Accounts for the year 1981

218019/954

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Accounting policies

The accounts have been prepared under the historical cost convention and the Group accounting policies conform with UK Accounting Standards; the following paragraphs describe the main policies. Legislation or local usage precludes some overseas subsidiaries from conforming with certain of these policies and therefore, where appropriate, adjustments are made on consolidation in order that the Group accounts are presented on a consistent basis.

Associated companies & other trade investments

An associated company is defined as a company, not being a subsidiary, in which the Group has a substantial interest and on whose commercial and financial policy decisions the Group exercises significant influence. The Group's share of the profits less losses of the principal associated companies is included in the Group profit and loss account. The results relate to periods ending not earlier than 30 September and are calculated from the latest available audited accounts adjusted, where the accounting dates are before 30 September, by reference to the unaudited results for more recent periods. The results of other companies in which the Group has trade investments, including the smaller associated companies, are included only to the extent of dividends received or provisions for losses.

The Group's share of the post-acquisition retained profits and reserves of the principal associated companies is included in the book values of the investments in the Group balance sheet. The retained profits of other companies in which the Group has trade investments are included in the book values only to the extent of the nominal value of any scrip issues capitalised since acquisition.

Depreciation

The Group's policy is to write off the book value of each 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 technical obsolescence as well as normal wear and tear.

Estimates of asset lives cannot be made with precision and in practice a range of possible lives exists. Recognising to some extent the problem of continuing inflation, the Group has, in its historical cost accounts, adopted lives at the lower end of this range. Under the Group's policy of reviewing the remaining lives of individual assets, it becomes impracticable to calculate average asset lives exactly; however, the total lives approximate to 23 years for buildings and 13 years for plant and equipment.

Depreciation on assets qualifying for investment grants or regional development grants is calculated on their full cost.

Foreign currencies

Profit and loss accounts in foreign currencies are translated into sterling at the average rates applicable to the respective accounting periods. Assets and liabilities are generally translated into sterling at the rates of exchange ruling at the date of the Group balance sheet. Exchange differences arising on consolidation are taken to reserves. Other exchange differences are taken to profits where they relate to items of a trading nature and to reserves where they relate to loans and investments, including, in the Company balance sheet, adjustments to the book values of overseas subsidiaries.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the price paid for a business exceeds the values attributable to such net assets. Goodwill is written off to Group profit as an extraordinary item over a period or, if minor, on acquisition. At 31 December 1981 all goodwill had been written off.

Government grants

Investment and regional development grants are credited to trading profit over a period approximating to the life of the qualifying assets. The grants shown in the balance sheets consist of the total grants receivable to date less the amounts so far credited to profits.

Oil accounting

(a) Concessions, exploration and development

Expenditure on acquiring, exploring for and developing oil reserves is, in general, capitalised and depreciated over the life of the wells on the basis of the rate of production. However, immediate write-offs are made in the following circumstances:

Expenditure on concessions – to the extent that the value is considered to have been impaired by the absence of successful drilling results;

Exploration expenditure – if unsuccessful or if oil reserves are not determined to be commercially viable within one year of completion of drilling.

The foregoing method is known as the 'successful efforts' basis.

(b) Oil taxation

Petroleum revenue tax, which is levied on profits from oil produced under UK licences, is charged against trading profit. Provision is made for deferred tax, at the rate of 70 per cent, on the difference between the 100 per cent tax allowances for capital expenditure and the amount of depreciation charged in the accounts. For the purpose of calculating the charge for petroleum revenue tax, the uplift allowance on capital expenditure and the oil allowance exemption are being taken into account in the periods in which they are utilised.

Supplementary petroleum duty is charged against trading profit as it arises.

Pension funding

The Company and most of its subsidiaries operate pension schemes which cover the majority of employees in the Group. The amounts charged against profits 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.

Plant closures and staff reductions

Full provision for closure costs, including reduction of asset values to recoverable amounts and operating losses up to the date of closure, is made in the accounting period in which closure of a plant is decided. Losses are charged to trading profit unless the circumstances justify treatment as an extraordinary item. Payments arising from staff reductions which are not associated with plant closures or major restructuring of a business are charged to trading profit in the period in which terms are agreed with employees for the termination of their employment.

