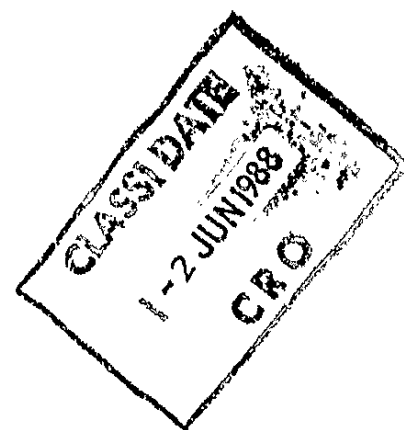


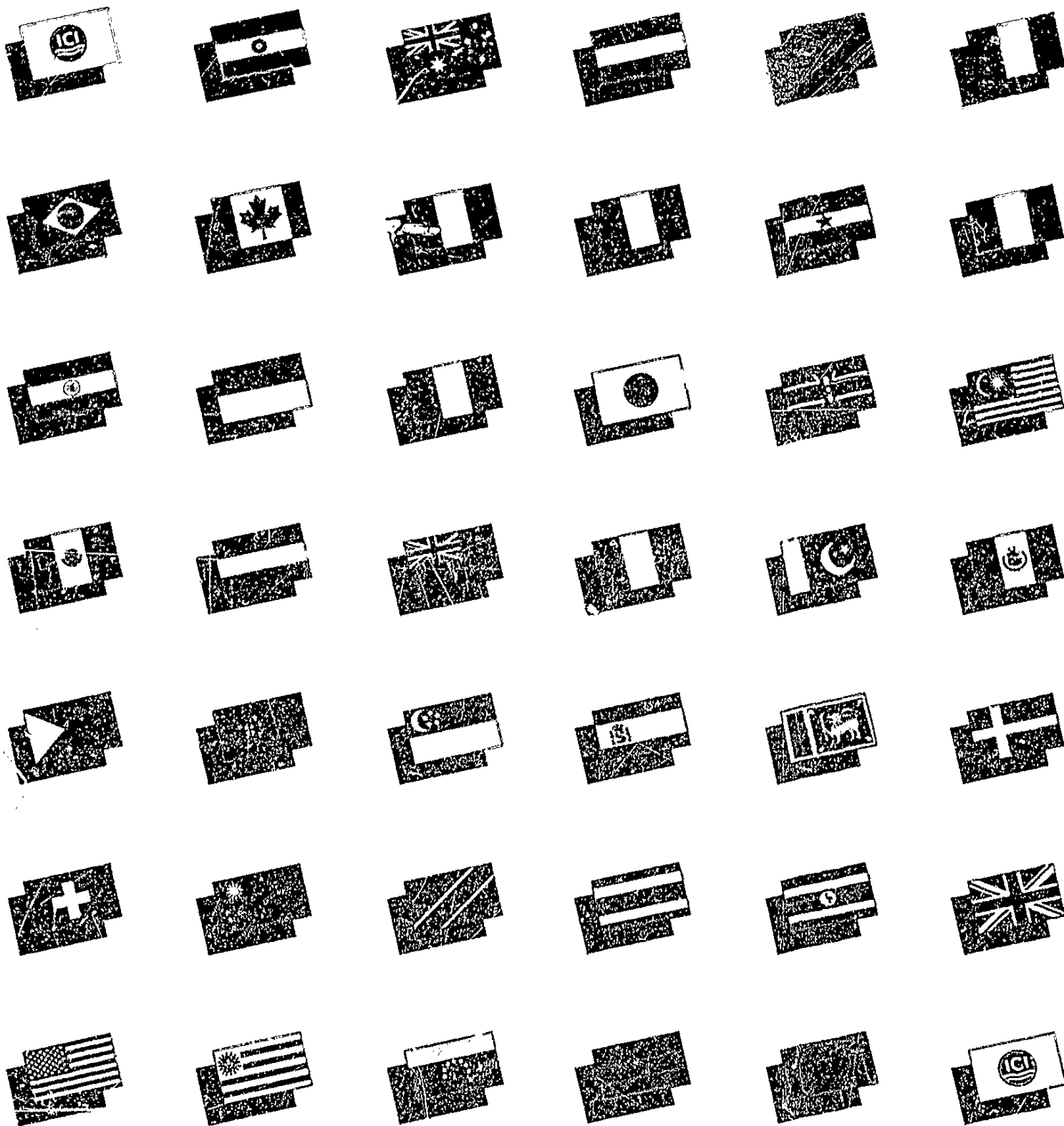
IMPERIAL CHEMICAL INDUSTRIES PLC

REG.NO. 218,019

ACCOUNTS FOR YEAR ENDED

31 DECEMBER 1987





ICI ANNUAL REPORT 1987



BOARD OF DIRECTORS

D. H. Hendleyson *Chairman*

F. Whiteley *Deputy Chairman*

J. D. F. Barnes, *FRS**

A. W. Clements

R. C. Hampel

C. Hampson

T. O. Hutchison

Sir Robin Ibb

Sir Alex Jarratt, *FRS**

W. G. L. L. Kiep*

Sir Patrick Meaney*

Sir Jeremy Morse, *FRS**

C. H. Reece

S. Saba*

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

T. H. Wyman*

**Non-Executive Directors*

Further information about the Directors is given on pages 23 to 30 and a list of Senior Executives appears on page 31

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(The Notice concerning ICI's 1988 Annual General Meeting is on pages 9 and 10 of a separate document dated 15 March 1988 issued to members of the Company and holders of the Company's Loan Stocks)



ICI is one of the world's major chemical groups, manufacturing in more than forty countries and selling to over 150. The Group's products cover 15,000, many from basic ingredients such as lime and salt to complex and specialised chemical derivatives, including pharmaceuticals and aerospace materials.

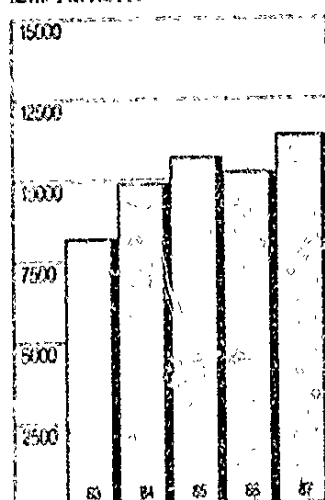
This year's Annual Report emphasises the internationalism of ICI and the photographs illustrate the ways in which ICI products improve the quality of everyday life in health, in the home, in food, in transport and in other circumstances throughout the world.

ICI GROUP FINANCIAL HIGHLIGHTS

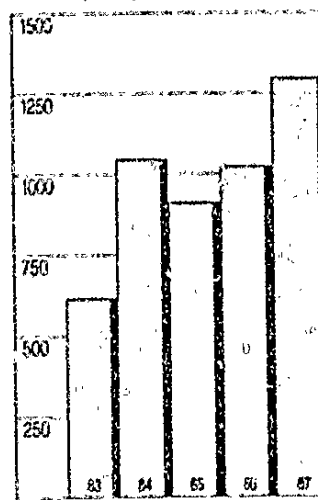
Group means ICI and its subsidiaries. £m means millions of pounds sterling

	1987	1986	1985
	£m	£m	£m
TURNOVER (<i>Sales to customers outside the Group</i>)			
UK SALES	2,732	2,545	3,011
OVERSEAS SALES	8,391	7,591	7,714
TOTAL TURNOVER	11,123	10,136	10,725
TRADING PROFIT			
	1,297	1,049	978
PROFIT BEFORE TAXATION			
	1,312	1,016	912
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY BEFORE EXTRAORDINARY ITEMS			
	760	600	552
EARNINGS (<i>before extraordinary items</i>)			
per £1 Ordinary Stock	113.6p	92.0p	86.4p
DIVIDEND per £1 Ordinary Stock (<i>see page 21</i>)	41p	36p	33p

£m Turnover



£m Profit before tax



CHAIRMAN'S STATEMENT

THE QUEEN AWARD FOR
TECHNOLOGICAL ACHIEVEMENT
PROBES: ALLIANCE
MATERIALS

THE QUEEN AWARD FOR
EXPORT ACHIEVEMENT 1987 TO
SCIENTIFIC AND TECHNOLOGY
LICENSING

At last year's Annual General Meeting I promised that we would maintain our forward momentum. In presenting this Report I believe that our record of vigorous action on many fronts and our excellent financial results allow me to claim that the promise has been implemented. Indeed, by any yardstick, 1987 was an exciting and successful year, full of records, achievements and bold new steps to expand our global business.

The Report for 1987 is one of record sales, record pre-tax profit and record earnings per share, with stockholders rewarded by a dividend increase from 36p to 41p per share - all of which adds up to the picture of a Group which is driving forward with every expectation of further progress to come, confident in the strength of a world class business.

Group sales in 1987 were up 10 per cent to over \$11 billion. Pre-tax profit increased by 20 per cent to \$1.3 billion. Earnings per share increased by 23 per cent. Underlying the results is a continuing change and improvement in the shape and performance of ICI's business. The shift towards higher added-value, science intensive, world competitive products increases year by year.

Consumer and Specialty Products contributed profits of \$574m, with the pharmaceuticals profit exceeding \$200m for the first time as the business continued to grow vigorously, particularly in the USA and Japan. Paints, benefiting from its first full year's ownership of Glidden, increased its profit by 16 per cent to \$92m. We are now the world's largest supplier of paints and specialist coatings, with all the added strength that this will bring in years to come. Other Effect Products, including plastics films, polyurethanes, colours and speciality chemicals, turned in a substantial \$176m contribution to profits. This growing segment of our business adds to the Group's much improved ability to absorb the effects of any future economic downturn.

Industrial Products contributed a profit of \$795m



Supply and demand in Europe is today much better balanced as a result of several years of restructuring in which ICI led the way. The fact that most of our bulk chemicals and plastics plants worked to capacity in 1987 is a satisfying return for difficult but far sighted steps taken in previous years. Our productivity and cost effectiveness have also greatly improved, and we were able both to

increase and to take full advantage of good trading conditions.

Agriculture contributed a profit of \$45m in spite of the difficult and uncertain state of farming in many parts of the world. Agrochemicals did well to achieve strong sales growth, much improved profit and increased market share in a number of countries, but fertilizers continued to have a difficult time in Europe, Canada and India.

During the year we took major initiatives to maintain the momentum of change and to expand our global business. We acquired Stauffer Chemicals for US\$1.9 billion (\$1.2 billion) to strengthen our agrochemicals business which is now rated as number three in the world league. After speedy and successful divestment of parts which did not fit our overall strategy, the net cost of this important acquisition was just under US\$500m (\$700m). At the beginning of the year we formed ICI Chemicals and Polymers Group, bringing together four UK based pan-European businesses into a more efficient and powerful unit. This new Group has produced an excellent profit in its first year of operation and there are major benefits still to come. To reinforce our position as one of the largest seed companies in the world, we acquired Société Européenne de Semences SA (SES) and the UK cereal breeding assets of the Miln Marsters Group. As part of our re-shaping strategy we divested our commodity chemicals business in the USA, selling our share in the Corpus Christi Petrochemical Company and our ethylene oxide and ethylene glycol businesses.

This is a year of intense activity. We made major moves to enhance the further development of the business, with a total of 29 acquisitions and a net outlay of \$541m. Capital expenditure was substantially increased to \$709m with emphasis on investing in businesses with good organic growth potential, and in higher added value products, as well as in improving the efficiency and capacity of existing plants. In all cases, priority continued to be given to expenditure to maintain our traditionally high standards of safety, health and environmental protection. All this was achieved within prudent financial guidelines and without stretching the Group's financial resources. Indeed, by the end of 1987, our gearing had returned virtually to the level of the previous year. With such a strong balance sheet we are fully equipped to seize opportunities to maintain the momentum of change in the years ahead.

This year's Report emphasizes the ever increasing internationalism of ICI. Our sales are now healthily spread across the major markets of the world - with, in round terms, 25 per cent in the UK, 25 per cent in Continental Europe, 27 per cent in the Americas and 23 per cent in other markets, including an outstanding UK export business which is a major contributor to the country's balance of payments. In 1987 we improved our performance in just about every region of the world. Of course, one of the most important features of our robust territorial and product balance is that we are not unduly dependent on a particular economy or product. Stockholders should note that although there may be uncertainties about the US economy in the year of a Presidential election, the products we manufacture and sell in the USA are high in added-value and we are therefore confident that they will perform well under most economic circumstances.

1987 SALES TO EXTERNAL CUSTOMERS IN THE USA BY BUSINESS SECTOR

Pharmaceuticals (21%)

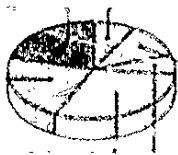
Industrial Products (9%)

Paints (2%)

Other Businesses (10%)

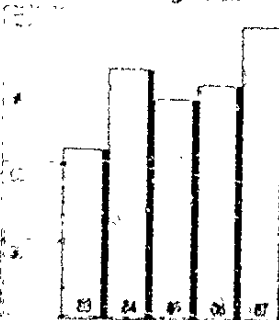
Other Effect Products (31%)

Agrochemicals and Plant Breeding (7%)

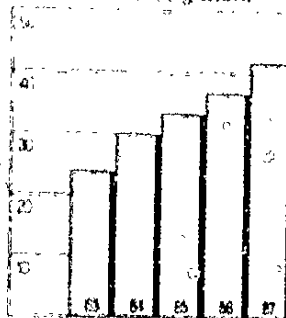


Territorially, we shall continue to support our successful UK businesses and to seek further growth in the USA, Continental Europe, and the Asia Pacific countries which now account for 23 per cent of the world chemicals market. We have expanding, profitable businesses in the region but we must make still more progress. In Japan, we took several new steps last year and in the autumn I opened the ICI Japan Technical Centre at Tsukuba City near Tokyo. Through this Centre we shall be able to develop new products for our technologically-advanced Japanese customers who, in turn, have businesses operating worldwide. Further steps to build up our business in Japan were the opening of a wholly-owned manufacturing and development facility for pharmaceuticals, the commissioning of an ICI-Mitsubishi Chemicals joint venture for advanced composite materials, and the establishment of an agrochemicals field testing station.

Earnings in pence per
£1 Ordinary Stock



Dividends in pence per
£1 Ordinary Stock



Underpinning and connecting into our marketing effort is the increasingly international spread of ICI research and technology and the commitment of the great majority of our \$461m annual expenditure to products of the future. The UK will remain the heartland of ICI scientific activity but, additionally, the Group is developing a significant network of scientific activity around the world.

Thus, the keynotes of 1987 have been record financial results, day-to-day success in the market-place, continued expansion of research and development and a succession of initiatives designed to maintain the momentum of our main business strategies which will continue to be implemented with vigour and consistency.

Looking ahead there are some uncertainties (although they are not as yet reflected in world trade), with the most significant being the way in which the US economy performs. However, neither this uncertainty nor the dramatic fall in stock market values last October

indicate a need at this stage for significant changes in our plans and we shall continue, strongly but prudently, to pursue our existing strategies for re-shaping and strengthening the Group, confident in the knowledge that we have the management skills and resources to cope and adapt if circumstances change.

As you may know, we have been taking positive action during 1987 to heighten international awareness of the scope of ICI and its activities so that customers and investors around the world, both current and potential, are apprised of our breadth and strength. Our results, the quality of our people and the technological and commercial resources at our disposal fully justify the description "World Class" - which is also a clear indication of our determination to remain one of the world's leading businesses.

1987 was an extremely good year chiefly because ICI people are capable of exceptional levels of energy, inventiveness and commitment, and they were able to take full advantage of a favourable economic climate. They are a splendid team which I am immensely proud to lead and which I believe should give stockholders great confidence for the years ahead.

7 March 1988

REPORT OF THE DIRECTORS 1987

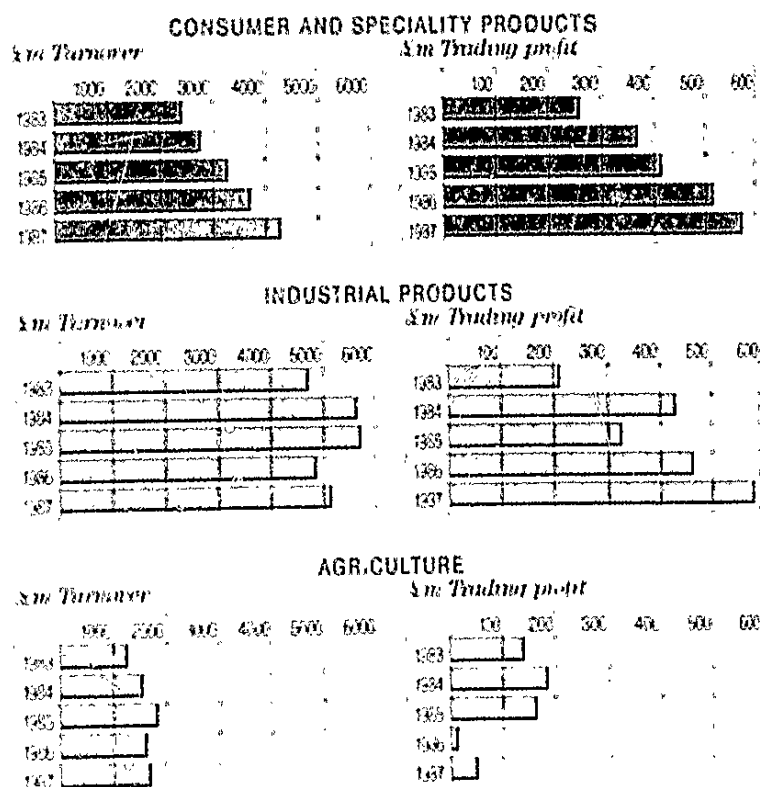
The Directors of Imperial Chemical Industries PLC present their sixty-first Annual Report, together with the Accounts of the Company for the year 1987. They will be laid before the stockholders at the sixty-first Annual General Meeting to be held on 29 April 1988.

Following the disposal of the Group's oil production and exploration interests on 30 January 1987 to Enterprise Oil plc, the Group's activities are now reported under the three remaining industry segments first introduced in 1985: Consumer and Speciality Products, Industrial Products and Agriculture. The Group's retained oil activities, including oil trading, are now included in the Industrial Products segment results for 1987. The comparative figures and diagrams for earlier years include the results of the former Oil and Gas segment. Certain other products were transferred from one industry segment to another on the formation of the ICI Chemicals and Polymers Group to align with revised management responsibilities. The principal changes are described in Note 2 to the Accounts on page 36. Commentary on the seg-

ments appears on pages 6 to 16, with the relative sizes of the businesses in 1987 being shown on the accompanying chart. The charts also show figures for turnover and trading profit in 1986 and 1987 for each of the businesses within the segment. It should be noted that these figures include sales between businesses within the segment but that such sales are excluded from the segment totals. All comparative figures and diagrams have been restated to reflect the product re-classifications.

The increasingly international character of the Group is reflected in a variety of ways throughout this Report and the world map opposite has on both sides a list of the countries where the Group trades. The percentages displayed below the map show the proportion of the Group's sales made to external customers located in each of the principal geographic areas. The operations, according to geographic areas, are reported on pages 17 to 20 and the charts on the opposite page show the results achieved by Group companies located in each area.

■ TURNOVER AND TRADING PROFIT OF INDUSTRY SEGMENTS ■



ICI is at work improving the quality of everyday life, in health, clothing, the home, leisure, transport and communication

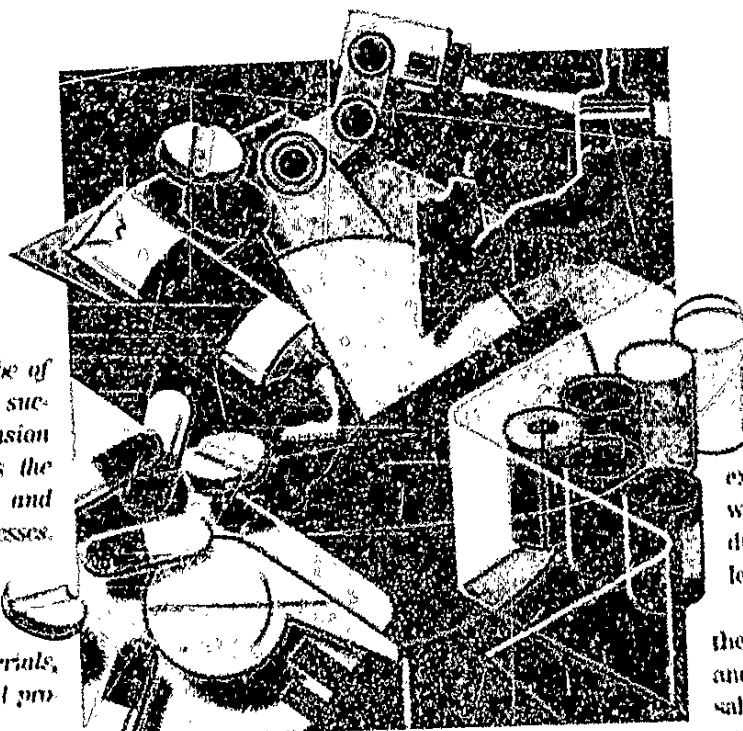
CONSUMER AND SPECIALITY PRODUCTS

This segment continues to be of major importance to the successful and profitable expansion of the Group. It comprises the pharmaceuticals, paints and other effect products businesses. This last group includes the colours and fine chemicals, polyurethanes, speciality chemicals, advanced materials, plastics films and biological products businesses.

