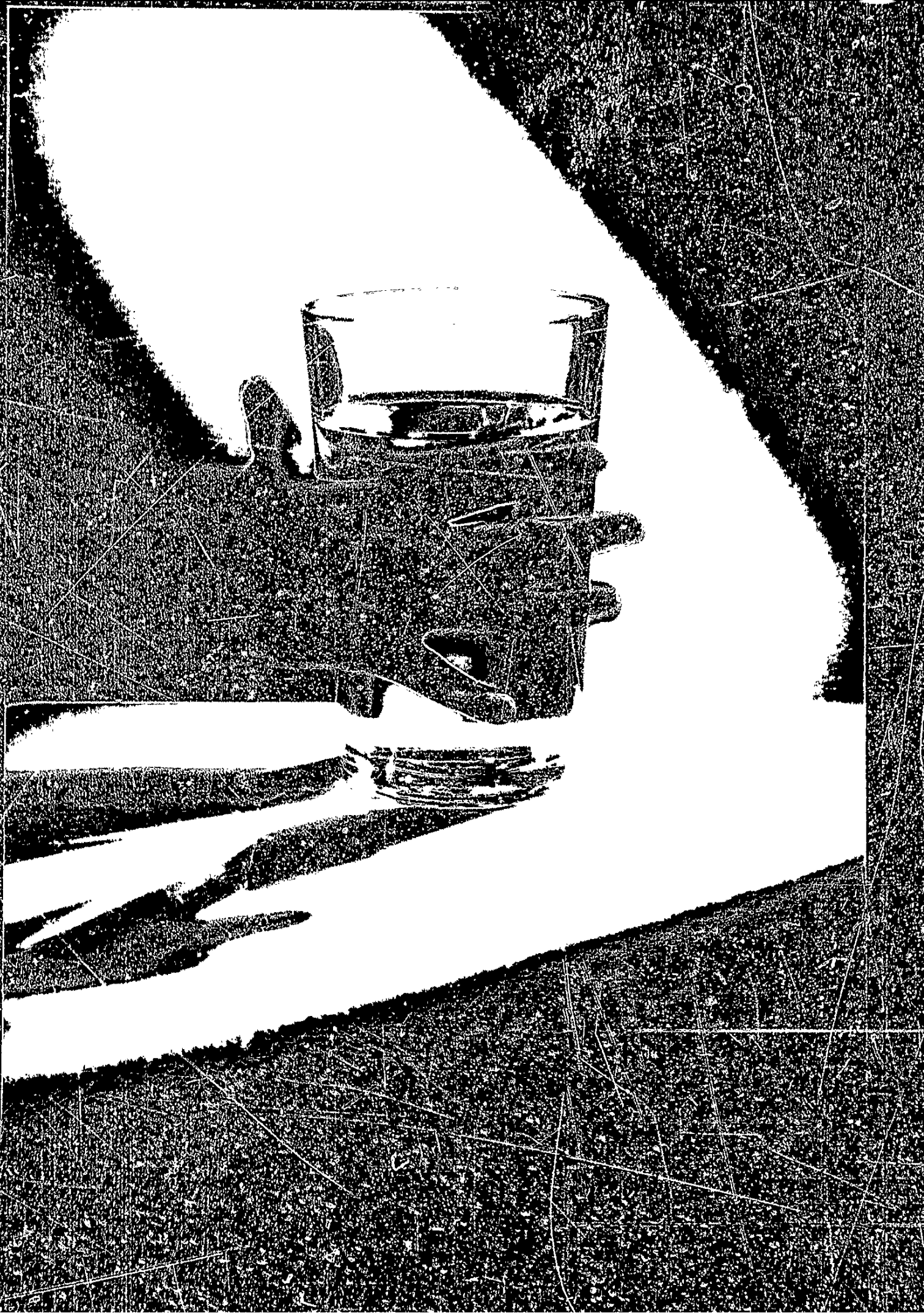
6 March 1989

Earnings in pence per
£1 Ordinary Share



Dividends in pence per
£1 Ordinary Share





MAKING THE WORLD A BETTER PLACE

The revelations are extraordinary: new possibilities for treating cancer, heart problems, senile dementia; putting the contents of 5,000 tonnes of paper on to a reel of optical tape that weighs just three kilograms; creating seeds that will grow food as it has never been grown before; producing 'smart' materials that might change their shape and self-repair – and even finding new ways to beat banknote forgers.

This is ICI research and technology at work – concentrating on a remarkable variety of challenges and generating opportunities which will enhance the quality of life across the world.

Every hour ICI spends more than £60,000 on research and development. That is £1.5 million a day – over £550 million a year. It is the level of investment which the Group knows it must make to ensure that it stays ahead of competitors in the wide range of complex, high technology areas in which it is involved.

Now, 80 per cent of the Group's research and development spending is dedicated to generating products of relatively high added-value to meet specific market needs; that figure is up from 60 per cent at the start of the decade. Many specialty and consumer products are seeing the benefit of this philosophy.

Pharmaceuticals, one of ICI's key businesses, has benefited enormously from this work. 'Statil',

a potential new drug for treating serious diabetic complications, is now at a late stage of development. If it can be shown to delay the onset of many diabetic complications, it will greatly improve quality of life. The first results of an intensive research and development programme should be available before the end of 1989.

Obesity is now accepted to be a factor in the onset of some forms of diabetes and cardiovascular disease. Brown fat, one of the body's mechanisms for burning off calories, may be under-active in the obese and ICI is developing a compound which could stimulate this natural mechanism. It would not be for cosmetic uses.

There is, quite literally, living proof in countries across the world

For some people quality of life may depend on a drug to maintain their heartbeat, a successful harvest free of pests and disease, or subtle paint colours to enhance their home. For others quality of life has a simpler meaning: the ability to enjoy clean, clear, pure water. ICI research and technology provides all these things... and many more.



of ICI's enormous contribution to medical science. It is a contribution that is growing, for ICI Pharmaceuticals is a pioneering business.

ICI Pharmaceuticals, like other businesses, looks far ahead in its research. It is investing heavily in biotechnology to develop new approaches to disorders such as infection and cancer. The possibility of 'tuning up' the body's immune system - reducing its reaction time to fight disease instead of relying mainly on antibiotics - is an area of particular interest.

And further ahead still, immune-system enhancers could offer a major new weapon in the fight against cancer by influencing the body's internal suppression system which may now be 'fooled' into thinking cancer is benign.

Another major disease requiring better therapy is the seriously debilitating Alzheimer's disease - senile dementia. ICI is collaborating closely with the internationally renowned Medical Research Council Laboratory in Cambridge in a long-term fundamental programme to explore the underlying causes of the disease and how it may be prevented.

This philosophy of learning from, and using, nature even applies to ICI's Advanced Materials business. Broken human bones self-repair; now researchers are starting to visualise how that might happen in a non-biological environment so that 'smart' materials could 'sense' specific requirements and optimise their performance or shape - and even self-repair.

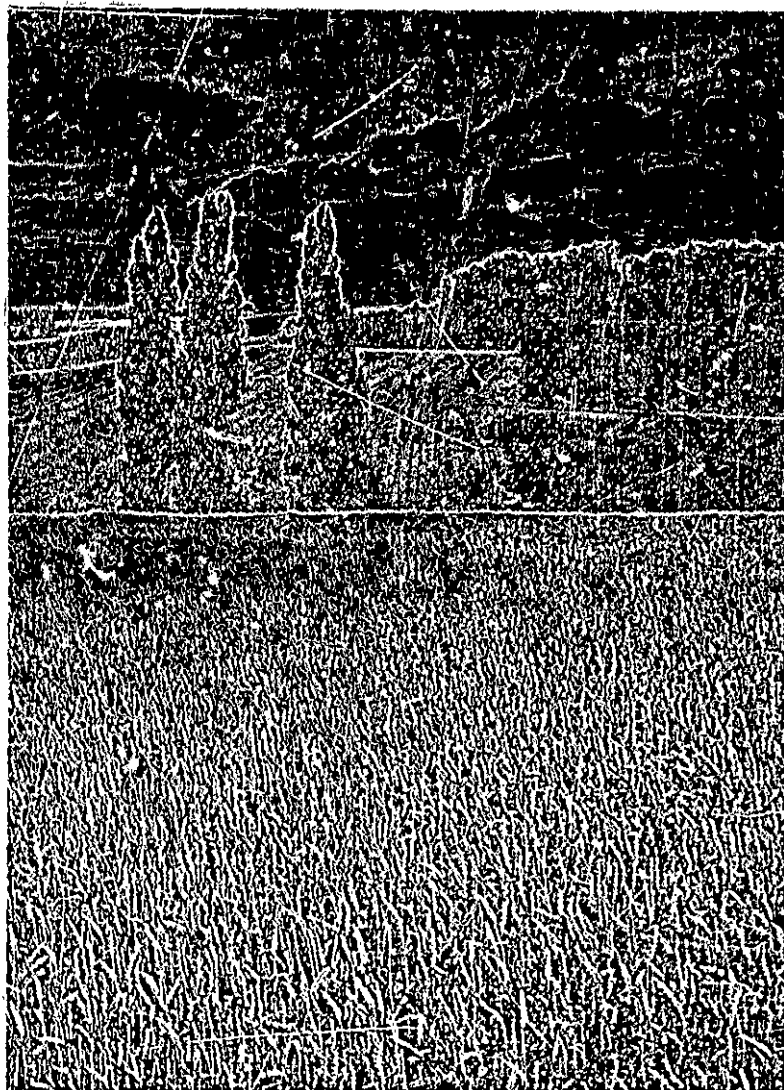
For the present, though, materials research is concentrating on less esoteric but equally exciting areas, particularly thermoplastic composites which can be made up to 100 times faster and with features superior to any composite the world has seen before - tougher, stronger and less moisture-sensitive. This new business is based in Tempe, near Phoenix, Arizona, and a

research and development facility is being established there to complement ICI's world class facilities in the UK. 'APC2', one new thermoplastic composite resin, has great potential in aerospace markets, but there will be other uses including hip-joint replacement. The US facility will also be developing manufacturing technology for these materials. Superconducting ceramics - which offer almost zero electrical resistance - is another research area of great promise.

Inter-business research and development is playing a part in one of ICI's newest enterprises: ICI Imagedata. Both ICI Films and ICI Colours and Fine Chemicals have been involved in the development of a new electronic colour imaging system (a colour ribbon and receiver paper), D2T2. In just over one minute a full colour print of near-photographic quality can be taken from a computer, video recorder, electronic still camera or anything that produces an image in digital form. Initially mainly for business use - such as taking a hard copy from computer-aided design equipment, business presentations or for desk-top publishing - it

Squash is a game of speed and precision - its players vigorous and alert. ICI can help people remain fit and active. But sometimes we need extra care. Care for those who are ill has many facets: care by nurses, care by doctors - and care by ICI Pharmaceuticals. Extensive research and development of new treatments is prolonging and saving millions of lives across the world. ICI Pharmaceuticals, at the forefront of medical science, is pioneering techniques which will bring new standards of care and comfort.





ABOVE
ICI helps to feed the world, protecting crops against pests and diseases – and the Seeds business works on methods of giving nature an added nudge towards greater efficiency.

OPPOSITE
'Melinar' film from ICI ensures that freshness and flavour are kept in their place.

should be available in the home in the early 1990s.

ICI Imagedata's other exciting development is Digital Paper which is a completely new form of optical storage material based on ICI's 'Melinex' polyester film and special dyes developed by Colours and Fine Chemicals. A 35 mm reel of Digital Paper tape about 30 cm in diameter and weighing three kilograms could store the information contained in one billion typed A4 pages or 5,000 tonnes of paper. It could even store one month's continuous television broadcasts – the equivalent of 350 video tapes.

An optical recorder gives access to any information on the tape within a minute. It could handle vast amounts of data for a wide variety of users: banks, hospitals, libraries, meteorological centres. And the police could even

use it to compile a rogues' gallery, the D212 system printing out their pictures in full colour.

ICI Imagedata comes under the umbrella of ICI Filings, whose research includes work on food packaging methods as an effective alternative to the freezer. The film used would keep food fresh for several months.

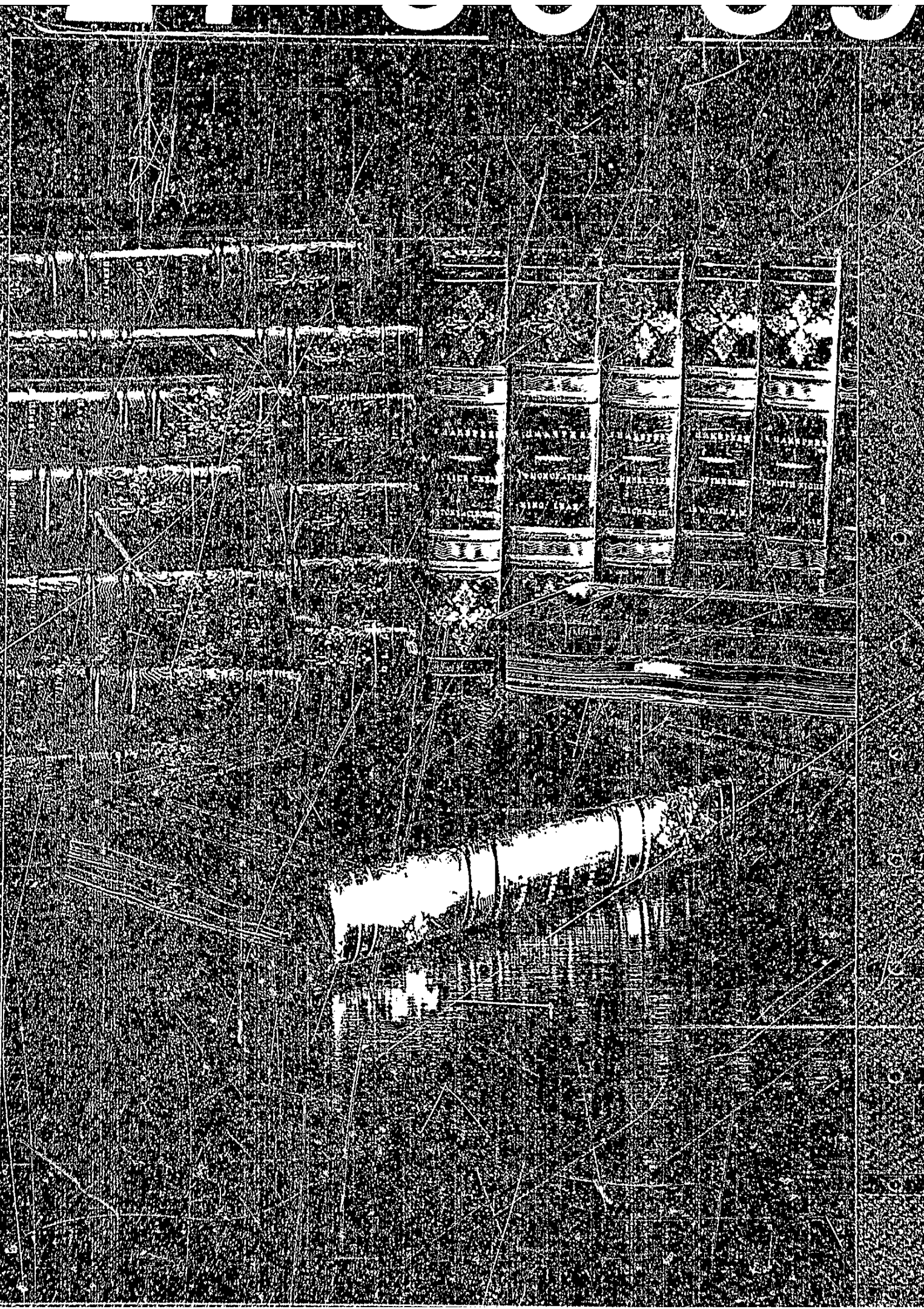
Less dependence on freezing for storage is just one of the targets of ICI Seeds which is concentrating on biotechnology. If tomatoes grown in Southern England are transported to Scotland they travel in refrigerated containers to keep them firm and smooth. But refrigeration switches off all the bio-chemistry and there is some loss of flavour as the ripening process is in limbo. So researchers are looking at ways of creating tomatoes which do not soften quickly after being picked. The result would be more flavour – and a bonus would be lower transport costs.

The biotechnology research and development work by Seeds' Exploratory Plant Sciences Department is intensive, complex and very long term and there are strong links with university research in the USA and Europe. But the results are enormously promising in terms of the efficiency and quality of food production.

Plants can be given capabilities which they otherwise would not have, including an ability to resist specific pests or diseases to reduce the need for herbicide spraying while offering farmers wider herbicide choice. There could even be leaf-specific 'switches' so that only those parts of a plant attacked by a particular insect would contain the mechanism to repel or kill it. Once again this is ICI giving nature a nudge towards greater efficiency in the 21st century.

While the researchers in Seeds move towards radical, long-term solutions to some elements of pest and disease control, ICI Agro-





chemicals' work is solving today's problems for it is likely to be at least a decade before much of what is now done chemically can be achieved biologically. Research by ICI Agrochemicals has resulted in an average of almost two new products a year through the 1980s – a position strengthened by the acquisition of Stauffer Chemicals.

Despite modern technology, pests, weeds and diseases ruin an estimated 30 per cent of the world's annual crop production. Without agrochemicals the equivalent of the combined populations of China and India would starve.

ICI Agrochemicals' research effort is truly international, with research centres and field stations in Europe, the USA, Brazil and Asia Pacific – including a new one in Japan – working together.

There is a twin-track research philosophy at ICI Agrochemicals: working towards new products but also placing equal importance on environmental science. ICI was an industry pioneer in environmental research and remains a world leader. This year the Environmental Sciences Department will make some 30,000 residue analyses using computer-linked automated equipment, concentrating on ensuring that the environmental consequences of agrochemicals are minimised.

Purification of water is part of the wide ranging work carried out by ICI Chemicals and Polymers (C&P) researchers. Membranes have been developed which can be used to clean up industrial effluent. These C&P developed membranes have many other uses – including a role in diabetic testing; diabetics may eventually be able to use them in their homes to test accurately for blood sugar level.

C&P's many projects include light-cured resin adhesives for the electronics industry to 'cement' printed circuit boards; making in-depth holographic identification

marks on credit cards more resistant to fraud; development of polyphenylene which could be used for digital displays for car instruments; flatscreen or even wristwatch TVs; a new polymer for use in the manufacture of super-thin batteries which promises ICI a world lead in the technology; and use of polymers for optical fibre coatings. A particularly exciting area is the development of an advanced polymeric optical fibre for use in hostile environments including under the car bonnet where it will replace copper wire.

Research affecting environmental issues ranges from water-based resins with no solvent problems used for adhesives, sealants and surface coatings to catalysts for cleaner car exhaust emissions.

Development of 'Aquabase', a waterborne paint for vehicles, has won acclaim for ICI Paints. And the acquisition of Glidden in the USA has brought further opportunities to dispense with solvents by concentrating on developing powder coatings in which no solvent is used.

The latest development in ICI Paints' colour technology is 'Dulux' Colour Options. A customer can select a tin of white base paint and then choose one of 84 colours contained in a capsule which will click on to the specially-designed lid. Put both in a mixing machine – and the result is a package colour; it is simple, quick and easy to use. There is nothing else quite like it.

Generating pace-setting technologies is a continuing aim for ICI Paints. Coatings that do more than just decorate are part of its far-ranging research work, including the possibility of using the paint on buildings to convert solar energy. And inside the home, paint may react to light – allowing shade-changes according to mood or weather.

Together with other ICI busi-

Condensing the works of Shakespeare to fit on the head of a pin would be regarded as much ado about nothing by ICI Imagedata; a reel of its new Digital Paper optical tape will store the contents of one billion typed A4 pages.

nesses, Paints is using nature to fight nature - for bioscience has its place in this sector, too; and as an alternative to synthetic biocides in coatings to attack fungus, researchers are looking at how nature solves these problems.

There is a strong link between this work and research being carried out by ICI Colours and Fine Chemicals where the Biocides Research Group is developing methods of preventing fungus forming in oils used by the engineering industry - a problem which causes damage and downtime amounting to about £1,000 million a year.

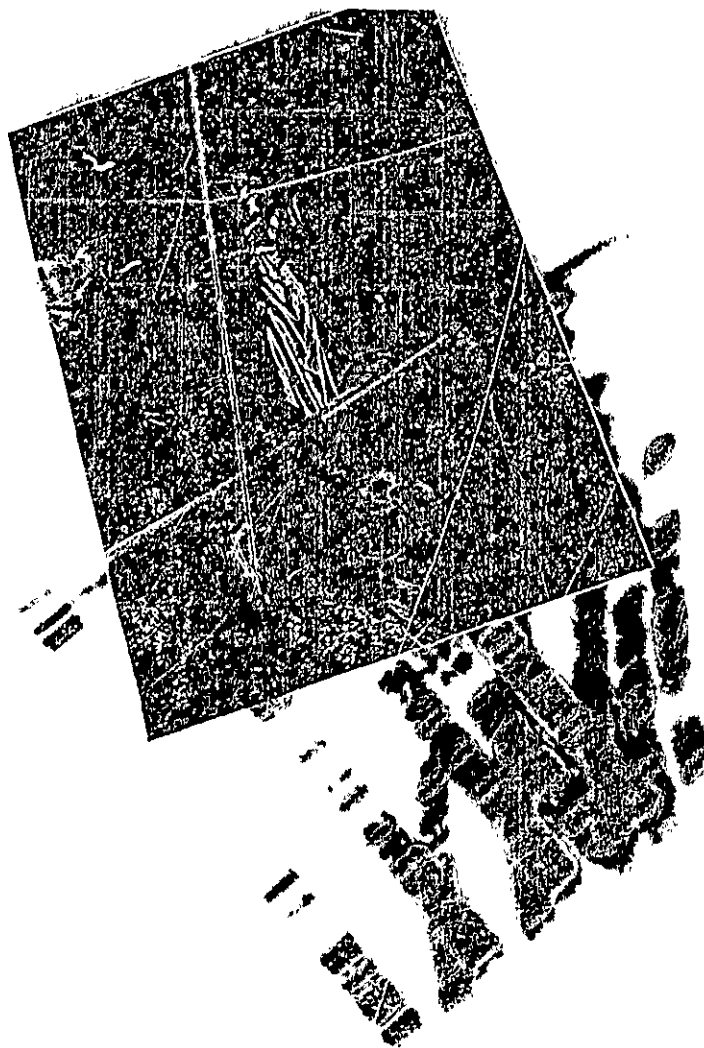
In fact ICI Colours and Fine Chemicals has a remarkable research and development input across many ICI businesses from the dyes for the D2T2 product of Imagedata to the development of superfast dyes for polyester material with properties that until now have been impossible to achieve.

Infra-red technology under development has great potential for security. Applied to bank notes or documentation it would enable an instant check on authenticity. And ICI Colours and Fine Chemicals infra-red techniques will signal the end of those ugly black bar codes on goods. They can be produced in any colour or could even be invisible - a piece of clever technology that few would know existed.

But that is often the way with research and technology. The enormous effort put into producing life-enhancing drugs, advanced materials, agrochemicals to counter pests and disease, or new paints for the home, is seldom fully appreciated.

Yet research and technology drive ICI's engine room; they provide the options, the momentum - the opportunities.

And those opportunities are greater every year.



Ladder-like patterns on a piece of film ...

this is DNA profiling - genetic fingerprinting which is the biggest breakthrough in forensic science this century.

Cellmark Diagnostics was the first commercial laboratory in Europe to offer a DNA

fingerprinting service which is providing crucial evidence in serious criminal cases. It is also used to help resolve many thousands of paternity and immigration disputes.

REPORT OF THE DIRECTORS 1988

The Directors of Imperial Chemical Industries PLC present their sixty-second Annual Report, together with the Accounts of the Company for the year 1988. They will be laid before the shareholders at the sixty-second Annual General Meeting to be held on 28 April 1989.

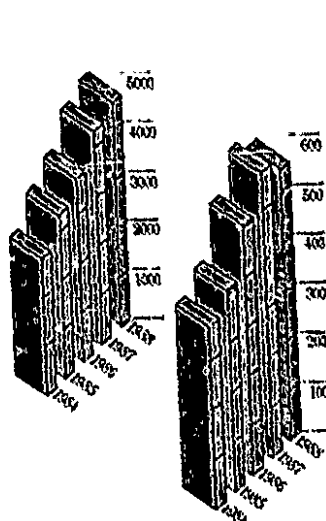
The Group's activities are reported under three industry segments: Consumer and Specialty Products, Industrial Products and Agriculture. The segments are reviewed on pages 16 to 24. Accompanying charts show the

relative size of the businesses in 1988, as well as turnover and trading profits in 1987 and 1988 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.

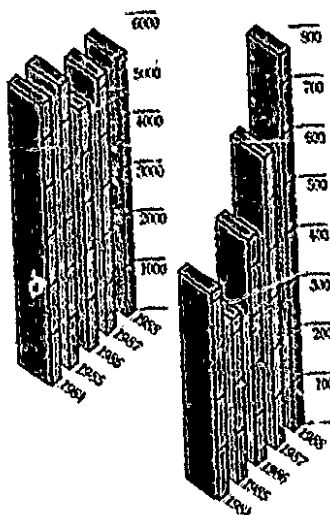
A territorial review of Group operations is contained on pages 25 to 28, and the charts on page 25 show the results achieved by Group companies located in each area.