Sales and profits from Consumer and Speciality Products in 1987 continued to demonstrate healthy growth and were further boosted by the 1986 acquisition of the Glidden paints businesses. The considerable number of new pharmaceutical products launched, or soon to be launched, together with the increased level of research activity associated with speciality chemicals, advanced materials, films, and biological products are all expected to enhance future growth prospects. Throughout, international competitiveness in this industry segment is a key characteristic, and the Group is exceptionally well placed to exploit many worldwide opportunities.

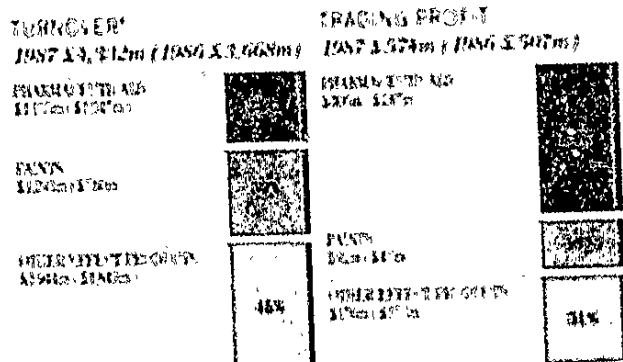
PHARMACEUTICALS

Sales and profits of the pharmaceuticals business continued to grow in 1987. As in 1986, the USA was the most important market accounting for over 40 per cent of sales and, with Japan representing a further 15 per cent, each of these territories represented a larger market than the UK, reflecting the international nature of the business. Despite the adverse effect of a weakening US dollar, trading profits exceeded \$300m for the first time, indicative of a solid improvement in real terms.



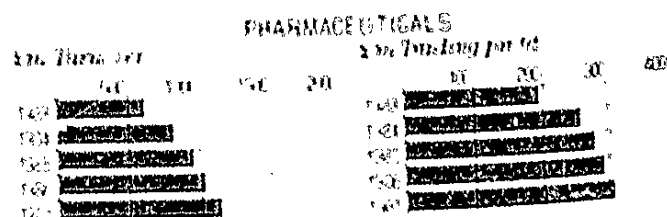
The pharmaceuticals business has now entered a period when a number of major new products are expected to be launched, whilst sales of existing products should continue at high levels.

Beta-blockers, used for the treatment of hypertension and angina, remain the largest sales group, with 'Tenormin' retaining its position as the leading product in this class. As reported last year, ICI has acquired rights to manufacture and sell the ACE inhibitor lisinopril (ICI trademark 'Zestril') from Merck & Co., Inc. ACE inhibitors are becoming quickly established as the fastest growing class of new compounds for the treatment of both hypertension and congestive heart failure. The sale of 'Zestril', already launched in the USA, will



*Total includes sales within the Consumer and Speciality Products segment

complement further ICI's strong position in this important area. Use of 'Diprivan', a new intravenous general anaesthetic giving rapid post operative recovery, has exceeded expectations. 'Zoladex', a treatment for prostatic cancer which uses unique implant technology requiring administration only once a month, has now been launched in the UK and a number of other territories and has been well received by the medical profession. 'Apatel', an intravenous antibiotic, shows



steady growth 'Nobutax' a treatment for breast cancer, and 'Bibutane' an antiseptic, remain strong performers.

ICI's portfolio of new pharmaceutical products continues to show great promise and is a reflection of ICI's commitment to research and development which in this business is of the order of \$170m per annum. 'Corwin', for the treatment of mild to moderate heart failure, is showing good efficacy in clinical trials and applications for regulatory approval have now been filed in all major territories. The development of 'Sialit', for the treatment of diabetic complications, progresses well. Other products in development are for the treatment of cancer, central nervous system disorders and cardiovascular diseases.

ICI's pharmaceutical businesses have been amongst the fastest growing in the USA and Japan in recent years. ICI's position has been further strengthened by the establishment of a wholly owned manufacturing and development facility in Japan, which supplements the well established joint venture in ICI Pharma Ltd.

In 1987, Cellmark Diagnostics, a part of ICI Diagnostics, launched a DNA Genetic Fingerprinting Service in the UK and USA. This technological breakthrough enables identity to be established, with greater certainty, from body samples in, for example, criminal or paternity cases.

The research-based pharmaceuticals industry continues to campaign for the restoration of an adequate patent term. This stems from the ever-lengthening time needed for research and development which, in turn, leads to the erosion of effective patent life, during which costs must be recovered and adequate profit made before manufacturers other than the patent holder can sell the same product under a generic name. In the UK, generic competitors are able to obtain

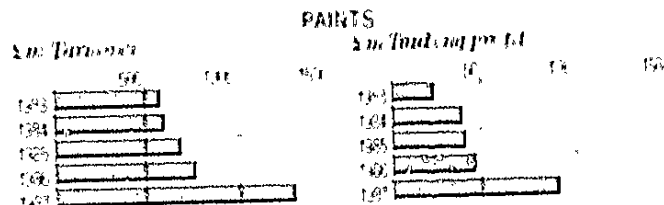
'Licences of Right' to certain products during the last four years in which the applicable patents are in force. The UK Government has introduced a Bill to repeal this anomaly, and ICI looks forward to its early enactment.

□

PAINTS

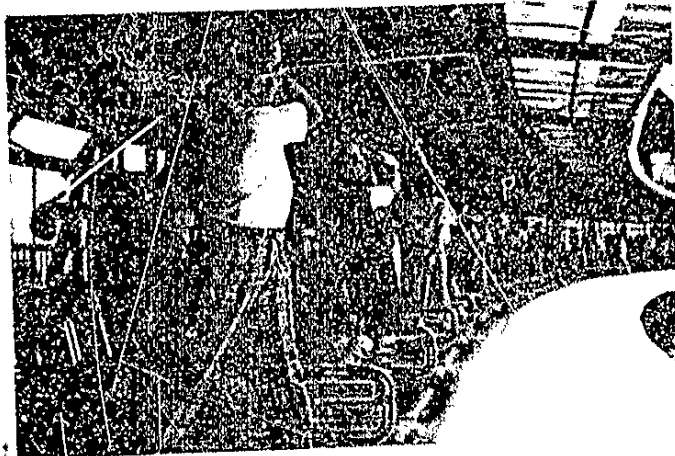
□

The paints business achieved record sales and profits in 1987. With manufacturing facilities in 27 countries and direct sales to another 59, ICI is the world's largest supplier of paints and specialist coatings. In addition, ICI's paint technology is licensed in a further 12 markets. Demand was generally strong in Europe, North America, Australasia, India and Pakistan and there were encouraging gains in SE Asia. This



wide production and distribution network is dedicated to the highest level of customer service throughout the world in the key areas of decorative and automotive paints, packaging, and high performance industrial coatings.

The incorporation of the Glidden Company's paint interests into ICI's worldwide paint operations has been accomplished successfully. The addition of a full year's sales by the Glidden Company in the USA was a major factor in the 66 per cent rise in paints turnover. Also, the anticipated benefits from the acquisition are already making a significant contribution to research and development, production and marketing. In the decorative paint sector, there were further advances in European markets. 'Dulux' maintained its status as the leading brand in the UK and ICI's innovative solid emulsion is creating a new premium market in France and West Germany. In North America, the Glidden range of 'Spred' products for D-I-Y and professionally-applied gloss and emulsion made further market share advances. In the can coatings markets for food and beverage cans ICI and Glidden, as the leading international suppliers, offer an unequalled range of technologies. ICI also meets the demanding performance specifications of automotive companies in Europe,



- 1 ICI heart drugs are enabling this patient to continue enjoying his favourite game.
- 2 ICI Australia paint and paper stores were given a major facelift in 1987 and became the country's strongest trade-based paint distribution organisation with a network of Dulux trade centres serving the needs of professional painters.
- 3 More than three hundred million people have had successful anaesthetic operations with the help of Fluthane. ICI's inhalation anaesthetic.
- 4 Severely broken cans are produced each year for the US drink industry. The contents of every ten are protected with ICI's and Glidden's can coats to be sold.



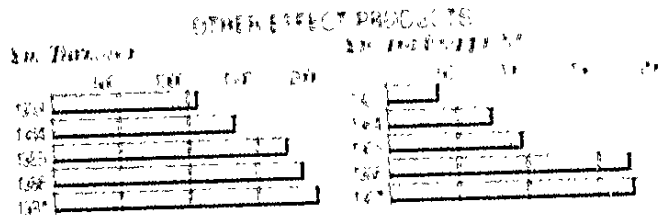
Australasia, Canada, India, Pakistan and the Far East. Apart from the first water-based basecoat used commercially by automotive companies is attracting a growing number of actual and potential users. ICI Autocolor vehicle refinish coatings made more important advances into new markets in 1987.

Modern surface finishes have to meet demands for extremely high levels of resistance to weathering, fading, corrosion and mechanical damage. Increasingly powder and coil coatings are being used to satisfy these exacting standards. The combination of ICI and Glidden formulations and research and development capability is proving to be an excellent base from which to take advantage of the rapid growth in the use of these application techniques.

OTHER EFFECT PRODUCTS COLOURS AND FINE CHEMICALS

The colours and fine chemicals business is a major world force, with manufacturing plants in six countries across Western Europe and in the Americas and sales in eighty five countries.

The marked improvement in trading performance experienced in 1986 continued into 1987, with further growth in sales and profits. Demand for all the principal products has been strong. Textile dyes performed well, with reactive dyes and indigo leading this group of products. Dyes and related products for the leather industry had a particularly



good year, reflecting the efforts which have been made to develop the product range. Sales of chemical products including amine and nitrocellulose continued at high levels.

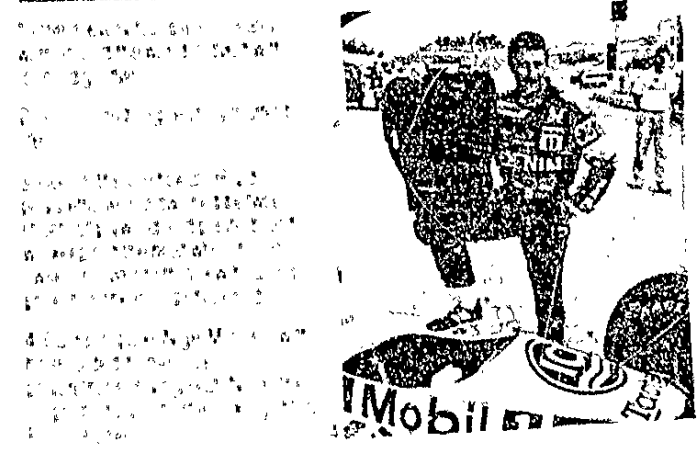
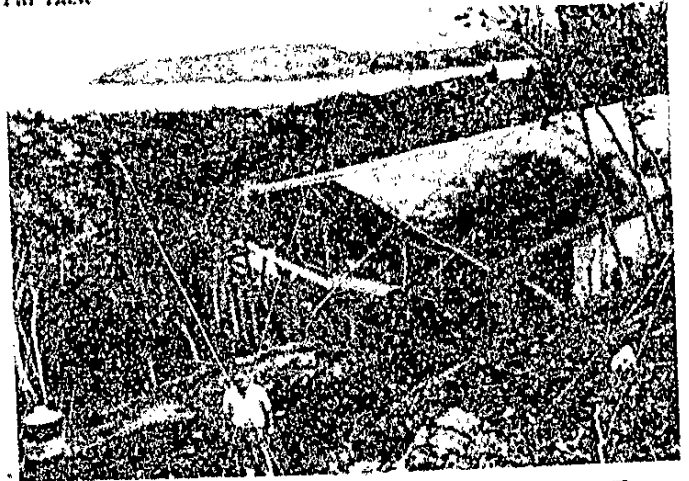
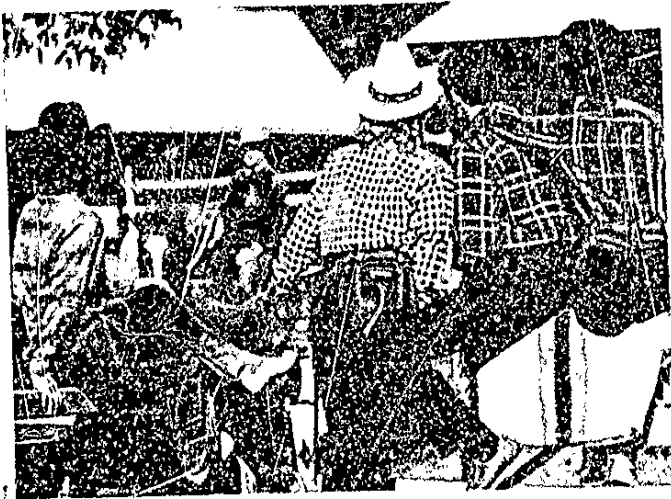
Work on systems to improve production scheduling response to customer requirements and 'Quality on Time' has continued during the year, all designed to reinforce the world class image of the business.

With manufacturing activity at a high level and further reductions in unit costs, the Fine Chemicals Manufacturing Organisation improved efficiency while continuing to meet the requirements placed on it by ICI businesses, which, in addition to the colours and fine chemicals business, include the pharmaceuticals, agrochemicals, advanced materials and speciality chemicals businesses. Capital expenditure increased during the year to meet both the needs of an expanding business and the continuing attention paid to safety, health and environmental matters.

POLYURETHANES

ICI's polyurethanes business progressed strongly during 1987, benefiting from growth in the major consuming industries. The business has manufacturing activities in six West European countries, as well as in the USA, Canada, Australia, Argentina and Taiwan. The Group also operates through joint ventures in Japan, Saudi Arabia and Yugoslavia.

The extension of UK manufacturing capacity was successfully commissioned during the year and a major capacity expansion at Geismar, Louisiana in the USA was authorized to enable ICI to supply market needs into the early 1990s. The international base for the business was further strengthened by the establishment of a new formulation facility in Taiwan and further investment is planned in the Far East.



Emphasis on the technical development of different product types for individual enduses continues to stimulate demand in a variety of new applications. In the bedding and furniture industries, where ICI has at present only a small market position, impending UK legislation requiring the use of combustion modified flexible foam could lead to new opportunities for ICI to develop speciality products to meet revised safety standards.

SPECIALITY CHEMICALS

Internationalization was the major focus for 1987 as emphasis was placed on developing and expanding the speciality chemicals businesses. Significant sales growth was achieved in leather finishes, surfactants, biocides, polyols and mining chemicals. Worldwide programmes, accelerating the introduction of existing products into new markets, have resulted in highly motivated and specialized business teams which have contributed to improved profits.

Technical innovations successfully launched in 1987 include 'Hypermer' polymeric dispersants and surfactants for wetting which disperse particles uniformly on magnetic tapes and discs to provide quality information storage and retrieval, dispersion agents to prevent oil based drilling muds from clogging drills, and emulsion formulations to facilitate production of hydraulic fluids. Innovative application of 'Silcolease' silicone release coatings technology to paper products used for self-adhesive labels, decorations and tapes enables manufacturers to achieve superior processing results and provide more consistent peel-off performance.

During the year, a new generation of patented advanced technology lubricants to smooth and protect surfaces, offering industry increased control over machine wear, maintenance costs and unscheduled downtime, was introduced and sold under the brand name 'TGOA'. Also, new patented fire retardant urethane coatings and adhesives which provide bonding and abrasion resistance for automotive, textile, apparel and upholstery applications were launched by the Stahl Permethane companies.

ADVANCED MATERIALS

The advanced materials business achieved sales growth during 1987 as a result of increasing demand for its high performance composite and engineering plastic materials. In particular, the historical high growth in sales of Fibrice advanced composite products was maintained, with several important new aerospace qualifications added to the existing long list.

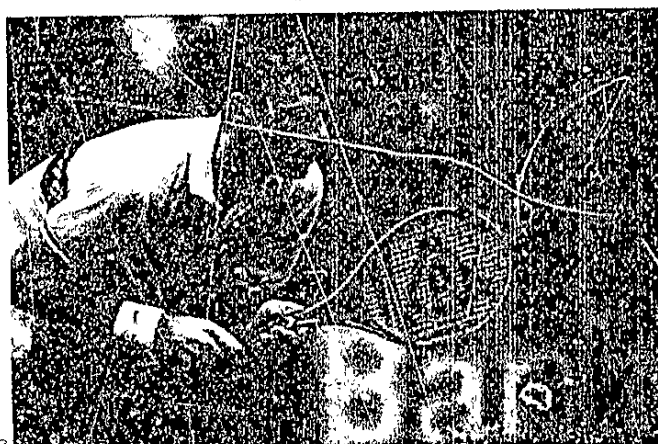
To support strategic growth, further steps were taken in 1987 to strengthen the business in global markets through local manufacture and the broadening of the product portfolio. This included commissioning a new 1000 tonnes per year plant producing polyetherketone and other speciality grades of 'Victrex' high performance polymers at Hillhouse in the UK, and the commissioning of the ICI Mitsubishi Chemical Industries Ltd joint venture advanced composite plant at Chigasaki, Japan. Approval was given for expenditure on manufacturing plant at ICI's Oestringen site in West Germany, and at Tsukuba City, Japan, to produce advanced composite materials and engineering compounds respectively. Approval was also given for expenditure in the USA on two new research and administration centres at Phoenix, Arizona, for



1 ICI Speciality Chemicals' emulsifiers have a world wide use in the formulation of oil in water and water in oil creams and lotions and a wide range of shaving and hair care products.

2 High performance lubricants from Tribol are delivered to an iron ore mine in the USA. One in two automobiles in the US is built using Tribol lubricants and support services.

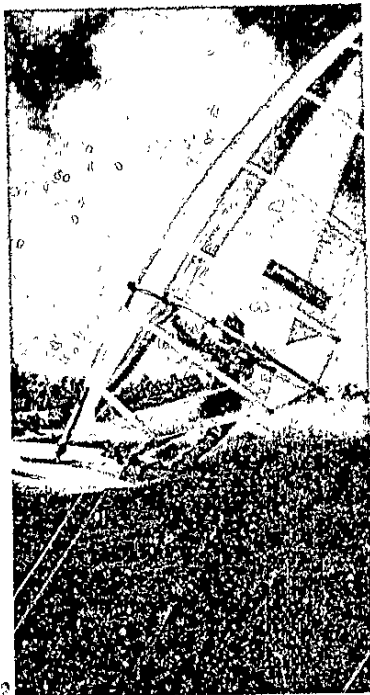
3 Star material for the stars 'Zyex' beats other rocket strings for power, control and lasting performance.



the expanding range of ICI composite materials and at Exton, Pennsylvania, for the engineering plastics business.

In 1987, the advanced materials business received the Queen's Award for 'Victrex' PEEK (polyetheretherketone), currently the highest temperature thermoplastic polymer in commercial production. It is used in many demanding applications normally requiring metal or ceramic materials in the electrical, oil, nuclear, chemical process, and automotive industries. It is also the resin base for ICI's market-leading APC carbon fibre reinforced thermoplastic composite pre-pregs. These materials, and recently developed higher temperature thermoplastic composites, are already under evaluation for applications in the electronics and aerospace industries.

Advanced materials research was further boosted by the opening of the Japanese Technical Centre at Tsukuba City in late 1987. Research at this centre will focus on the develop-



1. Final cleaning operation on a new area of election on. An (I) Water Technology client of pre-empt a compound compound at water for final inspection

2. A new water Melnex in use as windcatcher to

3. ICI films holds a substantial proportion of the world's polypropylene market, helping to brighten the world's chipper's of images



ment of materials, processes and applications, in which Japan is recognized as having world leadership

FILMS

The films business enjoyed strong performance in all sectors from floppy disc base to microwaveable packaging, and laser printing films to photographic base. ICI's bubble film manufacturing technology has allowed the production of a thick polypropylene film which is proving to be particularly effective in packaging applications where it is capable of replacing the more expensive paperbag in box format commonly used in the DIY market. The manufacturing assets of 'Propafilm', ICI's orientated polypropylene film, were reorganized at Merckbeke in Belgium into a wholly-owned ICI business following the termination of joint manufacturing arrangements with UCB SA. The business is growing strongly and the scene is set for the 'Propafilm' 25th Anniversary in 1988.

The 'Melnex' polyester film line at Aratu, Brazil, was successfully commissioned at the end of the year. Based on materials already manufactured in Brazil, the line provides the first local supply of raw film for the manufacture of X-ray and other graphic products. This new line offers an opportunity for Brazil to replace imports worth more than US\$35m per annum. Approval was given for the construction of an additional line for 'Melnex' at Hopewell, USA, at a cost of US\$50m to manufacture film for the North American market.

A new technical centre within Bexford Ltd, a wholly-owned UK subsidiary, will support ICI's films and electronics businesses. The centre will undertake a range of film-based development programmes designed for information storage, retrieval and display, including electronic photography. In Japan, the films business will further diversify its range of specialty and performance films through participation in the new Japanese Technical Centre. The Centre will strengthen the ability of the business to develop new grades designed specifically for Japanese customers.

Co-operation between ICI and Ube Industries Ltd of Japan has been extended to include the resale of Ube's 'Upilex' polyimide film in Europe and other world markets outside the Far East. 'Upilex', a high-temperature performance film, is a complementary partner to ICI's 'Stabar' film. Both products are finding new applications in electronics, aerospace and other high technology markets.

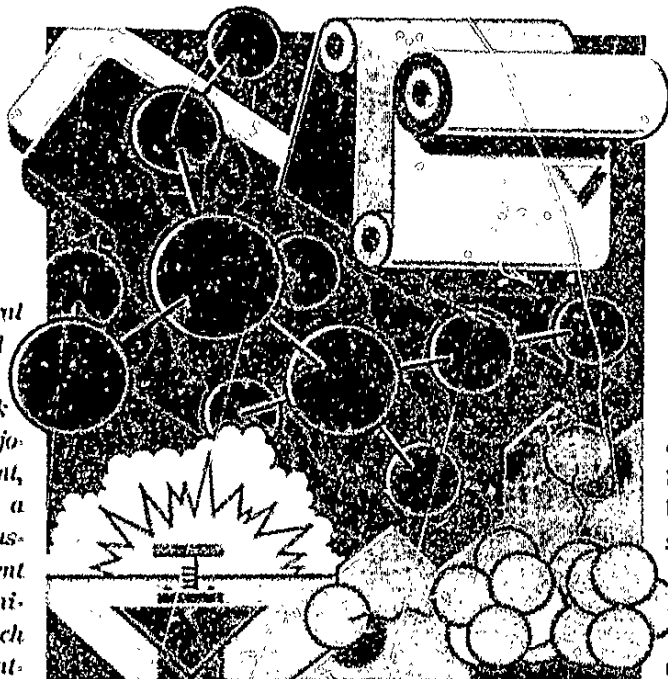
ICI, with its wide range of industrial products, is contributing to industry around the world.



INDUSTRIAL PRODUCTS



This segment comprises general chemicals, petrochemicals and plastics, synthetic fibres and industrial explosives. The bulk chemicals, which form the majority of products in this segment, are used as intermediates by a variety of manufacturing industries. In addition, the segment also includes a number of technically sophisticated products such as refrigerants, resins and coatings, and a range of accessories for use with explosives. Trading conditions for the segment in 1987 continued the improvement seen in 1985 and 1986, with many products fully sold as demand remained buoyant throughout the year. Whilst capacity limitations in certain products inevitably restricted sales, the better supply and demand balance has been of considerable benefit to the long term health of the European chemical industry. The increase in oil prices at the start of 1987 worked through the stock chains, and through the costs of related raw material and energy purchases and led to slightly reduced margins for some products as the year progressed.



TURNOVER*

1987 £5,170m (1986 £4,942m)

GENERAL CHEMICALS
£1,881m (£1,742m)

35%

PETROCHEMICALS & PLASTICS
£2,767m (£2,802m)

49%

FIBRES £668m (£624m)

12%

INDUSTRIAL EXPLOSIVES
£380m (£379m)

5%

TRADING PROFIT*

1987 £595m (1986 £458m)

GENERAL CHEMICALS
£206m (£166m)

35%

PETROCHEMICALS & PLASTICS
£319m (£316m)

62%

FIBRES \$41m (£33m)

7%

INDUSTRIAL EXPLOSIVES
£38m (£37m)

6%

*Banks exclude sales and profits within the Industrial Products segment

USA, the Netherlands, Spain, France, Kenya, Malaysia and Pakistan.

Sales in Western Europe continued to grow in 1987, added by a buoyant market and, in part, by the competitive position of sterling in relation to European currencies. Substantial progress was shown by the chlor-alkali products where, for the first time in recent years, demand for both chlorine and alkali was equally strong. At the beginning of the year construction commenced on a new caustic potash and chlorine plant at Runcorn in the UK using ICI proprietary membrane cell technology in the latest version of the FM 21 cell. The UK soda ash business, which has been in decline in recent years, benefited from rationalization and plant improvement programmes which coincided with

an upturn in demand from the glass and packaging industries.

The business also manufactures a range of chlorofluorocarbons (CFCs) which in 1987 represented around 7 per cent of General Chemicals' turnover. These materials have valuable characteristics that include very low toxicity and high chemical stability which have made them ideal for use in refrigeration and air conditioning plants, in plastic foams and insulation, as cleaning agents in the electronics



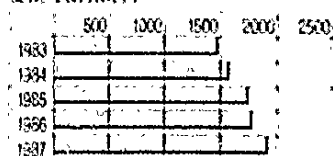
GENERAL CHEMICALS



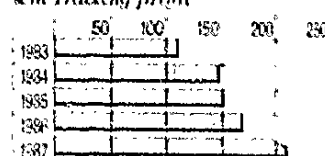
These chemicals are diverse both in the range of markets they satisfy and in their centres of manufacture. At one end of the spectrum are the large tonnage products based on salt, such as chlorine and alkali; at the other end lie a large number of specialized chemicals including a diverse range of chlorine derivatives and other performance chemicals. The principal centres of production are in the UK, West Germany, Canada and Australia. Production is also undertaken in the

GENERAL CHEMICALS

£m Turnover



£m Trading profit



industry and as aerosol propellants. Since the early 1950s there have been concerns that some of these materials, because of their great stability, would eventually penetrate to the upper atmosphere and lead to the destruction of the stratospheric ozone layer which performs an important role in protecting the Earth from ultra violet radiation. Despite extensive scientific study, to which ICI has contributed, it has still not proved possible to confirm the exact part that CFC's play in the ozone layer because of the extreme complexity of the physical and chemical reactions taking place in the stratosphere. In the absence of definite conclusions, ICI has supported the need for precautionary measures to be taken on a global basis to limit the production and use of CFC's. In September 1987, a Protocol was agreed in Montreal under the auspices of the United Nations Environment Programme and was signed by all major CFC manufacturing nations, including the UK. ICI welcomes the Protocol agreement, although the effect will be to reduce production and use of the main CFC's by up to 50 per cent over the next decade.

ICI is investing significant sums of money in research into and development of ozone compatible fluorocarbons intended to replace existing CFC's in most applications. All the necessary resource has been committed to make these alternatives available at the earliest possible opportunity; nevertheless, the need for rigorous toxicological testing before product launch will inevitably delay full commercialization by several years.

The resins and coatings business continues to promote ICI's leading technological position in water-based resins which have a lower environmental impact than solvent-based products. This business continued to bene-



fit from integrating the Polyvinyl companies acquired in 1987 as part of the Beatrice Chemical interests. New resins plants are under construction in the USA, the Netherlands and Spain, the first of which came on stream at the end of 1987.

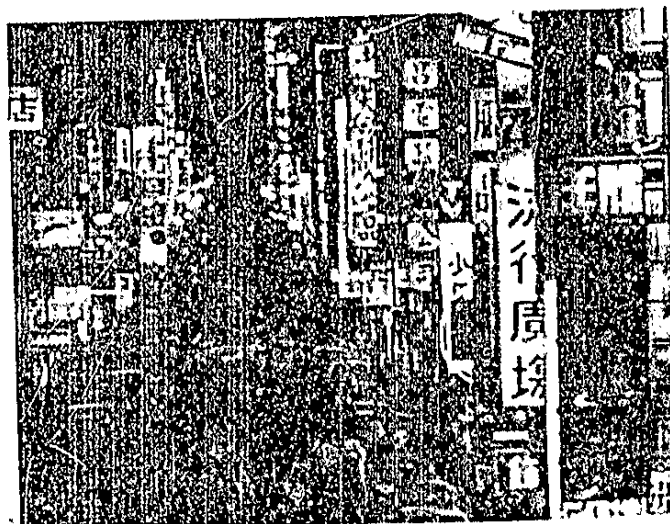
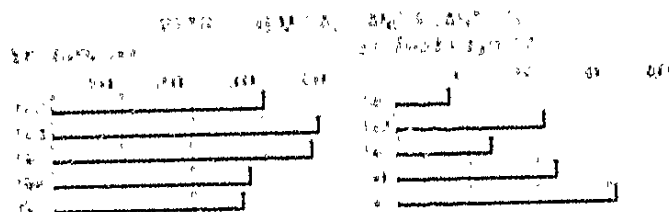
The Catalysts and Technology Licensing business was adversely affected by the worldwide depression in the methanol and ammonia markets.

In Australia, sales volumes were higher than those achieved in 1986, with considerable improvement resulting from better sales of soda ash, merchant products, and the addition of a full year's sales from CSK Chemicals Ltd. The production facilities at Osborne and Botany Bay also operated at peak capacity, aided by enhanced export opportunities resulting from the fall in the value of the Australian dollar.

In Canada there were higher sales of chlor-alkali products, whilst in Mexico a similar trend was evident as more stringent health requirements for public water supply led to increased demand for chlorine.

PETROCHEMICALS AND PLASTICS

The Group's manufacture of petrochemicals and plastics is now concentrated in Europe and Australia. During 1987, ICI's 1,5 ethylene oxide, ethylene glycol and derivatives business was sold, together with the Group's interest in the Corpus



British Petrochemical Company.

In Western Europe, plants operated close to capacity in response to continued buoyant trading conditions. This reflected the major structural changes which have taken place in the petrochemicals and plastics industry in Western Europe since 1980 and which have led to a much better balance between supply and demand. This favourable climate, combined with a strong Deutschmark and further efficiency and productivity gains by ICI, enabled profits to be improved despite a sharp rise in raw material costs caused by the sizeable recovery in oil prices.

Sales volumes in Western Europe for petrochemicals and plastics increased, aided by record production rates from most plants. Further capital expenditure was authorized to increase output and improve efficiency and flexibility. A notable example was a project to separate a by-product hydrocarbon stream into normal and iso-paraffins: the former for use as a high quality steam cracker feedstock and the latter as a high octane petrol component, especially important as lead free grades are introduced. A 55,000 tonnes per year expansion of terephthalic acid capacity was approved to give added strength to ICI's worldwide merchandising position. Also authorized were projects to improve efficiency and product quality in intermediates for nylon manufacture.

Major investments in polypropylene capacity were announced, to expand further ICI's highly competitive gas phase plants utilizing ICI's variants of the latest generation of catalysts. In addition the science base for this product has been further secured by a tripartite technical agreement with producers in West Germany and the USA. In the UK, the Acrylics group of businesses, comprising methyl methacrylate, 'Diakon' moulding powder and 'Perspex' acrylic sheet, which performed strongly, was brought together under a single management team.

During the year ICI acquired a surfactant business at Renory in Belgium. This enabled new products to be added to ICI's already extensive range, thereby further expanding this strategically important business.

Continuing its policy of rationalizing non-strategic areas of mainstream petrochemical and plastics operations, the Group announced in December 1987 the divestment of its 'Visqueen' polyethylene film business to Scott and Robertson PLC and, at the same time, the sale of its retail petrol business to Burnah Oil Trading Ltd. ICI will, however, continue to manufacture and sell bulk petrol and has agreed a long term supply contract with Burnah Oil.

The petrochemicals and plastics business in Australia continued the improvement first seen in the latter part of 1986, with both sales and profits exceeding those achieved in the previous year. Firm international markets, a growth in domestic demand and more favourable exchange rates all provided benefit. In Canada, considerable sales volume growth occurred in the plastics area.

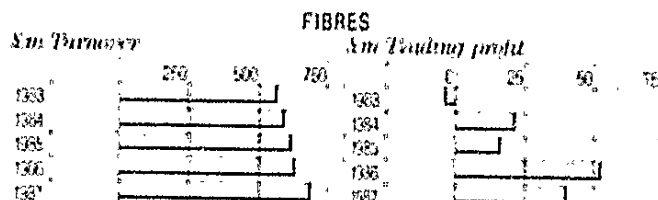
❑ FIBRES ❑

ICI is the largest polyamide (nylon) producer in Europe, with major production plants in the UK and West Germany. In addition, the Group has polyester fibre production subsidiaries in India and Pakistan.

While total consumption of all fibres in Western Europe remained at the level of recent years, prices in the



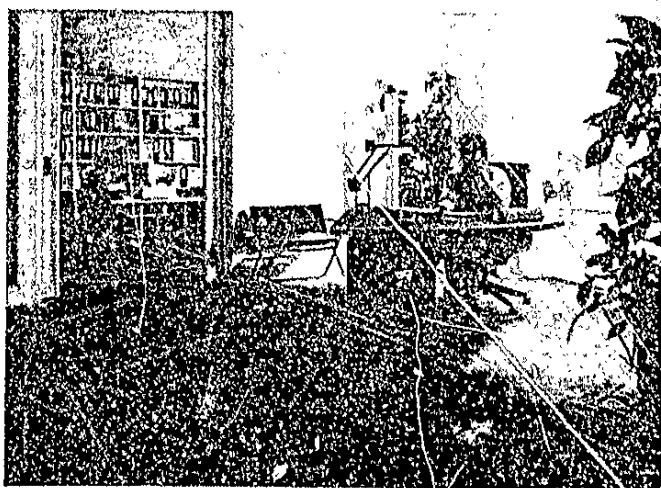
market were affected by the availability of imported, low cost polyester fibre. ICI benefited from a more robust nylon market helped, in particular, by a buoyant carpet sector and total sales were higher than those achieved in 1986. However, raw material prices showed a sharp increase during the year as production failures in a number of suppliers' plants



1 Sitting pretty on a garden chair made from 'Propathene', ICI's polypropylene

2 The 'Tactel' fibre brand name is now beginning to appear on quality leisurewear like this casual jacket

3 Carpet in Tactesse Hest, which gave an air of luxury to this office in West Germany



caused a short term reduction in capacity.

To complement its range of speciality fibres for the industrial and carpet markets, ICI has continued to increase the product specialization within its apparel business by withdrawing, during 1987, from commodity polyester staple production in the UK while at the same time increasing its polyamide apparel sales. Successful product development has enabled the range of 'Tactel' performance fibres to be extended and ICI's programme of equipment modernization will significantly enhance its ability to supply the speciality, high quality, performance fibres demanded by the apparel, carpet and industrial markets.

The US market, with its increasing emphasis on quality and performance, continues to be a most important market for ICI's fibre products outside Europe although the contribution, in sterling terms, from this market was reduced in 1987 as the dollar weakened.

In India, polyester fibre prices were lower but a new plant under construction will maintain competitiveness in this high growth market. In Pakistan, continued strong demand in the profitable local market led to full utilization of existing capacity and, during 1987, government permission was granted for investment in additional capacity.



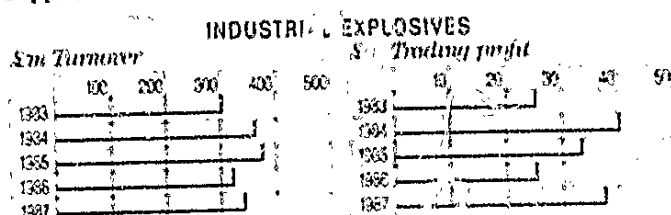
1. Natural rock and the sparkling jewels were brought to mining operations made possible by ICI's Brazilian explosives business

2. A scientist at ICI Explosives' Group Technical Centre examines a computer simulation of a micro-second detonation



up in 1988 and at which research into new explosives, accessories and blasting systems is concentrated, is generating novel concepts and products in all areas. Technical trials have been conducted in Australia with high accuracy electronic detonators and customer trials will now continue, concentrating on beneficial and cost-saving improvements to fragmentation and vibration control from high precision blasting. The 'Sabrex' computer model for blast design, developed by the GTC, has been well received in the field and is also featuring in laboratory work on fundamental physics and product design. These new developments are targeted on environmental benefits as well as customer and manufacturer efficiency.

□ **INDUSTRIAL EXPLOSIVES** □
The Group has major manufacturing facilities for industrial explosives in the UK, Australia, Canada, India and Brazil, with smaller factories in other parts of the world. These operations, together with those of the related company AIECI Ltd in South Africa, make the Group the world's leading international supplier of industrial explosives and blasting accessories.



The mining industry, which represents the major outlet for ICI industrial explosives, continued to experience moderate profitability in 1987, aided by a measure of recovery in metal mining towards mid-year and a stronger overall recovery in gold mining. The volume of explosives sales improved as a consequence, particularly in Australia and Canada. Continued attention to cost efficiency and customer service remained high priorities, and overall performance across the Group led to improved profit.

Open-cast coal mining experienced growth in both the UK and Indian markets where the Group was able to introduce new products and techniques, including bulk explosives delivery systems. Worldwide, the oil exploration industry saw a slight increase in activity from the very depressed levels previously experienced and this led to some recovery in sales for seismic exploration.

Field experience with the recently-introduced range of ICI emulsion explosives continued to be favourable, and new plants were brought into production in the UK, Brazil and Australia. This now completes the introduction of emulsion technology in the major ICI production facilities worldwide.

The Group Technical Centre (GTC), which was set

ICI is helping farmers in over 150 countries to grow food efficiently and at low cost, and is helping future generations through continued research.

AGRICULTURE

ICI continues to serve agriculture worldwide through its agrochemicals business, which is one of the largest in the world; by its newly emerging seeds business; and by fertilizer production and sales operations in selected major markets. The international business spread in this segment was considerably increased in 1987 by the acquisition of the agrochemicals interests of the Stauffer (Chemical Company Group ('Stauffer')). As the acquisition occurred in the second half of the year, the Group has yet to benefit from the seasonally high Spring sales.

Trading conditions in the agricultural industry remained difficult throughout 1987, highlighted by continuing but reducing overcapacity in the fertilizer industry. Under these circumstances, the Group made strenuous efforts to contain costs in the fertilizer sector and, with sales volumes slightly ahead of 1986, there was some improvement in trading results.

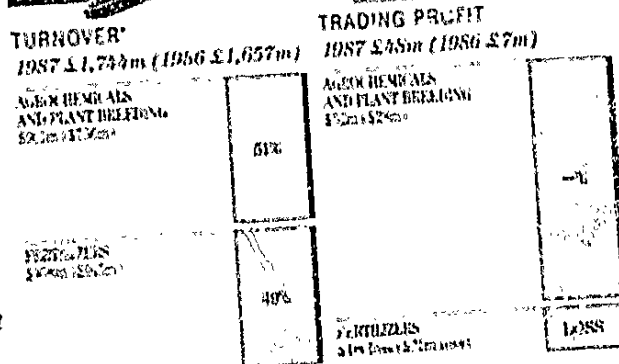
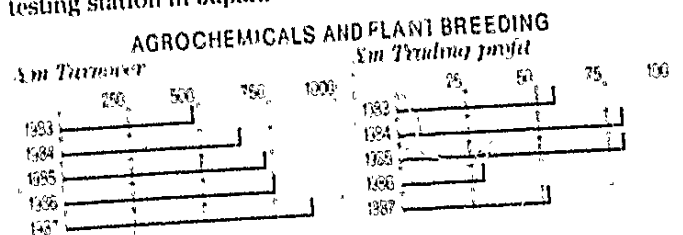
AGROCHEMICALS AND PLANT BREEDING

Augmented by the acquisition of the agrochemicals business of Stauffer, ICI became the third largest agrochemical company in the world. Market demand for agrochemicals in 1987 reflected the very mixed state of the world's agricultural economies. West European markets showed some growth, but the USA market declined slightly and overall growth was not strong. Against this generally depressed background, the agrochemicals business performed well in achieving strong sales growth and increasing its market share in most West European countries, the USA and other areas as diverse as

Brazil, Mexico, South Korea and New Zealand. Much of the growth resulted from the phased introduction of a number of new products over the last few years. Sales of 'Pusilade', a selective herbicide now used in over forty countries, continued to grow strongly, becoming a major contributor to sales and profits. ICI's newest pyrethroid insecticide, 'Karate', also performed well and was sold in a wide range of countries. 'Flex', a soya herbicide, took a major step forward with sales being made in the USA for the first time. New formulations helped the 'Impact' cereal fungicide range in the UK and France. 'Anell', a broad spectrum fungicide introduced in 1986, was sold in eight countries in 1987. During the year 'Grasp', a cereal herbicide, was launched in France, one of its largest

potential markets. ICI also expanded its marketing network by the addition of new selling organizations in Turkey and Pakistan.

New product introductions demonstrate the success of ICI's research, which was reinforced by two investments in 1987. The first of these involved new laboratories at Jealott's Hill in the UK whilst the second led to the opening of a field testing station in Japan.



Total excludes sales within the Agriculture segment

The expansion of Stauffer's agrochemicals business brings major international benefits to the Group. Stauffer's sales are concentrated in the USA and where these sales are combined with those of ICI, the resulting enlarged business is in better balance with world agrochemicals demand. In addition, over half Stauffer's sales are of well-established industry standard products for use on corn (maize) and rice, two crops where ICI was previously under-represented. Other products obtained from Stauffer cover a range of crops including oilseed rape, sunflowers and sugar cane. There are four Stauffer production sites in the USA, a large modern facility at Senefle, in Belgium, and

1. An example of a 2000-tonne agrochemical plant in Senefle, Belgium.

2. A Stauffer rice grower in Australia. Stauffer's rice products are sold in the USA and produce about 100,000 tonnes of rice for the USA and produce about 100,000 tonnes of rice for the USA.

3. ICI crop protection chemicals are sold in the USA and produce about 100,000 tonnes of rice for the USA.

4. A Stauffer rice grower in Europe. Stauffer's rice products are sold in the USA and produce about 100,000 tonnes of rice for the USA.

5. Agrochemicals from Stauffer are sold in the USA and produce about 100,000 tonnes of rice for the USA.



smaller plants in Brazil and Argentina. These additional manufacturing locations reinforce the international strength of the ICI agrochemicals business.