TURNOVER AND TRADING PROFIT OF INDUSTRY SEGMENTS

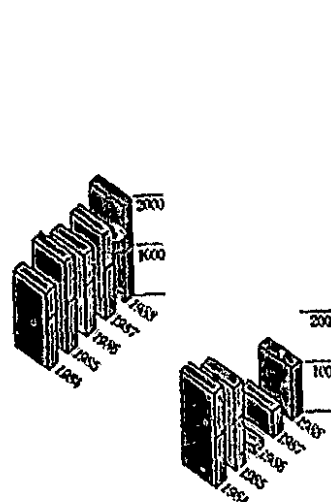
CONSUMER AND SPECIALTY PRODUCTS

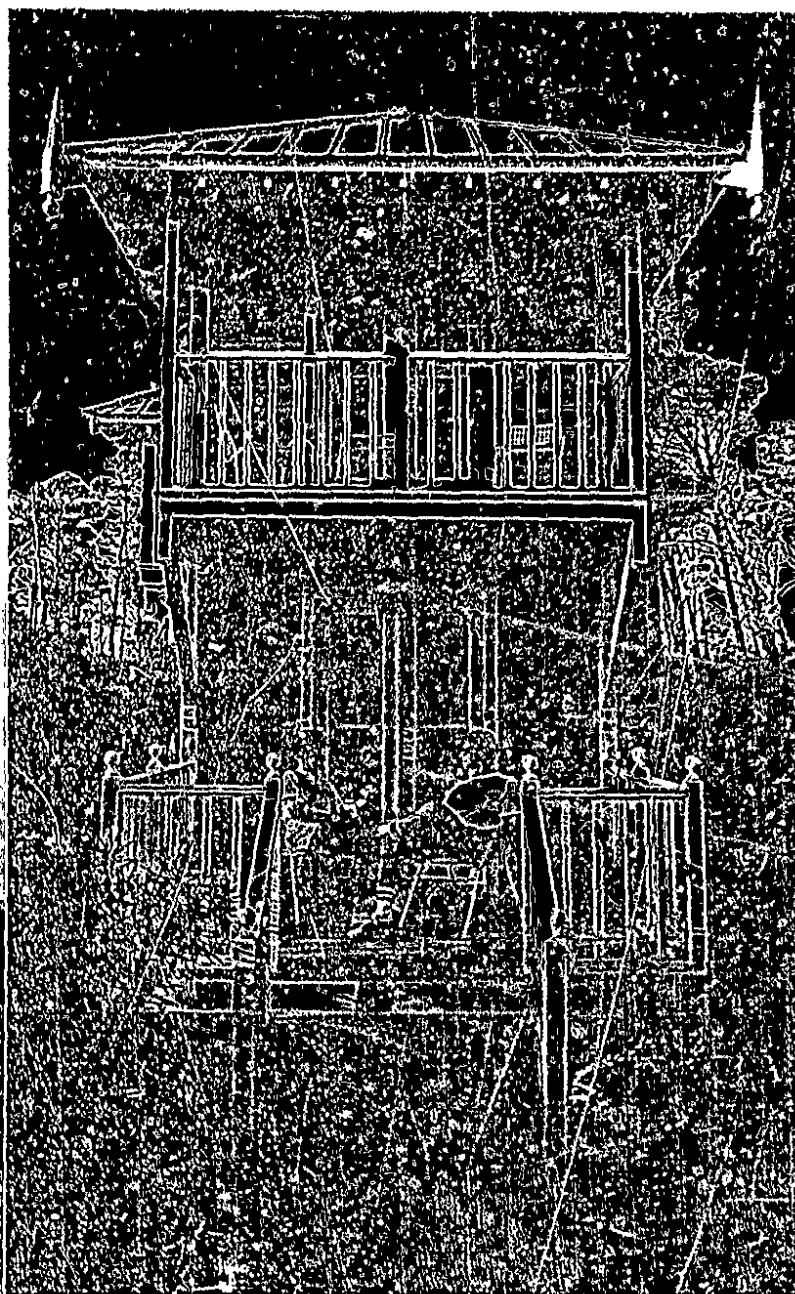
Turnover
£mTrading profit
£m

INDUSTRIAL PRODUCTS

Turnover
£mTrading profit
£m

AGRICULTURE

Turnover
£mTrading profit
£m



Part of the beach settlement of Seaside, Florida, USA, cited by HRH The Prince of Wales in a recent television documentary as an example of excellent architectural style. Glidden supplied the paint.

CONSUMER AND SPECIALTY PRODUCTS

This segment comprises Pharmaceuticals, Paints and Other Effect Products.

PHARMACEUTICALS

The task of ICI Pharmaceuticals is to discover, develop and market new therapeutic agents for the prevention and treatment of disease and other disorders. To this end it spends nearly 15 per cent of its sales revenue on research and development – a figure which in 1988 amounted to £170 million. The research effort is focused on seven disease areas – cardiovascular disorders; cancer; infection; pulmonary, metabolic and arthritic diseases; and disorders of the central nervous system.

The business sells its products worldwide, the biggest markets being the USA, Western Europe and Japan.

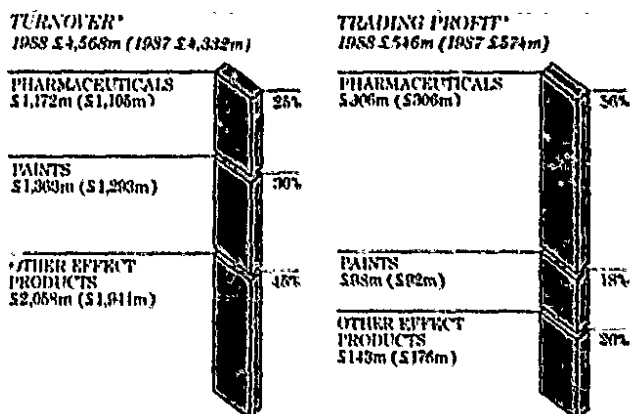
Despite the weak dollar, 1988 was a year of growing sales with good performances from the major products – the beta-blockers, 'Tenormin' and 'Inderal'; the cancer drug, 'Nolvadex'; the antiseptic, 'Hibitane'; and 'Apatef', an injectable antibiotic.

A number of the more recent products were launched into important new territories. They include 'Diprivan', an intravenous anaesthetic; 'Zoladex' for the treatment of prostatic cancer; and the ACE inhibitor, 'Zestril', a new treatment for hypertension and heart failure.

The year also saw the UK registration and launch of the heart drug, 'Corwin', and the continuing development of 'Statil', a potential breakthrough in the treatment of complications arising from diabetes.

These and other products on the way are expected to make an increasing contribution to sales and profits in the next few years. Competition is increasing, patents are becoming less effective and governments are under pressure to curb prices. It therefore becomes all

CONSUMER AND SPECIALTY PRODUCTS



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

the more important to maintain a steady stream of innovative products. (It is also important that governments should encourage investment to that end.) With its fertile research and development and strong marketing network, ICI Pharmaceuticals is well placed to succeed.

By 1990, ICI Pharmaceuticals plans to have increased its research and development personnel by 30 per cent and its marketing strength by 50 per cent over 1986 levels.

Collaborative ventures exist with Merck & Co Inc and Yamanouchi Pharmaceutical Co Ltd. Further opportunities will be sought wherever there is an advantageous fit with ICI's business strategy.

PAINTS

With manufacturing facilities in 29 countries and sales in another 50, ICI Paints is the world's largest supplier of surface coatings. The business concentrates on decorative and automotive paints, coatings for cans and containers, and high-performance specialty finishes. Its success is built on skilful marketing, constant innovation and close co-operation with customers.

In 1988, ICI Paints strengthened its position as world leader, with profits up and volume growing at well above the industry average rate. Notable features included the expansion of the 'Dulux' brand name worldwide and a growing world share in automotive refinish and can and powder coatings.

The successful acquisition and integration of Berger paints in Australasia makes ICI the unchallenged market leader in the territory. The acquisition of Attivalac s.r.l. in Italy strengthens ICI's can coatings interests in Europe. The recent purchase of a powder-coatings operation in Spain will increase ICI's share in this growing sector. In the USA, the Glidden business continued to expand. In Canada, ICI gained full control of BAPCO to become the pace-setter in decorative paint. A new joint venture with Du Pont has created a powerful

group of companies to meet the needs of the European automotive industry.

Expansion in North America and Europe was supplemented by excellent results in Asia Pacific. ICI Paints, already a leading supplier in the region, will continue to invest in its operations in Asia.

'Aquabase', the environmentally-friendly waterborne paint for the automotive industry, won a Queen's Award for technology and is now used by General Motors, Volkswagen and Volvo. It is under test by several other manufacturers and will be made under licence in Japan.

Progress has also been made in developing the ICI Autocolor ranges for vehicle refinish. Innovations in decorative paint - 'Dulux' Colour Options, Definitions and Colour Dimensions - should prove attractive to DIY and professional painters alike. (See also page 13.)

OTHER EFFECT PRODUCTS

This sector comprises a spread of specialty businesses - Colours and Fine Chemicals, Polyurethanes, Specialty Chemicals, Advanced Materials and Electronics, Films, Diagnostics and Biological Products. These supply high added-value, customer-specific products, designed, on the whole, to solve problems or produce a given effect. Their competitive edge depends on research and development, technical service and close contact with the customer.

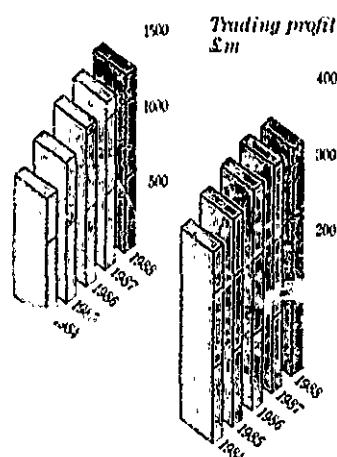
Profits in 1988 were slightly lower than 1987. The main reasons were the strength of Sterling, notably against the US dollar, and higher development costs, particularly in the advanced materials and films businesses.

COLOURS AND FINE CHEMICALS

The ICI Colours and Fine Chemicals product range includes textile dyes, industrial colours such as pigments for paints and inks, dyes for leather and paper, chemicals such as aniline (a precursor of polyurethanes),

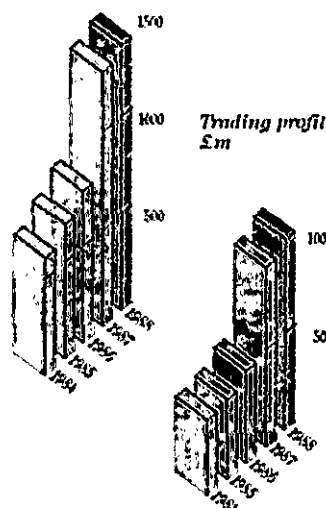
PHARMACEUTICALS

Turnover
£m

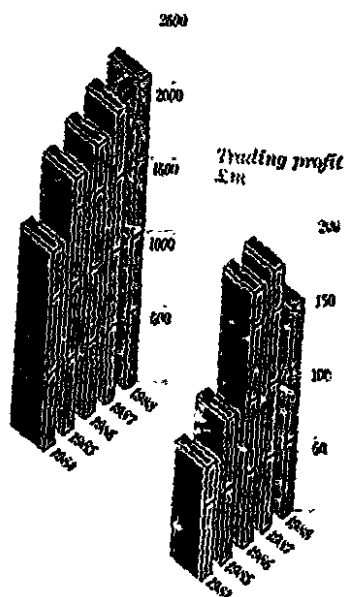


PAINTS

Turnover
£m



OTHER EFFECT PRODUCTS

Turnover
£m

a range of fine chemicals, and chemical auxiliaries for the textile industry. Most of the manufacture is in Western Europe, with related operations in the Americas, Australasia and Asia Pacific.

1988 was another successful year, with outstanding performances from 'Procion' reactive dyes, aniline and industrial nitrocellulose.

The results owe much to the restructuring of recent years. The strategy has been to weed out unprofitable products, build on the strong ones, push out into new technologies and markets and make the business more responsive to customer needs.

Those priorities continued to set the direction in 1988. The business invested further in its profitable core activities, notably aniline, and in newer, more sophisticated products and techniques such as fluoroaromatics and bio-synthesis. Products introduced during the year include liquid reactive dyes, new disperse dyes for brighter colour and better fastness, and 'Synektan' TAL, a non-chrome tanning agent. The business also benefited from new, integrated systems for planning and manufacture, new initiatives to improve customer service, and efficient, competitive supply from the ICI Fine Chemicals Manufacturing Organisation.

POLYURETHANES

Polyurethanes are among the world's most versatile polymers, with applications as diverse as insulation, automotive parts, shoe soles and furnishings. ICI Polyurethanes produces the chemical components of polyurethane systems, specializing in the MDI (methyl diphenyl diisocyanate) technology pioneered by ICI.

MDI manufacture takes place mainly in the UK, Continental Western Europe and the USA. Formulation, on the other hand, is carried out worldwide, allowing products to be tailored very closely to local and individual needs.

In 1988, ICI Polyurethanes strengthened its position as

leading world supplier, extending its international business and continuing to focus on high added-value, specialty products.

The market was buoyant, with particularly strong demand from the construction and refrigeration industries. In May the Chairman opened the Sterling Heights Technical Centre in Michigan, USA, from where ICI Polyurethanes and other ICI businesses will market their skills and products to the US car industry. Also opened was a new formulation unit in Taiwan. This, the first major investment by the business in the region, was an important entry to the fast-growing Asia Pacific market. Success has exceeded expectations, with capacity due to be increased at the year. A major MDI extension is under way in the USA, with last year's extension in the UK now on stream and operating at high capacity.

Geographic expansion will continue, particularly in Asia Pacific with the growth of industries such as cars and footwear. New applications include car body panels, with much effort also devoted to satisfying rising safety standards around the world.

SPECIALTY CHEMICALS

Established in 1983, ICI Specialty Chemicals is one of the Group's newer international businesses and is growing rapidly. It comprises eight main business units: Biocides, Converters Ink, Polymer Additives, Polyols, Stahl (leather finishes), Surfactants, Thoro System Products (concrete and masonry treatments) and Tribol (engineering lubricants).

Expansion has continued, as small, niche businesses are progressively turned into international concerns. US-based Tribol, for example, has expanded into European and Japanese markets and is growing fast. Biocides, Stahl and Thoro have also widened their operations.

Acquisitions this year included the specialty inks manufacturer, Thiele-Engdahl, Inc, and the remaining 50 per cent shareholding

in Acorgan Limited from Anglo American Industrial Corporation Ltd. The silicones business was divested.

Other highlights are a dramatic rise in US sales of 'Baquacil', a chlorine-free product for purifying swimming pools, and a 30 per cent increase in polymer additive sales worldwide.

New products include Thoro Wall Exterior Insulation and Finish Systems that not only insulate buildings but waterproof them at the same time. Other important developments are new water-based finishes from Stahl for automotive interiors, and progress by Converters Ink in replacing solvent-based inks with water-borne for the printing of foil and film. Innovative software programmes from Tribol now allow engineers to adapt their own designs to make best use of ICI lubricants.

ADVANCED MATERIALS AND ELECTRONICS

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

ICI Advanced Materials sustained the rapid growth of recent years, increasing its worldwide turnover in 1988.

Investment has continued, with new plant either completed or under construction in the USA, West Germany and Japan. The business centre now being built at Exton, Pennsylvania, USA, will, among other benefits, give help to customers on the design and development of end-products based on ICI polymers.

Highlights of 1988 included the resumption of the US Space Shuttle programme which uses ICI composites in its rocket engines, and the development of improved composite materials for the next generation of military aircraft. These materials could also have uses in ships, trains, cars and industrial applications.

ICI's ceramics-processing tech-

nology this year produced the first superconducting antenna robust enough to be used in space. This breakthrough will enable satellites and other spacecraft to receive signals from a far greater distance than has so far been possible.

In the coming year, ICI Advanced Materials will build up its position in the USA and Japan (both strategically important in the advanced-materials field) while continuing to strengthen its research base in the UK.

ICI's work in electronics has resulted this year in a new business, ICI Imagedata (*see under 'Films'*).

FILMS

ICI Films works in close partnership with industrial customers worldwide to develop and manufacture high-performance plastic film for applications as diverse as floppy discs and heat-resistant packaging. Its main products are the polyester-based 'Melinex' film, the polypropylene-based 'Propafilm', and the high-temperature films, 'Stabar' and 'Upilex', used principally in the aerospace and electronics industries.

In 1988, ICI Films strengthened its position through further investment and a regrouping of businesses within ICI.

The new £28 million 'Melinex' film line in the USA was completed on time and within budget. 1988 also saw the announcement of £40 million to be spent on two units for 'Propafilm', one in Belgium and the other in the UK, together with an upgrading of the 'Propafilm' research facilities.

In a move to build up its manufacturing capacity in Japan, ICI acquired an 18-hectare site at Tamatsukuri. The first plant on the site will be a 'Melinex' film plant, expected to start production in 1990. The total venture represents an investment in excess of £50 million.

Further developments include a joint venture with California-based OCLI (Optical Coating Laboratory, Inc), and the creation of ICI Imagedata by combining ICI's photographic and business-graphics activities with the data storage and

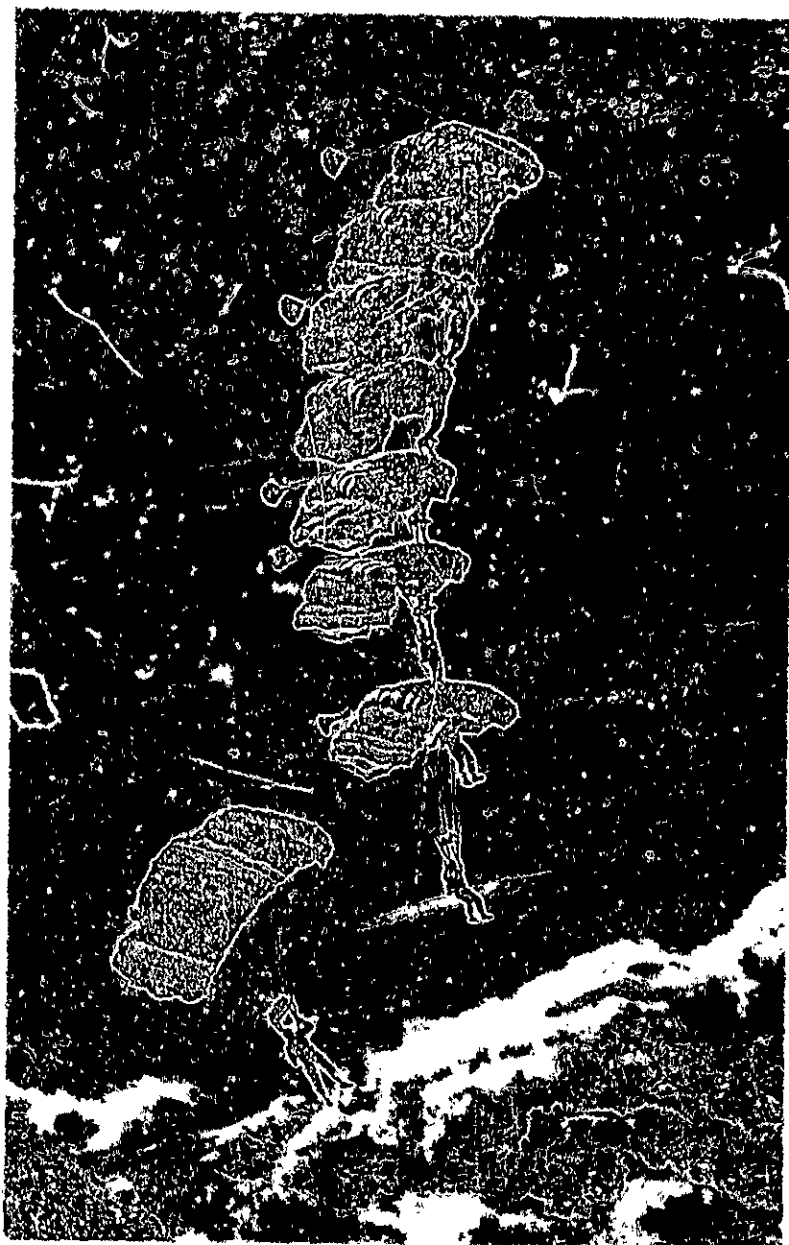
retrieval business of ICI Electronics. ICI Imagedata recently launched Digital Paper, an optical data-storage system developed in differing forms with the Canadian company, Creo Products Inc, and the US company, Iomega Corporation. Digital Paper won the *Management Today* 1988 award for the best new British product in the chemical sector (*see also page 10*).

Other developments include innovative applications for 'Melinex' film in colour imaging and microwavable food packs.

EMERGING BUSINESSES

In 1988, ICI Diagnostics introduced its DNA 'finger-printing' service to the USA, having launched it in the UK the previous year. The technique has aroused considerable international interest with its near-term application in paternity and forensic testing (*see also page 14*) and its longer-term relevance for medical and plant research.

ICI Biological Products has also continued to grow. Innovations so far include biodegradable plastics; 'Ecosyl' silage preservative; biocatalysts for the production of optically pure intermediates; and the high-protein food, 'Quorn', now on sale in Britain's high streets.



ICI Type 143 nylon was developed to meet the need for a fine, low-weight, high-strength material for man-carrying parachutes. Its strength fully meets the latest UK and US standards, making it suitable for markets all over the world. Type 143 is also used for hot-air balloons and spinnakers.

The Industrial Products segment includes the General Chemicals, Petrochemicals and Plastics and Fibres businesses. In Western Europe, these are the responsibility of ICI Chemicals and Polymers (C&P). The segment also includes Industrial Explosives. Most of ICI's established commodity business is concentrated in this segment, although the range also includes specialty products such as novel resins and explosives accessories.

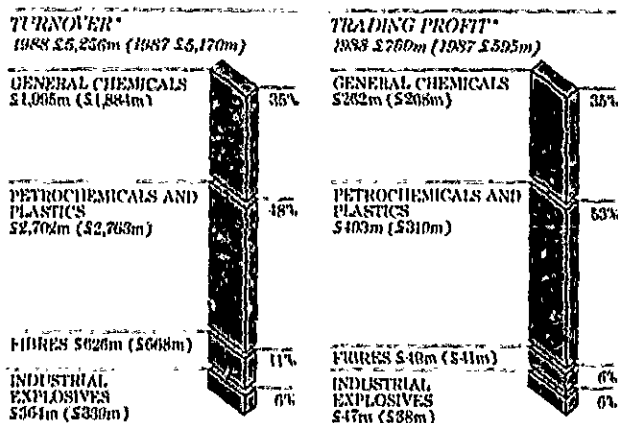
GENERAL CHEMICALS

ICI's general chemicals business supplies a diverse range of products from large-volume chemicals based on salt (chlorine and caustic soda, for example) to more specialist chemicals such as chlorine derivatives and performance resins. The main production centres are in the UK, West Germany, Canada and Australasia.

1988 saw strong demand for general chemicals, with most plants working at or near full capacity. Demand for chlorine and its co-product, caustic soda, reached record levels. Lime products sold well on the back of a building boom in the UK. Soda ash benefited from rising demand by the chemicals sector. The exception was rock salt, sales being hit by the unusually mild winter.

New applications were developed and exploited. The chlorine products business successfully promoted a new range of solvents to the carbonless paper-copying industry. It also attracted more customers for its FM21 membrane-cells. This leading-edge technology provides an economic and environmentally attractive means of producing chlor-alkali. To date, more than 20 membrane-cell plants have been sold in a dozen countries. Seven new installations were sold in 1988 alone.

INDUSTRIAL PRODUCTS



*Total excludes sales and profits within the Industrial Products segment

The resins business introduced over 20 new grades of high-performance products for the paints, inks and adhesives industries. It expanded its telecommunications interests by launching a novel coating for optical fibres. It also stepped up its work into waterborne solvents for paints and protective coatings.

The general chemicals business manufactures a number of chlorofluorocarbons (CFCs) mainly for use in refrigeration, air conditioning and the foam-blowing and electronics industries. The CFCs currently on the market, while offering essential benefits, are thought to pose a possible danger to the earth's ozone layer. ICI has called for a worldwide phasing out of these products as soon as ozone-benign substitutes become available. ICI itself is well advanced in the development and testing of alternatives, and has announced plans to produce a new refrigeration product on a commercial scale by the early 1990s. It expects to capture a large share of the market for CFC substitutes.

European Vinyls Corporation (EVC), the ICI-EniChem VCM/PVC joint venture, continues to exceed expectations. It recently took over ICI's downstream fabrication operations in West Germany, Austria, Sweden and the UK.

PETROCHEMICALS AND PLASTICS

ICI is one of the world's major producers of petrochemicals and plastics and markets its products to industrial users in virtually every country. The product range includes olefines, aromatics, terephthalic acid, ethylene oxide, 'Propathene' polypropylene, 'Melinar' polyester polymer and acrylics.

Despite some adverse effect on sales from the strength of Sterling, 1988 was an excellent year with high demand, lower-priced raw materials and plants at full capacity.

Investment centred on businesses and technologies in which ICI has distinctive strengths. The development of new catalysts contributed greatly to a 50 per cent

increase in capacity for ICI's 'Propathene' in Western Europe. New applications, new capacity and better products and processes reinforced the Group's position as Europe's leading producer of 'Melinar' polyester polymer for bottles and other packaging applications. Strong markets for film, fibre and plastic bottles meant further increases in demand for terephthalic acid. To maintain its strong position worldwide, ICI is pursuing opportunities for new capacity in South East Asia.

The acrylics business is spearheading C&P's entry to the fast-growing markets of Asia Pacific. 1988 saw approval for a large manufacturing expansion in Taiwan and for the setting up in Japan of a colouring plant for 'Asterite' acrylic dispersion. This technique – one in which ICI leads the world – produces a ceramic-like material for kitchen sinks and wash basins. About 20 per cent of sinks sold in Britain are now made from 'Asterite'. UK capacity for the whole range of acrylic products is being expanded to keep pace with the market.

The Group's olefines plants made a major contribution to profit by producing record output at a time of high world demand. Aromatics, methanol and fibre intermediates also achieved high sales.

A policy by the downstream petrochemical organization of focusing on the needs of particular customer industries produced some notable successes. One example is a rise in surfactant sales to detergent manufacturers.

FIBRES

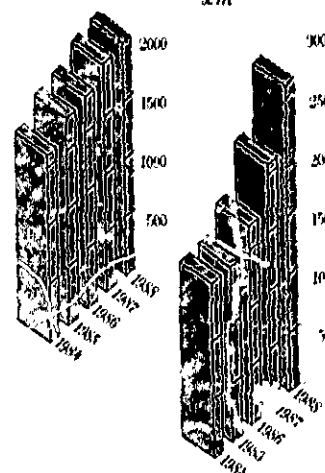
ICI Fibres is Europe's largest producer of polyamide (nylon), with major manufacturing plants in the UK and West Germany. The sector comprises three main businesses – specialized apparel, carpet fibres and technical products, the last producing high-performance nylon for uses such as car tyres, computer tape and conveyor belts.