The development of ICI's seeds business continued in 1987. Further details can be found in the Business Developments and Investment section on page 23.



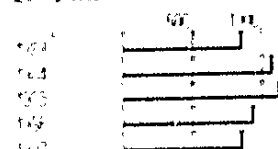
FERTILIZERS

ICI has major fertilizer manufacturing operations in the UK, Canada, Australia, India and Malaysia. The sector also includes related industrial chemicals, such as ammonia and carbon dioxide.

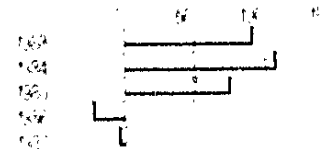
Throughout 1987, trading conditions in fertilizers continued to be depressed worldwide. In the UK, some protection against low priced imports of urea was obtained through restrictions imposed by both the EEC and by the UK Government, and the business loss was substantially reduced from the 1986 level.

FERTILIZERS

Ammonia



Ammonia profit



Given the continued difficult trading conditions, a radical rationalization programme was initiated. Two UK ammonia plants were closed, reflecting reduced exports and the prospective start up in 1988 of ICI plants employing new ICI technology. The fertilizer subsidiaries in England and Wales were merged into BritAg Industries Ltd, the Northern Ireland subsidiary, Richardson's Fertilisers Ltd, was merged with the Irish state-owned company Nitrogen Eireann Teoranta (NET) to form the associated company Irish Fertilizer Industries Ltd. The purchase of the minority interest in Scottish Agricultural Industries PLC was completed, allowing further cost savings.

In North America, trading conditions remained unfavourable, with acreage reductions and farm incomes increasingly under pressure. Over supply and slow growth in demand were only partially offset by improved export sales, although the latter did result in a modest fall in overall grain stocks. CIL's sales of fertilizers and ammonia again fell with the very low US Gulf ammonia prices severely affecting realizations. In Australia, the position was more satisfactory with improved sales volumes which were partially offset by lower realizations in some product grades. Competition, however, increased. In India, the failure of monsoon rains reduced sales of fertilizers whilst, in Malaysia, better commodity prices and confidence in the economy helped to improve sales.

Among the related products in this sector, the liquid carbon dioxide business continued to trade profitably.

In the longer term, the shadow of agricultural reform still hangs over the fertilizer industry and until the way forward becomes clearer, prospects will remain uncertain.

EUROPE

ICI's operations in Europe, including the UK, are undertaken by the Company and its wholly owned subsidiaries, organized along the lines of the major businesses. In Eastern Europe, ICI has sales offices in every country except Albania. The Group's main technological base is in the UK but the network of subsidiaries and offices provides a strong marketing force operating on a Europe wide basis, supported by manufacturing sites throughout the region.

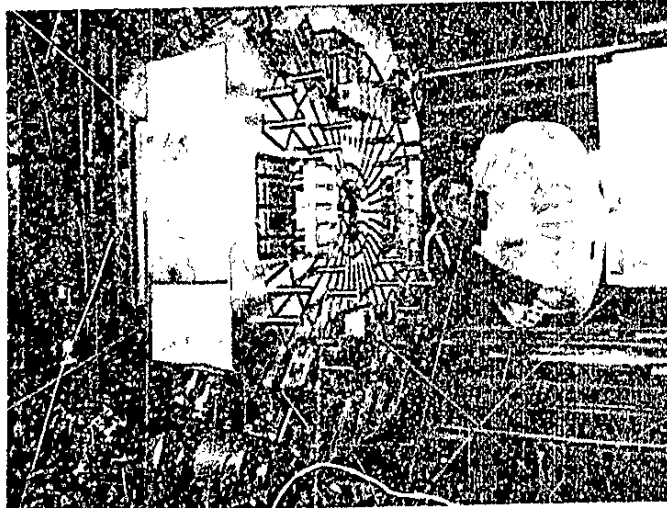
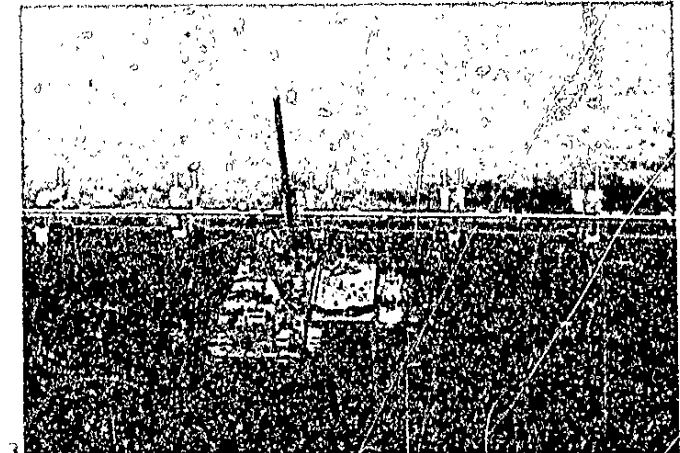
In the first full year of operation, ICI Chemicals and Polymers Group earned a trading profit of \$173m on total sales of \$1222m. This reflected strong demand and performance across a wide range of the businesses in its portfolio. The new management structure is allowing better utilization of resources and closer co-ordination of business direction. As a further stage in this major organizational change, the UK activities were transferred to a separate wholly owned subsidiary company, ICI Chemicals & Polymers Ltd, with effect from 1 January 1988.

The economies of Western Europe grew at 2 per cent in 1987, a slightly lower rate than in 1986, with both France and West Germany below this level at around 1 per cent. Chemical production, however, improved on its disappointing performance in 1986, with a 3 per cent increase. Against this background, the further rise in Group sales in Europe by 9 per cent was particularly satisfactory and indicated further market penetration on the Continent, where ICI sales to other Continental European countries slightly exceeded those to the UK.

Continued acquisition activity reported under Business Developments and Investment on page 20, allied to organic growth, further strengthened the Group's position in Europe. As a result, trading profits in Europe rose from \$621m in 1986 to \$801m in 1987.

In the UK, economic growth at 4 per cent was the highest rate recorded amongst the major European economies. Manufacturing output picked up sharply over 1986 and rose by over 5 per cent, leading to buoyant trading conditions in most markets, with the exception of the agricultural sector. ICI's exports from the UK (which are a major contributor to the UK's balance of payments) again increased, from \$2,228m in 1986 to \$2,448m in 1987, although prices remained under pressure. These exports include \$1388m to other European countries.

In Continental Europe, sales of consumer and specialty products again increased. There were strong performances by agrochemicals, pharmaceuticals, polyurethanes, paints, advanced materials, specialty chemicals, and colours and fine chemicals. Specific achievements included good sales in West Germany of the pharmaceutical product, 'Niften', a cardiovascular combination drug, and the successful launch in France, Spain and Belgium of the pyrethroid insecticide 'Karate'. In Italy, 'Pusilade' is now the largest selling agrochemical in the market. In Eastern Europe, although continuing economic problems exacerbated by shortages of foreign currency led to restricted opportunities, a 10 per cent increase in sales was achieved.



1. Gabor yarn is a new concept in baggage and sporting equipment line developed by ICI using the latest computer technology.

2. Moulded in polypropylene, this storage pallet is designed to hold a wide range of products, including pallets.

3. Polyester made from ICI's polyacetaldehyde guide counterweights, pointing a fixed beam, stretching across the River Scheldt in the Netherlands.

4. Polyurethane made from ICI's polyurethane, now reaching the market in the form of a film.



THE AMERICAS USA

ICI's operations in the USA comprise a rapidly expanding group of businesses under the umbrella of ICI Americas Inc. In 1987, the US business portfolio was expanded significantly by the acquisition of the Stauffer agrochemicals business which ensures for the Group ongoing leadership in this important market. Following the sale of the ethylene oxide and ethylene glycol businesses in mid-1987, more than three quarters of ICI's US earnings are now derived from consumer and specialty products, agrochemicals and plant breeding. Capital investment authorized in 1987 will double capacity for polyurethane products and substantially increase polyester film capacity. A second pharmaceuticals sales and marketing organization was established, responsible for launching new drugs to US healthcare outlets. New research and administration facilities for advanced materials came into operation in Arizona. Plans were approved for the construction of similar facilities in Pennsylvania.

The US economy produced another year of modest growth, but ended nervously with mixed signals for the future. Reduction of budget and trade deficits has been the major concern, together with the impact any remedial action would have on interest rates, the dollar and inflation. The dollar weakened throughout the year, narrowing real trade deficits. Despite increases in energy costs, inflation rates were contained, partly due to relative stability in interest rates.

Group sales and trading profits in local currency terms again reached record levels. In pharmaceuticals, 'Tenormin' continued its leadership in the beta-blocker market, 'Tenoretic' becoming the leading beta-blocker and diuretic combination drug in only its third year in the market; and sales of 'Nolvadex', a treatment for breast cancer, achieved a further 20 per cent increase in 1986. In the paints business, Glidden continued to increase its share of the decorative and industrial paints market. Agrochemicals recorded strong sales and profit growth, notably from 'Fusilade' and 'Gramoxone' herbicides and from the 'Ambush' and 'Cybush' insecticides. The specialty chemicals businesses, notably the Stahl Permethane units, continued their growth, and the films business recorded another year of strong sales and profit improvements despite capacity constraints. The polyurethanes business achieved record sales and profits, including a doubling of sales of formulated products. The advanced materials business achieved substantial sales growth and the colours and fine chemicals business continued its recovery with further sales and profit improvement.

CANADA

ICI's operations in Canada are conducted principally by CIL Inc, owned 72 per cent by ICI. CIL is a major Canadian supplier of chemicals and related products, mainly to primary industries in North America. Sales in the USA accounted for 22 per cent of CIL's sales of more than Canadian \$1.3 billion.

Sales in local currency terms were 4 per cent higher than 1986. After adjusting for the 1986 divestment of the mining equipment business, sales on a comparable basis increased by 7 per cent. Profits for the year were considerably higher as a result of renewed strength in several key customer industries, cost containment and productivity improvement.

Improvements in operating profit were realized

1. ICI's agrochemicals business, particularly its herbicide 'Fusilade', continues to be a major contributor to the Group's earnings in the USA.

2. ICI's specialty chemicals business, particularly its paint and coating units, continues to be a major contributor to the Group's earnings in the USA.

3. ICI's pharmaceuticals business, particularly its sales and marketing organization, continues to be a major contributor to the Group's earnings in the USA.

4. ICI's advanced materials business, particularly its polyurethane and polyester film units, continues to be a major contributor to the Group's earnings in the USA.



across a broad range of business units, particularly those which supply the mining, oil and gas, and pulp and paper markets. The performance in these economic sectors was much stronger than that of the overall North American economy. Demand for explosives and blasting accessories was stimulated as a result of higher metal prices and tax incentives. The pulp and paper industry operated at capacity during 1987, increasing its chemical consumption, and rising world oil prices influenced oil companies to renew exploration efforts and hence led to higher sales of explosives. Increased sales were also achieved through the successful introduction of new 'Aquabase' basecoat paint technology to the automotive industry.

CIL's agriculture business experienced difficult conditions during 1987, as the world slump in fertilizer markets continued. There were, however, some noteworthy achievements. The Company succeeded in negotiating a significant reduction in the price of natural gas, the basic feedstock for nitrogen fertilizers, to levels close to parity with competitors in the United States. In addition, major gains were made in sales of crop protection chemicals, particularly the herbicide 'Fusilade'.

LATIN AMERICA

Many of the Latin American economies continued to suffer difficulties, mainly relating to the unresolved problem of internal and external debt, and a consequent slowing in growth. In spite of this environment, the wholly owned ICI companies in Argentina, Brazil, Mexico and several smaller territories experienced satisfactory sales and profits in 1987. In particular, ICI's key businesses achieved encouraging growth, with colours in Brazil again producing outstanding results. The new 'Melinex' polyester film line in Brazil was successfully commissioned at the end of the year and is expected to contribute progressively. A bulk drug pharmaceutical plant was built in Mexico in 1987 and another is under construction in Argentina for completion in 1988.

❑ AUSTRALASIA, JAPAN AND THE FAR EAST ❑ AUSTRALASIA

The Group's operations in Australasia are conducted by ICI Australia Ltd (62 per cent owned by ICI) and its subsidiaries, including ICI New Zealand Ltd. The companies are in the forefront of manufacturing industry in Australia and their activities are wide ranging, covering a broad spectrum of industrial, agricultural and specialty products.

The greatly improved results achieved by ICI Australia reflected firm demand in most markets. The industrial and specialty chemicals businesses experienced higher demand and improved profitability, while in plastics and olefines the strong profit recovery was due to strengthening international markets which gave rise to a better supply and demand balance for petrochemical and plastics products. The paints business showed a healthy improvement, despite strong competition. Although sales of industrial explosives were higher, the business was affected by industrial disputes in the coal industry and increased competitive activity.

Sales of agricultural products showed some growth, but profitability suffered from depressed prices for some commodities on world markets.

The consolidation of ownership of ICI Australia's interests continued with the acquisition of the outstanding 50 per cent of shares in both Propafilm (Australia) Pty Ltd and Polycell Products Pty Ltd. A number of small acquisitions were made, with further investments in new business areas such as scientific instruments and building chemicals and products as well as in existing businesses.

In New Zealand, government policies to restructure the economy resulted in considerable contraction in the industrial sector and negative growth in the economy at large. Adverse trading conditions continued throughout 1987. The agricultural recession, declining industrial activity, lower consumer demand and intensified competitive activity all resulted



1. Studying the effect of a new herbicide on wheat crops in New Zealand. The herbicide is being tested for its effectiveness against weeds.

2. For a profitable and profitable export, the ICI Australia group of products is being sold to the Japanese market.

3. The ICI Australia group of products is being sold to the Japanese market. The ICI Australia group of products is being sold to the Japanese market.

4. The ICI Australia group of products is being sold to the Japanese market. The ICI Australia group of products is being sold to the Japanese market.

in reduced profitability despite the containment of costs and divestment of unprofitable and non-strategic businesses.

JAPAN

ICI is primarily represented in Japan by ICI Japan Ltd, a wholly owned subsidiary merchandising a wide range of imported products. ICI also has wholly owned and joint venture arrangements to manufacture and market pharmaceuticals, agrochemicals, 'Fluon' polytetrafluoroethylene, advanced fibre composite materials and polyurethanes.

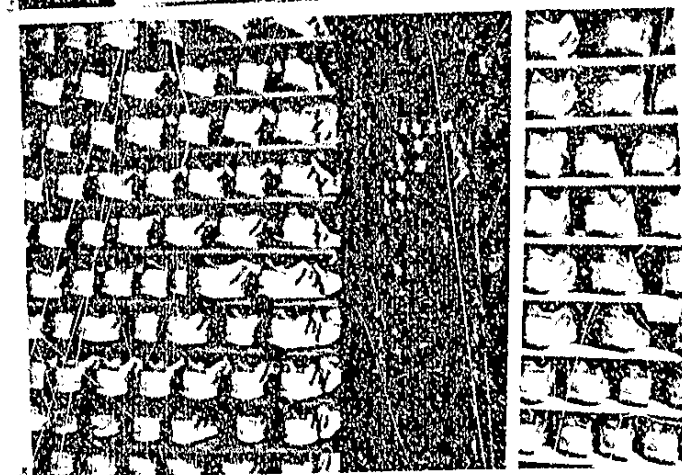
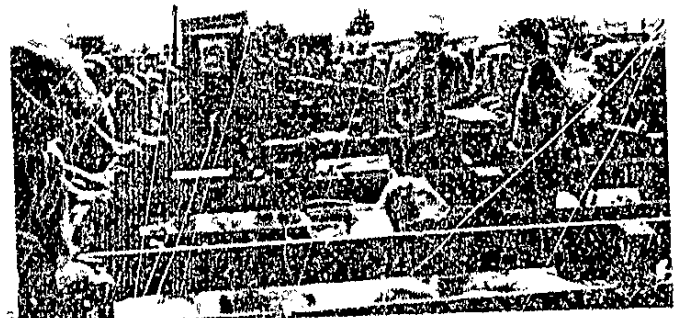
The Japanese economy enjoyed further growth in 1987, with domestic demand stimulated by Government budgetary initiatives. This change in emphasis had a beneficial effect on the performance of most of ICI's businesses in Japan, with significant increases in growth being achieved. The pharmaceuticals business continues to perform particularly well, with the ICI Pharma Manufacturing Ltd factory completed on schedule and now in operation.

The new ICI Japan Technical Centre at Tsukuba City was opened formally by the Chairman in October 1987. This new facility will play a major part in the development of ICI's advanced materials and in creating product opportunities for electronics both in Japan and elsewhere. The acquisition of Stauffer brought valuable products to ICI's agrochemical portfolio for the Japanese markets. In addition, a new



Agricultural Research Station was opened as part of a major initiative to focus more of ICI's agrochemicals research and development work on Japanese agriculture.

A number of new business initiatives were started during 1987 reflecting ICI's determination to continue to grow in this important market.



OTHER FAR EAST COUNTRIES

ICI (China) Ltd, based in Hong Kong, co-ordinates the Group's activities in the People's Republic of China (PRC), Hong Kong, Taiwan, Korea and Indo-China. 1987 sales of both manufactured and locally manufactured products rose by around 25 per cent on the previous year to new record levels. This impressive result spanned all products (of which effect chemicals form an increasing share) and all territories, with the export-led economies of Hong Kong, Taiwan and South Korea being especially important. Sales to the PRC recovered well from the low growth experienced in 1986. The Group manufacturing facilities in Taiwan were further expanded with the addition of a polyurethanes formulation facility brought on stream ahead of schedule.

ICI's operations in the ASEAN group of countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei) together with Burma are co-ordinated by the ICI ASEAN Group of companies from Malaysia. During the year the ICI companies in Malaysia were successfully restructured in accordance with Malaysian Government requirements. ICI reduced its overall holding, but retained control of the public company, the Chemical Company of Malaysia Berhad, which now has four major subsidiaries involved in the production and marketing of agrochemicals, fertilizers, industrial chemicals and paints. In Malaysia, the recovery in commodity prices resulted in increased demand for fertilizers, with the agrochemicals business steady despite strong competition. However, the paints business remained sluggish due to poor conditions in the motor and property sectors. Helped by the improved performance of the manufacturing sector in the region, demand for chlor-alkali products and industrial chemicals was stronger. The agrochemicals and paints businesses in Thailand did well.



1 Beauty and elegance in a new street. The traditional architecture and lanterns are a perfect blend with the modern life.

2 Research and development of new products and processes.

3 Export goods to the Middle East. The Middle East is a major market for ICI products.

OTHER TERRITORIES

INDIA

ICI operates in India principally through ICI Ltd, a 50.8 per cent owned subsidiary. Colours manufacture and sales are undertaken by a related company Aro Industries Ltd, in which ICI has a 50 per cent shareholding.

Group performance in India in 1987 was overshadowed by the failure of the monsoon rains which affected the whole economy and exacerbated the continuing problems in the agricultural sector. Because of the severe drought, fertilizer sales were much reduced and the position was made worse by continued imports of fertilizer products contracted for purchase in earlier years. Only in the smaller agrochemicals sector was the position more satisfactory, with improved sales of 'Gramoxone' herbicide being noteworthy.

In the textile sector, strong competition was much in evidence, mitigated to some extent by ICI's extensive product range. Vat dye sales were also adversely affected. Elsewhere, trading was more robust and profits improved in explosives, paints, rubber chemicals and pharmaceuticals. Overall, however, ICI's sales suffered a reduction of 10 per cent on 1986 in local currency terms and trading profit was 17 per cent lower.

PAKISTAN

The Group's interests in Pakistan are managed by ICI Pakistan Ltd, owned 62 per cent by ICI. In 1987 substantial increases were achieved in both sales and profits. These were largely due to an excellent result in the polyester fibre business where Government authority to increase fibre production considerably has now been obtained. Soda ash sales were disappointing but profitability was maintained at 1986 levels. In the paints business, sales volumes increased, but competition remained severe and adversely affected profitability.

Based on the good growth achieved in the markets for agrochemicals and pharmaceuticals, authority is being sought from the Government of Pakistan to invest in local formulation plants for both these businesses.

AFRICA

Export sales from the UK to Africa were \$152m, slightly above the 1986 total. There was growth in agrochemicals, paints, polyurethanes, general chemicals and explosives but a decline in sales of petrochemicals and plastics and, to a lesser extent, fibres, colours and pharmaceuticals. Trading in certain African countries is heavily dependent on multilateral and bilateral aid programmes, which are variable from year to year.

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 upon request.

MIDDLE EAST

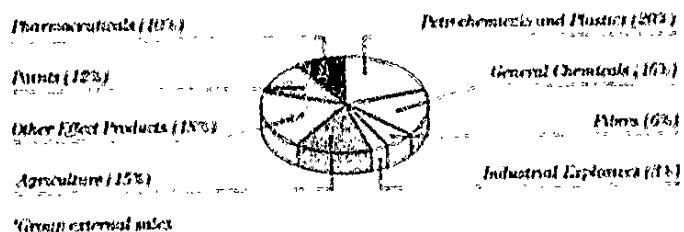
Sales to Turkey increased by 20 per cent. Elsewhere, difficult trading conditions resulted in a 6 per cent decline in total sales to this region. Despite this trend, sales of agrochemicals, colours and polyurethanes showed significant increases over the previous year.

TURNOVER

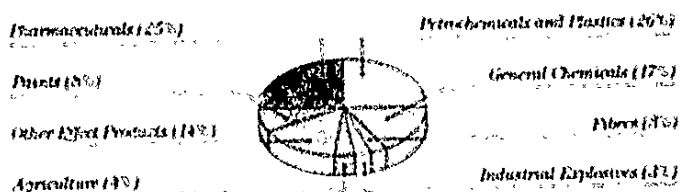
The Group's turnover from trading operations, as described in the earlier part of this Report, was \$11.1 billion, an increase of 10 per cent on the \$10.1 billion in 1986. Turnover in sterling terms was 7 per cent higher in the UK, 10 per cent up in Continental Europe and increased by 19 per cent in the Americas. Sales in the rest of the world were 2 per cent higher than in 1986.

ICI achieved an 11 per cent overall increase in sales volume of which 5 per cent arose through acquisitions comprising, in the main, the Stauffer Chemicals and Glidden Paints businesses. Most of the organic growth of 6 per cent occurred in Continental Europe, the USA, Canada and Australia. Selling prices in local currencies improved on average by 2 per cent with prices advancing more strongly in the US, Australia and the Far East. There was a reduction of 3 per cent as a result of changes in exchange rates due principally to the relative weakness of the US, Canadian and Australian currencies against sterling, partially offset by the strength of the Deutschmark and other European currencies. Turnover and trading profit by business sector are shown below.

1987 TURNOVER* BY BUSINESS SECTOR



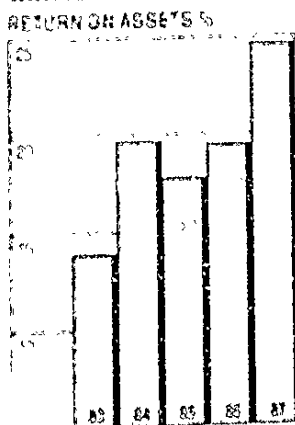
1987 TRADING PROFIT BY BUSINESS SECTOR



PROFITS

The profit from trading operations was \$1,297m compared with \$1,049m in 1986 and Group profit before taxation was \$1,312m (1986 \$1,016m). Pre-tax profits included for related companies were \$157m compared with \$95m in 1986, reflecting a strong performance across the range of the Group's interests and also the inclusion for the first time of ICI's share of pre-tax profits of Enterprise Oil plc. (Further details of related companies are given overleaf.) Financing costs rose from \$128m in 1986 to \$142m.

The charge for taxation was \$504m (1986 \$382m) representing 38 per cent of profit before tax, the same as last year. The charge comprised \$219m of UK taxation, \$229m of overseas taxation and \$56m of taxation on related companies.



Earnings for Ordinary Stockholders were \$760m before extraordinary items compared with \$600m in 1986. Earnings per \$1 unit of Ordinary Stock were 113.6p (1986 92p).

The return on assets employed was 24.4 per cent compared with 19.4 per cent in 1986.

In view of the suspension of the mandatory status of UK Statement of Standard Accounting Practice No. 16, ICI has decided, as last year, not to publish current cost accounts as part of its annual accounts. The inflation-adjusted profit before tax for 1987 (on the same basis as SSAP 16) was \$1,138m (1986 in 1987 \$'s \$998m) compared with \$1,312m (1986 unadjusted \$1,016m) in the historical cost accounts. The principal adjustments to 1987 profits were:

	\$m
Cost of sales adjustment	-50
Monetary working capital adjustment	-4
Supplementary depreciation	-206
Gearing adjustment	+65
Earnings per share on a current cost basis were 89p (1986 equivalent to 89p in 1987 terms).	

EMPLOYEES' PROFIT-SHARING SCHEME

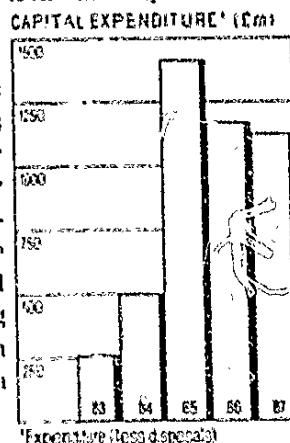
The rate of bonus is derived by reference to a pre-determined scale based on the ratio of added value to employee costs. The rate for 1987 is 8.6p per \$1 of remuneration (at a total cost of \$5.1m) compared with 8.1p (\$50m) in 1986.

DIVIDEND

A second interim Ordinary dividend of 25p per \$1 unit, which the Annual General Meeting will be asked to confirm as the final dividend for 1987, is payable on 5 April 1988. This, together with the first interim dividend of 16p per \$1 unit paid on 5 October 1987, makes a total Ordinary dividend of 41p for the year, an increase of 5p from 1986. The gross equivalent of this (including the related tax credit) is 56p. The payment of these dividends was \$227m (1986 \$238m), leaving \$483m (1986 \$319m) in the business.

FINANCE

The Group's financial position remains strong, with funds generated from operations of \$1,798m (1986 \$1,485m). The year started with Group net liquid resources (cash and short-term investments less short-term borrowings) of \$251m and during the year net repayment of loans amounted to \$24m. Substantial funds were therefore available to finance acquisitions and new investments which cost \$544m (1986 \$578m) and expenditure on new tangible fixed assets of \$708m (1986 \$643m); for details see page 23. Requirements for working capital which were tightly controlled were nonetheless substantial in 1987 as a consequence of the higher level of trading and amounted to \$187m (excluding working capital taken over with acquisitions), compared with a decrease of \$94m in 1986.



The major new borrowing was a sterling domestic bond issue of \$100m at 9½ per cent interest repayable in 2005. Ordinary Stock issues by ICI in 1987 totalled 19 million units, of which 6 million units related to employees' profit sharing and share option schemes and 13 million units were issued on conversion of loan stock and exercise of warrants; the total value of Ordinary Stock issued, including share premium, was \$140m. Group net liquid resources at 31 December 1987 were \$87m.

AUDITORS

The Auditors, Peat Marwick McIntock, are willing to continue in office, and a resolution reappointing them, and authorizing the Directors to fix 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 1987, provided for in the Group accounts, amounted to \$410,000 (1986: \$710,000). The total figure for the Group was \$3.8m (1986: \$4.8m) 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 the subsidiaries operate.

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 53.

AECL LTD

AECL Ltd, the South African Group in which ICI has a 38 per cent interest, produces a wide range of industrial explosives for mining and other commercial uses, general chemicals, plastics, vinyl products, paints, fibres and fertilizers.

Sales by AECL increased to \$328 billion in 1987, despite the uncertain state of the South African economy. Net trading income improved to R289m and earnings per share advanced to 138 cents.

ENTERPRISE OIL plc

On 30 January 1987, ICI merged its oil and gas interests (other than the oil trading and refining activities) into Enterprise Oil plc (Enterprise) in exchange for 25 per cent of Enterprise's enlarged share capital. Enterprise is a substantial independent oil and gas exploration and production company, operating mainly in the United Kingdom sector of the North Sea.

In the first half of 1987 Enterprise generated a profit before taxes of \$37m on turnover of \$111.9m.

EUROPEAN VINYL CORPORATION (HOLDINGS) BV

European Vinyls Corporation (Holdings) BV 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).

The European PVC market improved in 1987 and the EVC group had an encouraging first full year of operation in turning round the performance of the VCM and PVC businesses formerly run separately by ICI and EniChem.

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.

Demand for these pigments remained strong during 1987 and this was reflected in first half year profits before tax of \$79m as against \$52m for the same period in 1986 and \$115m for the whole year.

STOCKHOLDERS

At the end of 1987 the register of stockholders consisted of 343,592 Ordinary Stock accounts, and 193,600 accounts in respect of all classes of Loan Stock. The following table analyses the holdings of Ordinary Stock:

Size of holding £	Number of Ordinary stockholders' accounts	Amount £m
1-250	166,070	10
251-500	85,056	32
501-1,000	63,882	46
1,001-5,000	34,327	50
5,001-10,000	1,151	8
10,001-50,000	1,148	28
50,001-1,000,000	775	166
Over 1,000,000	83	318
All holdings	343,592	670

In addition to the number of registered stockholders shown, there are approximately 12,000 holders of American Depositary Receipts. The ADRs, each of which is equivalent to four £1 Ordinary Stock units, are issued by Morgan Guaranty Trust Company of New York.

As at 15 February 1988 (one month prior to the date of the Notice of Meeting) Morgan Guaranty Trust Company of New York had a non-beneficial interest in 265,655,656 Ordinary Stock of the Company (being approximately 0.7 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 stock comprising 5 per cent or more of the Issued Ordinary share capital of the Company.

ICI Ordinary Stock is listed on all the major West European Stock Exchanges and, in the form of ADRs, on the New York Stock Exchange.

To assist the Company's objective of achieving further business growth in the very important Japanese market, the Board will keep under review the possibility of applying for a listing on the Tokyo Stock Exchange. If such an application is made and accepted, then, in order to meet the requirements of the Tokyo Stock Exchange, it would be necessary to change the date of payment of the Second Interim Dividend. This would most likely be deferred from the first week in April to later in the same month. It is for this reason that the normal date for payment of the Second Interim Dividend is not shown in the Financial Calendar.

BUSINESS DEVELOPMENTS AND INVESTMENT

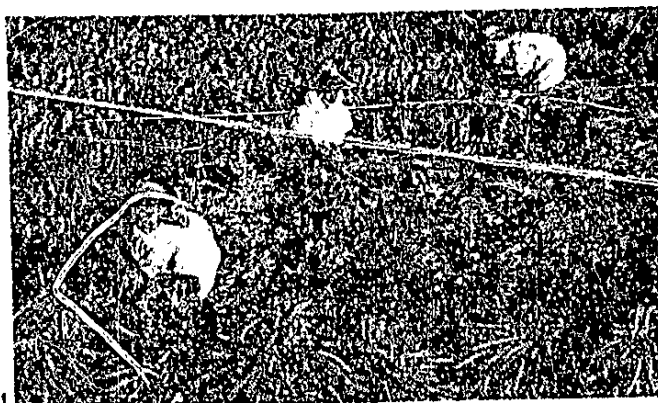
For the Group worldwide, extensive acquisition activity continued during 1987. Further expansion in effect chemicals and a better balance between the Group's activities and the international markets for chemicals have been two themes underlying ICI's acquisitions in 1987. By far the most important acquisition, and the largest to date to be undertaken by ICI, was the purchase of Stauffer Chemicals for US\$1,602m in cash completed in late July; loans aggregating US\$233m were also assumed. ICI was primarily interested in the Stauffer agrochemicals business and proceeded to divest the non-strategic basic and speciality chemicals businesses acquired as part of the initial acquisition package. Within a month of the original acquisition being agreed the sale of the Stauffer speciality chemicals businesses to Akzo N.V. was announced and in September agreement was reached with Rhône-Poulenc Inc. for the sale of the basic chemical businesses of Stauffer Chemicals. Hence, within a six month period, ICI had acquired a significant position in agrochemicals at a net cost of under US\$800m (£500m) before any account is taken of further small disposals which are expected to occur in the formulated foods, fabricated plastic products and chlor-alkali areas.

There were further acquisitions for the seeds business. In June, the acquisition of Société Européenne de Semences S.A. (SES) expanded the seeds interests of the Group into the important Continental European market by adding positions in sugar beet, maize, soya and cereals. In addition, the purchase of rights from Rohm and Haas Co. to their patented chemical hybridisation technology and the acquisition of the UK cereal breeding assets of MMG (United Kingdom) Limited further reinforced ICI's position as one of the ten largest seed companies in the world.

Elsewhere in the world a number of small acquisitions and share purchases occurred. In Australia, for example, the outstanding shares in Propafilm (Australia) Pty Ltd were purchased, as were those in the Polycell subsidiary, together with smaller acquisitions in strategically important niche activities. In total, the Group made some 30 acquisitions and 14 divestments in 1987, a small increase on the previous year.

Capital expenditure on tangible fixed assets was substantially higher in 1987, with emphasis continuing to be placed on the upgrading of existing assets and necessary expenditure on safety, health and environmental items to ensure maintenance of high standards of operation. Fifty per cent of this expenditure was in the UK where almost half of the Group's assets are located. Specifically, research in plant molecular biology was given a further impetus in the UK with the authorization of laboratory facilities at Jealott's Hill. Also during the year approval was given for the expansion of agrochemicals manufacturing facilities at Grangemouth, Scotland. In addition, the Company continues to approve capital expenditure at the rate of just under £100m a year for the pharmaceuticals business. Within this expenditure, production capacity in Italy for 'Diprivan', an intravenous general anaesthetic, was authorized, whilst over half of the total continued to be spent in the UK on a large number of small projects.

The Group's presence in the USA was reinforced further by two major projects. The first was for an additional



1 Harvesting a rice crop in the Far East produced with the help of agrochemicals supplied by Stauffer Chemicals, one of ICI's acquisitions during 1987

2 Professor Alec Jeffreys, FRS, pioneer of DNA fingerprinting, holds up a completed case for examination at the launching of the technique in the United States by Cellmark Diagnostics



'Melinex' polyester film line at Hopewell to manufacture thick film for the North American graphics and industrial markets. The second involved an expansion of capacity at Gormar, in Louisiana, for the buoyant polyurethanes business. A number of projects were authorized for the advanced materials business including research, administration and production facilities in the USA and West Germany. In Australia, expansions in caustic/chlorine capacity and ammonium nitrate, together with replacement and upgrading expenditure for formaldehyde and ethylene oxide and derivatives production were approved.

The table below summarizes Group authorizations and expenditure on tangible fixed assets; it also shows expenditure on acquisitions and other new investment and the proceeds from divestments. In 1985 and 1986 tangible fixed assets include oil exploration expenditure.

	Authorized			Expenditure		
	1985	1986	1987	1985	1986	1987
	\$m	\$m	\$m	\$m	\$m	\$m
Tangible fixed assets:						
United Kingdom	443	320	313	370	365	357
Continental Europe	52	72	136	36	57	77
The Americas	127	127	188	147	137	181
Other countries	91	131	112	81	84	90
	716	650	749	634	643	708
Total authorized but unspent at end of year				576	583	624
Expenditure on acquisitions and other new investments				814	578	514
Proceeds from disposal of tangible fixed assets and investments in subsidiaries and related companies				(51)	(65)	(140)

The international spread of ICI's research and technology effort was strengthened further in 1987. In October, the Chairman opened the new Japanese Technical Centre at Tsukuba City. The Centre provides for close collaboration with Japanese companies in developing ICI's new products in data storage and retrieval, advanced materials and films and in new products that need to be developed in harmony with Japanese technology.

ICI Australia Ltd is spearheading the Group's development into high technology ceramics through its new business in zirconia. In Canada, CIL Inc leads in waste disposal technology and in India the ICI Group is undertaking work on the rheology of emulsion explosives. Recent acquisitions have further expanded the international dimension of research and technology and, at the same time, strengthened the Group's science base. Glidden has added powder coating to the range of ICI technology in the paints business. 'Aqua-base' basecoat is a UK response to the worldwide demand for paints that are free from solvent. The acquisition of Stauffer has augmented agrochemicals research and development in the USA and provided complementary new products covering crops such as rice where ICI was not well placed. Acquisitions for ICI's new seeds business combine time-honoured plant breeding skills with novel methods of genetic engineering and provide the vehicles to convey ICI's capability in plant bioscience into international markets.

There is a closely-integrated research and development programme for pharmaceuticals to cover the work being carried out in the UK and the USA in defined therapeutic areas. This has recently been strengthened by the incorporation of ICI's Group expertise in bioscience related to the human body.

The advanced materials business involves tailor-made materials for the specified purpose of particular customers. For that, it is essential that development of materials goes hand in glove with customers that are at the leading edge in their own technology. A development centre in Phoenix, Arizona, came into operation in 1987 to serve West Coast aerospace and defence industries in the USA and a technical centre will be opened at Exton, Pennsylvania, to provide services for East Coast USA industry. The understanding of materials science and provision of new products that underpins

the advanced materials, films, electronics and polyurethanes businesses, will be enhanced at a materials centre based at Wilton on Teesside.

In plant and mammalian bioscience, in materials, in colours, and within ICI Chemical & Polymers Ltd, various science and technology skill centres are now established. These provide for closer association of research with business targets and, at the same time, enable skills to be assembled in multi-disciplinary teams to tackle particular issues. The electronics group, for example, has brought together ICI expertise in films, coatings, colours and process technology to provide prototype products for the new wave of data storage and electronic photography.

ICI worldwide is nourished and distinguished by the excellence of the scientific and technological community in the UK. The Group draws strength, for example, from its association with the Science and Engineering Research Council's Advanced Computing Centre at Daresbury and from numerous joint research projects with UK universities.

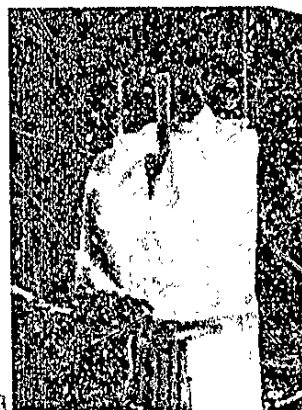
The UK remains the heartland of ICI scientific activity. Increasing international interests sharpen ICI interest in the quality of education and the excellence of teaching and research in the UK and elsewhere. ICI will continue to be a major vehicle by which many of Britain's finest scientific and technological talents enhance the welfare and living standards of people across the world.

ENGINEERING

Innovative engineering has contributed significantly to the development of competitive products and processes. For example, 'Provue' 3D new design software developed by ICI's Engineering Department helped to optimise the design for the new Severnside ammonia plant in the UK and achieve significantly lower costs. This type of development is not only a product of the innovative work being done in engineering but is also a result of the closer links now being made between engineering, the businesses and their research and

technology. The UK-based centre for ICI's engineering is increasingly involved in co-operative international projects overseas where, as in the UK, safety continues to be a key element of the project work. New plants are subjected to a rigorous hazard study procedure at the design stage, the objective being either to eliminate hazards through innovative technology or to ensure that they are subject to effective control measures.

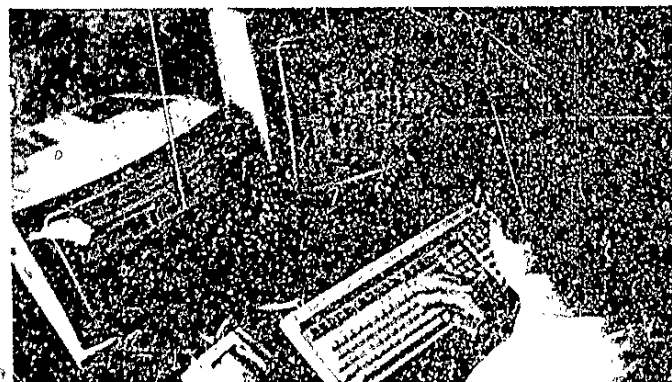
Skilled staff must also be available in the various territories in which the Group operates and to this end worldwide training of staff in hazard assessment and the promotion of high professional standards is undertaken.



1 Examining a 3D image picture produced by ICI's Hazardous Molecular Design Laboratory

2 Provue 3D advanced software for product design developed by ICI's Engineering Department

3 Using the computer graphics technology centre in Japan to design a new product for the global market



The increasing pace of change and growth in the Group's business reinforces the importance of the priority which has always been placed on the development and training of employees. Quality of management and staff at all levels is a strategic asset in developing the competitive position of the Group as a whole. In 1987, the average number of people employed by the Group was 127,800 (121,800 in 1986) of whom more than half were employed in 60 countries outside the UK.

EMPLOYMENT WORLDWIDE

The worldwide position of the Group is reflected fully in the distribution of its employees. In 1987, 44 per cent of the people working for ICI were employed in the UK, 23 per cent in the Americas, 12 per cent in Continental Europe, 11 per cent in Australasia, Japan and the Far East and 10 per cent in India, Pakistan and the rest of the world. Included in these numbers are about 18,000 employees (14 per cent of the worldwide total) who have joined the Group in the past three years through acquisitions.

Personnel policy is determined principally on a national basis but the Group encourages the transfer of best practice and the exchange of ideas and policies across national and cultural boundaries. The international nature of many of the Group's businesses has underlined the need to develop managers with international experience and proven ability to advance the business on a fully international basis. Considerable attention is given to the process of identifying, testing and developing these managers, and during 1987 the Group Personnel Department was strengthened to provide stronger central support for this activity.

The worldwide structure of the Group also enables it to offer international opportunities to its most able staff. At the end of 1987 over 600 ICI staff were employed outside their own country, generally on secondments of two to four years. Although the Group's basic policy is to staff its operations with nationals of the country involved, the Group also seeks to ensure that its most senior positions are staffed by the most able managers from any company within the Group. Currently 59 of the 161 most senior posts in the Group are filled by people other than British nationals.



1 Francisco Gato, an ICI Portuguese sales manager, visited seven new agencies in the north of Portugal in 1987. He was in Portugal from 1987 March to May.

2 Martin F. Agre, pictured on the right, visited the ICI representative in the United Kingdom in 1987. He was in the UK from 1987 September to November.

3 Anne Ferguson, Corporate Marketing and Publicity Manager, is pictured with a representative of the ICI Sales and Advertising Division in the UK. She was in the UK from 1987 September to November.