In Europe, consumer spending on textiles continued to grow, thanks to the strength of the

GENERAL CHEMICALS

Turnover
£m

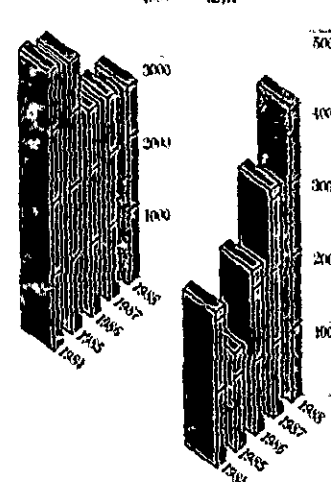
Trading profit
£m



PETROCHEMICALS AND PLASTICS

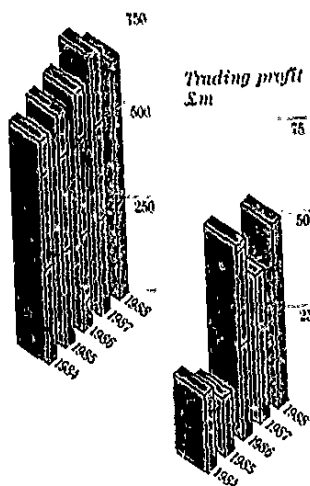
Turnover
£m

Trading profit
£m



FIRES

Turnover
£m



economy. On the other hand, the weakening dollar has made textiles from the Asia Pacific region more competitive, with the result that these have been flooding into Europe. Most affected has been the market for commodity fibres, including polyester, from which ICI has been withdrawing over the last few years. There has, however, been some knock-on effect into nylon. The situation eased towards the end of the year as polyester anti-dumping measures by the EEC began to take effect.

In these unhelpful conditions, the business proved remarkably robust, with nylon sales breaking all records. This performance vindicates ICI's decision to pull out of commodity polyester and concentrate on nylon.

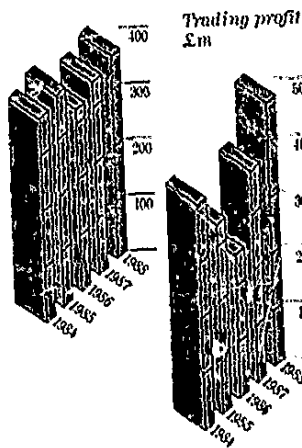
The specialized apparel and technical products businesses both performed well. Plans are in hand to increase spinning capacity for high-performance fibres for technical uses.

planning and control of blasting, specialist emulsion explosives and high-accuracy electronic detonators. These and other developments give ICI an important edge in the face of growing competition.

A healthy mining industry helped to ensure strong sales during the year. Throughout the world, the business has taken steps in 1988 to improve its efficiency and customer service.

INDUSTRIAL EXPLOSIVES

Turnover
£m

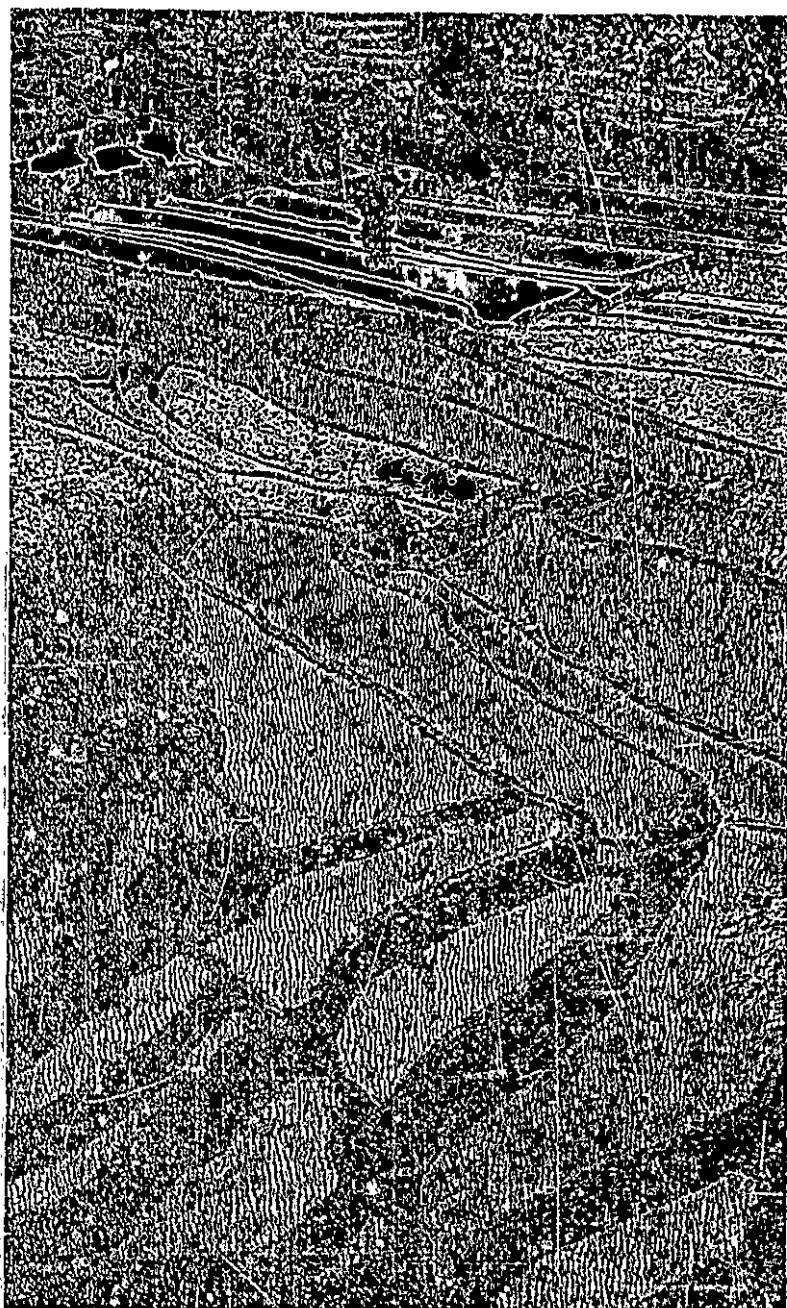


INDUSTRIAL EXPLOSIVES

ICI Explosives is the largest supplier of commercial explosives and accessories in the Free World. Its main operations are in Canada, the UK, Australasia, India, Brazil and – through ICI's related company – AECI Ltd. It serves mainly the mining, construction, civil engineering and oil industries. Industrial explosives form some 70 per cent of the total business, with high-value accessories (mainly detonators and fuses) making up the rest.

In 1988, ICI's explosives interests around the world were integrated into a centrally co-ordinated, international business based in Toronto, Canada. The reorganization was a recognition of ICI's existing strength and a necessary move if that strength is to be developed.

ICI Explosives' research effort is now focused on the Group Technical Centre, opened in 1986 at sites in Canada and the UK. Recent achievements by the Centre include the 'Sabrex' computer model for the



Rice terraces in Bali. The rising price of agricultural commodities in South East Asia has created strong demand for ICI products.

The Group serves agriculture worldwide through its Agrochemicals business (one of the world's largest), its Seeds business and the manufacture and sale of fertilizers. The range includes both commodity and specialty products. 1988 saw a step-change in the scale of the Agrochemicals business following the Stauffer acquisition in 1987.

Owing to seasonal factors, sales of agricultural products are usually greater in the first half of the year.

AGROCHEMICALS

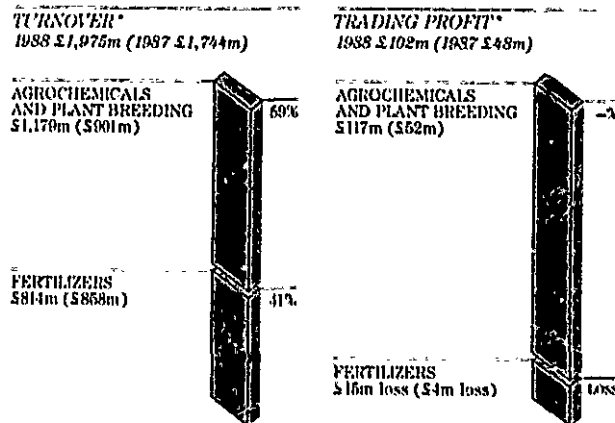
ICI Agrochemicals helps farmers and growers improve their agriculture. Its products are high-value and tailored to specific crops and growing conditions. Headquartered in the UK, ICI Agrochemicals has research and manufacturing facilities around the world. Over 90 per cent of its sales are outside the UK. In 1988 it established itself as the third largest agrochemicals business in the world.

Market demand grew only slightly in 1988, and world agriculture was in a particularly volatile state. Drought in the USA, floods in other countries, the continuing squeeze on subsidies in the EEC – these and other influences all contributed to a complex trading environment.

All the same, the business thrived, thanks mainly to ICI's wide product range, high market shares and international spread, each aided by the Stauffer acquisition. Following this acquisition, all aspects of the business – marketing, research and development, systems and production – were successfully and quickly integrated, which in turn has brought down costs. Overall, the Stauffer acquisition made an important contribution to 1988's rise in profits for ICI Agrochemicals.

Several recently developed products were introduced into new markets, while two new products were launched in Japan (see

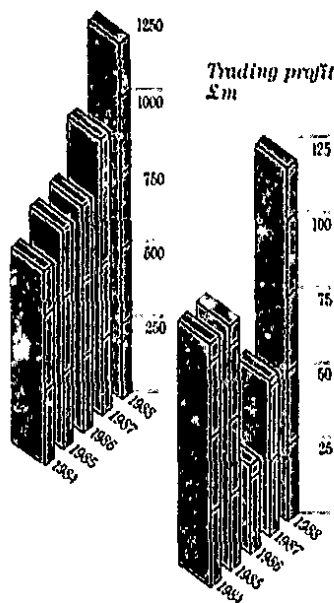
AGRICULTURE



*Total excludes sales and profits within the Agriculture segment

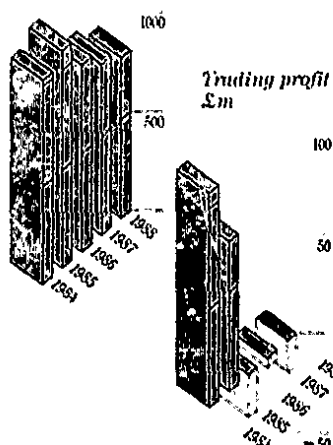
AGROCHEMICALS AND PLANT BREEDING

Turnover
£m



FERTILIZERS

Turnover
£m



page 26). Investment in research continued, with the completion in 1988 of new centres in the UK for biotechnology and the study of environmental sciences. Such investment is important in helping to maintain the flow of successful new products.

PLANT BREEDING

ICI Seeds was set up in 1985 to apply ICI's bioscience and biotechnology 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.

ICI Seeds concentrated in 1988 on integrating and developing the business framework built up over the last three years through acquisitions in Europe and the USA. Much of the work is now complete and ICI Seeds is on course to achieving its financial and business objectives.

In the USA, new products began to emerge from the breeding programme and established ones were marketed successfully. Sales were also high in Western Europe, where the range includes the unique 'Rizor' sugar beet, the only commercial variety resistant to the disease, rhizomania.

ICI stands at the leading edge of gene mapping, a technology similar to that used by ICI Diagnostics (see page 19), which will greatly improve breeding efficiency. Having been introduced into the maize-breeding programme in 1988, the technology will be applied more widely in 1989. Customer benefits will begin to appear in the early 1990s. And ICI Seeds achieved a first this year in demonstrating the control of a gene in a growing plant (see also page 10). The breakthrough attracted wide media interest. It opens the way to a better understanding of genetic control mechanisms, which will make it possible to improve the shelf life, texture and flavour of certain foods.

FERTILIZERS

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

1988 was another difficult year for the European fertilizer industry. Overcapacity and low demand were exacerbated in the UK by the wet spring and by farmers using up stocks from previous years. The EEC squeeze on farm subsidies added to the problems.

ICI's strategy in these circumstances is to cut back capacity to bring it more into line with likely future demand. A number of UK compound fertilizer plants are being closed, and other, more efficient plants upgraded. This will allow remaining plants to operate at or near full capacity, reducing costs and helping to ensure a profitable future for the business. The process, now under way, is already showing results: the latter part of 1988 recorded an improvement in business performance.

During the year, ICI Fertilizers commissioned two new ammonia plants at Severnside in the UK. These are based on a leading, low-cost technology pioneered by ICI. It also launched a new grassland fertilizer system that combines high efficiency with minimal leaching into the environment.

EUROPE

In the UK, the Paints, Polyurethanes and Agrochemicals businesses achieved notable increases in sales. Overall, however, ICI's sales volume in the UK was slightly down, mainly because of falling demand for fertilizers. Exports from the UK remained strong, with ICI reportedly becoming the UK's biggest exporter during 1988.

Sales volumes in Continental Western Europe increased by 9 per cent, against a chemical-industry growth rate of 6½ per cent. Continental Europe, including Eastern Europe, now represents 26 per cent of the Group's total sales, compared with 23 per cent for the UK. To help achieve its long-term objective of growing at three times the market rate, at the same time shifting the emphasis from bulk to effect products, ICI has established the Continental European Advisory Board. The aim is to strengthen the co-operation between businesses and territorial functions.

Since 1987, ICI's interests in general chemicals, petrochemicals and plastics, fibres and fertilizers in Western Europe as a whole have been the responsibility of ICI Chemicals and Polymers (C&P). The benefits of the new organization became increasingly apparent during 1988. C&P Group finished the year with profits of £580 million on total sales of £4,192 million.

Several reasons lie behind C&P's success: buoyant markets and a better balance between supply and demand; a stronger product portfolio as a result of earlier rationalization; a focusing on key technologies; and the development of new, customized products. C&P now covers the spectrum from mature, commodity products to high added-value, specialty products.

During the year, C&P disposed of more of its peripheral activities

(‘Visqueen’ and ‘Terram’), and invested further in process improvement, energy saving, safety and the care of the environment.

As a further stage in the re-organization, the UK activities of C&P were transferred to a separate, wholly-owned subsidiary company, ICI Chemicals & Polymers Ltd.

1992 will bring both business advantages and greater competition. ICI is well placed to succeed within the single European market. It already has an established commercial organisation in Western Europe, linked by an advanced computer network.

In Eastern Europe, despite static markets and shortages of

GROUP SALES TO EXTERNAL CUSTOMERS IN PRINCIPAL GEOGRAPHIC AREAS

United Kingdom	23%
Continental Europe	26%
The Americas	27%
Asia Pacific	18%
Other countries	5%

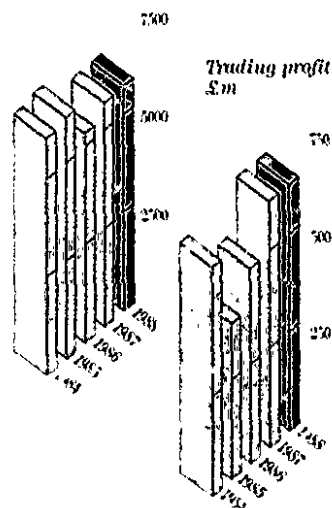
hard currency, sales grew by 30 per cent – the Stauffer acquisition accounting for much of the increase.

ICI's network of offices in

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

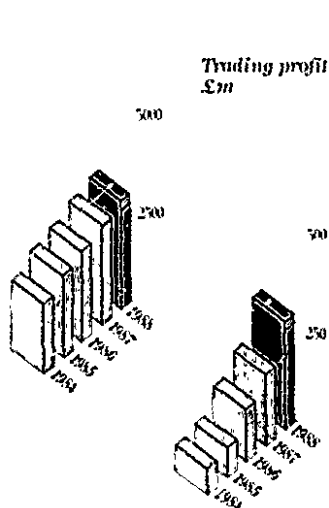
UNITED KINGDOM

Turnover
£m



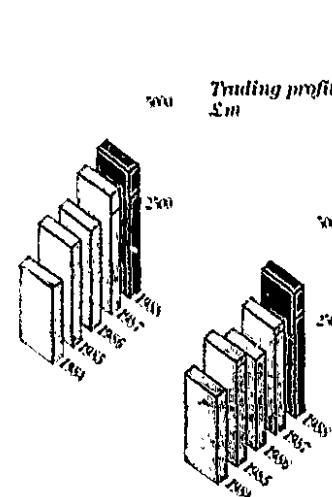
CONTINENTAL EUROPE

Turnover
£m



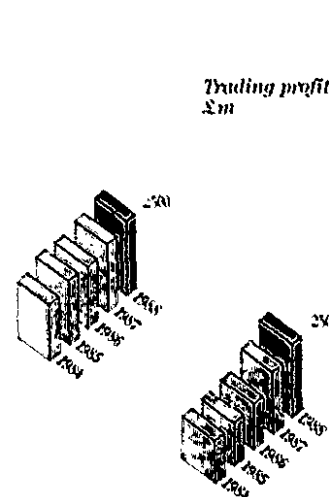
THE AMERICAS

Turnover
£m



ASIA PACIFIC

Turnover
£m



Eastern Europe will become increasingly valuable as *perestroika* leads to further decentralization and closer contact with end users.

THE AMERICAS USA

Against the background of a booming US economy, 1988 was another year of rapid progress. Sales were up 21 per cent and trading profit up 37 per cent in dollar terms.

Most of the work of assimilating the Stauffer agrochemicals business was successfully completed. A dry spring meant excellent sales of the pre-emergent herbicides acquired from Stauffer, although the subsequent drought depressed demand for some other agrochemical products.

Divestment of non-strategic businesses acquired with Stauffer was also completed.

Demand has been strong, particularly for Polyurethanes and Films. Both those businesses have invested to boost capacity.

Other investments during the year include a biotechnology research centre for the Seeds business and, for Advanced Materials, expenditure on research and development and manufacturing facilities and offices.

One benefit of ICI's growing presence in the USA is its increasing ability to attract high-calibre recruits into the business.

CANADA

In April, ICI purchased the 28 per cent minority shareholding in its Canadian subsidiary, C-I-L Inc. The move supports ICI's strategy of territorial expansion in North America and smooths the way to integrating key C-I-L businesses into the worldwide Group.

C-I-L businesses not essential to ICI's strategy are to be divested. The sales of the Sulphur Products, Oilfield Services, Plastics and Chemetics businesses are already in hand.

In November, C-I-L bought out Sherwin-Williams' 50 per cent interest in BAPCO to become sole

owner and Canadian market leader in decorative paints.

The continuing strength of the Canadian economy meant a prosperous year for most C-I-L businesses. Those serving the mining, pulp and paper industries did particularly well. The exceptions were Fertilizers and Agrochemicals, where sales were affected by the North American drought.

LATIN AMERICA

ICI has a growing business in Latin America. The region's volatility and high inflation are well known, and ICI's continuing success owes much to the skill and adaptability of its local managers.

Two new plants opened in 1988: a pharmaceuticals plant in Argentina to manufacture 'Tenormin' beta-blocker; and in Brazil, a plant making 'Melinex' polyester film, mainly for the local X-ray market. In Mexico, ICI won government permission to build an agrochemicals plant.

Continued strong growth is forecast, the future lying mainly with service-oriented, specialty businesses.

ASIA PACIFIC JAPAN

A strong presence in Japan is crucial not just to ICI's success in Asia Pacific but to its future worldwide business. Its importance rests, among other things, on Japanese skills in effect businesses such as films and advanced materials.

Early in 1988, the ICI Board announced a target of threefold growth in sales in Japan over the period to the mid-1990s. This will entail a much stronger local presence and a concentration on specialty products geared to the Japanese market.

ICI demonstrated its commitment to Japan with the listing of ICI Ordinary Shares on the Tokyo Stock Exchange in December 1988. The year also saw important moves into local manufacture and technical support – among them, the completion of an Advanced Materials thermoplastic compounds

plant and a colouring and blending facility for acrylic dispersions (*see also page 21*). Important for the future was the decision to purchase 18 hectares of land at Tamatsukuri for a manufacturing site. The first construction, a 'Melinex' polyester film plant, is scheduled to open in 1990. Other facilities will follow.

ICI Agrochemicals successfully registered two new products – 'Cyhalon' insecticide and 'Fujigrass' herbicide – both developed specifically for Japan.

ICI Pharmaceuticals' business in Japan has continued to grow, mainly on the strength of 'Tenormin' and 'Inderal' beta-blockers. With the product range expanding, business prospects are good.

CHINA, HONG KONG, SOUTH KOREA, TAIWAN

The Group's interests in the Northern Pacific are the responsibility of the ICI China Group. Those interests have expanded rapidly in the last five years in line with the region's spectacular growth. Sales and profits reached record levels in 1988.

ICI conducts its business in four main geographic areas – Europe, the Americas, Asia Pacific and other territories including Africa, the Middle East and the Indian sub-continent. The four are represented in these aerial views.

TOP LEFT

European rooftops.

TOP RIGHT

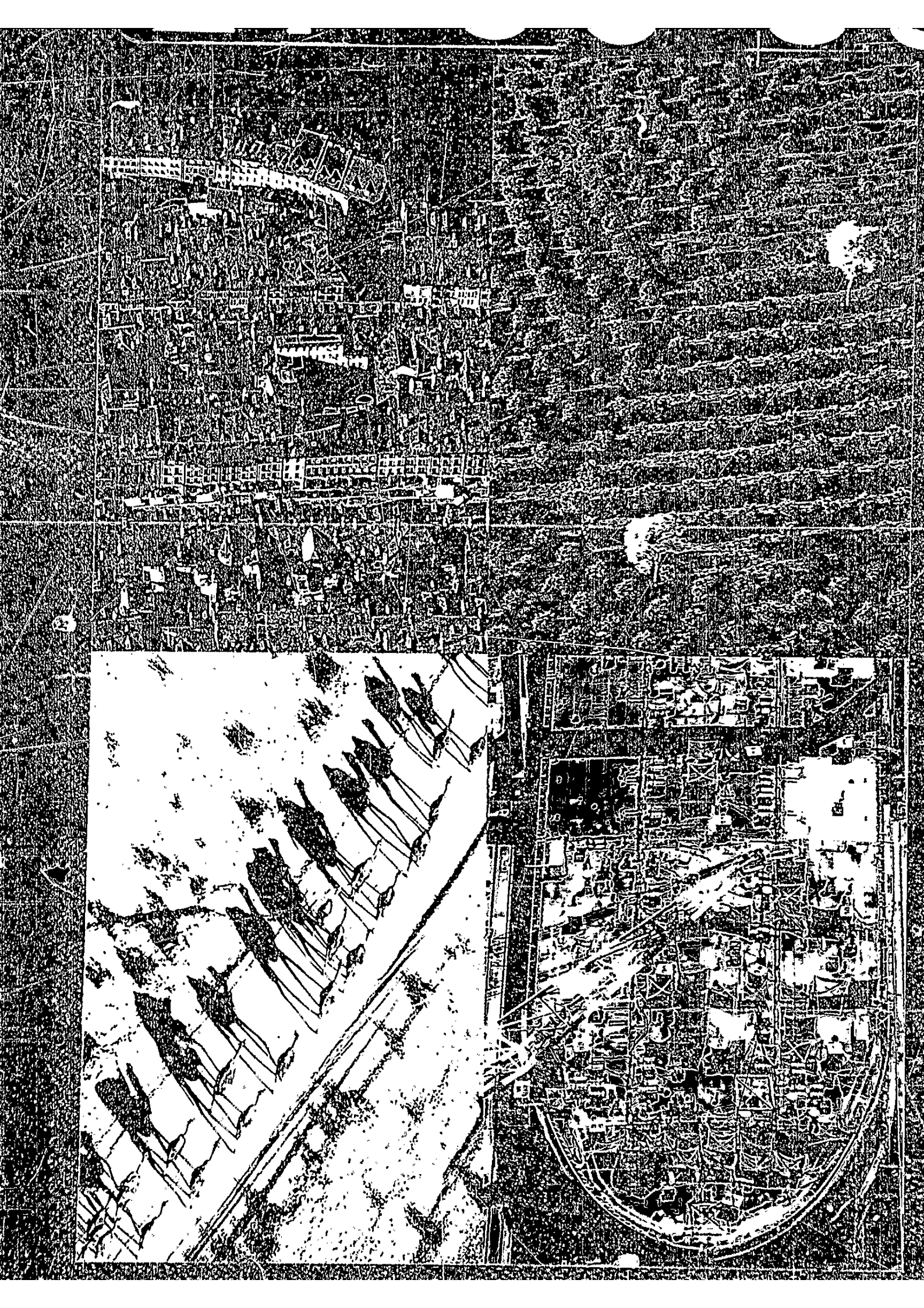
Brazil's national tree, the ipe, stands out against a citrus plantation near São Paulo.

BOTTOM RIGHT

The supertanker, 'Onyx', under construction at Nagasaki, Japan.

BOTTOM LEFT

Caravan of dromedaries in the Middle East.



In South Korea, ICI moved into manufacture for the first time with the establishment of ICI-Woobang Co Ltd, a 60/40 joint venture for the production of textile auxiliaries. In Taiwan, the polyurethanes formulation unit continued its remarkable success, while the 60/40 joint venture, Kaohsiung Monomer Co – one of ICI's most successful overseas investments – is set to double its methyl methacrylate capacity at a cost of over US\$100 million.

MALAYSIA, THAILAND, INDONESIA, SINGAPORE, THE PHILIPPINES, BURMA

The resource-rich countries of South East Asia offer a growing market for the Group. Profits improved significantly in 1988 reflecting the region's economic recovery. Strong agricultural commodity prices led to higher demand for ICI products such as fertilizers, agrochemicals and paints. Heavy outward investment by Japan, closely followed by South Korea and Taiwan, is hastening the industrialization of the region and creating more demand.

The opening of new representative offices in Indonesia and Thailand paves the way to further expansion of ICI's interests.

AUSTRALASIA

1988 was another good year with operating profits in local currency up 35 per cent. Rising demand for plastics and a buoyant year for agriculture, mining, building and manufacture contributed to the results. So did a number of productivity gains, made possible by an improving industrial-relations environment.

The acquisition of Berger paints greatly increased ICI's lead in the Australasian paints market. Other activity was devoted to supporting Australia's flourishing resource industries. A complex on a greenfield site in Queensland, costing A\$68 million, will produce caustic chlorine and cyanide for the processing of gold, while a A\$27 million ammonium nitrate expansion will help meet the rising

demand for explosives and fertilizers.

ICI Australia's specialist businesses have continued to grow. These include acrylic resins, scientific instruments, immuno-diagnostics and advanced ceramics based on pure zirconia. A new A\$13 million zirconia plant will supply customers in Japan, the USA and Europe.

Rapid growth in Papua New Guinea and other parts of South East Asia helped to offset poor results from New Zealand, where the economy continued to decline.

OTHER COUNTRIES

INDIA

IEL Ltd, ICI's 51 per cent-owned Indian subsidiary, showed a marked rise in profits as India recovered from the drought of 1987. Demand was particularly strong for fertilizers, agrochemicals, paints and rubber chemicals.

During the year, IEL launched a joint venture with Nalco Chemical Co to manufacture effect chemicals, and brought towards completion its project to triple its polyester staple capacity in line with India's long-term needs. The new plant, costing about £22 million, will be commissioned early in 1989.

PAKISTAN

ICI's businesses in Pakistan are all market leaders. Expansion of the polyester staple business is on target, and soda ash production is set to increase. Paints, the third major interest, also did well in 1988.

MIDDLE EAST,

BANGLADESH, SRI LANKA

ICI exports maintained their share in these markets and investments continued to perform satisfactorily. Business prospects in Turkey, Saudi Arabia and the United Arab Emirates are encouraging.

AFRICA

Exports to Africa have inevitably suffered from the continent's economic difficulties and no investments are planned.

ICI continually 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.

TURNOVER

The Group's turnover from trading operations in 1988 was £11.7 billion, an increase of 5 per cent on the 1987 figure of £11.1 billion. Sales were well above 1987 levels in all major territories, except the UK, where a strong advance in paints and agrochemicals and smaller improvements elsewhere were largely offset by lower sales in fertilizers. In Sterling terms, sales increased by 7 per cent in Continental Europe, 6 per cent in the Americas and 11 per cent in Asia Pacific. Sales elsewhere showed little change from 1987.

The volume of ICI sales grew by 7 per cent with 5 per cent resulting from widespread organic growth, notably in pharmaceuticals, agrochemicals and paints, and 2 per cent from acquisitions. Growth was strong in all major markets except in the UK.

Selling prices in local currencies improved on average by 4 per cent but changes in exchange rates, particularly the weaker US Dollar and Deutschmark, reduced the Sterling value of sales by 6 per cent.

The relative size of the businesses in 1988 in terms of turnover and trading profit is shown in the chart below.

PROFITS

Group profits from trading operations amounted to £1,470m, compared with £1,297m in 1987, and Group profit before taxation was also £1,470m (£1,312m in 1987). This

included £162m pre-tax profits for related companies compared with £167m in 1987, reflecting a continuing strong performance across the range of the Group's interests. (Further details of related companies are given on page 36.) Financing costs rose from £142m in 1987 to £162m.

The charge for taxation was £540m (£504m in 1987) representing 37 per cent of profit before tax. The charge comprised £228m of UK taxation, £266m of overseas taxation and £46m of taxation on related companies.

Earnings for Ordinary Shareholders were £881m before an extraordinary item, compared with £760m in 1987. Earnings per £1 Ordinary Share were 120.7p (1987 113.6p). The £44m charge for an extraordinary item relates to the restructuring of UK compound fertilizer production facilities.

The return on assets employed was 26.7 per cent compared with 24.4 per cent in 1987.

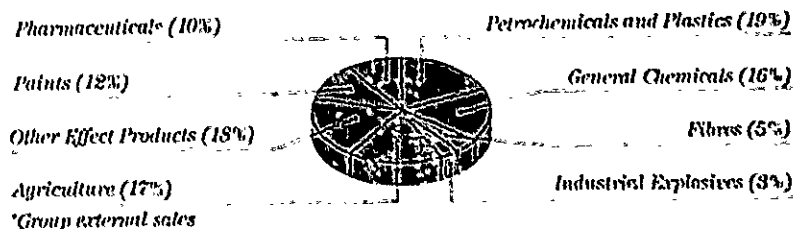
EMPLOYEES' PROFIT-SHARING SCHEME

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 1988 is 9.2p per £1 of remuneration (at a total cost of £63m) compared with 8.6p (£51m) in 1987.

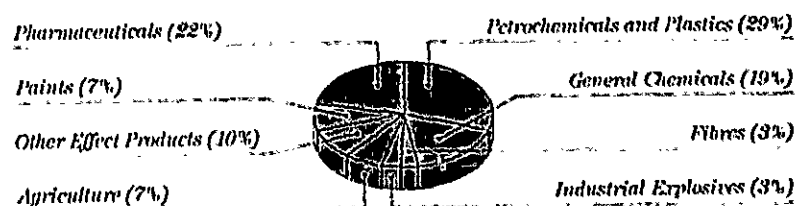
DIVIDEND

The Annual General Meeting will be asked to confirm a second interim Ordinary dividend of 32p per £1 Share as the final dividend for 1988, payable on 28 April 1989. Together with the first interim dividend of 18p per £1 Share paid on 3 October 1988, this makes a total Ordinary dividend of 50p for the year, an increase of 9p from 1987. The gross equivalent of this (including the related tax credit) at the current basic rate of income tax is 67p. The payment of these dividends requires £341m (1987 £277m), leaving £496m (1987 £483m) retained in the business. As indicated in the 1987 Annual Report, the date of payment

1988 TURNOVER* BY BUSINESS SECTOR

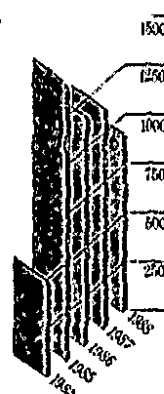


1988 TRADING PROFIT BY BUSINESS SECTOR





Capital expenditure
(less disposals)
£m



of the second interim dividend has been deferred from the first to the last week in April to meet the requirements of the Tokyo Stock Exchange, following the listing of the Company's shares on that Exchange.

INVESTMENT

During 1988 the Group made a total of 30 acquisitions and 15 divestments as part of its continuing strategy to emphasize high added-value effect products and to improve geographical coverage. Examples include the acquisition of Berger paints in Australasia and the purchase in the USA of Thiele-Engdahl, Inc for the Specialty Chemicals business.

Capital expenditure on tangible fixed assets was further increased in 1988. The emphasis continued on maintaining a strong UK base, and on developing profitable businesses around the world. A number of projects were designed to increase capacity or to maintain or improve safety, health and environmental performance. Major new projects authorized during the year included a 'Melinex' film plant in Japan, a 'Propafilm' hubble and advanced coater in Europe, expansion of methyl methacrylate capacity in Taiwan and additional bulk drug facilities in both the UK and the Americas to support ICI's growing

Pharmaceuticals business.

The table below 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 continued to strengthen, with £1,860m generated from operations (1987 £1,708m). The Group started the year with net liquid resources (cash, current asset investments and deposits less short-term borrowings) of £87m, and during the year new borrowings exceeded re-payments by £92m. Expenditure on acquisitions and new investments amounted to £265m (1987 £544m), and £811m was spent on new tangible fixed assets (1987 £708m). Proceeds from the disposal of tangible fixed assets, subsidiaries and other investments amounted to £194m (1987 £140m). An extra £77m was required in 1988 as working capital (excluding working capital taken over with acquisitions) compared with an extra £187m in 1987.

Major new borrowings included an issue of £75m Eurosterling Notes repayable in 1993 issued at a price of 101½ with an interest rate of 9½ per cent and an issue of SFr250m bonds repayable in 1999 issued at a price of 99½ with an interest rate of 4½ per cent.

ICI issued 6.6 million Ordinary Shares in 1988, of which 4.3 million related to employees' profit-sharing and share option schemes and 2.3 million were issued on conversion of loan stock and exercise of warrants. The total value of Ordinary Shares issued, including share premium, was £65m. Group net liquid resources at 31 December 1988 were £167m.

ICI's financial strength is reflected in its low level of loans as a proportion of capital employed and also in its interest cover which shows the ability to service debt. In 1987 and 1988 net interest payable was covered ten times by profit on ordinary activities before tax and before deducting net interest payable.

GROUP AUTHORIZATIONS AND EXPENDITURE ON FIXED ASSETS AND EXPENDITURE ON INVESTMENTS

	Authorized			Expenditure		
	1986	1987	1988	1986	1987	1988
	£m	£m	£m	£m	£m	£m
Tangible fixed assets:						
United Kingdom	320	313	509	365	357	377
Continental Europe	72	136	96	57	77	102
The Americas	127	188	206	197	184	210
Other countries	131	112	271	84	90	122
	650	749	1082	643	708	811
Total authorized but unspent at end of year				533	624	895
Expenditure on acquisitions and other new investments				578	544	265
Proceeds from disposal of tangible fixed assets and investments in subsidiaries and related companies				(65)	(140)	(194)

PEOPLE

People are the Group's most valuable resource: our competitive edge depends on their talents. As the Group moves into the 1990s, our task is to draw maximum strength from their creativity and commitment, and from ICI's huge diversity of skills. Business success must be underpinned by a vigilant concern for the health and safety of our employees, customers and the public. We must also look beyond immediate business needs to serve the local communities to which we belong, and to safeguard the environment in which we all live. The following pages record the progress made in 1988.

EMPLOYMENT HIGHLIGHTS

ICI's business is truly global. Out of some 130,400 employees, the largest single grouping (42 per cent) is concentrated in the UK. Others are based in the Americas (25 per cent); Continental Europe (12 per cent); Asia Pacific (12 per cent); and other countries including the Indian sub-continent (9 per cent). Each territory adopts a personnel policy to meet its own needs. All mirror ICI's values and the corporate aim of attracting the best available talent and giving individuals the chance to develop their potential in the interests of the business and of themselves.

Our future growth and prosperity depend on the quality of people we recruit now. 1988 saw continued success in attracting recruits from among the brightest and best graduates worldwide. This reflects the excellent career prospects the Group is able to offer, and the deliberate projection of ICI as an organization that welcomes innovation and rewards both initiative and achievement.

As ICI becomes more competitive and international, training and development take on more importance than ever. In 1988, for instance, we concentrated on developing management skills and performance, and strengthened marketing

programmes to help us identify and meet customers' needs. A particular feature was the way businesses around the world collaborated to define standards for management development, and produced programmes to meet these standards. The Group's conference and management training centre near Kingston-on-Thames, UK, reopened after expansion and modernization.

As a general policy, most staff are recruited locally. But ICI businesses are seed-beds for talented men and women whose skills are increasingly being transplanted across national boundaries. The resulting cross-fertilization releases creative energy and allows us to build business teams that combine the best available talent, expertise and management styles. For its most able staff of every nationality, ICI offers a world stage. In 1988, nearly 700 employees worked outside their own country, usually on two- to four-year secondments to undertake technical or general management tasks. All employees benefit from the new ideas, cultures and practices introduced by this interchange.

Excellent internal communications are necessary to move the Group forward and weld a common purpose among the various businesses. In 1988, 273 senior managers from 28 countries attended strategy conferences which promote an understanding of corporate goals and how the parts fit together. We also worked hard to communicate ICI values and objectives to all staff, to help them contribute fully to business success.

EMPLOYMENT IN THE UK

Working arrangements in ICI businesses around the world reflect national preferences and styles. UK policies and practices are described here.

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 a Executive Director, discuss business prospects and investment plans in more detail. They are supported by similar committees in business units.

The Company has operated a profit-sharing scheme since 1974 and a savings-related share option scheme since 1980.

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 1988 over 38 per cent of graduates recruited direct from university were women, and we are pleased that the number of women managers and professional staff employed has increased 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

Despite the 1987 Stock Market collapse, the UK Pension Funds are healthy. Most UK pensions were increased by 5.8 per cent from 1 November 1988, an increase financed by resources already provided within the Funds.



SAFETY, HEALTH AND THE ENVIRONMENT

ICI's concern for the safety and environmental performance of its products and processes has a long history. Training and the exchange of relevant information are used to raise awareness and influence the behaviour of all staff. The Group's total expenditure on safety, health and the environment in 1988 was nearly £500 million.

On safety, our aim is to improve performance to equal the best. A good safety record goes hand in hand with high productivity and high quality standards. Although further progress is required, we reduced accidents during the year by over a third.

ICI's policy on the environment is to manage its activities so that they are acceptable to the community. We co-operate fully with the authorities to ensure we meet our legal obligations; and we adopt best practice to keep adverse effects on the environment to a practical minimum. This policy inevitably incurs substantial costs, and increasing environmental pressures are likely to narrow business opportunities in some areas. At the same time, we are able to tap ICI's skills to develop new products that will benefit the environment, and create new opportunities for the Group.

The Group's activities are subject to increasingly stringent environmental regulation, particularly concerning the discharge of industrial waste and clean-up of hazardous waste sites in North America. The scope for 'gradual pollution' insurance cover, especially in North America, is strictly limited and therefore, in common with its competitors, the Group is largely self-insured in this area.

During the year, debate continued on the effect of chlorofluorocarbons (CFCs) in depleting the earth's ozone layer. ICI urged a strengthening of the Montreal Protocol which currently calls for a 50 per cent cut in production of the main CFCs by 1999. Recent evidence suggests that a cut-back of 85 per cent will be necessary. We continue

to seek environmentally benign alternatives.

We remain committed to developing ways of assessing our safety and environmental performance. Under a reporting-back system, territories and businesses report to the Executive Directors on their targets, action plans and performance, alongside financial plans and forecasts.

Investment in corporate research further demonstrates the Group's commitment to a better, safer environment. Work started this year on a £3 million extension to the ICI environmental laboratory at Brixham, which now devotes roughly half its efforts to testing the environmental safety of new products. During the year, new facilities costing \$8.5 million opened at the Central Toxicology Laboratory at Alderley Park. And capacity at the Environmental Sciences Unit at Jealott's Hill, which assesses the environmental impact of pesticides, was increased by 50 per cent.

ICI IN THE COMMUNITY

ICI's commitment to the communities in which it operates remains strong. Responsibility for putting this commitment into practice belongs to local managers who are best placed to judge a community's needs and aspirations.

In 1988, businesses around the world helped their communities in varied ways. IEL Ltd in India, for example, gave free agricultural products and technical advice to 1,600 farmers from 20 villages in Uttar Pradesh, and made substantial donations to 13 schools for buildings and equipment. ICI Europa Ltd announced its 3-year support for *Jeuennes Musicales*, which promotes the cultural and personal development of young people through music. ICI Pakistan Ltd supported the Aga Khan University and its hospital in Karachi.

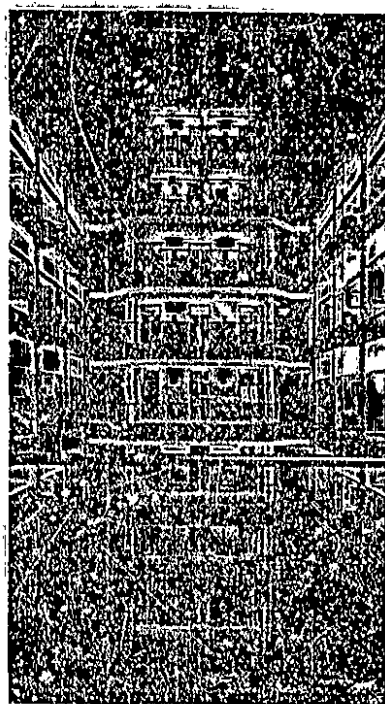
In the UK, stimulating local economies was a common theme. One notable project is Belasis Hall Technology Park on Teesside. Developed by ICI and English Industrial Estates Corporation to provide

space for medium-sized high-technology businesses, its innovation is that tenants can plug into ICI services, resources, and skills. Expansion has started already, two and a half years ahead of schedule. It is expected to provide 7,000 jobs.

In 1988, ICI spent a total of £3.6 million in the UK on community projects and charitable donations. Of this, over £1 million was spent by local units, who also gave about 17,500 days of staff time. Charitable donations amounted to £2.5 million (£1.8 million in 1987). Higher education took the greater share: our aim is to maintain the quality of science teaching and the output of qualified scientists and technologists. We also pledged continuing substantial support to Save The Children Fund and the Prince's Youth Business Trust. Other donations went to medical charities, youth organizations, conservation, the arts, mentally and physically handicapped people, and the elderly. In line with previous years, ICI made no donations for political purposes.

Wherever it operates, ICI aims to behave responsibly and sensitively. We encourage staff to take on leadership roles in the community. And we believe the Group can succeed only in communities that are themselves prosperous. We shall continue to serve them as best we can.

In today's ICI, people take their skills across the world. Among those currently seconded to the UK are: Masanori Kato of ICI Japan Ltd; Titus Ole Naikuni from The Magadi Soda Company PLC, Kenya; Lucienne Renauld of ICI France SA; and Marshall Hamilton who joined ICI Americas Inc from Stauffer. Together, they bring valuable experience in business development, engineering, marketing and law.



ABOVE

The new heart of ICI. 1988 saw the completion of the Group's refurbished London headquarters. The well in the centre of the building was roofed over and the walls fronting the atrium were replaced by the glass panels visible in the picture. The whole of the interior was redesigned. The result is a headquarters for the 21st century, with improved working conditions, easier communications and better use of light and space.

OPPOSITE

Overlooking the atrium...

TOP ROW, LEFT TO RIGHT

Lord Thomson, David Barnes, Paul Volcker, Chris Hampson, Walther Kiep, Ronnie Hampel.

MIDDLE ROW, LEFT TO RIGHT

Soichi Saba, Sir Alex Jarratt, Denys Henderson, Frank Whiteley, Sir Jeremy Morse, Sir Charles Reece.

BOTTOM ROW, LEFT TO RIGHT

Alan Clements, Sir Patrick Meaney, Peter Doyle, Tom Hutchinson. (Absent: Tim Wyman)

DENYS HENDERSON

Aged 56. 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.

FRANK WHITELEY

Aged 58. A Director since 1979 and Deputy Chairman since 1987. He is Group Management Services Director, Chairman of ICI Chemicals & Polymers Ltd, and has Group overview responsibility for Engineering. He is also President of the UK Chemical Industries Association.

DAVID BARNES

Aged 53. A Director since 1986, he is currently Business Director for the agrochemicals, 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.

ALAN CLEMENTS

Aged 60. A Director since 1979, he is currently Group Finance Director, Territorial Director for Africa, and a Director of ICI Chemicals & Polymers Ltd. He is also a non-executive director of Cable and Wireless PLC, Trafalgar House PLC, and Guinness Mahon Holdings plc.

PETER DOYLE

Aged 50. A Director since January 1989, he is currently Group Research and Technology Director and Business Director for the biological products business.

RONNIE HAMPEL

Aged 56. 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 Co plc.

CHRIS HAMPSON

Aged 57. A Director since 1987, he is currently Group Personnel Director, Business Director for the advanced materials business, Territorial Director for Asia Pacific (excluding Australasia) and a Director 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.

TOM HUTCHISON

Aged 57. A Director since 1985, he is currently Business Director for the explosives, films and polyurethanes businesses and Territorial Director for Continental Europe and Australasia. He is also a non-executive director of Cadbury Schweppes plc, the Bank of Scotland, and Enterprise Oil plc.

NON-EXECUTIVE DIRECTORS

SIR ALEX JARRATT

Aged 65. 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.

WALTHER KIEP

Aged 63. A Director since 1982. He is Managing Partner of Gradmann & Holler, the West German insurance group, a Director of the Bank of Montreal and a member of the Supervisory Board of Volkswagen A.G.

SIR PATRICK MEANEY

Aged 63. A Director since 1981. He is Chairman of The Rank Organisation Plc, a Deputy Chairman of Midland Bank plc and a Director of MEPC plc.

SIR JEREMY MORSE

Aged 60. A Director since 1981. He is Chairman of Lloyds Bank Plc.

SHOICHI SABA

Aged 70. A Director since 1985. He is Adviser to the Board of Toshiba Corporation. He is also a Vice Chairman of Keidranren (Japan Federation of Economic Organizations).

LORD THOMSON

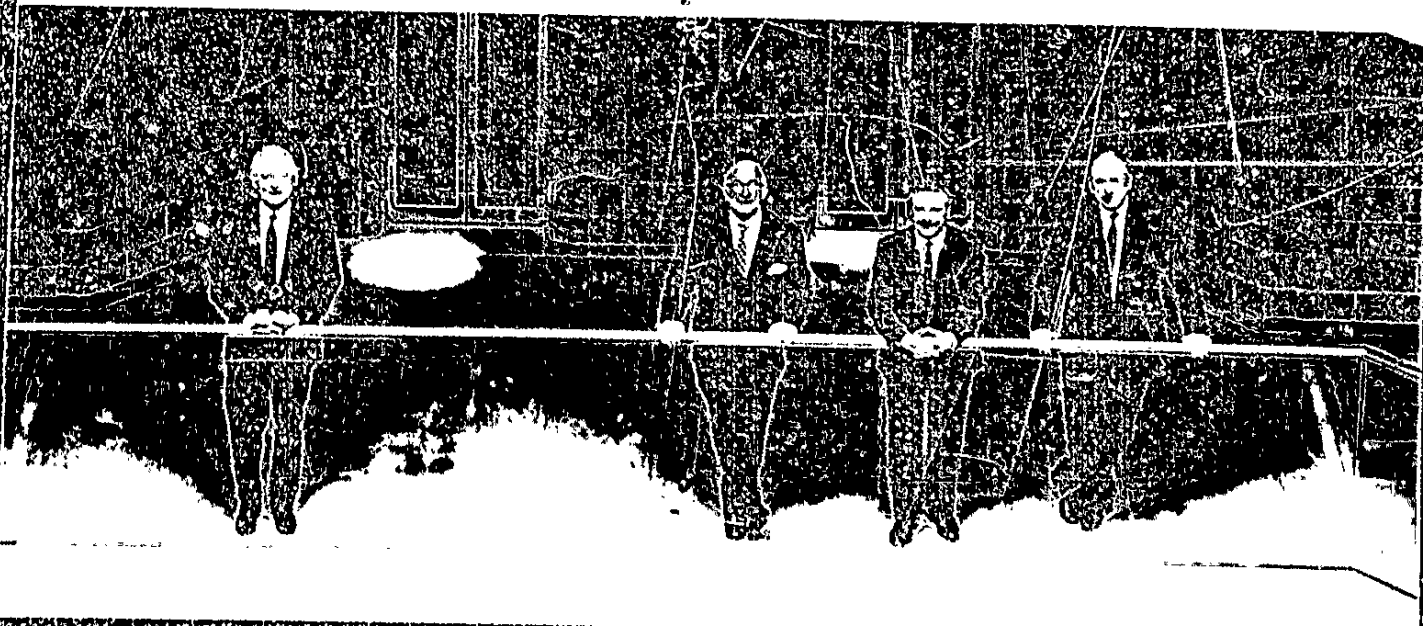
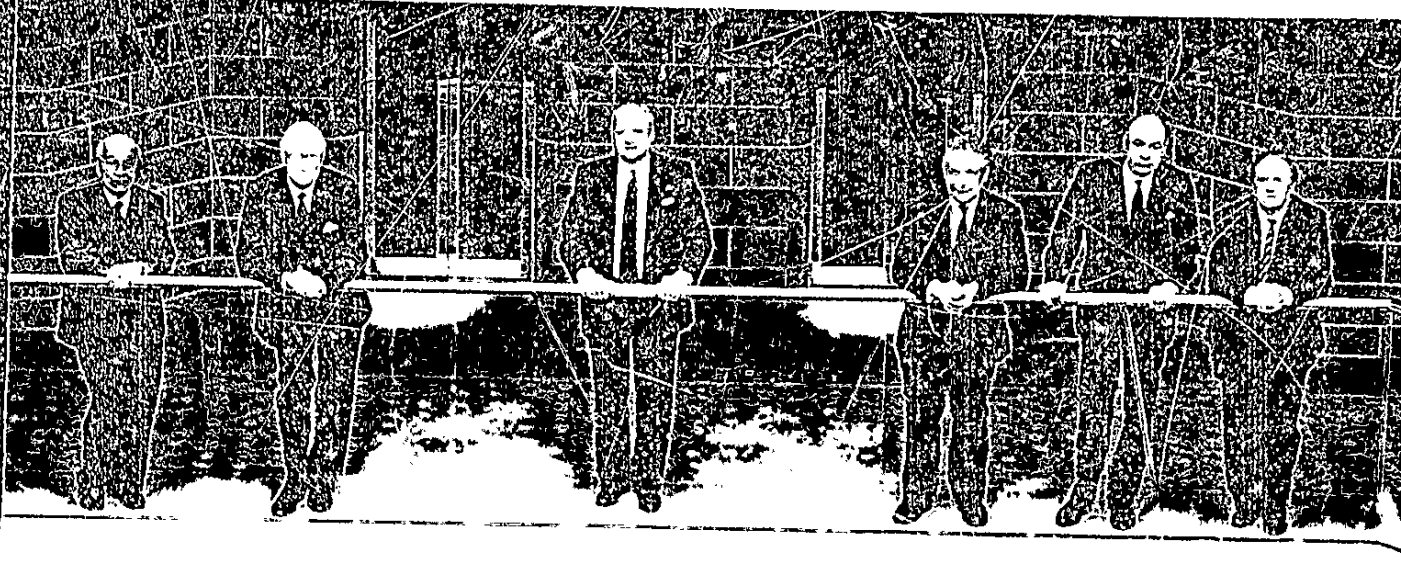
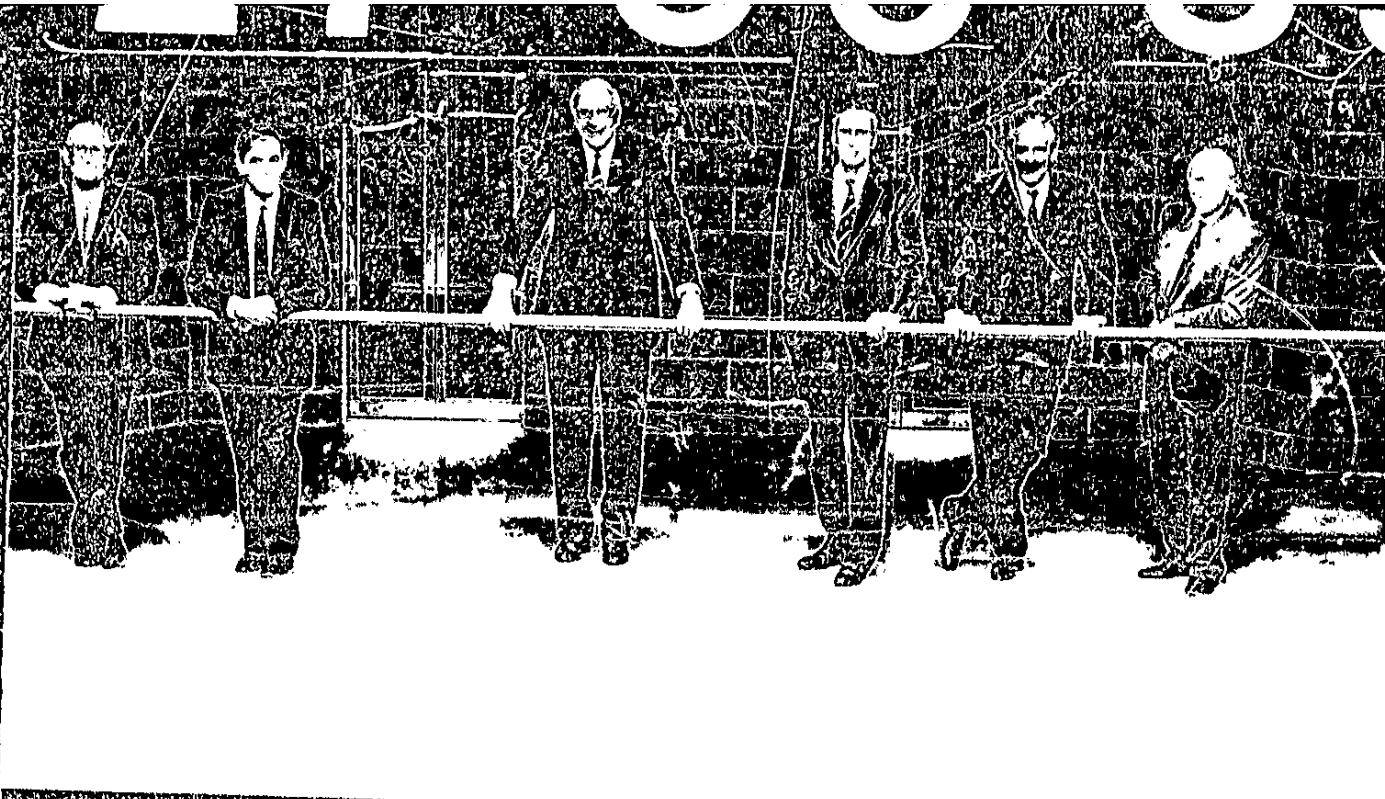
Aged 68. A Director since 1977. He is Deputy Chairman of Woolwich Equitable Building Society, Chairman of Value and Income Trust PLC, and a Director of Royal Bank of Scotland Group plc.