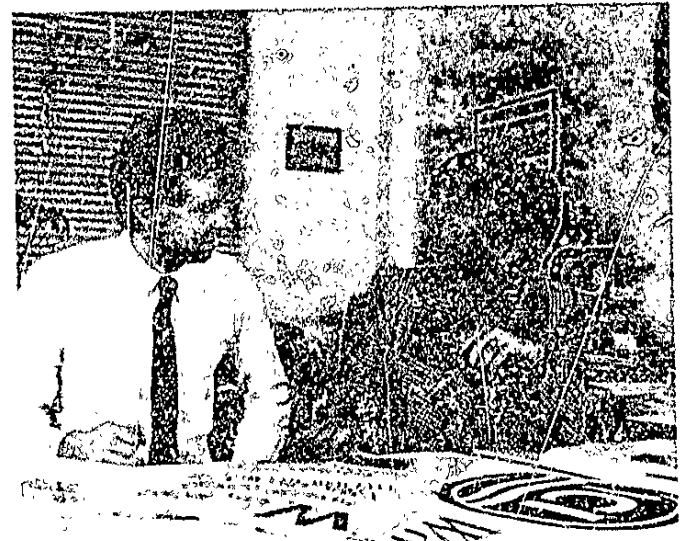
Thorough understanding of Group strategy and policy is essential to the effective operation of the Group. During the year 168 senior managers from 28 countries attended programmes at which Group strategy and policy were reviewed with ICI Directors and other senior executives.

Most of the Group's education and training is managed locally to fit local needs, opportunities and business priorities, much of it in-house but with extensive use also of business schools and other educational institutions.

EMPLOYMENT IN THE UK EMPLOYEE INVOLVEMENT

Great emphasis continues to be placed on informal consultation at work group level and an open management style, with frequent discussion about day-to-day operations and the technical, financial and market factors affecting each business.

In the UK, this is backed by a three-tier system for formal consultation based on workplace representation and led by the senior manager responsible at Works or Department level, the Chief Executive at Business Unit level and the ICI Chairman at meetings held centrally each year with monthly and weekly staff representatives. There are two representative Central Business and Investment Committees, which are chaired by an Executive Director and meet at least twice a year. These groups are supported by similar committees in



Business Units. Their aim is to discuss business prospects and plans in greater depth than is possible in larger meetings.

In the UK, the Company has operated a Profit-Sharing Scheme since 1951 and a Savings-Related Share Option Scheme since 1980.

EQUAL OPPORTUNITIES

The Company's policy and practice require that entry into the Company, and progression within it, will be determined solely by personal merit and the application of criteria which are related to the effective performance of the job and the needs of the business. No applicant or employee will be treated less favourably in employment because of his or her

In 1987 more than 40 per cent of graduates recruited in the UK direct from university were women. Over recent years the number of women in management and professional staff jobs has increased steadily and it is the Company's intention that this trend will continue.

The Company's policy is that disabled people should have the same consideration as others for all job vacancies for which they apply as suitable candidates. Depending on their skills and abilities, the disabled have the same career prospects and opportunities for promotion as other employees and the same scope for realising their full potential within the working structure of the Company.

In the UK, pensions were increased from 1 November 1987 by 4.5 per cent, with an additional increase for some older pensioners. The 1987 pensions increases have been financed from resources already provided within the Funds. Also during the year, amendments to the rules of the Fund were made to provide for weekly and monthly staff to enjoy the same pension basis and retirement age.

SAFETY, HEALTH AND ENVIRONMENT

Following the special attention given by the Board in 1986 to reviewing the arrangements for implementing safety, health and environmental policy within ICI, increased emphasis has been given to these issues during 1987 with the creation of a Group everyday responsibility at Executive Director level. In addition, the importance of these issues has been emphasized through the level of priority accorded to them by the Board in business considerations and in management training.

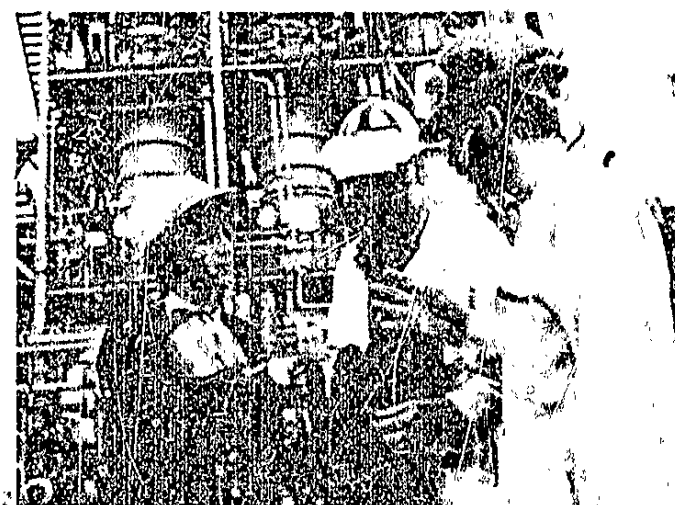
Whilst responsibility rests firmly with local management for Safety, Health and Environment (SHE), occupational SHE specialists from Group Headquarters and from the international businesses have travelled extensively during the year to promote and report on SHE activities across the Group in support of ICI policy. Considerable effort has been made to evaluate potential health and safety risks and to ensure effective controls.

International application of SHE effort has been enhanced by the development of improved standards and information exchange across the Group. There has been an increase in occupational health and safety resources within subsidiary companies to match this higher level of priority.

carbonates of 10 to 15 per cent, stated on pages 20 and 21. Although the United Nations agreement adopted in Montreal will result in a reduction in the market for some of ICI's existing products, the demand for alternatives will create new business opportunities in which ICI believes that it is well placed to respond.

Whilst the development of new products and processes is the responsibility of the various businesses within ICI, important support for their activities is provided in the UK by the ICI Environmental Laboratory at Brixham in Devon and by the Central Toxicological Laboratory at Alderley Park. Each is an establishment with an international reputation for science and at both facilities a careful review of the Group's future needs in conducting its business in a responsible and socially acceptable manner has led to plans for investment in additional facilities.

A black and white photograph showing a group of people, likely a family, sitting at a table outdoors. There are several children and adults visible. The image is very grainy and has a high-contrast, almost stencil-like appearance, with a lot of black and white areas and very little mid-tone detail. The background shows some foliage and a building.





1. Denardaw 1° January
ICI Australia's commitment to the
Greenes near Adelaide provide a home
for a wide variety of species of birds

2. Outpatients awaiting medical
consultations at The Muggah South
Company's Polio Clinic

3. In 1987 ICI Brazil provided modest
financial and considerable amount of
support for a Rural Geography
Society project on the vastness of
Maracaibo in the Amazon Basin where
British and Brazilian scientists make
extensive and detailed environmental
studies



ICI IN THE COMMUNITY



The Group seeks to behave as a responsible member of the many local communities in which it operates, supporting a myriad of activities where a worthwhile contribution can be made. Although these are impossible to list in detail, they include: charitable donations, support for education (particularly the teaching of science and technology), the funding of academic research, initiatives to support small business development, the arts, sport, and the encouragement of Group employees to take on leadership roles in their respective communities.

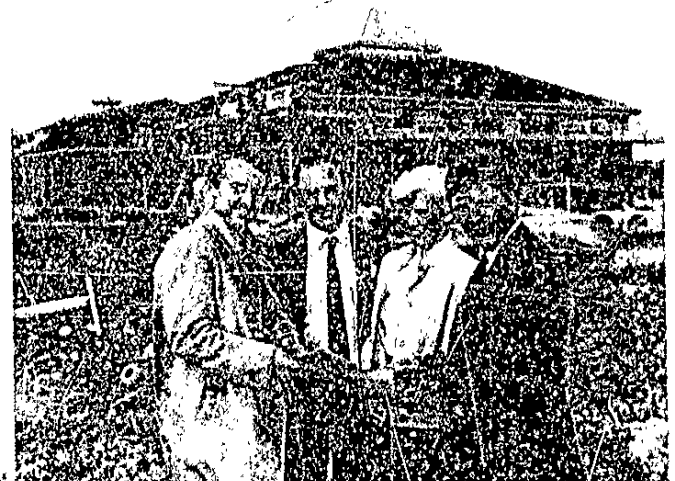
Donations made by the Group in 1987 for charitable purposes in the UK amounted to £1.8m (£1.4m in 1986), of which the greater proportion was given for higher education, particularly in the sciences and engineering at British universities and polytechnics. The remainder was given to a variety of causes including medical care and research, conservation, learned and scientific societies, the arts and organizations serving the young, the unemployed, the elderly and the handi-

capped. The substantial financial and manpower support provided to community initiatives aimed at alleviating unemployment is not included under donations. For example, in the UK a £3m project on the development of learning techniques with the Manpower Services Commission was completed successfully. The Company continued its policy of not making donations for political purposes.

ICI's educational publications support the teaching of the sciences and engineering and include 'STEAM' which is a magazine for science teachers, a vital group in the education of the country's future scientists and engineers. Throughout the country, ICI supports some 10 per cent of the 287 enterprise agencies involved in helping small businesses grow, as well as many other initiatives that include the Prince's Trust and the Action Resource Centre. Perhaps the biggest initiative in 1987 relates to the Billingham area in North-East England where a science and technology park, Belasis Hall, is being developed jointly with English Industrial Estates Corporation. Property initiatives for small business developments are also under way in the North West of England and in Scotland.

Throughout the Group, employees are encouraged to seek and take on community activities in local government, in the courts, in voluntary societies and clubs.

The guiding principle throughout remains for the ICI Group to be a responsible member of the communities of which it is a part. Further, the creation of wealth by the Group leads to the payment of local and national taxes, the employment of people in the local community and also benefits shareholders, employees and customers.



4. George Hunter left, chief executive of the newly established Belasis Hall Technology Park, is a seconded ICI manager committed to attracting high tech industries to North-East England, offering the Park tenants direct access to ICI's worldwide resources and experience.

5. A section of the 18-man Zulu traditional dance team - all employees of A.E. Ciba (Rugby) Factory, Newmarket, Natal - who won the 1987 World Jive Dance Championship held in London, South Africa.





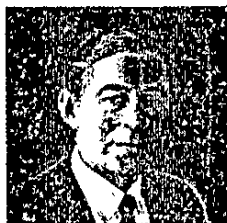
BOARD OF DIRECTORS



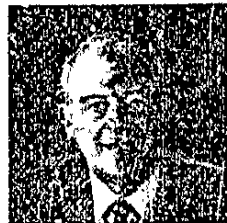
Denis Henderson



Frank Whiteley



David Brown



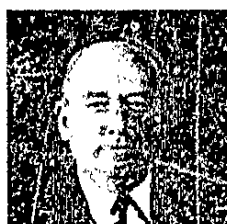
Alan Chambers



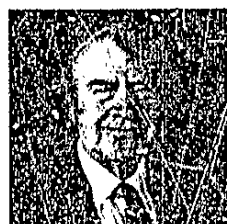
Richard Butler



Christopher Gifford



Tom Hutchison



Sir Robert Ellis



Lord Griffiths



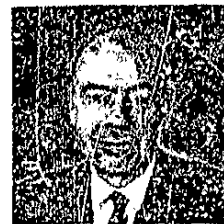
Sir Alex Jarrett



Walter Kemp



Sir Paul Keenan



Sir Jeremy Morse



Simon Sida



Lord Thomas



Tom Ward

EXECUTIVE DIRECTORS

DENYS HENDERSON

Aged 55. A Director since 1980 and Chairman since April 1987. He has particular responsibility for Group Planning and Group Public Affairs and also has overview responsibility for Group Identity and Marketing. He is also a non executive director of Barclays PLC.

FRANK WHITELEY

Aged 57. A Director since 1979 and Deputy Chairman since May 1987, he is the Chairman of ICI Chemicals & Polymers Ltd. He is also currently responsible for UK personnel matters and has Group overview responsibility for Engineering

EXECUTIVE DIRECTORS (continued)

DAVID BARNES

Aged 52. A Director since 1986, he is currently Business Director for the agrochemicals, biological products, colours and fine chemicals, pharmaceuticals and seeds businesses. He is also a non-executive director of Thorn-EMI plc.

ALAN CLEMENTS

Aged 71. A Director since 1979, he is currently Group Finance Director, Territorial Director for Africa, the Middle East and Pakistan, and a Director of ICI Chemicals & Polymers Ltd. He is also a non-executive director of Cable and Wireless PLC and Trafalgar House PLC, and is a lay member of The Stock Exchange Council.

RONNIE HAMPEL

Aged 55. A Director since 1985, he is currently Business Director for the paints and speciality chemicals businesses and Territorial Director for the Americas. He is also a non-executive director of the Commercial Union Assurance Co plc and of Powell Duffryn plc.

CHRIS HAMPSON

Aged 56. A Director since September 1987, he is currently Group Personnel Director, Business Director for the advanced materials business, and Territorial Director for the Pacific and Far East (excluding Australasia). He also has Group overview responsibility for safety, health and environment matters.

TOM HUTCHISON

Aged 56. A Director since 1985, he is currently Business Director for the electronics, 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.

SIR ROBIN IBBS

Aged 61. A Director since 1976, apart from two years secondment to the Cabinet Office. He has functional responsibility for Head Office and assists the Chairman on planning and public affairs. He is also a Director of ICI Chemicals & Polymers Ltd. He holds a part-time appointment of Prime Minister's Adviser on Efficiency and Effectiveness in Government, and is also a non-executive director of Lloyds Bank Plc.

CHARLES REECE

Aged 60. A Director since 1979, he is currently Group Research and Technology Director, Group Management Services Director and Territorial Director for India. He is also a non-executive director of APV Baker plc.

NON-EXECUTIVE DIRECTORS

SIR ALEX JARRATT

Aged 64. 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 62. A Director since 1982. He is Managing Partner of Gradmann & Holler, the West German insurance group, a Director of Bank of Montreal and a member of the Supervisory Board of Volkswagen A.G.

SIR PATRICK MEANEY

Aged 62. A Director since 1981. He is Chairman of The Rank Organisation Plc and a Deputy Chairman of Midland Bank plc.

SIR JEREMY MORSE

Aged 59. A Director since 1981. He is Chairman of Lloyds Bank Plc.

SHOICHI SADA

Aged 69. A Director since 1985. He is Adviser to the Board of Toshiba Corporation. He is also a Vice Chairman of Keidanren (Japan Federation of Economic Organizations).

LORD THOMSON

Aged 67. A Director since 1977. He is Chairman of the Independent Broadcasting Authority, Chairman of Value and Income Trust PLC, and a Director of Royal Bank of Scotland Group plc and of Woolwich Equitable Building Society.

TOM WYMAN

Aged 58. A Director since 1986. He is also a Director of American Telephone and Telegraph Company and of General Motors Corporation.

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 50.

BOARD MEMBERS

The names of the Directors of the Company at the date of this Report are set out on the inside front cover. With the exception of Mr C Hampson, all served as Directors for the whole of 1987 and, in addition, Sir John Harvey Jones served as Chairman up to his retirement on 31 March 1987. Mr Hampson, previously Chief Executive Officer of ICI Australia Ltd, was appointed an Executive Director with effect from 1 September 1987.

RETIREMENT OF SIR ROBIN IBBS

At the Company's Annual General Meeting on 29 April 1988, the Board and the Company will lose the services of Sir Robin Ibbs who is not offering himself for re-election as a Director, having reached the retirement age of 62. An engineering graduate and a barrister-at-law, Sir Robin joined ICI in 1952 in the Head Office Technical Department. He held engineering and management appointments in the General Chemicals and Metals Divisions of ICI before joining the Board of Imperial Metal Industries Ltd in 1972. Sir Robin

returned to ICI in 1974 as General Manager - Planning and was appointed a Director of the Company in 1976. In 1980, he was seconded to the UK Cabinet Office as Head of Central Policy Review Staff, he was re-appointed a Director of the Company in 1982 and, the same year, he received his knighthood. Since 1983 he has been the Prime Minister's Adviser on Efficiency and Effectiveness in Government, a part-time appointment. During his many years of service on the Board and within the Group Sir Robin has made substantial contributions to many aspects of ICI's progress, particularly to its planning function and on public affairs. The Board express sincere appreciation of Sir Robin's breadth of experience and wise counsel, from which the Company has derived much benefit.

DIRECTORS RECOMMENDED FOR RE-ELECTION

Under Article 80, Mr C Hampson retires and is recommended for re-election, together with Mr R C Hampel, Sir Alex Jarratt, Mr S Saba and Mr F Whiteley, who retire under Article 98. Sir Robin Ibbs also retires under Article 98, but does not offer himself for re-election.

Each of the Executive Directors recommended for re-election has a service contract with the Company, which is subject to termination by either party giving not less than 3 years' notice at any time; each contract also terminates when the age of 62 is attained, unless it is extended by agreement at the request of the Company.

SENIOR EXECUTIVES

Principal Executive Officers

ICI Advanced Materials and ICI Electronics	H. E. Miller
ICI Agrochemicals and ICI Seeds	A. Hayes
ICI Colours and Fine Chemicals	A. T. G. Rodgers
ICI Films	J. E. H. Park
ICI Paints	H. M. Scopes
ICI Pharmaceuticals	D. Friend
ICI Polyurethanes	B. A. Killner
ICI Speciality Chemicals	B. H. Lochtenberg

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. Lindsay
ICI Americas Inc	H. Corless
ICI Australia Ltd	C. M. Deeley
ICI-I, Inc	C. H. Hantho
IBL Ltd	P. E. G. Daubeney
ICI Japan Ltd	W. F. Madden
Nobel's Explosives Company Ltd	R. W. Clark

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: Slough (0753) 31151

Auditors

Peat Marwick McLintock
1 Puddle Dock
Blackfriars
London EC4V 3PD

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1987

	Notes	1987 £m	1986 £m
TURNOVER		11,123	10,136
Operating costs	4	(10,001)	(9,232)
Other operating income	4	175	145
TRADING PROFIT	4	1,297	1,049
Share of profits less losses of related companies	5	157	115
Net interest payable	6	(142)	(128)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,312	1,016
Tax on profit on ordinary activities	7	(501)	(382)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		808	634
Attributable to minorities		(48)	(31)
NET PROFIT ATTRIBUTABLE TO PARENT COMPANY		760	600
Extraordinary item	8	-	(43)
NET PROFIT FOR THE FINANCIAL YEAR		760	557
Dividends	9	(277)	(238)
PROFIT RETAINED FOR YEAR		483	319
EARNINGS PER £1 ORDINARY STOCK	10	113.6p	92.0p

GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY

	Note	1987 £m	1986 £m
At beginning of year		3,008	2,838
Profit retained for year: Company		380	137
Subsidiaries		38	182
Related companies		56	-
		483	319
Amounts taken direct to reserves		(722)	(149)
At end of year	11	2,769	3,008

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

BALANCE SHEETS

At 31 December 1987

		GROUP		COMPANY	
		1987	1986	1987	1986
		\$m	\$m	\$m	\$m
Notes					
ASSETS EMPLOYED					
FIXED ASSETS					
Tangible assets	12	3,750	3,912	1,621	1,527
Investments: Subsidiaries	13			2,478	2,055
Related and other companies	14	417	333	152	153
		<u>4,167</u>	<u>4,245</u>	<u>4,251</u>	<u>4,655</u>
CURRENT ASSETS					
Stocks	15	1,812	1,734	707	611
Debtors	16	2,162	2,015	824	972
Investments and short-term deposits	17	494	471	25	20
Cash	17	152	221	9	40
		<u>4,620</u>	<u>4,441</u>	<u>1,565</u>	<u>1,072</u>
TOTAL ASSETS		8,787	8,686	5,816	5,727
CREDITORS DUE WITHIN ONE YEAR					
Short-term borrowings	18	(559)	(441)	(6)	(77)
Current instalments of loans	21	(46)	(71)	-	(2)
Other creditors	19	(2,365)	(2,022)	(1,470)	(1,386)
		<u>(2,970)</u>	<u>(2,537)</u>	<u>(1,476)</u>	<u>(1,475)</u>
NET CURRENT ASSETS (LIABILITIES)		1,650	1,904	89	(403)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,817	6,149	4,340	4,262
FINANCED BY					
CREDITORS DUE AFTER MORE THAN ONE YEAR					
Loans	21	1,511	1,538	578	478
Other creditors	19	70	83	540	723
		<u>1,581</u>	<u>1,621</u>	<u>1,127</u>	<u>1,211</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	295	276	12	25
DEFERRED INCOME: Grants not yet credited to profit					
		139	183	97	114
MINORITY INTERESTS					
		357	404		
CAPITAL AND RESERVES ATTRIBUTABLE TO PARENT COMPANY					
Called-up share capital	22	676	657	675	657
Reserves: Share premium account		236	115	236	115
Revaluation reserve		78	84	6	6
Other reserves		316	368	425	823
Profit and loss account		1,064	2,476	1,761	1,311
Related companies' reserves		175	(35)		
Total reserves	11	2,769	3,008	2,428	2,255
Total capital and reserves attributable to parent company		3,445	3,665	3,104	2,912
		<u>5,817</u>	<u>6,149</u>	<u>4,340</u>	<u>4,262</u>

The accounts on pages 32 to 53 were approved by the Board of Directors on 7 March 1988 and were signed on its behalf by:

Director
Director
Chief Financial Officer

Director
Director
Chief Financial Officer



STATEMENT OF SOURCES AND APPLICATIONS OF GROUP FUNDS

For the year ended 31 December 1987

	Notes	1987 \$m	1986 \$m
SOURCES			
FUNDS GENERATED FROM OPERATIONS		1,297	1,049
Trading profit		464	491
Depreciation			(42)
Petroleum revenue tax paid, less provided		(19)	(9)
Government grants credited to profit, less received		65	56
Dividends from related companies		(0)	(60)
Miscellaneous items, including exchange		1,798	1,485
LESS: INTEREST AND TAXATION PAID DURING YEAR		(141)	(125)
Interest (net)		(349)	(208)
Taxation		1,308	1,062
SOURCES NET OF INTEREST AND TAXATION			
APPLICATIONS			
DIVIDENDS PAID DURING YEAR		251	232
Parent company		29	57
Subsidiaries to minority shareholders		283	249
FIXED ASSETS		708	643
Tangible assets		(26)	(35)
Disposals of tangible assets	24	544	578
Acquisitions and new investments	24	(114)	(30)
Disposals of subsidiaries and related company investments		1,112	1,156
WORKING CAPITAL CHANGES		169	(115)
Stocks increase (1986 decrease)		68	(45)
Debtors increase (1986 decrease)			
Creditors and provisions increase (excluding dividends and taxation) (1986 decrease)		(50)	66
		187	(34)
TOTAL APPLICATIONS		1,582	1,311
DEFICIT		(274)	(249)
FINANCED BY			
Issues of ICI Ordinary Stock		140	50
Repayment of ICI Preference Stock		(6)	(7)
Other external finance		(24)	178
Net repayment of loans (1986 net new borrowings)		118	(70)
Increase in short-term borrowings (1986 decrease)		46	105
Decrease in cash and short-term investments		274	249

*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 21 years for buildings and 14 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 1986 and 1987.