PAUL VOLCKER

Aged 61. A Director since June 1988. He is Chairman of James D. Wolfensohn Inc, Professor of International Economic Policy at Princeton University and Chairman of The Commission on the (US) Public Service.

TOM WYMAN

Aged 59. A Director since 1986. He is also a Director of American Telephone and Telegraph Company, General Motors Corporation and United Biscuits (Holdings) plc.



MR C PAINE, MR F C BAGNALL

It is with deep regret that the Board records the deaths of two former Directors of the Company.

Mr C Paine, who was a Director between 1954 and 1963, died on 13 August 1988. Mr F C Bagnall, who was a Director between 1964 and 1970, died on 7 January 1989.

BOARD MEMBERS

The names of the Directors of the Company at the date of this Report are set out on page 2. With the exception of Dr P Doyle and Mr P A Volcker, all served as Directors for the whole of 1988. In addition Sir Robin Ibbes was a Director for part of the year.

Mr P A Volcker was appointed a Non-Executive Director with effect from 1 June 1988 and Dr P Doyle, previously Deputy Chairman of ICI Pharmaceuticals, was appointed an Executive Director with effect from 1 January 1989.

Sir Charles Reece was a Director of the Company until 31 January 1989 when he retired from the Company's service. A chemistry graduate, Sir Charles joined ICI in 1949 in the Dyestuffs Division. He was appointed Research and Development Director of Mond Division in 1966, a Deputy Chairman of that Division in 1972, and Chairman of Plant Protection Division in 1975. Appointed to the Board in 1979, Sir Charles held the appointment of Research and Technology Director and was also Management Services Director and the Territorial Director for India. He received his knighthood in the Queen's Birthday Honours for 1988. Sir Charles has served the Company with great distinction and his colleagues on the Board express sincere appreciation of his notable contributions to the ICI Group, particularly in matching scientific effort to the changing direction of the Group's business strategy and to future needs.

DIRECTORS RECOMMENDED FOR RE-ELECTION

Under Article 74, Dr P Doyle and Mr P A Volcker retire together with Mr D H Henderson, Mr T O Hutchison, Mr W G L L Kiep and Sir Jeremy Morse, who retire under Article 92. All are recommended for re-election.

Mr D H Henderson's service contract as Chairman is for a period of five years from 1 April 1987.

Dr P Doyle and Mr T O Hutchison 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 58.

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 61.

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 increased to R4.08 billion in 1988 with net trading income improving to R473 million. Earnings per share advanced to 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 1988, ICI subscribed £40 million to take up its entitlement in respect of an issue of Enterprise shares.

In 1988, Enterprise generated a profit before taxes of £67.5 million on turnover of £192.1 million, and post-tax earnings per share increased from 17.6p to 24p.

EUROPEAN VINYL CORPORATION (HOLDINGS) BV
European Vinyls Corporation (Holdings) BV (EVC) is jointly owned by ICI and EniChem SpA. The EVC Group is engaged in the manufacture and sale of vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) resins and compounds. Continuing strong growth in worldwide markets for PVC in 1988 supported further improvement in EVC's business performance.

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.

The buoyancy in the market for these pigments continued through 1988 and demand once more exceeded supply. These circumstances contributed to the achievement of a record profit before tax of £83 million in the first half of the year, compared with £79 million for the same period in 1987 and £155 million for the whole of that year.

The Auditors, Peat Marwick McLintock, are willing to continue in office, and a resolution re-appointing them 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 1988, provided for in the Group accounts, amounted to £301,000 (1987 £410,000). In 1987, the audit fee for the Company included the audit fee in respect of those businesses transferred to ICI Chemicals & Polymers Ltd. The total figure for the Group was £3.9m (1987 £3.8m) 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

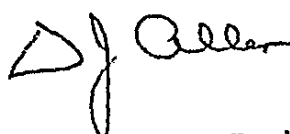
At the end of 1988 the register of shareholders consisted of 357,176 Ordinary Share accounts, and 127,965 accounts in respect of all classes of Loan Stock. The following table analyses the holdings of £1 Ordinary Shares:

Size of holding	Number of Ordinary shareholders' accounts	Amount £m
1-250	166,283	20
251-500	88,873	33
501-1,000	64,601	47
1,001-5,000	34,323	59
5,001-10,000	1,153	8
10,001-50,000	1,104	27
50,001-1,000,000	751	154
Over 1,000,000	88	335
All holdings	357,176	683

In addition to the number of registered shareholders shown, there are approximately 15,500 holders of American Depositary Receipts. The ADRs, each of which is equivalent to four £1 Ordinary Shares, are issued by Morgan Guaranty Trust Company of New York.

As at 14 February 1989 (one month prior to the date of the Notice of Meeting) Morgan Guaranty Trust Company of New York had a non-beneficial interest in 73,494,680 Ordinary Shares of the Company (being approximately 10.7 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 5 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.



On behalf of the Board
D. J. Allen
Secretary

Imperial Chemical House
Millbank, London SW1P 3JF
6 March 1989

SENIOR EXECUTIVES

Principal Executive Officers

ICI Advanced Materials and Electronics	H. E. Miller
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 Plastics	H. M. Scopes
ICI Pharmaceuticals	D. Friend
ICI Polyurethanes	B. A. Killner
ICI Specialty Chemicals	K. M. Naprstek

General Managers

Secretary	D. J. Allen
Chief Financial Officer	J. T. Harrison
Group Solicitor	V. O. White
Planning	A. I. H. Pink
Personnel	M. E. Brogden
Insurance and Investments	B. C. Hines
External Relations	J. D. Rushton

Chief Executives of major subsidiary companies

ICI Chemicals & Polymers Ltd	R. I. Lindsell
ICI Americas Inc	H. Corless
ICI Australia Ltd	C. M. Deeley
C-I-L Inc	B. H. Lochtenberg
IEL Ltd	P. E. G. Daubeney
ICI Japan Ltd	W. F. Madden

Registered Office

Imperial Chemical House,
Millbank, London SW1P 3JF
Telephone: (01) 834 4444

Registrar and Transfer Office

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

Auditors

Pent Marwick McLintock
1 Puddle Dock
Blackfriars, London EC4V 3PD

ACCOUNTS
AND
NOTES RELATING TO
THE ACCOUNTS



GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1988

	Notes	1988 £m	1987 £m
TURNOVER		11,699	11,123
Operating costs	4	(10,412)	(10,001)
Other operating income	4	183	175
TRADING PROFIT	4	1,470	1,297
Share of profits less losses of related companies	5	162	157
Net interest payable	6	(162)	(142)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,470	1,312
Tax on profit on ordinary activities	7	(540)	(504)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		930	808
Attributable to minorities		(49)	(48)
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY		881	760
Extraordinary item	8	(44)	-
NET PROFIT FOR THE FINANCIAL YEAR		837	760
Dividends	9	(341)	(277)
PROFIT RETAINED FOR YEAR		496	483
EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE	10	129.7p	113.6p

GROUP RESERVES ATTRIBUTABLE TO
PARENT COMPANY

	Note	1988 £m	1987 £m
At beginning of year		2,769	3,008
Profit retained for year: Company		170	389
Subsidiaries		260	33
Related companies		66	56
		496	483
Amounts taken direct to reserves		(23)	(722)
At end of year	11	3,242	2,769

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

BALANCE SHEETS

41

At 31 December 1988

		GROUP		COMPANY	
		1988	1987	1988	1987
		£m	£m	£m	£m
<i>Notes</i>					
ASSETS EMPLOYED					
FIXED ASSETS					
Tangible assets	12	4,092	3,750	840	1,621
Investments: Subsidiaries	13			3,916	2,473
Related and other companies	14	524	417	123	152
		4,616	4,167	4,879	4,251
CURRENT ASSETS					
Stocks	15	2,004	1,812	373	707
Debtors	16	2,324	2,162	456	824
Investments and short-term deposits	17	293	494	18	25
Cash	17	160	152	10	9
		4,781	4,620	857	1,565
TOTAL ASSETS		9,400	8,787	5,736	5,816
CREDITORS DUE WITHIN ONE YEAR					
Short-term borrowings	18	(289)	(559)	(12)	(6)
Current instalments of loans	21	(50)	(46)	—	—
Other creditors	19	(2,671)	(2,365)	(1,229)	(1,470)
		(3,010)	(2,970)	(1,241)	(1,476)
NET CURRENT ASSETS (LIABILITIES)		1,774	1,650	(384)	89
TOTAL ASSETS LESS CURRENT LIABILITIES		6,390	5,817	4,495	4,340
FINANCED BY					
CREDITORS DUE AFTER MORE THAN ONE YEAR					
Loans	21	1,627	1,511	653	578
Other creditors	19	137	70	535	549
		1,764	1,581	1,188	1,127
PROVISIONS FOR LIABILITIES AND CHARGES	20	282	295	(49)	12
DEFERRED INCOME: Grants not yet credited to profit		115	139	10	97
MINORITY INTERESTS		304	357		
CAPITAL AND RESERVES ATTRIBUTABLE TO PARENT COMPANY					
Called-up share capital	22	683	676	683	676
Reserves: Share premium account		294	236	294	236
Revaluation reserve		61	78	—	6
Other reserves		289	316	432	425
Profit and loss account		2,368	1,961	1,937	1,761
Related companies' reserves		230	175		
Total reserves	11	3,242	2,769	2,663	2,428
Total capital and reserves attributable to parent company		3,925	3,445	3,346	3,104
		6,390	5,817	4,495	4,340

The Company's figures reflect the transfer of assets and liabilities to ICI Chemicals & Polymers Ltd, a wholly owned subsidiary, on 1 January 1988 (see note 3).

The accounts on pages 40 to 61 were approved by the Board of Directors on 6 March 1989 and were signed on its behalf by:

D. H. Henderson *Director*

A. W. Clements *Director*

J. T. Harrison *Chief Financial Officer*

STATEMENT OF SOURCES AND APPLICATIONS OF GROUP FUNDS

For the year ended 31 December 1988

	Notes	1988 £m	1987 £m
SOURCES			
FUNDS GENERATED FROM OPERATIONS			
Trading profits		1,470	1,297
Depreciation		484	464
Government grants credited to profit, less received		(20)	(19)
Dividends from related companies		77	65
Extraordinary item		(52)	-
Miscellaneous items, including exchange		(99)	(9)
		1,860	1,708
LESS: INTEREST AND TAXATION PAID DURING YEAR			
Interest (net)		(166)	(141)
Taxation		(459)	(349)
SOURCES NET OF INTEREST AND TAXATION		1,235	1,208
APPLICATIONS			
DIVIDENDS PAID DURING YEAR			
Parent company		291	254
Subsidiaries to minority shareholders		26	29
		317	283
FIXED ASSETS			
Tangible assets		811	708
Disposals of tangible assets		(45)	(26)
Acquisitions and new investments	24	265	544
Disposals of subsidiaries and related company investments	24	(149)	(114)
		882	1,112
WORKING CAPITAL CHANGES			
Stocks increase		136	169
Debtors increase		108	68
Creditors and provisions increase (excluding dividends, interest and taxation)		(167)	(50)
		77	187
TOTAL APPLICATIONS		1,276	1,582
DEFICIT		(41)	(274)
FINANCED BY			
Issues of ICI Ordinary Shares		65	140
Other external finance - net repayments		(36)	(6)
Net new borrowings (1987 net repayments)		92	(24)
Decrease in short-term borrowings (1987 increase)	*	(270)	118
Decrease in cash, current asset investments and short-term deposits	*	190	46
		41	274

*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.

The accounts have been 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 Group balance sheet either upon acquisition against reserves or by amortisation over a period. Elimination against Group 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 capitalised 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.

PENSIONS FUNDING

The Company and most of its subsidiaries operate pension schemes which cover the majority of employees (including directors) in the Group. The amounts charged against profit are calculated with actuarial advice in accordance with local practice, and represent a proper charge to cover the accruing liabilities on a continuing basis. With minor exceptions these schemes are financed through separate trustee-administered funds.

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 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.

ACCOUNTING POLICIES (continued)

STOCK VALUATION

Finished goods are stated at the lower of cost and net realisable 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 555 at 31 December 1988. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 114 subsidiaries, representing 15 per cent of Group total assets, made up their accounts to dates earlier than 31 December, but not earlier than 30 September.

2 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		Turnover		Profit	
	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m
Consumer and specialty products	2,268	1,955	4,568	4,332	546	574
Industrial products	2,235	2,207	5,256	5,170	760	595
Agriculture	1,237	1,217	1,975	1,744	102	48
Miscellaneous			224	199	5	20
			12,023	11,445	1,413	1,237
Net operating assets	5,740	5,379				
Inter-segment eliminations			(324)	(322)	(7)	(2)
Non-operating and miscellaneous assets	650	438				
	6,390	5,817	11,699	11,123	1,406	1,235
Royalty income and government grants					64	62
Trading profit					1,470	1,207
Share of profits less losses of related companies					162	157
Net interest payable					(162)	(142)
Profit on ordinary activities before taxation					1,470	1,312

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		Depreciation	
	1988	1987	1988	1987
	£m	£m	£m	£m
Consumer and specialty products	361	300	137	136
Industrial products	290	269	231	232
Agriculture	138	121	96	78
Other	22	18	20	18
	811	708	484	464

2 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		Turnover		Profit	
	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m
United Kingdom						
Sales in the UK			2,663	2,703		
Sales overseas			3,021	2,927		
	2,513	2,530	5,624	5,530	613	617
Continental Europe	735	713	2,718	2,539	270	184
The Americas	1,399	1,219	3,196	2,934	315	271
Asia Pacific	905	712	1,861	1,668	182	156
Other countries including Indian sub-continent	188	196	389	393	35	35
	5,740	5,379	13,858	13,164	1,415	1,263
Inter-area eliminations			(2,159)	(2,041)	(9)	(28)
			11,699	11,123	1,406	1,235
Royalty income and government grants					64	62
Trading profit					1,470	1,297

EMPLOYEES

	1988	1987
Average number of people employed by the Group in:		
United Kingdom	54,800	55,800
Continental Europe	16,300	15,500
The Americas	32,000	29,500
Asia Pacific	15,200	14,700
Other countries including Indian sub-continent	12,100	12,300
Total employees	130,400	127,800

GEOGRAPHIC MARKETS

	1988	1987
	£m	£m
Turnover in each geographic market in which customers are located:		
United Kingdom	2,705	2,732
Continental Europe	2,989	2,787
The Americas	3,232	3,048
Asia Pacific	2,006	1,831
Other countries including Indian sub-continent	677	676
Total turnover	11,609	11,123

3 CHANGES IN GROUP STRUCTURE

On 1 January 1988, assets and liabilities relating to the UK operation of the Chemicals and Polymers Group were transferred at book value from Imperial Chemical Industries PLC to ICI Chemicals & Polymers Ltd, a wholly-owned subsidiary, and included the following:

	£m
Tangible assets	943
Investments in subsidiaries and related companies	101
Net current assets	127
Provisions for liabilities and charges and deferred income	(135)

NOTES RELATING TO THE ACCOUNTS

3 CHANGES IN GROUP STRUCTURE (continued)

Subsidiaries acquired during 1988 have been accounted for on the acquisitions basis. The effect of these acquisitions on the Group results was not material.

Certain subsidiaries changed their accounting dates from 30 September to 31 December in 1988, and fifteen months' results are therefore included in the Group financial statements. The effect on the Group results was not material.

4 TRADING PROFIT

	1988	1987
	£m	£m
TURNOVER	11,609	11,123
OPERATING COSTS		
Cost of sales	(7,022)	(6,908)
Distribution costs	(837)	(701)
Research and development (including £73m for technical service (1987 \$69m))	(565)	(461)
Administrative and other expenses	(1,925)	(1,787)
Employees' profit-sharing bonus	(69)	(54)
OTHER OPERATING INCOME	(10,412)	(10,001)
Government grants	20	31
Royalties	35	31
Other income	119	113
TRADING PROFIT	183	175
Total charge for depreciation included above	1,470	1,207
Gross profit, as defined by the Companies Act 1985	484	464
	4,677	4,215

5 SHARE OF PROFITS LESS LOSSES OF RELATED COMPANIES

SHARE OF PROFITS LESS LOSSES		
Dividend income		
Share of undistributed profits less losses	77	65
Share of profits less losses before tax	72	91
GAINS ON DISPOSALS OF INVESTMENTS	149	166
AMOUNTS WRITTEN OFF INVESTMENTS (including provisions raised \$2m (1987 \$9m) and released £10m (£1m))	5	9
	8	(8)
	162	157

Total dividend income from shares in related companies comprised \$21m (1987 \$15m) from listed companies and \$56m (£50m) from unlisted companies.

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 capital used by the joint venture.

6 NET INTEREST PAYABLE

INTEREST PAYABLE AND SIMILAR CHARGES		
Loan interest		
Interest on short-term borrowings and other financing costs	160	150
	65	60
INTEREST RECEIVABLE AND SIMILAR INCOME FROM CURRENT ASSET INVESTMENTS	225	210
Listed redeemable securities		
Short-term deposits	(11)	(11)
	(47)	(48)
EXCHANGE GAINS ON SHORT-TERM CURRENCY BORROWINGS AND DEPOSITS	(59)	(50)
	(5)	(9)
	162	142

Loan interest includes \$109m (1987 \$126m) on loans not wholly repayable within 5 years.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1988	1987
	£m	£m
ICI AND SUBSIDIARIES		
United Kingdom taxation: Corporation tax	309	327
Double taxation relief	(90)	(94)
Deferred taxation	9	(14)
	228	219
Overseas taxation: Overseas taxes	254	207
Deferred taxation	12	22
	266	229
	494	448
RELATED COMPANIES	46	56
TAX ON PROFIT ON ORDINARY ACTIVITIES	540	504

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 (1987 35 per cent).

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
DEFERRED TAXATION				
The amounts of deferred taxation accounted for and the potential amounts of deferred taxation are:				
ACCOUNTED FOR AT BALANCE SHEET DATE (see note 20)				
Timing differences on UK capital allowances and depreciation	47	51	—	41
Miscellaneous timing differences	(30)	(8)	1	(6)
Advance corporation tax recoverable	(73)	(63)	(73)	(63)
	(56)	(20)	(72)	(28)
NOT ACCOUNTED FOR AT BALANCE SHEET DATE				
UK capital allowances utilised in excess of depreciation charged	336	333	154	327
Miscellaneous timing differences	(36)	(21)	14	14
	300	312	168	341
FULL POTENTIAL DEFERRED TAXATION	244	292	96	313

8 EXTRAORDINARY ITEM

	GROUP	
	1988	1987
	£m	£m
Restructuring UK compound fertilizer production facilities (net of relief from taxation of £8m)	(44)	—

9 DIVIDENDS

	1988	1987	1988	1987
	pence per \$1 Share	pence per \$1 Share	£m	£m
ORDINARY				
Interim, paid 3 October 1988	18p	16p	122	108
Second interim, to be confirmed as final, payable 28 April 1989	32p	25p	219	169
	50p	41p	341	277

NOTES RELATING TO THE ACCOUNTS

10 EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE

	1988	1987
	£m	£m
Earnings for Ordinary Shareholders, before extraordinary item	881	760
Average Ordinary Shares in issue during year, weighted on a time basis	679	669
Earnings per £1 Ordinary Share	129.7p	113.6p

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 (see note 22) would not be material.

11 RESERVES

	Share premium account	Revaluation	Other	Profit and loss account	Related companies	1988 Total	1987 Total
	£m	£m	£m	£m	£m	£m	£m
GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY							
At beginning of year	236	78	316	1,964	175	2,769	3,008
Profit retained for year				430	66	496	483
Amounts taken direct to reserves							
Share premiums	58					58	111
Goodwill				(92)		(92)	(577)
Exchange adjustments		1	(22)	63	(8)	34	(256)
Other movements		(2)	(12)	(6)	(3)	(23)	-
	58	(1)	(34)	(35)	(11)	(23)	(722)
Other movements between reserves		(16)	7	9			
At end of year	294	61	289	2,368	230	3,242	2,769
COMPANY RESERVES							
At beginning of year	236	6	425	1,761		2,428	2,255
Profit retained for year				170		170	389
Amounts taken direct to reserves							
Share premiums	58					58	111
Exchange adjustments			4			4	(320)
Other movements			3			3	(7)
	58		7			65	(216)
Other movements between reserves		(6)		6			
At end of year	294	-	432	1,937		2,663	2,428

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 realisation of assets at restated or revalued amounts or on realisation of related companies at equity value.

In the Group accounts, £5m of net exchange gains on foreign currency loans in 1988 have been offset in reserves against exchange losses 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 and relevant agreements, 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 £3.188m at 31 December 1988.

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	1,353	5,692	615	7,665
Exchange adjustments	30	75	7	112
Revaluations and adjustments	(3)			(3)
New subsidiaries	16	20	1	37
Capital expenditure			811	811
Transfers	123	579	(702)	
Finance lease assets*	26	58		84
Disposals and other movements	(77)	(255)	(13)	(345)
At end of year	1,473	6,169	719	8,361
DEPRECIATION				
At beginning of year	517	3,398		3,915
Exchange adjustments	4	13		17
Revaluations and adjustments	2	(1)		1
Finance lease assets*	2	47		49
Disposals and other movements	(27)	(170)		(197)
Charge for year	62	422		484
At end of year	560	3,709		4,269
NET BOOK VALUE AT END 1988	913	2,460	719	4,092
Net book value at end 1987	841	2,294	615	3,750

The net book value of the tangible fixed assets of the Group includes capitalised finance leases of £33m comprising cost of £85m and depreciation thereon of £52m. The depreciation charge for the year in respect of capitalised leases was £3m and finance charges £3m.

COMPANY

COST OR AS REVALUED				
At beginning of year	435	3,048	384	3,867
Capital expenditure			214	214
Transfers - to subsidiary company	(204)	(2,221)	(178)	(2,603)
- others	28	118	(146)	
Finance lease assets*	4	55		59
Disposals and other movements	(13)	(19)		(32)
At end of year	250	981	274	1,505
DEPRECIATION				
At beginning of year	215	2,031		2,246
Transfers - to subsidiary company	(135)	(1,525)		(1,660)
Finance lease assets*		45		45
Disposals and other movements	1	(16)		(15)
Charge for year	9	40		49
At end of year	90	575		665
NET BOOK VALUE AT END 1988	160	406	274	840
Net book value at end 1987	220	1,017	384	1,621

The net book value of the tangible fixed assets of the Company includes capitalised finance leases of £6m comprising cost of £8m and depreciation thereon of £2m. The depreciation charge for the year in respect of capitalised leases was £1m and finance charges £1m.

*Asset values and accumulated depreciation on finance lease assets capitalised in accordance with UK Accounting Standards and adopted in these accounts with effect from 1 January 1983.

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (continued)

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
The net book value of land and buildings comprised:				
Freeholds	861	812	154	217
Long leases (over 60 years unexpired)	9	9	1	2
Short leases	43	20	5	1
	913	841	160	220

	GROUP				COMPANY			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	1988	1987	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m	£m	£m
Revalued assets included in tangible fixed assets:								
Revalued amount	183	187	244	232	11	45	23	78
Depreciation	68	64	182	169	10	39	23	72
Net book value	115	123	62	63	1	6	—	6

If the amount of these revalued assets had been determined according to historical cost accounting rules they would have been included at:

Cost	92	86	210	201	8	30	14	49
Depreciation	44	43	177	165	7	27	14	46
Net book value	48	43	33	36	1	3	—	3

13 INVESTMENTS IN SUBSIDIARIES

	Shares	Loans	Total
	£m	£m	£m
BOOK VALUE			
At beginning of year			
Cost	1,540	1,041	2,581
Scrip issues capitalised	46		46
	1,586	1,041	2,627
Exchange adjustments	(21)	33	12
Additions*	580	1,742	2,328
Reclassified as related companies	(1)		(1)
Transfers to subsidiary company	(50)	(35)	(85)
Disposals and repayments	(23)	(819)	(842)
At end of year	2,077	1,962	4,039
Cost	2,011	1,962	4,003
Scrip issues capitalised	36		36
PROVISIONS			
At beginning of year	(116)	(34)	(149)
Exchange adjustments	5		5
Additions	(11)	(3)	(14)
Transfers to subsidiary company	17	4	21
Disposals	14		14
At end of year	(90)	(33)	(123)
BALANCE SHEET VALUE AT END 1988	1,987	1,929	3,916
Balance sheet value at end 1987	1,471	1,007	2,478

*Includes investments in ICI Chemicals & Polymers Ltd (see note 3).