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

All leases are accounted for as operating leases. The rentals due in each accounting period are charged to profit and loss account; no adjustments are made for notional depreciation or interest on finance leases.

PENSION 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.

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.

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 523 at 31 December 1987. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 112 subsidiaries, representing 14 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.

Certain product reclassifications have taken place, following the merger of the Group's interests in oil production and exploration with those of Enterprise Oil plc and the formation of ICI Chemicals and Polymers Group, in order to align the segmental information with revised management responsibilities. Oil activities, including continuing oil trading, are now included in the Industrial Products segment; methanol and related products, formerly in Agriculture, have been transferred to Industrial Products; biological products, formerly in Agriculture, have been transferred to Consumer and Speciality Products; a number of other chemical products and catalysts and licensing have been transferred from Agriculture to the Industrial Products segment; and certain engineering plastics, formerly in Industrial Products, are now classed as Consumer and Speciality Products. Comparative figures for 1986 have been restated to reflect these changes; in particular, the results of the former Oil and Gas segment for 1986 are shown in the comparative figures for that year within Industrial Products.

	Total assets less current liabilities		Turnover		Profit	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Consumer and speciality products	1,955	2,061	4,332	3,668	574	307
Industrial products	2,207	2,577	5,170	4,442	595	459
Agriculture	1,217	1,094	1,744	1,657	48	7
Miscellaneous			189	156	20	5
			11,445	10,123	1,207	878
Net operating assets	5,370	5,802				
Inter-segmental eliminations			(322)	(297)	(2)	(4)
Non-operating and miscellaneous assets	438	450				
	5,817	6,109	11,123	10,136	1,235	873
Royalty income and government grants					62	76
Trading profit					1,297	1,019
Share of profits less losses of related companies					157	95
Net interest payable					(142)	(128)
Profit on ordinary activities before taxation					1,312	1,016

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	
	1987 £m	1986 £m	1987 £m	1986 £m
Consumer and speciality products	300	265	136	115
Industrial products	269	230	232	280
Agriculture	121	112	78	72
Other	18	16	18	15
	708	643	464	482

The basis of allocation of capital expenditure to industry segments was revised in 1987; comparative figures for 1986 have been restated.

NOTES RELATING TO THE ACCOUNTS

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	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
United Kingdom						
Sales in the UK			2,703	2,530		
Sales overseas			2,027	2,771		
	2,530	2,575	5,630	5,301	617	487
Continental Europe	713	810	2,530	2,238	184	131
The Americas	1,219	1,402	2,034	2,455	271	221
Australasia, Japan and the Far East	712	760	1,608	1,554	156	110
Other countries including Indian sub-continent	106	146	393	406	35	40
	5,270	5,693	13,164	11,954	1,263	1,004
Inter-area eliminations			(2,041)	(1,818)	(28)	(31)
			11,123	10,136	1,235	973
Royalty income and government grants					62	76
Trading profit					1,297	1,049

EMPLOYEES

	1987	1986
Average number of people employed by the Group in:		
United Kingdom	55,800	56,800
Continental Europe	15,500	15,000
The Americas	20,500	22,800
Australasia, Japan and the Far East	14,700	14,600
Other countries including Indian sub-continent	12,300	13,600
Total employees	127,800	121,800

GEOGRAPHIC MARKETS

	1987 £m	1986 £m
Turnover in each geographic market in which customers are located		
United Kingdom	2,702	2,545
Continental Europe	2,787	2,627
The Americas	3,048	2,561
Australasia, Japan and the Far East	1,881	1,794
Other countries including Indian sub-continent	675	709
Total turnover	11,123	10,136

3 CHANGES IN GROUP STRUCTURE

Subsidiaries acquired during 1987 have been accounted for on the acquisitious basis. The effect of these acquisitions on the Group results was to increase turnover by \$117m, but the effect on the trading profit was not material.

The Group profit and loss account includes the results of the agrochemicals business of the Stauffer companies from 22 July 1987, the date of acquisition, but excludes the basic and speciality chemical businesses which were subsequently sold. The results of certain minor residual businesses of Stauffer held for resale are likewise excluded; the cost of these businesses is included in current assets.

Certain subsidiaries changed their accounting dates from 30 September to 31 December in 1987, and fifteen months' results are therefore included in the Group financial statements. For the three months to 31 December 1986 the turnover of these subsidiaries was \$55m; the effect on profit was not material.

3 CHANGES IN GROUP STRUCTURE (continued)

On 30 January 1987, the Group disposed of its subsidiaries in its Oil and Gas segment to Enterprise Oil plc in exchange for a 25 per cent shareholding in that company. The value placed on the Group's interest in Enterprise Oil plc (now a related company) was equal to the book value of the consolidated net assets disposed of.

4 TRADING PROFIT

	1987	1986
	£m	£m
TURNOVER	11,123	10,136
OPERATING COSTS		
Cost of sales	(6,908)	(6,178)
Distribution costs	(791)	(731)
Research and development	(461)	(691)
Administrative and other expenses	(1,787)	(1,522)
Employees' profit-sharing bonus	(54)	(70)
	(10,001)	(9,292)
OTHER OPERATING INCOME		
Government grants	31	34
Royalties	31	33
Other income	113	69
	175	145
TRADING PROFIT	1,297	1,019
Total charge for depreciation included above	461	491
Petroleum revenue tax included in cost of sales	5	37
Gross profit, as defined by the Companies Act 1985	4,215	3,658

5 SHARE OF PROFITS LESS LOSSES OF RELATED COMPANIES

SHARE OF PROFITS LESS LOSSES		
Dividend income	45	56
Share of undistributed profits less losses	91	33
Share of profits less losses before tax	156	89
GAINS ON DISPOSALS OF INVESTMENTS	9	9
AMOUNTS WRITTEN OFF INVESTMENTS	(8)	(31)
	157	95

Total dividend income from shares in related companies comprised £15m (1986 £10m) from listed companies and £50m (£15m) from unlisted companies.

6 NET INTEREST PAYABLE

INTEREST PAYABLE AND SIMILAR CHARGES		
Loan interest	150	135
Interest on short-term borrowings and other financing costs	60	13
	210	202
INTEREST RECEIVABLE AND SIMILAR INCOME FROM CURRENT ASSET INVESTMENTS		
Listed redeemable securities	(11)	(15)
Short-term deposits	(48)	(51)
	(59)	(66)
EXCHANGE GAINS ON SHORT-TERM CURRENCY BORROWINGS AND DEPOSITS	(9)	(17)
	142	128

Loan interest includes £126m (1986 £115m) on loans not wholly repayable within 5 years.

NOTES RELATING TO THE ACCOUNTS

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1987	1986
	£m	£m
ICI AND SUBSIDIARIES		
United Kingdom taxation: Corporation tax	327	324
Double taxation relief	(94)	(108)
Deferred taxation	(14)	(24)
	219	192
Overseas taxation: Overseas taxes	207	191
Deferred taxation	22	144
	229	185
	448	377
RELATED COMPANIES	56	51
TAX ON PROFIT ON ORDINARY ACTIVITIES	504	428

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 (1986 36 per cent).

	GROUP		COMPANY	
	1987	1986	1987	1986
	£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	51	66	41	48
Miscellaneous timing differences	(8)	13	(6)	(4)
Advance corporation tax recoverable	(63)	(100)	(63)	(100)
	(20)	8	(28)	(16)
Corporation tax effect of deferred petroleum revenue tax provision		(12)		
	(20)	(12)	(28)	(16)
NOT ACCOUNTED FOR AT BALANCE SHEET DATE				
UK capital allowances utilised in excess of depreciation charged	335	364	327	335
Miscellaneous timing differences	(21)	(16)	14	(5)
	312	348	341	330
FULL POTENTIAL DEFERRED TAXATION	292	356	313	314

8 EXTRAORDINARY ITEM

	1987	1986
	£m	£m
Provision for losses on disposal of petrochemical assets in the USA (net of relief from taxation of £7m)		(44)

9 DIVIDENDS

	1987	1986	1987	1986
	pence per £1 Stock unit		£m	£m
ORDINARY				
Interim, paid 5 October 1987	16p	14p	108	92
Second interim, to be confirmed as final, payable 5 April 1988	25p	23p	169	146
	41p	36p	277	238

NOTES RELATING TO THE ACCOUNTS

10 EARNINGS PER £1 ORDINARY STOCK

	1987	1986
	£m	£m
Earnings for Ordinary Stockholders, before extraordinary item	760	669
Average Ordinary Stock in issue during year, weighted on a time basis	669	652
Earnings per £1 Ordinary Stock	113.6p	102.9p

The effect on earnings per £1 Ordinary Stock 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 £m	Revaluation £m	Other £m	Profit and loss account £m	Related companies £m	1987 Total £m	1986 Total £m
GROUP RESERVES ATTRIBUTABLE TO PARENT COMPANY							
At beginning of year	115	84	368	2,476	(35)	3,008	2,888
Profit retained for year				427	56	483	319
Amounts taken direct to reserves							
Share premiums	111					111	41
Goodwill				(577)		(577)	(220)
Exchange adjustments		(10)	(38)	(213)	5	(256)	29
Other movements		5	2	(18)	11		1
	111	(5)	(36)	(808)	16	(722)	(149)
Other movements between reserves	10	(1)	(16)	(131)	138		
At end of year	226	78	318	1,964	175	2,760	3,008
COMPANY RESERVES							
At beginning of year	115	6	823	1,311		2,255	2,010
Profit retained for year				389		389	137
Amounts taken direct to reserves							
Share premiums	111					111	41
Exchange adjustments			(320)			(320)	65
Other movements				(7)		(7)	2
	111		(320)	(7)		(216)	108
Other movements between reserves	10		(78)	68			
At end of year	226	6	425	1,761		2,428	2,255

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, \$108m of net exchange gains on foreign currency loans in 1987 have been offset in reserves against exchange losses on the net investment in overseas subsidiary and related companies.

Goodwill written off includes an adjustment to goodwill written off in 1986.

NOTES RELATING TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and equipment £m	Payments on account and assets in course of construction £m	Total £m
GROUP				
COST OR AS REVALUED				
At beginning of year	1,375	6,055	511	7,941
Exchange adjustments	(130)	(372)	(36)	(538)
Revaluations and adjustments	(5)	(9)		(14)
New subsidiaries	31	133	3	167
Capital expenditure			708	708
Transfers	121	450	(571)	
Disposals and other movements*	(34)	(561)		(595)
At end of year	1,358	5,692	615	7,665
DEPRECIATION				
At beginning of year	509	3,520		4,029
Exchange adjustments	(35)	(168)		(203)
Revaluations and adjustments	(5)	(9)		(14)
Disposals and other movements*	(8)	(353)		(361)
Charge for year	56	408		464
At end of year	517	3,308		3,825
NET BOOK VALUE AT END 1987	841	2,384	615	3,840
Net book value at end 1986	881	2,535	511	3,927

COMPANY

COST OR AS REVALUED

At beginning of year	419	2,850	313	3,582
Capital expenditure			338	338
Transfers	33	234	(267)	
Disposals and other movements	(17)	(15)		(32)
At end of year	435	3,019	384	3,838
DEPRECIATION				
At beginning of year	201	1,863		2,064
Disposals and other movements	(3)	(36)		(39)
Charge for year	17	204		221
At end of year	215	2,031		2,246
NET BOOK VALUE AT END 1987	220	1,017	384	1,621
Net book value at end 1986	218	996	313	1,527

*Includes disposal of Oil and Gas assets to Enterprise Oil plc.

	GROUP		COMPANY	
	1987	1986	1987	1986
	£m	£m	£m	£m
The net book value of land and buildings comprised:				
Freeholds	812	834	217	214
Long leases (over 50 years unexpired)	9	11	2	2
Short leases	20	21	1	2
	841	866	220	218

□

13 INVESTMENTS IN SUBSIDIARIES

The balance sheet value of investments in shares in subsidiary companies included:

Investments listed on The Stock Exchange, London

With an aggregate market value of

Information on principal subsidiary companies is given on page 52.

NOTES RELATING TO THE ACCOUNTS

11 INVESTMENTS IN RELATED AND OTHER COMPANIES

	Related companies Shares	Loans	Other investments	Total
	£m	£m	£m	£m
GROUP				
BOOK VALUE				
At beginning of year				
Cost	416	36	9	461
Scrip issues capitalised	13			13
	429	36		471
Exchange adjustments	(25)		(1)	(26)
Additions	35	1		36
Reclassified from subsidiaries	50			50
Disposals and repayments	(226)	(28)	(4)	(258)
Other	(2)	(8)		(10)
At end of year	261	1	4	266
Cost	248	1	4	253
Scrip issues capitalised	13			13
SHARE OF POST-ACQUISITION RESERVES LESS LOSSES				
At beginning of year	(29)			(29)
Exchange adjustments	5			5
Retained profits less losses	59			59
Disposals	136			136
Other	9			9
At end of year	180			180
PROVISIONS				
At beginning of year	(107)	(3)	(2)	(112)
Exchange adjustments	6		1	7
Additions	(4)			(4)
Disposals	76		1	77
Other	1	2		3
At end of year	(28)	(1)	—	(29)
BALANCE SHEET VALUE AT END 1987	413	—	4	417
Balance sheet value at end 1986	393	33	7	433

The balance sheet value of the above investments included:

1987

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

1986

Investments listed on The Stock Exchange, London	8	2	10
Other listed investments	51		51
	62	2	64
With an aggregate market value of	136	4	140

Information on principal related companies is given on page 53.

14 INVESTMENTS IN RELATED AND OTHER COMPANIES (continued)

COMPANY	Related companies Shares £m	Loans £m	Other investments £m	Total £m
BOOK VALUE				
At beginning of year				
Cost	155	34	4	193
Seip issues capitalised	1			1
	156	34	4	194
Exchange adjustments	(1)			(1)
Additions	3			3
Reclassified from subsidiaries	28			28
Disposals and repayments	(8)	(26)	(4)	(38)
Other		(8)		(8)
At end of year	178	-	-	178
Cost	177			177
Seip issues capitalised	1			1
PROVISIONS				
At beginning of year	(38)	(2)	(1)	(41)
Releases	12	2	1	15
At end of year	(26)	-	-	(26)
BALANCE SHEET VALUE AT END 1987	152	-	-	152
Balance sheet value at end 1986	118	32	3	153
Balance sheet value of investments listed on The Stock Exchange, London				
1987	37			37
1986	8		2	10
Market value of listed investments 1987	200			200
1986	26		4	30

15 STOCKS

	GROUP		COMPANY	
	1987	1986	1987	1986
	£m	£m	£m	£m
Raw materials and consumables	570	577	183	181
Stocks in process	183	186	116	110
Finished goods and goods for resale	1,059	1,011	408	337
	1,812	1,774	707	631

16 DEBTORS

AMOUNTS DUE WITHIN ONE YEAR				
Trade debtors	1,621	1,627	7	18
Amounts owed by subsidiaries			675	250
Amounts owed by related companies	55	65	-	2
Other debtors	352	206	106	70
Prepayments and accrued income	92	79	35	30
	2,120	1,977	823	370
AMOUNTS DUE AFTER MORE THAN ONE YEAR				
	42	38	1	2
	2,162	2,015	824	372

17 CURRENT ASSET INVESTMENTS AND SHORT-TERM DEPOSITS

Redeemable securities listed on The Stock Exchange, London	78	64		
Other listed investments	7	12		
Total listed investments	85	76		
Unlisted investments	17	32		
	102	108		
Short-term deposits	302	363	25	29
	404	471	25	29
Market value of listed investments	92.65	76		

Included in current asset investments, short-term deposits and cash are amounts totalling £180m (£159.818.2m) held by the Group's insurance subsidiaries.

NOTES RELATING TO THE ACCOUNTS

18 *SHORT-TERM BORROWINGS*

	GROUP		COMPANY	
	1987	1986	1987	1986
	£m	£m	£m	£m
BANK BORROWINGS				
Secured by floating charge	29	17		
Unsecured	368	318	-	72
	397	335	-	72
(OTHER BORROWINGS (unsecured))	162	76	6	4
	559	411	6	77

19 *OTHER CREDITORS*

AMOUNTS DUE WITHIN ONE YEAR

Trade creditors	838	772	347	276
Bills of exchange payable	10	15		
Payments received on account	17	8	2	
Amounts owed to subsidiaries			388	505
Amounts owed to related companies	16	34	2	6
Corporate taxation	522	429	327	259
Value added and payroll taxes and social security	81	82	38	38
Other creditors	448	312	125	116
Accruals	255	191	72	50
Dividends to Ordinary Stockholders	169	146	169	146
	2,365	2,022	1,470	1,396

AMOUNTS DUE AFTER MORE THAN ONE YEAR

Trade creditors	5	3	3	1
Amounts owed to subsidiaries			540	729
Corporate taxation	15	28		
Other creditors	50	52		3
	70	83	540	733

20 *PROVISIONS FOR LIABILITIES AND CHARGES*

	At beginning of year £m	Movement in year £m	At end of year £m
GROUP			
Deferred taxation:			
Petroleum revenue tax less corporation tax thereon*	39	(39)	-
Other tax	63	(20)	43
Advance corporation tax recoverable	(60)	(3)	(63)
	42	(62)	(20)
Oilfield abandonment costs*	48	(48)	-
Employee benefits	98	55	153
Rationalisation and other provisions	88	74	162
	276	19	295

Movements include adjustments relating to acquisitions. (See note 24).

COMPANY

Deferred taxation	44	(9)	35
Advance corporation tax recoverable	(60)	(3)	(63)
Other provisions	41	(1)	40
	25	(13)	12

*Provisions in respect of petroleum revenue tax and oilfield abandonment costs relate to subsidiaries in the former Oil and Gas segment which were sold during the year.

NOTES RELATING TO THE ACCOUNTS

21 LOANS

	Repayment dates	GROUP		COMPANY	
		1987 £m	1988 £m	1987 £m	1988 £m
SECURED LOANS					
US dollars (5½ to 10½%)	1988/2012	40	30		
Australian dollars (10½ to 18½%)	1988/97	59	73		
Other currencies	1988/2015	25	21		
TOTAL SECURED		124	124		
Secured by fixed charge		101	105		
Secured by floating charge		23	19		
UNSECURED LOANS					
Sterling:					
7½ and 8½% Stocks	1988/93	109	109	109	109
9½ to 11½% bonds	1992/2005	400	300	400	300
11½% Stock	1991/96	43	43	43	43
8½% convertible bonds*	1999	62	100		
5½% Stock	1994/2004	26	26	26	26
Others	1988/99	12	9		
		652	587	578	478
US dollars:					
9½% bonds*	1990	45	68		
7½ to 8½% Eurodollar bonds	1988/96	61	95		
6½% convertible Eurodollar bonds*	1997	2	4		
8½ to 9.05% bonds	1988/2006	310	330		
5.8 to 8% loans	1988/2005	36	46		
Others	1988/98	15	17		2
		469	560		2
Canadian dollars (10½ to 14½%)	1988/96	74	92		
Deutschemarks (6½%)	1988/92	11	15		
Dutch florins (6½ to 9%)	1988/91	14	22		
Swiss francs (3½ to 4½%)	1988/94	104	113		
Japanese yen (variable)	1989/95	14	7		
Other currencies	1988/98	95	49		
Multi-currency credit facility (variable interest; repayable and redrawable at borrower's option)			40		
TOTAL UNSECURED		1,433	1,485	578	480
TOTAL LOANS		1,557	1,612	578	480
Loans or instalments thereof are repayable:					
After 5 years from balance sheet date:					
Lump sums		688	697	325	300
Instalments		379	428	125	125
		1,067	1,125	450	425
From 2 to 5 years		300	356	128	53
From 1 to 2 years		54	57	-	
TOTAL DUE AFTER MORE THAN ONE YEAR		1,511	1,538	578	478
TOTAL DUE WITHIN ONE YEAR		46	74	-	2
		1,557	1,612	578	480
Aggregate amount of loans repayable by instalments any of which fall due after 5 years					
		647	741	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 Stock of the Company at 800 pence per £1 of Ordinary Stock (with an option to redeem on 15 October 1989 at a premium of 12%, giving rise to a contingent liability of £7m);

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

NOTES RELATING TO THE ACCOUNTS

21 LOANS (continued)

6½ Eurodollar bonds, until 1 September 1997, into Ordinary Stock of the Company at 460 pence per \$1 of Ordinary Stock (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 (1986 £294m) in the Group of which £64m (£71m) was secured. New borrowings during the year included £100m 8½% bonds due 2005 issued by the Company to be used for the general purposes of the ICI Group.