NOTES RELATING TO THE ACCOUNTS

13 INVESTMENTS IN SUBSIDIARIES (continued)

The balance sheet value of investments in shares in subsidiary companies which are listed investments
With an aggregate market value of
Information on principal subsidiary companies is given on page 60.

	1988	1987
	£m	£m
	75	100
	661	532

14 INVESTMENTS IN RELATED AND OTHER COMPANIES

	Related companies		Other	Total
	Shares	Loans	investments	
	£m	£m	£m	£m
GROUP				
BOOK VALUE				
At beginning of year	248	1	4	253
Cost	13			13
Scrip issues capitalised	261	1	4	266
	(1)			(1)
Exchange adjustments	70	4		74
Additions	(5)	(1)		(6)
Reclassified to subsidiaries	(6)	(1)		(7)
Disposals and repayments	6			6
Other movements	325	3	4	332
At end of year	318	3	4	325
Cost	7			7
Scrip issues capitalised				
SHARE OF POST-ACQUISITION RESERVES				180
LESS LOSSES	180			(10)
At beginning of year	(10)			66
Exchange adjustments	66			(3)
Retained profits less losses	(3)			233
Other movements	233			
At end of year	(28)	(1)		(29)
PROVISIONS	(3)			(3)
At beginning of year	(6)	(2)	(1)	(9)
Exchange adjustments	(37)	(3)	(1)	(41)
Other movements	521		3	524
At end of year	413		4	417
BALANCE SHEET VALUE AT END 1988				
Balance sheet value at end 1987				

The balance sheet value of the above investments included:

1988		125
Investments listed on	125	66
The International Stock Exchange, London	66	191
Other listed investments	101	542
With an aggregate market value of	542	

1987		67
Investments listed on	67	60
The International Stock Exchange, London	60	127
Other listed investments	127	322
With an aggregate market value of	322	

Information on principal related companies is given on page 61.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN RELATED AND OTHER COMPANIES (continued)

	Related companies		Other	Total
	Shares	Loans	investments	
	£m	£m	£m	£m
COMPANY				
BOOK VALUE				
At beginning of year				
Cost	177			177
Scrip issues capitalised	1			1
	178			178
Additions	41	2		43
Reclassified from subsidiaries	1			1
Transfers to subsidiary company	(81)			(81)
At end of year	139	2		141
Cost	138	2		140
Scrip issues capitalised	1			1
PROVISIONS				
At beginning of year	(26)			(26)
Additions		(2)		(2)
Releases	10			10
At end of year	(16)	(2)		(18)
BALANCE SHEET VALUE AT END 1988	123	-		123
Balance sheet value at end 1987	152	-		152
Balance sheet value of investments listed on The International Stock Exchange, London				
1988	69			69
1987	37			37
Market value of listed investments 1988	378			378
1987	209			209

15 STOCKS

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Raw materials and consumables	561	570	91	183
Stocks in process	223	163	82	116
Finished goods and goods for resale	1,220	1,050	200	408
	2,004	1,912	373	707

16 DEBTORS

AMOUNTS DUE WITHIN ONE YEAR				
Trade debtors	1,774	1,621	1	7
Amounts owed by subsidiaries			356	675
Amounts owed by related companies	49	55	1	-
Other debtors	343	352	79	106
Prepayments and accrued income	110	92	18	35
	2,276	2,120	455	823
AMOUNTS DUE AFTER MORE THAN ONE YEAR				
	48	42	1	1
	2,324	2,162	456	824

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

Redeemable securities listed on The International Stock Exchange, London	80	78		
Other listed investments	1	7		
Total listed investments	81	85		
Unlisted investments	11	17		
	92	102		
Short-term deposits	204	302	18	25
	296	404	18	25
Market value of listed investments	81	85		

Included in current asset investments, short-term deposits and cash are amounts totalling £108m (1987 £180m) held by the Group's insurance subsidiaries.

NOTES RELATING TO THE ACCOUNTS

18 SHORT-TERM BORROWINGS

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
BANK BORROWINGS	1	-		
Secured by - fixed charge	23	29		
- floating charge	187	368	12	-
Unsecured	211	397	12	-
	78	162	-	6
OTHER BORROWINGS (unsecured)	289	550	12	6

19 OTHER CREDITORS

AMOUNTS DUE WITHIN ONE YEAR

	964	838	123	347
Trade creditors	24	19		
Bills of exchange payable	18	17	-	2
Payments received on account			529	388
Amounts owed to subsidiaries	26	16	1	2
Amounts owed to related companies	545	522	240	327
Corporate taxation				
Value added and payroll taxes and social security	93	81	7	38
Other creditors*	526	448	57	125
Accruals	256	255	53	72
Dividends to Ordinary Shareholders	219	169	219	169
	2,671	2,365	1,229	1,470

AMOUNTS DUE AFTER MORE THAN ONE YEAR

	10	5	7	3
Trade creditors			522	546
Amounts owed to subsidiaries	31	15		
Corporate taxation	96	50	6	-
Other creditors*	137	70	535	549

*Includes, for 1988, obligations under finance leases (see note 23).

20 PROVISIONS FOR LIABILITIES AND CHARGES

	At beginning of year	Movement in year	At end of year
	£m	£m	£m
GROUP			
Deferred taxation:	(63)	(10)	(73)
Advance corporation tax recoverable	43	26	17
Other tax †	(20)	(50)	(56)
	163	7	160
Employee benefits			
Rationalisation, environmental and other provisions	162	16	178
	295	(13)	282
COMPANY	35	(34)	1
Deferred taxation	(63)	(10)	(73)
Advance corporation tax recoverable	40	(12)	23
Other provisions	12	(61)	(49)

† The movement in the year includes taxation reliefs arising on the extraordinary item and reliefs which will crystallise upon completion of restructuring in C-I-L Inc, a wholly-owned subsidiary.

NOTES RELATING TO THE ACCOUNTS

21 LOANS

	Repayment dates	GROUP		COMPANY	
		1988 £m	1987 £m	1988 £m	1987 £m
SECURED LOANS					
US dollars (5½ to 10½%)	1989/2012	36	40		
Australian dollars (10½ to 18.18%)	1989/97	62	59		
Other currencies	1989/2015	32	25		
TOTAL SECURED		130	124		
Secured by fixed charge		114	101		
Secured by floating charge		16	23		
UNSECURED LOANS					
Sterling:					
7½ and 8½% Stocks	1989/93	109	109	109	109
9½ to 11½% bonds	1992/2005	400	400	400	400
9½% Notes	1993	75		75	
11½% Stock	1991/96	43	43	43	43
8½% convertible bonds*	1999	45	62		
5½% Stock	1994/2004	26	26	26	26
Others	1989/99	34	12		
		732	652	653	578
US dollars:					
9½% bonds*	1990	26	45		
7½ to 8½% Eurodollar bonds	1989/96	60	51		
6½% convertible Eurodollar bonds*	1997	2	2		
8½ to 9.05% bonds	1989/2006	305	310		
5.3 to 8½% loans	1989/2005	37	36		
Others	1989/98	15	15		
		445	469		
Canadian dollars (10½ to 14½%)	1989/96	79	74		
Deutschemarks (6½%)	1989/92	9	11		
Dutch florins (7½ and 9%)	1989/91	8	14		
Swiss francs (3½ to 4½%)	1989/99	176	104		
Japanese yen (variable)	1989/95	15	14		
Other currencies	1989/2002	82	95		
TOTAL UNSECURED		1,547	1,511	653	578
TOTAL LOANS		1,677	1,576	653	578
Loans or instalments thereof are repayable:					
After 5 years from balance sheet date:					
Lump sums		71	86	269	325
Instalments		319	379	125	125
		1,034	1,037	394	450
From 2 to 5 years		470	300	250	128
From 1 to 2 years		123	54	-	-
TOTAL DUE AFTER MORE THAN ONE YEAR		1,627	1,511	653	578
TOTAL DUE WITHIN ONE YEAR		50	46	-	-
		1,677	1,557	653	578
Aggregate amount of loans repayable by instalments any of which fall due after 5 years					
		619	647	125	125

*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 (with an option to redeem on 15 October 1989 at a premium of 12%, giving rise to a contingent liability of \$5m);

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

21 LOANS (continued)

6½% 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 opposite amounted to £135m (1987 \$135m) in the Group of which £68m (\$64m) was secured. New borrowings during the year included \$75m 9½% Notes due 1993 issued by the Company and Swiss francs 250m 4½% bonds due 1999 issued by a subsidiary, the proceeds to be used for the general purposes of the ICI Group.

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized	Allotted, called-up and fully paid	
		1988	1987
	£m	£m	£m
Ordinary Shares (£1 each)	683	683	676
Unclassified shares (£1 each)	108		
	791	683	676

Ordinary Shares issued during the year totalled £7m comprising issues in respect of the Employees' Profit-Sharing Scheme £3m, the Company's share option schemes £2m and conversions of loan stock and exercise of warrants £2m.

Options outstanding at 31 December 1988 to subscribe for Ordinary Shares of £1 under the Company's share option schemes for staff were:

Subscription price	Last date when options normally exercisable	Number of shares	
		1988	1987
£2.86	31 March 1988		229,587
£3.55	18 March 1988		15,000
£3.55	17 March 1989	27,000	27,000
£3.96	31 March 1989	891	572,960
£5.33	31 December 1989	530,400	553,936
£5.88	14 March 1991	29,000	37,000
£5.95	12 September 1994	481,000	671,600
£6.06	31 May 1991	1,218,763	1,299,212
£6.06	31 May 1993	274,982	287,773
£6.60	4 September 1995	98,700	98,700
£7.86	17 April 1995	495,400	530,600
£8.01	31 May 1994	1,910,877	
£8.01	31 May 1996	296,933	
£9.66	31 May 1992	1,273,330	1,362,495
£9.66	31 May 1994	260,244	272,593
£9.76	1 April 1996	1,331,600	1,310,900
£10.05	9 September 1996	175,400	175,400
£10.21	29 November 1998	130,800	
£10.35	31 August 1998	139,000	
£10.58	29 March 1998	284,100	
£13.12	31 March 1997	116,000	155,600
£13.81	31 May 1993	1,191,701	1,514,650
£13.81	31 May 1995	202,663	267,454
£15.12	1 September 1997	84,700	93,500
		10,553,493	9,490,909

Options granted to directors, included above, are shown on page 58.

During 1989 movements in the number of shares under option comprised new options issued 2,775,309, options exercised 1,131,069 and options lapsed 571,606. At the end of 1988 there were 25,010,713 shares available for the granting of options (1987 18,946,592).

Warrants granting options to subscribe for 54,756 Ordinary Shares of £1 each at 540p were exercised during the year, leaving a balance representing options over 1,890,603 shares exercisable until 1 June 1990.

NOTES RELATING TO THE ACCOUNTS

23 LEASES

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

	GROUP	
	1988	1987
	£m	£m
Hire of plant and machinery	101	94
Other	40	92
	141	126

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

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Land and buildings:				
Expiring within 1 year	9	4	—	—
Expiring in years 2 to 5	12	8	—	1
Expiring thereafter	8	8	2	1
	29	20	2	2
Other assets:				
Expiring within 1 year	20	12	1	4
Expiring in years 2 to 5	31	28	9	9
Expiring thereafter	10	9	1	4
	61	49	11	17

Obligations under finance leases comprise:

Rentals due within 1 year	6	12	1	9
Rentals due in years 2 to 5	16	18	4	8
Rentals due thereafter	45	47	5	9
Less: interest element	(36)	(38)	(4)	(8)
	31	39	6	18

Obligations under finance leases have been reflected in the balance sheet in 1988 (see 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	
	1988	1987
	£m	£m
Acquisitions and new investments comprised:		
Fixed assets	37	167
Goodwill	84	550
Related companies	55	26
Net current assets	22	91
Employee benefit provisions	—	(60)
Rationalisation and other provisions	(3)	(95)
Minorities	70	—
	265	679
Financed by:		
Cash	265	544
Loans assumed	—	135
	265	679

The purchase consideration for the companies acquired during the year was met from the Group's cash resources.

Disposals in 1988 comprised businesses and subsidiaries £140m (1987 £70m) and related and other companies £9m (£44m).

Goodwill includes £25m in respect of the acquisition in Australasia of Berger paints interests and Selley's Chemicals and £21m in respect of BAPCO.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Commitments for capital expenditure not provided for in these accounts (including acquisition of share and loan capital in subsidiary and other companies):				
Contracts placed for future expenditure	218	202	67	85
Expenditure authorized but not yet contracted	727	527	178	224
	945	729	245	309

Contingent liabilities existed at 31 December 1988 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 1988 was £66m (1987 £71m) for the Group. The maximum contingent liability for the Company, mainly on guarantees of borrowings of subsidiaries, was £832m (1987 £826m).

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £2,805,000 (1987 £2,405,000) including directors' fees of £249,000 (1987 £202,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £4,469,000 (1987 £4,247,000).

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). The numbers shown for 1987 include employees who were transferred to ICI Chemicals & Polymers Ltd on 1 January 1988.

Some directors and employees were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (see notes 22 and 27).

Emoluments £	Directors		Employees		Emoluments £	Directors		Employees	
	1988	1987	1988	1987		1988	1987	1988	1987
15,001- 20,000	3	5			115,001-120,000			2	1
20,001- 25,000	1				120,001-125,000			4	1
25,001- 30,000		1			130,001-135,000			1	
30,001- 35,000			533	490	135,001-140,000			2	
35,001- 40,000	1	1	258	309	140,001-145,000				1
40,001- 45,000	2		130	161	145,001-150,000				2
45,001- 50,000			84	101	155,001-160,000			1	1
50,001- 55,000	1		55	61	215,001-220,000	2			
55,001- 60,000			45	42	220,001-225,000	1			
60,001- 65,000			18	35	225,001-230,000	1			
65,001- 70,000			26	19	235,001-240,000	1	1		
70,001- 75,000			19	14	250,001-255,000	1			
75,001- 80,000			9	4	255,001-260,000	1			
80,001- 85,000			15	8	265,001-270,000	1	1		
85,001- 90,000			3	5	270,001-275,000	2			
90,001- 95,000	1		7	4	300,001-305,000	1			
95,001-100,000			3	4	335,001-340,000	1			
100,001-105,000			1	6	360,001-365,000		1		
105,001-110,000		1	2	1	475,001-480,000	1			
110,001-115,000		1		2					

One of the directors whose emoluments are shown above for 1988 was a director for part of the year only.

The emoluments of the Chairman were £478,099. During 1987 the emoluments of the Chairman and his predecessor totalled £397,250.

NOTES RELATING TO THE ACCOUNTS

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

The average number of people employed by the Group in 1988 was 130,400 (1987 127,800) and the staff costs incurred during the year in respect of those employees were:

	1988	1987
	£m	£m
Salaries	1,844	1,737
Social security costs	179	163
Pension fund contributions, pensions and gratuities (including severance costs 1988 £69m (1987 £48m))	244	256
Other employment costs	40	32
Employees' profit-sharing bonus	63	54
	2,370	2,242
Less: amounts allocated to capital expenditure, etc.	(33)	(43)
Charged to profit and loss account	2,337	2,199

27 DIRECTORS' INTERESTS IN STOCKS, SHARES AND DEBENTURES

The interests at 31 December 1988 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 1988 (or, if appointed during 1988, at their date of appointment) are shown in brackets where these differ from the holdings at the year end. During the period 1 January 1989 to 14 February 1989 T O Hutchison exercised an option over 35,000 shares and subsequently sold the shares.

	ICI Ordinary Shares
	£
J D F Barnes	2,813
A W Clements	10,622
R C Hampel	4,492 (3,508)
C Hampson	922 (500)
D H Henderson	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
Sir Charles Reece	6,785
S Saba	500
Lord Thomson	500
P A Volcker	1,000
F Whiteley	9,850 (9,065)
T H Wyman	500

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1988 are included in the table below:

	At 1 January 1988	Options granted	Price £	Options exercised	At 31 December 1988
J D F Barnes	51,400			20,800	30,600
A W Clements	35,216	39,900	10.21		75,116
R C Hampel	61,566	210	8.91	984	60,792
C Hampson		58,600	10.53		58,600
		315	8.91		315
D H Henderson	106,900				106,900
T O Hutchison	59,000				59,000
Sir Charles Reece	69,100			36,700	32,400

The options outstanding are exercisable at prices between \$5.23 and \$15.12.

C Hampson has a beneficial interest in 1,166 ICI Australia Ltd A\$1 ordinary shares.

Beneficial interests in ICI Unsecured Loan Stocks are held by Sir Patrick Meaney (\$200 of 8½% Stock) and J D F Barnes (\$1,000 of 11½% Stock).

28 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans totalling \$267,500 (1987 \$188,000) to officers of the Company, comprising \$10,000 to one director and \$257,500 in total to five other officers. The director's loan was made prior to his joining the Board, in accordance with the Company's policy of providing housing assistance to staff who have been transferred. The amount outstanding throughout the year was \$10,000 from T O Hutchinson. A loan of \$10,000 to Sir Charles Reece and a loan of \$18,000 to J D F Barnes were repaid during the year. The loans to the other officers were also in respect of housing loans.

Remuneration of auditors charged in the Group accounts for 1988 was \$3.9m (1987 \$3.8m).

29 SUBSEQUENT EVENT

On 1 March 1989, it was announced that ICI's related company Enterprise Oil plc had reached agreement to purchase, subject to approval by its shareholders, the oil exploration and production interests of Texas Eastern Inc for US\$1,400m (\$800m). The acquisition will be funded in part by a rights issue and ICI will subscribe for its rights entitlement. The rights issue is to be in two equal tranches, the second of which will be dependent upon completion of the full acquisition; ICI will subscribe \$73m in the first tranche and up to \$73m in the second.

PRINCIPAL SUBSIDIARY COMPANIES

At 31 December 1988

		Class of capital	Percentage held by ICI	Principal activities
EUROPE (accounting dates 31 December)	DEUTSCHE ICI GMBH (West Germany)	Ordinary	20 80†	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine, polyurethanes, films and specialty chemicals; merchandising of other ICI products
	ICI CHEMICALS & POLYMERS LTD (England)	Ordinary	100	Manufacture of chemicals, plastics, fibres and fertilizers; merchandising of ICI and other products
	ICI FINANCE PLC (England)	Ordinary	100	Financial services
	I.C.I. FRANCE SA (France)	Ordinary	100	Manufacture of plasticisers, ethylene/propylene oxide derivatives, pharmaceuticals and polyurethanes; merchandising of other ICI products
	ICI HOLLAND BV (Holland)	Ordinary	100	Manufacture of bulk and specialty plastics, films, nylon and polyester polymers and polyurethane chemicals; merchandising of other ICI products
	IMPERIAL CHEMICALS INSURANCE LTD (England)	Ordinary	100†	Insurance
	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, chemicals, specialty polymers and films; merchandising of ICI products, packaged chemicals, oilfield services and chemical process technology
	DUPERIAL SAIC (Argentina)	Ordinary	100	Manufacture of chemicals, films, polyurethanes, pharmaceuticals, agrochemicals and sporting ammunition; merchandising of ICI and other products
	ICI AMERICAN HOLDINGS INC (USA)	Common	100	Manufacture of pharmaceuticals, dental products, agrochemicals, seeds, colours, films, paints, advanced materials, electronics, polyurethanes, specialty and other chemicals; merchandising of other ICI products
	ICI BRASIL SA (Brazil)	Ordinary Preference	87 13† 100	Manufacture of agrochemicals, colours, polyester polymers and films, specialty and other chemicals; merchandising of other ICI 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; merchandising of ICI and other products
	ICI AUSTRALIA LTD (Australia) (accounting date 30 September)	Ordinary*	63†	Manufacture of chemicals, fertilizers, industrial explosives, paints, plastics, pharmaceuticals and animal health products
	ICI (CHINA) LTD (Hong Kong and China)	Ordinary	100	Merchandising of ICI and other products; manufacture of paints, pharmaceuticals and other chemicals
	ICI JAPAN LTD (Japan)	Ordinary	100	Merchandising of ICI and other products; manufacture of advanced materials
	ICI NEW ZEALAND LTD (New Zealand) (accounting date 30 September)	Ordinary*	75††	Manufacture of industrial explosives, paints, resins and animal health products; merchandising of other ICI products
	ICI PAKISTAN LTD (Pakistan)	Ordinary*	61	Manufacture of polyester staple fibre, soda ash, paints and specialty chemicals; merchandising of agrochemicals and pharmaceutical products
	ICI-PHARMA LTD (Japan)	Ordinary	60	Marketing of ICI pharmaceutical products
	ICI (SOUTH AFRICA) LTD (Republic of South Africa)	Ordinary	100	Merchandising of ICI and other products; manufacture of pharmaceuticals; holding company
	IEL LTD (India) (accounting date 30 September)	Ordinary*	51	Manufacture of fertilizers, industrial explosives and accessories, polyester fibres, paints, agrochemicals, pharmaceuticals and rubber chemicals

*Listed †Held by subsidiaries ††Percentage held by ICI Australia Ltd

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

PRINCIPAL RELATED COMPANIES

61

At 31 December 1988

Issued share and loan capital at date of latest available audited accounts				
	Class of capital	£m	Percentage held by ICI	Principal activities
AECI LTD (Republic of South Africa)	Ordinary*	22	38†	<i>Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics</i>
	Preference	1	—	
	Loan	72	—	
ENTERPRISE OIL plc (England)	Ordinary*	81	25	<i>Oil and gas exploration and production</i>
	Loan	436	—	
EUROPEAN VINYLs CORPORATION (HOLDINGS) BV (Holland)	Ordinary	100	50†	<i>Manufacture of vinyl chloride monomer and polyvinyl chloride and fabricated PVC products</i>
TIOXIDE GROUP PLC (England)	Ordinary	31	50†	<i>Manufacture of titanium pigments</i>
	Preference	1	—	
	Loan	25	—	

*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 61 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 1988 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
6 March 1989

Peat Marwick McLintock
Chartered Accountants

GROUP FINANCIAL RECORD

For the years ended 31 December

	1984	1985	1986	1987	1988
	£m	£m	£m	£m	£m
BALANCE SHEET					
Tangible fixed assets	3,629	3,533	3,912	3,750	4,092
Investments	442	287	333	417	524
Current assets:					
Stocks	1,740	1,750	1,734	1,812	2,004
Debtors	2,102	1,950	2,015	2,162	2,324
Cash and short-term investments	1,011	797	692	646	456
	4,853	4,497	4,441	4,620	4,784
Total assets	8,924	8,317	8,686	8,787	9,400
Creditors due within one year:					
Short-term borrowings	(383)	(511)	(441)	(559)	(289)
Current instalments of loans	(207)	(131)	(74)	(46)	(50)
Other creditors	(2,084)	(1,961)	(2,022)	(2,365)	(2,671)
Total assets less current liabilities	6,250	5,714	6,149	5,817	6,390
Creditors due after more than one year:					
Loans	1,311	1,208	1,538	1,511	1,627
Other creditors	127	76	83	70	137
Provisions and deferred income	475	530	459	434	397
Minority interests	503	405	404	357	304
Capital and reserves attributable to parent company	3,820	3,495	3,665	3,445	3,925
	6,250	5,714	6,149	5,817	6,390
TURNOVER AND PROFITS					
Turnover	9,969	10,725	10,136	11,123	11,699
Trading profit (after depreciation)	1,063	978	1,049	1,297	1,470
Depreciation	440	474	491	464	484
Share of profits less losses of related companies	71	56	95	157	162
Interest other than loan interest (net)	38	21	7	8	(2)
Profit before loan interest	1,172	1,055	1,151	1,462	1,630
Loan interest	(138)	(143)	(135)	(150)	(160)
Profit before taxation	1,034	912	1,016	1,312	1,470
Taxation	(373)	(308)	(382)	(504)	(540)
Attributable to minorities	(56)	(52)	(34)	(48)	(49)
Net profit attributable to parent company, before extraordinary items	605	552	600	760	881
Extraordinary items	(20)	(40)	(43)		(44)
Dividends	(186)	(214)	(238)	(277)	(341)
Profit retained, transferred to reserves	399	298	319	483	496
SOURCES AND APPLICATIONS OF FUNDS					
Sources net of interest and taxation	1,177	1,136	1,062	1,308	1,235
Dividends	(183)	(227)	(249)	(283)	(317)
Fixed assets (including investments)	(500)	(1,394)	(1,156)	(1,112)	(882)
Working capital changes	(200)	(60)	94	(187)	(77)
Surplus (deficit)	294	(545)	(249)	(274)	(41)
RETURN ON ASSETS					
Profit before loan interest as a percentage of assets employed (average total assets less current liabilities)	19.9	17.6	19.4	24.4	26.7

	1984	1985	1986	1987	1988
Millions					
SHARES IN ISSUE					
At year-end	619	648	657	676	683
Weighted average for year	616	639	652	669	679
Pence per £1 Ordinary Share					
STOCK MARKET PRICE					
Highest	746p	882p	1,116p	1,645p	1,184p
Lowest	526p	632p	727p	965p	950p
Year-end	736p	756p	1,068p	1,082p	1,013p
EARNINGS PER £1 SHARE	98p	86p	92p	114p	130p
DIVIDENDS					
Dividends (net)	30p	33p	36p	41p	50p
Dividends grossed up for imputed tax credit	43p	47p	51p	56p	67p*
Dividends (net) in 1988 money (adjusted by RPI)	36p	37p	39p	43p	50p
BALANCE SHEET VALUE of Ordinary shareholders' equity at end of year per £1 share	617p	538p	558p	510p	575p
Indexed value of the £, expressed in average 1988 £'s, based on RPI	1.20	1.13	1.09	1.05	1.00

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

CHARTS OF QUARTERLY RESULTS

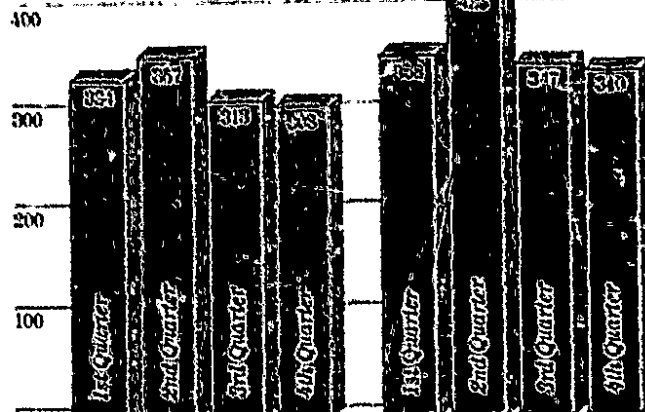
£m Turnover

1987 1988



£m Profit before tax

1987 1988



SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1988 £m	1987 £m	Percentage change
SOURCES OF INCOME				
Sales turnover		11,699	11,123	+5%
Royalties and other trading income		154	144	+7%
Less: materials and services used		(7,591)	(7,338)	+3%
VALUE ADDED BY MANUFACTURING AND TRADING ACTIVITIES				
Share of profits less losses of related companies		162	157	+3%
TOTAL VALUE ADDED		4,424	4,086	+8%
DISPOSAL OF TOTAL VALUE ADDED				
EMPLOYEES 1				
Pay, plus pension and national insurance contributions, and severance costs		2,274	2,145	
Profit-sharing bonus	2	63	51	
		2,337	2,199	+6%
GOVERNMENTS 3				
Corporate taxes		510	504	
Less: grants		(29)	(31)	
		511	473	+8%
PROVIDERS OF CAPITAL				
Interest cost of net borrowings		162	142	
Dividends to shareholders		341	277	
Minority shareholders in subsidiaries		49	48	
		552	467	+18%
RE-INVESTMENT IN THE BUSINESS				
Depreciation and provision in respect of extraordinary item		528	461	
Profit retained		496	483	
		1024	947	+8%
TOTAL DISPOSAL		4,424	4,086	

NOTES

- 1 The average number of employees in the Group worldwide increased by 2 per cent. The number employed in the UK decreased by 2 per cent.
- 2 The 1988 UK bonus rate was 9.2p per £1 of remuneration (1987 8.6p).
- 3 Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to \$152m in 1988 (1987 \$158m).