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorised	Allotted, called-up and fully paid	
	£m	1987	1986
	£m	£m	£m
Ordinary Stock (£1 units)	676	676	657
Unclassified shares (£1 each)	115		
	791	676	657

Ordinary Stock issued during the year totalled £19m comprising issues in respect of the Employees' Profit-Sharing Scheme £4m, the Company's share option schemes £2m and conversions of loan stock and exercise of warrants £13m.

Options outstanding at 31 December 1987 to subscribe for Ordinary shares of £1 under the Company's share option schemes for staff were:

Subscription price	Last date when options exercisable	Number of shares	
		1987	1986
\$2.69	31 March 1987		204,175
\$2.80	31 March 1988	226,587	1,100,000
\$3.55	18 March 1987		11,000
\$3.55	18 March 1988	15,000	33,000
\$3.55	17 March 1989	27,000	58,000
\$3.93	16 March 1990		25,000
\$3.96	31 December 1988	572,060	601,870
\$5.23	31 December 1989	658,936	581,551
\$5.88	14 March 1991	37,000	131,300
\$5.95	12 September 1991	671,600	1,150,000
\$6.06	31 May 1991	1,290,212	1,351,446
\$6.06	31 May 1993	287,773	298,228
\$6.60	4 September 1995	98,700	98,700
\$7.86	17 April 1995	530,600	582,100
\$9.66	31 May 1992	1,362,495	1,404,995
\$9.66	31 May 1994	272,593	277,384
\$9.75	1 April 1996	1,310,900	1,351,200
\$10.05	9 September 1996	175,400	175,400
\$13.12	31 March 1997	155,600	
\$13.81	31 May 1993	1,514,659	
\$13.81	31 May 1995	267,454	
\$15.12	1 September 1997	93,500	
		9,480,969	9,519,920

Options granted to directors, included above, are shown on page 50.

During 1987 movements in the number of shares under option comprised new options issued 2,043,265, options exercised 1,861,979 and options lapsed 220,237. At the end of 1987 there were 18,945,592 shares available for the granting of options (1986 20,823,011).

Warrants granting options to subscribe for 8,210,016 Ordinary shares of £1 each at 540p were exercised during the year, leaving a balance representing options over 1,945,359 shares exercisable until 1 June 1990.

NOTES RELATING TO THE ACCOUNTS

23 LEASES

The total of lease rentals charged as an expense in the profit and loss account is disclosed below. For the purpose of this analysis, the category of 'operating leases' includes all leases other than those of a finance nature, which are categorised as 'non-capitalised finance leases'.

	GROUP			
	1987	1986	1987	1986
	£m	£m		
Non-capitalised finance leases:				
Hire of plant and machinery	11	26		
Other	2	1		
Operating leases:				
Hire of plant and machinery	94	95		
Other	32	28		
	140	151		

	GROUP		COMPANY	
	1987	1986	1987	1986
	£m	£m	£m	£m
Obligations under non-capitalised finance leases:				
Rentals due within 1 year	12	19	9	10
Rentals due in years 2 to 5	18	35	8	12
Rentals due thereafter	47	58	9	4
Less: interest element	(38)	(51)	(8)	(5)
	39	61	18	21

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

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.

	£m	£m	£m	£m
Land and buildings:				
Expiring within 1 year	4	2		
Expiring in years 2 to 5	8	10	1	1
Expiring thereafter	8	9	1	2
	20	21	2	3
Other assets:				
Expiring within 1 year	12	13	4	4
Expiring in years 2 to 5	28	31	9	9
Expiring thereafter	9	13	4	5
	49	57	17	18

24 ACQUISITIONS AND NEW INVESTMENTS

	GROUP	
	1987	1986
	£m	£m
Acquisitions and new investments comprised:		
Fixed assets	167	245
Goodwill	550	252
Related companies	26	108
Net current assets	91	87
Employee benefit provisions	(60)	-
Rationalisation and other provisions	(95)	(27)
Minorities	-	(7)
	679	682
Financed by:		
Cash	544	578
Loans assumed	135	84
	679	662

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

Disposals in 1987 comprised businesses and subsidiaries £70m (1986 £1m) and related and other companies £44m (£39m).

Goodwill includes £456m in respect of the acquisition of the Stauffer companies, and £5m in respect of Société Européenne de Semences S.A.. The Stauffer assets and liabilities included above exclude the basic and speciality chemicals businesses which were sold during the year.

NOTES RELATING TO THE ACCOUNTS

25 COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	1987	1986	1987	1986
	£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	202	166	85	87
Expenditure authorised but not yet contracted	527	426	224	234
	<u>729</u>	<u>592</u>	<u>309</u>	<u>321</u>

Contingent liabilities existed at 31 December 1987 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 1987 was £71m (1986 £159m) for the Group. The maximum liability for the Company, mainly on guarantees of borrowings of subsidiaries, was £826m (1986 £1,030m).

In 1985 and 1986 the Company agreed to make special payments, each over a three year period, in respect of increased benefits under the Staff Pension Fund and the Workers' Pension Fund; at 31 December 1987 the instalments still to be paid totalled £32m.

26 EMOLUMENTS OF DIRECTORS AND EMPLOYEES

The total emoluments of the directors of the Company for the year were £2,405,000 (1986 £2,237,000) including £150,000 (£133,000) in respect of non-executive directors. Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to \$4,247,000 (1986 \$3,398,000).

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

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

Emoluments £	Directors		Employees		Emoluments £	Directors		Employees	
	1987	1986	1987	1986		1987	1986	1987	1986
15,001- 20,000	5	6			110,001-115,000	1		2	2
25,001- 30,000	1				115,001-120,000			1	1
30,001- 35,000		1	490	422	120,001-125,000			1	
35,001- 40,000	1		300	242	125,001-130,000				2
40,001- 45,000			164	122	140,001-145,000			1	
45,001- 50,000			101	76	145,001-150,000			2	2
50,001- 55,000			61	53	155,001-160,000			1	
55,001- 60,000			42	31	200,001-205,000		1		
60,001- 65,000			35	20	205,001-210,000		1		
65,001- 70,000			19	15	215,001-220,000	2	1		
70,001- 75,000			14	11	220,001-225,000	1			
75,001- 80,000			4	11	225,001-230,000	1	2		
80,001- 85,000		1	8	4	235,001-240,000	1	1		
85,001- 90,000			5	4	250,001-255,000	1			
90,001- 95,000			4	2	265,001-270,000	1			
95,001-100,000			4	3	270,001-275,000		1		
100,001-105,000			6	3	300,001-305,000	1			
105,001-110,000	1		1	2	300,001-305,000		1		

Two of the directors whose emoluments are shown above for 1987 were directors for part of the year only.

Two directors served as Chairman during the year, their emoluments whilst serving in that capacity being:

	1987	1986
	£	£
Sir John Harvey-Jones (up to 31 March 1987)	113,967	303,488
D H Henderson (from 1 April 1987)	283,283	

NOTES RELATING TO THE ACCOUNTS

26 EMPLOYMENTS OF DIRECTORS AND EMPLOYEES (continued)

The average number of people employed by the Group in 1987 was 127,800 (1986: 121,700) and the staff costs incurred during the year in respect of those employees were:

	1987	1986
	£m	£m
Salaries	1,737	1,554
Social security costs	103	130
Pension fund contributions, pensions and gratuities (including severance costs 1987 £48m; 1986 £16m)	256	234
Other employment costs	32	12
Employees' profit-sharing bonus	54	50
	2,242	2,058
Less: amounts allocated to capital expenditure etc.	(43)	(40)
Charged to trading profit	2,199	1,958

27 DIRECTORS' INTERESTS IN STOCKS, SHARES AND DEBENTURES

The interests at 31 December 1987 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 1987 (or, if appointed during 1987, at their date of appointment) are shown in brackets where these differ from the holdings at the year end.

	ICI Ordinary Stock	
	£	
J D F Barnes	2,813	(1,410)
A W Clements	10,622	(10,042)
R C Hampel	3,508	
C Hampson	500	
D H Henderson	10,100	
T O Hutchison	2,616	
Sir Robin Ibbs	14,112	
Sir Alex Jarratt: beneficial	562	
non-beneficial	118	
W G L L Kiep	500	
Sir Patrick Meaney	1,325	
Sir Jeremy Morse	1,819	
C H Reece	6,785	
S Saba	500	
Lord Thomson	500	
F Whiteley	9,065	(8,127)
T H Wyman	500	

Options to subscribe for Ordinary shares granted to and exercised by directors during 1987 are included in the table below:

	At 1 January 1987	Options granted	Price £	Options exercised	At 31 December 1987
J D F Barnes	52,797			1,397	51,400
A W Clements	75,405			37,279	38,216
R C Hampel	61,566				61,566
D H Henderson	89,700	17,200	15.12		106,900
T O Hutchison	59,000				59,000
Sir Robin Ibbs	77,300				77,300
C H Reece	69,100				69,100

The options outstanding are exercisable at prices between £3.96 and £15.12.

C Hampson has beneficial interests in 1,166 ICI Australia Limited ordinary shares and 100 C-I-L Inc common shares.

Beneficial interests in ICI Unsecured Loan Stocks are held by Sir Robin Ibbs (£1,000 of 5% Stock, £200 of 7% Stock and £350 of 8% Stock), Sir Patrick Meaney (£200 of 8% Stock) and J D F Barnes (£1,000 of 11% Stock).

NOTES RELATING TO THE ACCOUNTS

28 STATUTORY AND OTHER INFORMATION

Included in debtors are interest-free loans totalling \$188,000 (1987: \$188,000) to officers of the Company, comprising \$88,000 in total to 3 directors and \$150,000 in total to 5 other officers. The loans to directors were made, prior to their joining the Board, in accordance with the Company's policy of providing housing assistance to staff who have been transferred. The amounts outstanding throughout the year were \$10,000 each from T C Hutchison and Dr C H Reece and \$18,000 from J D F Barnes. A loan of \$10,000 to Sir Robin Ibbes was 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 1987 was \$3.8m (1986: \$1.5m).

29 SUBSEQUENT EVENTS

On 1 January 1988 the assets and liabilities and subsidiaries relating to the UK operation of the Chemicals and Polymers Group were transferred from Imperial Chemical Industries PLC to ICI Chemicals & Polymers Limited, a wholly-owned subsidiary.

On 1 March 1988 it was announced that ICI had made an amalgamation proposal to its subsidiary company C-I-L Inc which, if accepted, would result in C-I-L becoming a wholly owned subsidiary company of ICI. ICI currently owns 72% of the common shares of C-I-L. The closing mid-market price of the 3.9 million common shares currently held by the public was quoted at C\$391 per common share on the day following the announcement.



PRINCIPAL SUBSIDIARY COMPANIES

As at December 1987

		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 speciality chemicals; merchandising of other ICI products
	ICI FINANCE PLC (England)	Ordinary	100	Financial services
	ICI FRANCE SA (France)	Ordinary	100	Manufacture of plasticisers, ethylene/propylene oxide derivatives and pharmaceuticals; merchandising of other ICI products
	ICI HOLLAND BV (Holland)	Ordinary	100	Manufacture of bulk and speciality plastics, 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
	SCOTTISH AGRICULTURAL INDUSTRIES PLC (Scotland)	Ordinary	100	Manufacture of fertilizers; agricultural merchants
THE AMERICAS (accounting dates 31 December)	ICI INC (Canada)	Common*	72†	Manufacture of fertilizers, agrochemicals, industrial explosives, paints, chemicals, speciality polymers and films; merchandising of ICI products, packaged chemicals, oilfield services and chemical process technology
	IMPERIAL SAIC (Argentina)	Ordinary	100	Manufacture of chemicals, films, polyurethanes 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, speciality and other chemicals; merchandising of other ICI products
	ICI BRASIL SA (Brazil)	Ordinary Preference	100 100	Manufacture of colours, agrochemicals, polyester film and other chemicals; merchandising of other ICI products
OTHER COUNTRIES (accounting dates 31 December unless otherwise stated)	CHEMICAL COMPANY OF MALAYSIA BERHAD (Malaysia)	Ordinary*	50† 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*	62†	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
	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*	62	Manufacture of polyester staple fibre, soda ash, paints and speciality 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
	HEL 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

At 31 December 1987

	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*	28	38†	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
	Preference	1	—	
	Loan	82	—	
ENTERPRISE OIL plc (England)	Ordinary*	51	25	Land gas exploration and production
	Special Rights	—	—	
	Preference Share	113	—	
EUROPEAN VINYL CORPORATION (HOLDINGS) BV (Holland)	Ordinary	108	50†	Manufacture of vinyl chloride monomer and polyvinyl chloride
	Loan	—	—	
TIOXIDE GROUP PLC (England)	Ordinary	31	50	Manufacture of titanium pigments
	Preference	1	—	
	Loan	20	—	

*Listed

**One share, which carries special voting rights, held by the Secretary of State for Energy.

†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 32 to 53 in accordance with approved 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 1987 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 Haswell

(Chartered Accountants)

London
March 1988

GROUP FINANCIAL RECORD

For the years ended 31 December

	1983	1984	1985	1986	1987
	£m	£m	£m	£m	£m
BALANCE SHEET					
Tangible fixed assets	3,376	3,629	3,533	3,912	3,750
Investments	348	442	267	333	417
Current assets:					
Stocks	1,462	1,740	1,750	1,734	1,812
Debtors	1,661	2,102	1,950	2,015	2,162
Cash and short-term investments	774	1,011	797	692	646
	3,897	4,853	4,497	4,441	4,620
Total assets	7,621	8,924	8,317	8,686	8,787
Creditors due within one year:					
Short-term borrowings	(320)	(383)	(511)	(441)	(559)
Current instalments of loans	(209)	(207)	(131)	(74)	(46)
Other creditors	(1,542)	(2,081)	(1,961)	(2,022)	(2,365)
Total assets less current liabilities	5,511	6,250	5,714	6,149	5,817
Creditors due after more than one year:					
Loans	1,268	1,311	1,208	1,538	1,511
Other creditors	130	127	76	83	70
Provisions and deferred income	400	475	530	459	434
Minority interests	392	508	405	404	357
Capital and reserves attributable to parent company	3,342	3,829	3,495	3,665	3,445
	5,511	6,250	5,714	6,149	5,817
TURNOVER AND PROFITS					
Turnover: UK	2,866	3,131	3,011	2,545	2,732
Overseas	5,390	6,778	7,224	7,591	8,391
Total	8,256	9,909	10,725	10,136	11,123
Trading profit (after depreciation)	693	1,063	978	1,049	1,297
Depreciation	436	440	474	491	464
Share of profits less losses of related companies	61	71	56	95	157
Interest other than loan interest (net)	(3)	38	21	7	8
Profit before loan interest	751	1,172	1,055	1,151	1,462
Loan interest	(132)	(138)	(143)	(135)	(150)
Profit before taxation	619	1,034	912	1,016	1,312
Taxation	(201)	(373)	(308)	(382)	(501)
Attributable to minorities	(21)	(56)	(52)	(31)	(48)
Net profit attributable to parent company, before extraordinary items	397	605	552	600	760
Extraordinary items	(19)	(20)	(40)	(43)	
Dividends	(147)	(186)	(214)	(238)	(277)
Profit retained, transferred to reserves	231	399	298	319	483
SOURCES AND APPLICATIONS OF FUNDS					
Sources net of interest and taxation	921	1,177	1,136	1,062	1,308
Dividends	(140)	(183)	(227)	(249)	(283)
Fixed assets (including investments)	(264)	(500)	(1,394)	(1,156)	(1,112)
Working capital changes	(35)	(200)	(60)	94	(187)
Surplus (deficit)	482	294	(545)	(249)	(274)
RETURN ON ASSETS					
Profit before loan interest as a percentage of assets employed (average total assets less current liabilities)	13.8	10.9	17.6	10.4	24.4
CURRENT COST ACCOUNTING					
Profit before taxation, on a current cost accounting basis, expressed in 1987 £'s	529	962	795	998	1,138

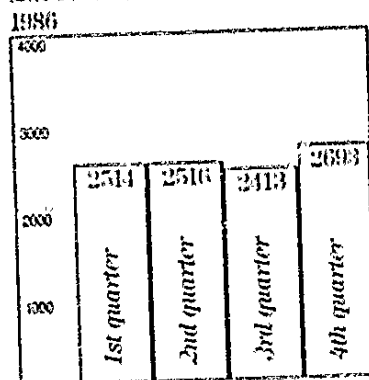
ICI ORDINARY STOCK COMPARISONS

Pence per £1 Ordinary Stock unit

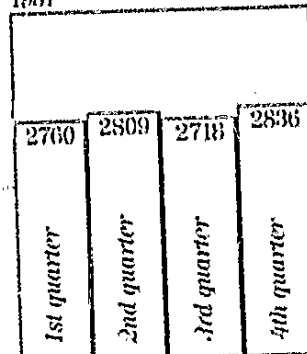
	1983	1984	1985	1986	1987
STOCK UNITS (MILLIONS) IN ISSUE					
At year-end	612	619	648	657	676
Weighted average for year	608	616	639	652	669
STOCK MARKET PRICE					
Highest	679p	746p	832p	1,116p	1,645p
Lowest	325p	526p	632p	727p	965p
Year-end	636p	736p	756p	1,068p	1,082p
EARNINGS PER £1 STOCK UNIT					
Historical cost basis	65p	98p	86p	92p	114p
Current cost accounting basis:					
Money of year	39p	70p	62p	86p	89p
Equivalent in 1987 money (adjusted by UK retail price index (RPI))	47p	80p	67p	89p	89p
DIVIDENDS					
Dividends (net)	24p	30p	33p	36p	41p
Dividends grossed up for imputed tax credit	34p	43p	47p	51p	56p
Dividends (net) in 1987 money (adjusted by RPI)	29p	34p	36p	37p	41p
BALANCE SHEET VALUE of Ordinary stockholders' equity at end of year per £1 unit					
	545p	617p	538p	558p	510p
Indexed value of the £, expressed in average 1987 £'s, based on RPI	1.20	1.14	1.08	1.01	1.00

CHARTS OF QUARTERLY RESULTS

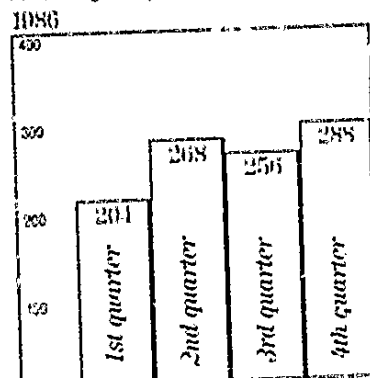
£m Turnover



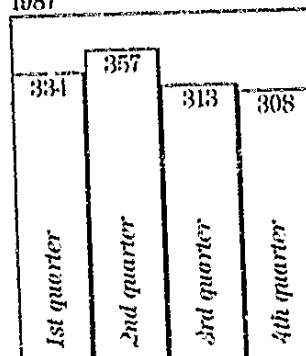
1987



£m Profit before tax



1987



SOURCES AND DISPOSAL OF VALUE ADDED

	Notes	1987 £m	1986 £m	Percentage change
SOURCES OF INCOME:				
Sales turnover		11,123	10,130	+10%
Royalties and other trading income		144	112	+29%
Less: materials and services used		(7,338)	(6,574)	+9%
VALUE ADDED BY MANUFACTURING AND TRADING ACTIVITIES		3,929	3,668	+12%
Share of profits less losses of related companies		157	95	+65%
TOTAL VALUE ADDED		4,086	3,763	+14%
DISPOSAL OF TOTAL VALUE ADDED				
EMPLOYEES 1				
Pay, plus pension and national insurance contributions, and severance costs		2,145	1,968	
Profit-sharing bonus	2	51	50	
		2,196	2,018	+11%
GOVERNMENTS 3				
Corporate taxes		504	382	
Less: grants		(31)	(33)	
		473	349	+36%
PROVIDERS OF CAPITAL				
Interest cost of net borrowings		142	128	
Dividends to stockholders		277	238	
Minority shareholders in subsidiaries		48	34	
		467	400	+17%
RE-INVESTMENT IN THE BUSINESS				
Depreciation and provisions in respect of extraordinary items		464	524	
Profit retained		483	319	
		947	843	+11%
TOTAL DISPOSAL		4,086	3,590	

NOTES

- 1 The average number of employees in the Group worldwide increased by 5 per cent. The number employed in the UK decreased by 2 per cent.
- 2 The 1987 UK bonus rate was 8.6p per £1 of remuneration (1986 8.1p).
- 3 Does not include tax deducted from the pay of employees. Income tax deducted from the pay of UK employees under PAYE amounted to £158m in 1987 (1986 £161m).

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.