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 how this increase in value has been disposed of.

FINANCIAL CALENDAR

DIVIDEND AND INTEREST PAYMENTS

A second interim dividend for the year 1988, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 28 April 1989 to Ordinary Shareholders registered in the books of the Company on 23 March 1989. (see page 29).

Dividend and interest payments are normally made as follows:

First Interim Dividend:
Announced on the last Thursday in July and paid in the first week in October.

Second Interim Dividend:
Announced on the last Thursday in February and paid in the last week of April.

Unsecured Loan Stocks:

5½ per cent	1 February, 1 August
7½ per cent	31 May, 30 November
8½ per cent	10 January, 10 July
11½ per cent	6 February, 6 August

QUARTERLY RESULTS

Unaudited trading results of the ICI Group for 1989 are expected to be announced as follows:

First quarter	27 April 1989
Half year	27 July 1989
Nine months	26 October 1989
Full year	22 February 1990

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 Corporation Taxes Act 1988.

This Report is circulated to members of the Company and, for information, to holders of the Company's Unsecured Loan Stocks. Copies of the Report are provided for those employees of the Company who are not also shareholders.

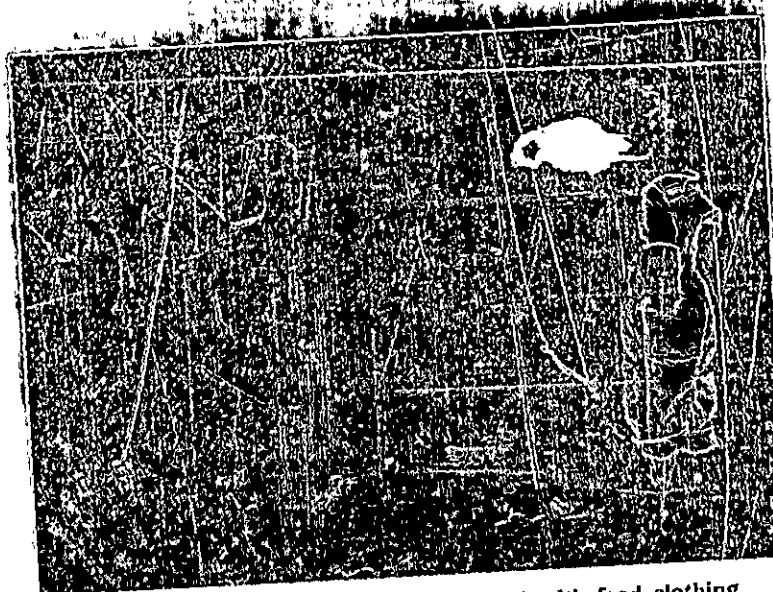
Over 400,000 copies of the Report are despatched to shareholders and Group employees worldwide. To facilitate delivery of this very large number of copies, posting of this Report will be phased over a period. An audio tape of highlights from this Report will be available from Public Relations Group, 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.

Cover photograph: Lord Snowdon
Design: Direct Design & Packaging Ltd, London. Production: Ron Challis Associates,
Printed in England by Brown Knight & Truscott Ltd, Tunbridge Wells.





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 developing and applying its technological skills, ICI aims to make the world a better place in which to live during these children's lifetimes.

CONTENTS

ICI Group financial highlights	1	Board of Directors	34
Group Purpose	2	Shareholders	37
'Meeting Needs'	3	Senior Executives	38
Chairman's statement	4	Accounts	39
'Making the World a Better Place'	7	Accounting policies	43
Report of the Directors 1988	15	Notes relating to the Accounts	44
Industry segments		Principal subsidiary companies	60
Consumer and Specialty Products	16	Principal related companies	61
Industrial Products	20	Auditors' report	61
Agriculture	23	Group financial record	62
Geographic areas	25	ICI ordinary share comparisons	63
Financial performance	29	Charts of quarterly results	63
People	31	Sources and disposal of value added	64
Safety, health and environment	33	Financial calendar	Inside back cover
ICI in the community	33		

(The Notice convening ICI's 1989 Annual General Meeting is on pages 4 to 6 of a separate document dated 14 March 1989 issued to Shareholders and, for information, to holders of the Company's Unsecured Loan Stocks)

ICI ANNUAL REPORT 1988

MAKING THE WORLD
A BETTER PLACE



Signed Copy
Directors & Auditors

218019

ICI ANNUAL
REPORT 1988

Accounts section -
Final Book Proof

4 March 1989



ACCOUNTS
AND
NOTES RELATING TO
THE ACCOUNTS



GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1988

	Notes	1988 £m	1987 £m
TURNOVER		11,699	11,123
Operating costs	4	(10,412)	(10,001)
Other operating income	4	139	175
TRADING PROFIT	4	1,470	1,297
Share of profits less losses of related companies	5	162	157
Net interest payable	6	(162)	(142)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,470	1,312
Tax on profit on ordinary activities	7	(540)	(504)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		930	808
Attributable to minorities		(49)	(48)
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY		881	760
Extraordinary item	8	(44)	—
NET PROFIT FOR THE FINANCIAL YEAR		837	760
Dividends	9	(341)	(277)
PROFIT RETAINED FOR YEAR		496	483
EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE	10	129.7p	113.6p

GROUP RESERVES ATTRIBUTABLE TO
PARENT COMPANY

	Note	1988 £m	1987 £m
At beginning of year		2,769	3,008
Profit retained for year: Company		170	389
Subsidiaries		260	38
Related companies		66	56
		496	483
Amounts taken direct to reserves		(23)	(722)
At end of year	11	3,242	2,769

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

BALANCE SHEETS

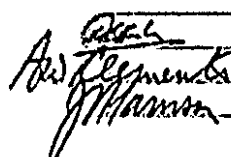
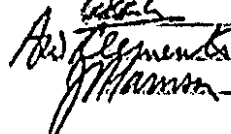

41

At 31 December 1988

		GROUP		COMPANY	
	Notes	1988 £m	1987 £m	1988 £m	1987 £m
ASSETS EMPLOYED					
FIXED ASSETS					
Tangible assets	12	4,092	3,750	840	1,621
Investments: Subsidiaries	13			3,916	2,478
Related and other companies	14	524	417	123	152
		4,616	4,167	4,879	4,251
CURRENT ASSETS					
Stocks	15	2,004	1,812	373	707
Debtors	16	2,324	2,162	456	824
Investments and short-term deposits	17	296	494	18	25
Cash	17	160	152	10	9
		4,784	4,620	857	1,565
TOTAL ASSETS		9,400	8,787	5,736	5,816
CREDITORS DUE WITHIN ONE YEAR					
Short-term borrowings	18	(289)	(559)	(12)	(6)
Current instalments of loans	21	(50)	(46)	-	-
Other creditors	19	(2,671)	(2,365)	(1,229)	(1,470)
		(3,010)	(2,970)	(1,241)	(1,476)
NET CURRENT ASSETS (LIABILITIES)		1,774	1,650	(384)	89
TOTAL ASSETS LESS CURRENT LIABILITIES		6,390	5,817	4,495	4,340
FINANCED BY					
CREDITORS DUE AFTER MORE THAN ONE YEAR					
Loans	21	1,627	1,511	653	578
Other creditors	19	137	70	535	549
		1,764	1,581	1,188	1,127
PROVISIONS FOR LIABILITIES AND CHARGES	20	282	295	(49)	12
DEFERRED INCOME: Grants not yet credited to profit		115	139	10	97
MINORITY INTERESTS		304	357		
CAPITAL AND RESERVES ATTRIBUTABLE TO PARENT COMPANY					
Called-up share capital	22	683	676	683	676
Reserves: Share premium account		204	236	204	236
Revaluation reserve		61	78	-	6
Other reserves		289	316	432	425
Profit and loss account		2,368	1,964	1,937	1,761
Related companies' reserves		230	175		
Total reserves	11	3,242	2,769	2,663	2,428
Total capital and reserves attributable to parent company		3,925	3,445	3,346	3,104
		6,390	5,817	4,495	4,340

The Company figures reflect the transfer of assets and liabilities to ICI Chemicals & Polymers Ltd, a wholly-owned subsidiary, on 1 January 1988 (see note 3).

The accounts on pages 40 to 61 were approved by the Board of Directors on 6 March 1989 and were signed on its behalf by:

 Director
 Director
 Chief Financial Officer



STATEMENT OF SOURCES AND APPLICATIONS OF GROUP FUNDS

For the year ended 31 December 1988

	Notes	1988 \$m	1987 \$m
SOURCES			
FUNDS GENERATED FROM OPERATIONS			
Trading profit		1,470	1,297
Depreciation		484	464
Government grants credited to profit, less received		(20)	(19)
Dividends from related companies		77	65
Extraordinary item		(52)	—
Miscellaneous items, including exchange		(90)	(9)
		1,860	1,798
LESS: INTEREST AND TAXATION PAID DURING YEAR			
Interest (net)		(166)	(141)
Taxation		(459)	(349)
SOURCES NET OF INTEREST AND TAXATION		1,235	1,208
APPLICATIONS			
DIVIDENDS PAID DURING YEAR			
Parent company		291	254
Subsidiaries to minority shareholders		26	20
		317	283
FIXED ASSETS			
Tangible assets		811	705
Disposals of tangible assets		(45)	(26)
Acquisitions and new investments	24	265	544
Disposals of subsidiaries and related company investments	24	(149)	(114)
		882	1,112
WORKING CAPITAL CHANGES			
Stocks increase		136	169
Debtors increase		108	68
Creditors and provisions increase (excluding dividends, interest and taxation)		(167)	(50)
		77	187
TOTAL APPLICATIONS		1,276	1,582
DEFICIT		(41)	(274)
FINANCED BY			
Issues of ICI Ordinary Shares		65	140
Other external finance - net repayments		(36)	(6)
Net new borrowings (1987 net repayments)		92	(24)
Decrease in short-term borrowings (1987 increase)	*	(270)	118
Decrease in cash, current asset investments and short-term deposits	*	190	46
		41	274

*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 have been 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 Group balance sheet either upon acquisition against reserves or by amortisation over a period. Elimination against Group 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 capitalised 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.

PENSIONS FUNDING

The Company and most of its subsidiaries operate pension schemes which cover the majority of employees (including directors) in the Group. The amounts charged against profit are calculated with actuarial advice in accordance with local practice, and represent a proper charge to cover the accruing liabilities on a continuing basis. With minor exceptions these schemes are financed through separate trustee-administered funds.

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 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.

ACCOUNTING POLICIES (continued)

STOCK VALUATION

Finished goods are stated at the lower of cost and net realisable 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 555 at 31 December 1988. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 114 subsidiaries, representing 15 per cent of Group total assets, made up their accounts to dates earlier than 31 December, but not earlier than 30 September.

2 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		Turnover		Profit	
	1988	1987	1988	1987	1988	1987
	\$m	\$m	\$m	\$m	\$m	\$m
Consumer and specialty products	2,268	1,955	4,568	4,332	546	574
Industrial products	2,235	2,207	5,256	5,170	760	595
Agriculture	1,237	1,217	1,975	1,744	102	48
Miscellaneous			224	199	5	20
			12,023	11,445	1,413	1,237
Net operating assets	5,740	5,379				
Inter-segment eliminations			(324)	(322)	(7)	(2)
Non-operating and miscellaneous assets	650	438				
	6,390	5,817	11,699	11,123	1,406	1,235
Royalty income and government grants					64	62
Trading profit					1,470	1,207
Share of profits less losses of related companies					162	157
Net interest payable					(162)	(142)
Profit on ordinary activities before taxation					1,470	1,312

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		Depreciation	
	1988	1987	1988	1987
	\$m	\$m	\$m	\$m
Consumer and specialty products	361	300	137	136
Industrial products	200	269	231	232
Agriculture	138	121	96	78
Other	22	18	20	18
	811	708	484	464

2 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		Turnover		Profit	
	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m
United Kingdom						
Sales in the UK			2,663	2,703		
Sales overseas			3,031	2,927		
	2,513	2,539	5,694	5,630	613	617
Continental Europe	735	713	2,718	2,539	270	184
The Americas	1,399	1,219	3,196	2,934	315	271
Asia Pacific	905	712	1,861	1,668	182	156
Other countries including Indian sub-continent	188	196	389	393	35	35
	5,740	5,379	13,858	13,164	1,415	1,263
Inter-area eliminations			(2,159)	(2,041)	(9)	(28)
			11,699	11,123	1,406	1,235
Royalty income and government grants					64	62
Trading profit					1,470	1,297

EMPLOYEES

	1988	1987
Average number of people employed by the Group in:		
United Kingdom	54,800	55,800
Continental Europe	16,300	15,500
The Americas	32,000	29,500
Asia Pacific	15,200	14,700
Other countries including Indian sub-continent	12,100	12,300
Total employees	130,400	127,800

GEOGRAPHIC MARKETS

	1988	1987
	£m	£m
Turnover in each geographic market in which customers are located:		
United Kingdom	2,705	2,732
Continental Europe	2,989	2,787
The Americas	3,232	3,048
Asia Pacific	2,096	1,881
Other countries including Indian sub-continent	677	675
Total turnover	11,699	11,123

3 CHANGES IN GROUP STRUCTURE

On 1 January 1988, assets and liabilities relating to the UK operation of the Chemicals and Polymers Group were transferred at book value from Imperial Chemical Industries PLC to ICI Chemicals & Polymers Ltd, a wholly-owned subsidiary, and included the following:

	£m
Tangible assets	943
Investments in subsidiaries and related companies	101
Net current assets	127
Provisions for liabilities and charges and deferred income	(135)

NOTES RELATING TO THE ACCOUNTS

3 CHANGES IN GROUP STRUCTURE (continued)

Subsidiaries acquired during 1988 have been accounted for on the acquisitions basis. The effect of these acquisitions on the Group results was not material.

Certain subsidiaries changed their accounting dates from 30 September to 31 December in 1988, and fifteen months' results are therefore included in the Group financial statements. The effect on the Group results was not material.

4 TRADING PROFIT

	1988	1987
	£m	£m
TURNOVER	11,699	11,123
OPERATING COSTS		
Cost of sales	(7,022)	(6,008)
Distribution costs	(837)	(791)
Research and development (including £73m for technical service (1987 £69m))	(565)	(461)
Administrative and other expenses	(1,925)	(1,787)
Employees' profit-sharing bonus	(63)	(54)
	(10,412)	(10,001)
OTHER OPERATING INCOME		
Government grants	29	31
Royalties	35	31
Other income	119	113
	183	175
TRADING PROFIT	1,470	1,207
Total charge for depreciation included above	484	464
Gross profit, as defined by the Companies Act 1985	4,677	4,215

5 SHARE OF PROFITS LESS LOSSES OF RELATED COMPANIES

SHARE OF PROFITS LESS LOSSES		
Dividend income	77	65
Share of undistributed profits less losses	72	91
Share of profits less losses before tax	149	156
GAINS ON DISPOSALS OF INVESTMENTS	5	9
AMOUNTS WRITTEN OFF INVESTMENTS (including provisions raised £2m (1987 £9m) and released £10m (£1m))	9	(8)
	162	157

Total dividend income from shares in related companies comprised £21m (1987 £15m) from listed companies and £56m (£50m) from unlisted companies.

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 capital used by the joint venture.

6 NET INTEREST PAYABLE

INTEREST PAYABLE AND SIMILAR CHARGES		
Loan interest	160	150
Interest on short-term borrowings and other financing costs	65	60
	225	210
INTEREST RECEIVABLE AND SIMILAR INCOME FROM CURRENT ASSET INVESTMENTS		
Listed redeemable securities	(11)	(11)
Short-term deposits	(47)	(48)
	(58)	(59)
EXCHANGE GAINS ON SHORT-TERM CURRENCY BORROWINGS AND DEPOSITS	(5)	(9)
	162	142

Loan interest includes £109m (1987 £126m) on loans not wholly repayable within 5 years.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1988	1987
	£m	£m
ICI AND SUBSIDIARIES		
United Kingdom taxation: Corporation tax	300	327
Double taxation relief	(90)	(94)
Deferred taxation	9	(14)
	228	219
Overseas taxation: Overseas taxes	254	207
Deferred taxation	12	22
	266	229
	494	448
RELATED COMPANIES	46	56
TAX ON PROFIT ON ORDINARY ACTIVITIES	540	504

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 (1987 35 per cent).

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
DEFERRED TAXATION				
The amounts of deferred taxation accounted for and the potential amounts of deferred taxation are:				
ACCOUNTED FOR AT BALANCE SHEET DATE (see note 20)				
Timing differences on UK capital allowances and depreciation	47	51	—	41
Miscellaneous timing differences	(30)	(8)	1	(6)
Advance corporation tax recoverable	(73)	(63)	(73)	(63)
	(56)	(20)	(72)	(28)
NOT ACCOUNTED FOR AT BALANCE SHEET DATE				
UK capital allowances utilised in excess of depreciation charged	336	333	154	327
Miscellaneous timing differences	(36)	(21)	14	14
	300	312	168	341
FULL POTENTIAL DEFERRED TAXATION	244	292	96	313

8 EXTRAORDINARY ITEM

	GROUP	
	1988	1987
	£m	£m
Restructuring UK compound fertilizer production facilities (net of relief from taxation of £8m)	(44)	—

9 DIVIDENDS

	1988	1987	1988	1987
	pence per £1 Share		£m	£m
ORDINARY				
Interim, paid 3 October 1988	18p	16p	122	108
Second interim, to be confirmed as final, payable 28 April 1989	32p	25p	219	169
	50p	41p	341	277

NOTES RELATING TO THE ACCOUNTS

10 EARNINGS BEFORE EXTRAORDINARY ITEM PER £1 ORDINARY SHARE

	1988	1987
	£m	£m
Earnings for Ordinary Shareholders, before extraordinary item	881	760
Average Ordinary Shares in issue during year, weighted on a time basis	679	669
Earnings per £1 Ordinary Share	129.7p	113.6p

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 (see note 22) would not be material.

11 RESERVES

	Share premium account	Revaluation	Other	Profit and loss account	Related companies	1988 Total	1987 Total
	£m	£m	£m	£m	£m	£m	£m
GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY							
At beginning of year	236	78	316	1,964	175	2,769	3,008
Profit retained for year				430	66	496	483
Amounts taken direct to reserves							
Share premiums	58					58	111
Goodwill				(92)		(92)	(577)
Exchange adjustments		1	(22)	63	(8)	34	(256)
Other movements		(2)	(12)	(6)	(3)	(23)	—
	58	(1)	(34)	(35)	(11)	(23)	(722)
Other movements between reserves		(16)	7	9			
At end of year	294	61	289	2,368	230	3,242	2,769
COMPANY RESERVES							
At beginning of year	236	0	425	1,761		2,428	2,255
Profit retained for year				170		170	389
Amounts taken direct to reserves							
Share premiums	58					58	111
Exchange adjustments			4			4	(320)
Other movements			3			3	(7)
	58		7			65	(216)
Other movements between reserves		(6)		6			
At end of year	294	—	432	1,937		2,663	2,428

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 realisation of assets at restated or revalued amounts or on realisation of related companies at equity value.

In the Group accounts, £5m of net exchange gains on foreign currency loans in 1988 have been offset in reserves against exchange losses 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 and relevant agreements, 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 £3,188m at 31 December 1988.

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	1,358	5,692	615	7,665
Exchange adjustments	30	75	7	112
Revaluations and adjustments	(3)			(3)
New subsidiaries	16	20	1	37
Capital expenditure			811	811
Transfers	123	579	(702)	
Finance lease assets*	26	58		84
Disposals and other movements	(77)	(255)	(13)	(345)
At end of year	1,473	6,169	719	8,361
DEPRECIATION				
At beginning of year	517	3,398		3,915
Exchange adjustments	4	13		17
Revaluations and adjustments	2	(1)		1
Finance lease assets*	2	47		49
Disposals and other movements	(27)	(170)		(197)
Charge for year	62	422		484
At end of year	560	3,709		4,269
NET BOOK VALUE AT END 1988	913	2,460	719	4,092
Net book value at end 1987	841	2,294	615	3,750

The net book value of the tangible fixed assets of the Group includes capitalised finance leases of £33m comprising cost of £85m and depreciation thereon of £52m. The depreciation charge for the year in respect of capitalised leases was £3m and finance charges £3m.

COMPANY**COST OR AS REVALUED**

At beginning of year	435	3,048	384	3,867
Capital expenditure			214	214
Transfers - to subsidiary company	(204)	(2,221)	(178)	(2,603)
- others	28	118	(146)	
Finance lease assets*	4	55		59
Disposals and other movements	(13)	(19)		(32)
At end of year	250	981	274	1,505
DEPRECIATION				
At beginning of year	215	2,031		2,246
Transfers - to subsidiary company	(135)	(1,525)		(1,660)
Finance lease assets*		45		45
Disposals and other movements	1	(16)		(15)
Charge for year	9	40		49
At end of year	90	575		665
NET BOOK VALUE AT END 1988	160	406	274	840
Net book value at end 1987	220	1,017	384	1,621

The net book value of the tangible fixed assets of the Company include capitalised finance leases of £6m comprising cost of £8m and depreciation thereon of £2m. The depreciation charge for the year in respect of capitalised leases was £1m and finance charges £1m.

*Asset values and accumulated depreciation on finance lease assets capitalised in accordance with UK accounting standards and adopted in these accounts with effect from 1 January 1988.

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (continued)

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
The net book value of land and buildings comprised:				
Freeholds	861	812	154	217
Long leases (over 50 years unexpired)	9	9	1	2
Short leases	43	20	5	1
	913	841	160	220

	GROUP				COMPANY			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	1988	1987	1988	1987	1988	1987	1988	1987
	£m	£m	£m	£m	£m	£m	£m	£m
Revalued assets included in tangible fixed assets:								
Revalued amount	183	187	244	232	11	45	23	78
Depreciation	68	64	182	169	10	39	23	72
Net book value	115	123	62	63	1	6	—	6
If the amount of these revalued assets had been determined according to historical cost accounting rules they would have been included at:								
Cost	92	86	210	201	8	30	14	49
Depreciation	44	43	177	165	7	27	14	46
Net book value	48	43	33	36	1	3	—	3

13 INVESTMENTS IN SUBSIDIARIES

	Shares	Loans	Total
	£m	£m	£m
BOOK VALUE			
At beginning of year			
Cost	1,510	1,041	2,551
Scrip issues capitalised	46		46
	1,556	1,041	2,627
Exchange adjustments	(21)	33	12
Additions*	586	1,742	2,328
Reclassified as related companies	(1)		(1)
Transfers to subsidiary company	(50)	(35)	(85)
Disposals and repayments	(23)	(819)	(842)
At end of year	2,077	1,962	4,039
Cost	2,041	1,962	4,003
Scrip issues capitalised	36		36
PROVISIONS			
At beginning of year	(115)	(34)	(149)
Exchange adjustments	5		5
Additions	(11)	(3)	(14)
Transfers to subsidiary company	17	4	21
Disposals	14		14
At end of year	(90)	(33)	(123)
BALANCE SHEET VALUE AT END 1988	1,987	1,929	3,916
Balance sheet value at end 1987	1,471	1,007	2,478

*Includes investments in ICI Chemicals & Polymers Ltd (see note 3).

13 INVESTMENTS IN SUBSIDIARIES (continued)

	1988	1987
	£m	£m
The balance sheet value of investments in shares in subsidiary companies which are listed investments	75	100
With an aggregate market value of	661	532

Information on principal subsidiary companies is given on page 60.

14 INVESTMENTS IN RELATED AND OTHER COMPANIES

	Related companies		Other	Total
	Shares	Loans	investments	
	£m	£m	£m	£m
GROUP				
BOOK VALUE				
At beginning of year				
Cost	248	1	4	253
Scrip issues capitalised	13			13
	261	1	4	266
Exchange adjustments	(1)			(1)
Additions	70	4		74
Reclassified to subsidiaries	(5)	(1)		(6)
Disposals and repayments	(6)	(1)		(7)
Other movements	6			6
At end of year	325	3	4	332
Cost	318	3	4	325
Scrip issues capitalised	7			7
SHARE OF POST-ACQUISITION RESERVES LESS LOSSES				
At beginning of year	180			180
Exchange adjustments	(10)			(10)
Retained profits less losses	66			66
Other movements	(3)			(3)
At end of year	233			233
PROVISIONS				
At beginning of year	(28)	(1)		(29)
Exchange adjustments	(3)			(3)
Other movements	(6)	(2)	(1)	(9)
At end of year	(37)	(3)	(1)	(41)
BALANCE SHEET VALUE AT END 1988	521	—	3	524
Balance sheet value at end 1987	413	—	4	417

The balance sheet value of the above investments included:

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
1987		
Investments listed on		
The International Stock Exchange, London	67	67
Other listed investments	60	60
	127	127
With an aggregate market value of	322	322

Information on principal related companies is given on page 61.

NOTES RELATING TO THE ACCOUNTS

14 INVESTMENTS IN RELATED AND OTHER COMPANIES (continued)

	Related companies Shares	Loans	Other investments	Total
	£m	£m	£m	£m
COMPANY				
BOOK VALUE				
At beginning of year				
Cost	177			177
Scrip issues capitalised	1			1
	178			178
Additions	41	2		43
Reclassified from subsidiaries	1			1
Transfers to subsidiary company	(81)			(81)
At end of year	139	2		141
Cost	138	2		140
Scrip issues capitalised	1			1
PROVISIONS				
At beginning of year	(26)			(26)
Additions		(2)		(2)
Releases	10			10
At end of year	(16)	(2)		(18)
BALANCE SHEET VALUE AT END 1988	123	--		123
Balance sheet value at end 1987	152	--		152
Balance sheet value of investments listed on The International Stock Exchange, London				
1988	69			69
1987	37			37
Market value of listed investments 1988	378			378
1987	209			209

15 STOCKS

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Raw materials and consumables	561	570	91	183
Stocks in process	223	183	82	116
Finished goods and goods for resale	1,220	1,059	200	408
	2,004	1,812	373	707

16 DEBTORS

AMOUNTS DUE WITHIN ONE YEAR			
Trade debtors	1,774	1,621	1 7
Amounts owed by subsidiaries			356 675
Amounts owed by related companies	49	55	1 --
Other debtors	343	352	79 106
Prepayments and accrued income	110	92	18 35
	2,276	2,120	455 823
AMOUNTS DUE AFTER MORE THAN ONE YEAR			
	48	42	1 1
	2,324	2,162	456 824

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

Redeemable securities listed on The International Stock Exchange, London	80	78		
Other listed investments	1	7		
Total listed investments	81	85		
Unlisted investments	11	17		
	92	102		
Short-term deposits	204	392	18	25
	296	494	18	25
Market value of listed investments	81	85		

Included in current asset investments, short-term deposits and cash are amounts totalling £198m (1987 £180m) held by the Group's insurance subsidiaries.

NOTES RELATING TO THE ACCOUNTS

18 SHORT-TERM BORROWINGS

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
BANK BORROWINGS				
Secured by – fixed charge	1	–	–	–
– floating charge	23	29	–	–
Unsecured	187	368	12	–
OTHER BORROWINGS (unsecured)	211	397	12	–
	78	162	–	6
	289	559	12	6

19 OTHER CREDITORS

AMOUNTS DUE WITHIN ONE YEAR				
Trade creditors	904	898	123	347
Bills of exchange payable	24	19	–	–
Payments received on account	18	17	–	2
Amounts owed to subsidiaries	–	–	529	388
Amounts owed to related companies	26	16	1	2
Corporate taxation	545	522	240	327
Value added and payroll taxes and social security	93	81	7	38
Other creditors*	526	448	57	125
Accruals	256	255	53	72
Dividends to Ordinary Shareholders	219	169	219	169
	2,671	2,365	1,220	1,470
AMOUNTS DUE AFTER MORE THAN ONE YEAR				
Trade creditors	10	5	7	3
Amounts owed to subsidiaries	–	–	522	546
Corporate taxation	31	15	–	–
Other creditors*	96	50	6	–
	137	70	535	549

*Includes, for 1988, obligations under finance leases (see note 23).

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	At beginning of year	Movement in year	At end of year
	£m	£	£m
Deferred taxation:			
Advance corporation tax recoverable	(63)	(10)	(73)
Other tax †	43	(26)	17
Employee benefits	(20)	(36)	(56)
Rationalisation, environmental and other provisions	153	7	160
	162	16	178
COMPANY	395	(18)	282
Deferred taxation	35	(34)	1
Advance corporation tax recoverable	(63)	(10)	(73)
Other provisions	40	(17)	23
	12	(61)	(49)

† The movement in the year includes taxation reliefs arising on the extraordinary item and reliefs which will crystallise upon completion of restructuring in C-I-L Inc, a wholly-owned subsidiary.

NOTES RELATING TO THE ACCOUNTS

21 LOANS

	Repayment dates	GROUP		COMPANY	
		1988 \$m	1987 \$m	1988 \$m	1987 \$m
SECURED LOANS					
US dollars (5½ to 10½%)	1989/2012	36	40		
Australian dollars (10½ to 18.18%)	1989/97	62	59		
Other currencies	1989/2015	32	25		
TOTAL SECURED		130	124		
Secured by fixed charge		114	101		
Secured by floating charge		16	23		
UNSECURED LOANS					
Sterling:					
7½ and 8½% Stocks	1989/93	109	109	109	109
9½ to 11½% bonds	1992/2005	400	400	400	400
9½% Notes	1993	75		75	
11½% Stock	1991/96	43	43	43	43
8½% convertible bonds*	1999	45	62		
5½% Stock	1994/2004	26	26	26	26
Others	1989/99	34	12		
		732	652	653	578
US dollars:					
9½% bonds*	1990	26	45		
7½ to 8½% Eurodollar bonds	1989/96	60	61		
6½% convertible Eurodollar bonds*	1997	2	2		
8½ to 9.05% bonds	1989/2006	305	310		
5.3 to 8½% loans	1989/2005	37	36		
Others	1989/98	15	15		
		445	469		
Canadian dollars (10½ to 14½%)	1989/96	79	74		
Deutschemarks (6½%)	1989/92	9	11		
Dutch florins (7½ and 9%)	1989/91	8	14		
Swiss francs (3½ to 4½%)	1989/99	176	104		
Japanese yen (variable)	1989/95	15	14		
Other currencies	1989/2002	93	95		
TOTAL UNSECURED		1,547	1,433	653	578
TOTAL LOANS		1,677	1,557	653	578
Loans or instalments thereof are repayable:					
After 5 years from balance sheet date:					
Lump sums		716	688	269	325
Instalments		318	379	125	125
		1,034	1,067	394	450
From 2 to 5 years		470	390	259	128
From 1 to 2 years		123	54	—	—
TOTAL DUE AFTER MORE THAN ONE YEAR		1,627	1,511	653	578
TOTAL DUE WITHIN ONE YEAR		50	46	—	—
		1,677	1,557	653	578
Aggregate amount of loans repayable by instalments any of which fall due after 5 years					
		619	647	125	125

*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 (with an option to redeem on 15 October 1989 at a premium of 12%, giving rise to a contingent liability of \$5m);

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

21 LOANS (continued)

6½% 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 opposite amounted to £135m (1987 £135m) in the Group of which £68m (£64m) was secured. New borrowings during the year included £75m 9½% Notes due 1993 issued by the Company and Swiss francs 250m 4½% bonds due 1999 issued by a subsidiary, the proceeds to be used for the general purposes of the ICI Group.

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized £m	Allotted, called-up and fully paid	
		1988 £m	1987 £m
Ordinary Shares (£1 each)	683	683	676
Unclassified shares (£1 each)	108		
	791	683	676

Ordinary Shares issued during the year totalled £7m comprising issues in respect of the Employees' Profit-Sharing Scheme £3m, the Company's share option schemes £2m and conversions of loan stock and exercise of warrants £2m.

Options outstanding at 31 December 1988 to subscribe for Ordinary Shares of £1 under the Company's share option schemes for staff were:

Subscription price	Last date when options normally exercisable	Number of shares	
		1988	1987
£2.86	31 March 1988		229,587
£3.55	18 March 1988		15,000
£3.55	17 March 1989	27,000	27,000
£3.96	31 March 1989	891	572,960
£5.33	31 December 1989	530,400	558,936
£5.88	14 March 1991	29,000	37,000
£5.95	12 September 1991	481,000	671,600
£6.06	31 May 1991	1,218,763	1,299,212
£6.06	31 May 1993	274,982	287,773
£6.00	4 September 1995	98,700	98,700
£7.66	17 April 1995	495,400	530,600
£8.91	31 May 1994	1,910,877	
£8.91	31 May 1996	296,933	
£9.66	31 May 1992	1,273,339	1,362,495
£9.66	31 May 1994	260,244	272,593
£9.75	1 April 1996	1,331,600	1,310,900
£10.05	9 September 1996	175,400	175,400
£10.21	20 November 1998	130,800	
£10.35	31 August 1998	139,000	
£10.58	29 March 1998	284,100	
£13.12	31 March 1997	116,000	155,000
£13.81	31 May 1993	1,191,701	1,514,659
£13.81	31 May 1995	202,663	267,454
£15.12	1 September 1997	84,700	93,500
		10,553,493	9,480,969

Options granted to directors, included above, are shown on page 53.

During 1988 movements in the number of shares under option comprised new options issued 2,775,399, options exercised 1,131,069 and options lapsed 571,506. At the end of 1988 there were 25,010,713 shares available for the granting of options (1987 18,945,592).

Warrants granting options to subscribe for 54,756 Ordinary Shares of £1 each at 540p were exercised during the year, leaving a balance representing options over 1,890,603 shares exercisable until 1 June 1990.

NOTES RELATING TO THE ACCOUNTS

23 LEASES

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

	GROUP	
	1988	1987
	£m	£m
Hire of plant and machinery	101	94
Other	40	32
	141	126

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

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Land and buildings:				
Expiring within 1 year	9	4	—	—
Expiring in years 2 to 5	12	8	—	1
Expiring thereafter	8	8	2	1
	29	20	2	2
Other assets:				
Expiring within 1 year	20	12	1	4
Expiring in years 2 to 5	31	28	9	9
Expiring thereafter	10	9	1	4
	61	49	11	17

Obligations under finance leases comprise:

Rentals due within 1 year	6	12	1	9
Rentals due in years 2 to 5	16	18	4	8
Rentals due thereafter	45	47	5	9
Less: interest element	(36)	(38)	(4)	(8)
	31	39	6	18

Obligations under finance leases have been reflected in the balance sheet in 1988 (see 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	
	1988	1987
	£m	£m
Acquisitions and new investments comprised:		
Fixed assets	37	167
Goodwill	84	550
Related companies	55	26
Net current assets	22	91
Employee benefit provisions	—	(60)
Rationalisation and other provisions	(3)	(95)
Minorities	70	—
	265	679
Financed by:		
Cash	265	544
Loans assumed	—	135
	265	679

The purchase consideration for the companies acquired during the year was met from the Group's cash resources.

Disposals in 1988 comprised businesses and subsidiaries £140m (1987 £70m) and related and other companies £9m (£44m).

Goodwill includes £25m in respect of the acquisition in Australasia of Berger paints interests and Selley's Chemicals and £21m in respect of BAPCO.

25 COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	1988	1987	1988	1987
	£m	£m	£m	£m
Commitments for capital expenditure not provided for in these accounts (including acquisition of share and loan capital in subsidiary and other companies):				
Contracts placed for future expenditure	218	202	67	85
Expenditure authorized but not yet contracted	727	527	178	224
	945	729	245	309

Contingent liabilities existed at 31 December 1988 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 1988 was £66m (1987 £71m) for the Group. The maximum contingent liability for the Company, mainly on guarantees of borrowings of subsidiaries, was £832m (1987 £826m).

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £2,805,000 (1987 £2,405,000) including directors' fees of £249,000 (1987 £202,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £4,469,000 (1987 £4,247,000).

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). The numbers shown for 1987 include employees who were transferred to ICI Chemicals & Polymers Ltd on 1 January 1988.

Some directors and employees were also granted options to subscribe for Ordinary Shares under the Company's share option schemes (see notes 22 and 27).

Emoluments £	Directors		Employees		Emoluments £	Directors		Employees	
	1988	1987	1988	1987		1988	1987	1988	1987
15,001- 20,000	3	5			115,001-120,000			2	1
20,001- 25,000	1				120,001-125,000			4	1
25,001- 30,000		1			130,001-135,000			1	
30,001- 35,000			533	400	135,001-140,000			2	
35,001- 40,000	1	1	258	309	140,001-145,000				1
40,001- 45,000	2		130	161	145,001-150,000				2
45,001- 50,000			81	101	155,001-160,000			1	1
50,001- 55,000	1		55	61	215,001-220,000	2			
55,001- 60,000			45	42	220,001-225,000	1			
60,001- 65,000			18	35	225,001-230,000	1			
65,001- 70,000			26	19	235,001-240,000	1	1		
70,001- 75,000			19	14	250,001-255,000		1		
75,001- 80,000			9	4	255,001-260,000	1			
80,001- 85,000			15	8	265,001-270,000	1	1		
85,001- 90,000			3	5	270,001-275,000	2			
90,001- 95,000	1		7	4	300,001-305,000	1			
95,001-100,000			3	4	335,001-340,000	1			
100,001-105,000			1	6	360,001-365,000		1		
105,001-110,000		1	2	1	475,001-480,000	1			
110,001-115,000		1		2					

One of the directors whose emoluments are shown above for 1988 was a director for part of the year only.

The emoluments of the Chairman were \$478,000. During 1987 the emoluments of the Chairman and his predecessor totalled \$397,250.

NOTES RELATING TO THE ACCOUNTS

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES (continued)

The average number of people employed by the Group in 1988 was 130,400 (1987 127,800) and the staff costs incurred during the year in respect of those employees were:

	1988	1987
	£m	£m
Salaries	1,844	1,737
Social security costs	179	163
Pension fund contributions, pensions and gratuities (including severance costs 1988 £69m (1987 £48m))	244	256
Other employment costs	40	32
Employees' profit-sharing bonus	63	54
	2,370	2,242
Less: amounts allocated to capital expenditure, etc.	(33)	(42)
Charged to profit and loss account	2,337	2,190

27 DIRECTORS' INTERESTS IN STOCKS, SHARES AND DEBENTURES

The interests at 31 December 1988 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 1988 (or, if appointed during 1988, at their date of appointment) are shown in brackets where these differ from the holdings at the year end. During the period 1 January 1989 to 14 February 1989 T O Hutchison exercised an option over 35,000 shares and subsequently sold 35,000 shares.

	ICI Ordinary Shares £
J D F Barnes	2,813
A W Clements	10,622
R C Hampel	4,492 (3,508)
C Hampson	922 (500)
D H Henderson	10,100
T O Hutchison	2,016
Sir Alex Jarratt: beneficial	562
non-beneficial	118
W G L L Kiep	500
Sir Patrick Meaney	1,325
Sir Jeremy Morse	1,819
Sir Charles Reece	6,785
S Saba	500
Lord Thomson	500
P A Volcker	1,000
F Whiteley	9,850 (9,065)
T H Wyman	500

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1988 are included in the table below:

	At 1 January 1988	Options granted	Price £	Options exercised	At 31 December 1988
J D F Barnes	51,400			20,500	30,600
A W Clements	38,216	39,000	10.21		78,116
R C Hampel	61,566	210	8.91	984	60,792
C Hampson		58,600	10.58		58,600
		315	8.91		315
D H Henderson	106,900				106,900
T O Hutchison	59,000				59,000
Sir Charles Reece	69,100			36,700	32,400

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

C Hampson has a beneficial interest in 1,166 ICI Australia Ltd A\$1 ordinary shares.

Beneficial interests in ICI Unsecured Loan Stocks are held by Sir Patrick Meaney (\$200 of 8% Stock) and J D F Barnes (£1,000 of 11% Stock).

28 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans totalling \$267,500 (1987 \$188,000) to officers of the Company, comprising \$10,000 to one director and \$257,500 in total to five other officers. The director's loan was made prior to his joining the Board, in accordance with the Company's policy of providing housing assistance to staff who have been transferred. The amount outstanding throughout the year was \$10,000 from T O Hutchison. A loan of \$10,000 to Sir Charles Reece and a loan of \$18,000 to J D F Barnes were repaid during the year. The loans to the other officers were also in respect of housing loans.

Remuneration of auditors charged in the Group accounts for 1988 was £3.9m (1987 £3.8m).

29 SUBSEQUENT EVENT

On 1 March 1989, it was announced that ICI's related company Enterprise Oil plc had reached agreement to purchase, subject to approval by its shareholders, the oil exploration and production interests of Texas Eastern Inc for US\$1,400m (£800m). The acquisition will be funded in part by a rights issue and ICI will subscribe for its rights entitlement. The rights issue is to be in two equal tranches, the second of which will be dependent upon completion of the full acquisition; ICI will subscribe £73m in the first tranche and up to £73m in the second.

PRINCIPAL SUBSIDIARY COMPANIES

At 31 December 1988

		Class of capital	Percentage held by ICI	Principal activities
EUROPE (accounting dates 31 December)	DEUTSCHE ICI GMBH (West Germany)	Ordinary	20 80†	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine, polyurethanes, films 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
	ICI 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)	CI-L INC (Canada)	Common Preference	100† 100†	Manufacture of fertilizers, agrochemicals, industrial explosives, paints, chemicals, specialty polymers and films; merchanting of ICI products, packaged chemicals, oilfield services and chemical process technology
	DUPERIAL SAIC (Argentina)	Ordinary	100	Manufacture of chemicals, films, polyurethanes, pharmaceuticals, agrochemicals and sporting ammunition; merchanting of ICI and other products
	ICI AMERICAN HOLDINGS INC (USA)	Common	100	Manufacture of pharmaceuticals, dental products, agrochemicals, seeds, colours, films, paints, advanced materials, electronics, polyurethanes, specialty and other chemicals; merchanting of other ICI products
	ICI BRASIL SA (Brazil)	Ordinary Preference	87 13† 100	Manufacture of agrochemicals, colours, polyester polymers and films, specialty and other chemicals; merchanting of other ICI 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, pharmaceuticals and animal health products
	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	100	Merchanting of ICI and other products; manufacture of advanced materials
	ICI NEW ZEALAND LTD (New Zealand) (accounting date 30 September)	Ordinary*	75††	Manufacture of industrial explosives, paints, resins and animal health products; merchanting of other ICI products
	ICI PAKISTAN LTD (Pakistan)	Ordinary*	61	Manufacture of polyester staple fibre, soda ash, paints and specialty chemicals; merchanting of agrochemicals 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
	ISL LTD (India) (accounting date 30 September)	Ordinary*	51	Manufacture of fertilizers, industrial explosives and accessories, polyester fibres, paints, agrochemicals, pharmaceuticals and rubber chemicals

*Listed †Held by subsidiaries ††Percentage held by ICI Australia Ltd

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

PRINCIPAL RELATED COMPANIES

61

At 31 December 1988

	Issued share and loan capital at date of latest available audited accounts			Principal activities
	Class of capital	£m	Percentage held by ICI	
AECI LTD (Republic of South Africa)	Ordinary*	22	38†	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
	Preference	1	—	
	Loan	72	—	
ENTERPRISE OIL plc (England)	Ordinary*	81	25	Oil and gas exploration and production
	Loan	436	—	
EUROPEAN VINYL CORPORATION (HOLDINGS) BV (Holland)	Ordinary	100	50†	Manufacture of vinyl chloride monomer and polyvinyl chloride and fabricated PVC products
	Loan	—	—	
TIOXIDE GROUP PLC (England)	Ordinary	31	50†	Manufacture of titanium pigments
	Preference	1	—	
	Loan	25	—	

*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 61 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 1988 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.

Paul Hewick McInlock

London
6 March 1989

Chartered Accountants

GROUP FINANCIAL RECORD

For the years ended 31 December

	1984	1985	1986	1987	1988
	£m	£m	£m	£m	£m
BALANCE SHEET					
Tangible fixed assets	3,620	3,533	3,912	3,750	4,092
Investments	442	287	333	417	524
Current assets:					
Stocks	1,740	1,750	1,734	1,812	2,004
Debtors	2,102	1,950	2,015	2,162	2,324
Cash and short-term investments	1,011	797	692	646	456
Total assets	4,853	4,407	4,441	4,620	4,784
	8,924	8,317	8,686	8,787	9,400
Creditors due within one year:					
Short-term borrowings	(383)	(511)	(441)	(559)	(289)
Current instalments of loans	(207)	(131)	(74)	(46)	(50)
Other creditors	(2,084)	(1,961)	(2,022)	(2,365)	(2,671)
Total assets less current liabilities	6,250	5,714	6,149	5,817	6,390
Creditors due after more than one year:					
Loans	1,311	1,208	1,538	1,511	1,627
Other creditors	127	76	83	70	137
Provisions and deferred income	475	520	459	434	397
Minority interests	508	405	404	357	304
Capital and reserves attributable to parent company	3,829	3,495	3,665	3,445	3,925
	6,250	5,714	6,149	5,817	6,390
TURNOVER AND PROFITS					
Turnover	9,909	10,725	10,136	11,123	11,699
Trading profit (after depreciation)	1,063	978	1,049	1,297	1,470
Depreciation	440	474	491	464	484
Share of profits less losses of related companies	71	56	95	157	162
Interest other than loan interest (net)	38	21	7	8	(2)
Profit before loan interest	1,172	1,055	1,151	1,462	1,630
Loan interest	(138)	(143)	(185)	(150)	(160)
Profit before taxation	1,034	912	1,016	1,312	1,470
Taxation	(373)	(308)	(382)	(504)	(540)
Attributable to minorities	(56)	(52)	(34)	(48)	(49)
Net profit attributable to parent company, before extraordinary items	605	552	600	760	881
Extraordinary items	(20)	(40)	(43)		(44)
Dividends	(186)	(214)	(238)	(277)	(341)
Profit retained, transferred to reserves	389	288	319	483	496
SOURCES AND APPLICATIONS OF FUNDS					
Sources net of interest and taxation	1,177	1,136	1,062	1,308	1,235
Dividends	(183)	(227)	(240)	(283)	(317)
Fixed assets (including investments)	(500)	(1,394)	(1,156)	(1,112)	(882)
Working capital changes	(200)	(60)	94	(187)	(77)
Surplus (deficit)	294	(545)	(240)	(274)	(41)
RETURN ON ASSETS					
Profit before loan interest as a percentage of assets employed (average total assets less current liabilities)	19.9	17.6	19.4	24.4	26.7

Millions	1984	1985	1986	1987	1988
SHARES IN ISSUE					
At year-end	619	648	657	676	683
Weighted average for year	616	639	652	669	679
Pence per £1 Ordinary Share					
STOCK MARKET PRICE					
Highest	746p	882p	1,116p	1,645p	1,184p
Lowest	526p	632p	727p	965p	950p
Year-end	736p	756p	1,068p	1,082p	1,013p
EARNINGS PER £1 SHARE					
DIVIDENDS					
Dividends (net)	30p	33p	36p	41p	50p
Dividends grossed up for imputed tax credit	43p	47p	51p	56p	67p*
Dividends (net) in 1988 money (adjusted by RPI)	36p	37p	39p	43p	50p
BALANCE SHEET VALUE of Ordinary shareholders' equity at end of year per £1 share					
	617p	538p	558p	510p	575p
Indexed value of the £, expressed in average 1988 £'s, based on RPI					
	1.20	1.13	1.09	1.05	1.00

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

CHARTS OF QUARTERLY RESULTS

£m Turnover

1987

1988

4000

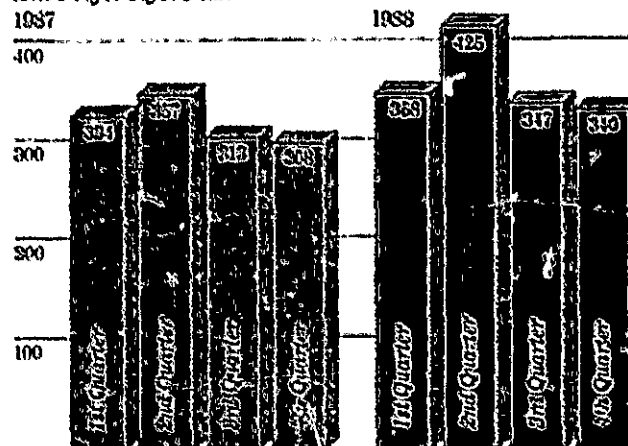


£m Profit before tax

1987

1988

400



SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1988 £m	1987 £m	Percentage change
SOURCES OF INCOME				
Sales turnover		11,690	11,123	+5%
Royalties and other trading income		154	144	+7%
Less: materials and services used		(7,591)	(7,338)	+3%
VALUE ADDED BY MANUFACTURING AND TRADING ACTIVITIES				
		4,262	3,929	+8%
Share of profits less losses of related companies		162	157	+3%
TOTAL VALUE ADDED		4,424	4,086	+8%
DISPOSAL OF TOTAL VALUE ADDED				
EMPLOYEES				
	1			
Pay, plus pension and national insurance contributions, and severance costs		2,274	2,145	
Profit-sharing bonus	2	63	54	
		2,337	2,199	+6%
GOVERNMENTS				
	3			
Corporate taxes		540	504	
Less: grants		(29)	(31)	
		511	473	+8%
PROVIDERS OF CAPITAL				
Interest cost of net borrowings		162	142	
Dividends to shareholders		341	277	
Minority shareholders in subsidiaries		49	48	
		552	467	+18%
RE-INVESTMENT IN THE BUSINESS				
Depreciation and provision in respect of extraordinary item		528	464	
Profit retained		496	483	
		1024	947	+8%
TOTAL DISPOSAL		4,424	4,086	

NOTES

- 1 The average number of employees in the Group worldwide increased by 2 per cent. The number employed in the UK decreased by 2 per cent.
- 2 The 1988 UK bonus rate was 9.2p per £1 of remuneration (1987 8.6p).
- 3 Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £152m in 1988 (1987 £158m).

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 how this increase in value has been disposed of.