Research and development

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

Stock valuation

Finished goods are stated at the lower of cost or net realisable value, raw materials and other stocks at the lower of cost or replacement price; the first in, first out or an average method of valuation is used. In determining cost for stock valuation purposes, depreciation is included but selling expenses and certain overhead expenses (principally central administration costs) 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 accounting purposes. However, no provision is made for taxation deferred by reliefs, principally accelerated taxation allowances on UK capital expenditure, if there is reasonable evidence that such deferred taxation will not be payable in the future. Credit for deferred corporation tax is taken in respect of the provision for deferred petroleum revenue tax.

Advance corporation tax payable on dividends paid or provided for a year is included in the tax charge for that year to the extent that it cannot be recovered against current corporation or oil tax liabilities on that or a prior year's profits. Credit is taken for advance corporation tax charged in previous years when it can be recovered against tax liabilities

Group profit and loss account (historical cost)

For the year ended 31 December 1981

	Notes	1981 £million	1980 £million
Sales to external customers		6,581	5,715
Trading profit	(2)	425	332
Share of profits less losses of principal associated companies and income from other trade investments	(3)	52	62
Interest and financing costs less income	(4)	(142)	(110)
Profit before taxation		335	284
Taxation	(5)	(111)	(123)
Profit after taxation		224	161
Attributable to minorities		(32)	(31)
Profit attributable to parent company before extraordinary items		192	130
Extraordinary items	(6)	(6)	(150)
Profit (loss) attributable to parent company after extraordinary items		186	(20)
Dividends	(7)	(113)	(101)
Profit (loss) retained for year		73	(121)
Earnings before extraordinary items per £1 Ordinary stock	(8)	32·3p	22·1p

Reserves attributable to parent company

	Notes	1981	1980
At beginning of year		2,138	2,208
Profit (loss) retained for year		73	(121)
Amounts taken direct to reserves		141	51
At end of year	(9)	2,352	2,138

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Balance sheets (historical cost)

At 31 December 1981

	Notes	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Assets employed					
Fixed assets	(11)	3,342	3,115	1,441	1,511
Interests in subsidiaries	(12)			900	849
Trade investments	(10)	433	335	77	66
Net current assets	(13)	1,436	1,237	124	123
		5,211	4,687	2,542	2,549
Financed by					
Capital and reserves					
Attributable to parent company					
Issued capital	(14)	603	602	603	602
Reserves	(9)	2,352	2,138	1,481	1,462
		2,955	2,740	2,084	2,064
Attributable to minorities		336	270		
		3,291	3,010		
Grants not yet credited to profit		211	133	154	162
Deferred liabilities	(15)	212	187	89	86
Loans	(17)	1,497	1,307	215	257
		5,211	4,687	2,542	2,549

Composition of net current assets

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Current assets				
Stocks	1,253	1,069	574	523
Debtors	1,391	1,114	65	107
Liquid resources	719	440	44	16
	3,363	2,623	685	646
Current liabilities				
Creditors	1,333	1,092	512	480
Short-term borrowings	599	294	50	43
	1,927	1,386	559	523
Net current assets	1,436	1,237	124	123

4 March 1982

Alan E Hodgkin
R W Clements
Directors

Treasurer

Statement of source and application of funds

For the year ended 31 December 1981

	Notes	Group 1981	Group 1980
		£million	£million
Source of funds			
Funds generated from operations			
Trading profit		425	332
Depreciation		348	291
Petroleum revenue tax provided but not yet paid		67	61
Grants received but not yet credited to profit		58	17
Dividends and interest from associated companies		31	30
Extraordinary items	(1)	—	(73)
Miscellaneous items, including exchange	(4)	23	56
Total generated from operations		952	714
Less interest and taxation paid during year		(224)	(208)
Interest		(136)	(106)
Taxation		(88)	(102)
Net funds generated from operations		728	506
Application of funds			
New fixed assets		411	724
Disposal of fixed assets		(15)	(29)
New investment in subsidiaries and trade investments	(2)	37	48
Disposal of trade investments and minority shareholdings in subsidiaries	(2)	(12)	(19)
Additional (reduced) working capital		239	(62)
Stocks		100	(31)
Debtors		225	9
Creditors (excluding dividends and taxation)		(123)	32
		202	10
Creditors in respect of 1980 extraordinary items	(1)	37	(72)
Dividends paid during year		101	151
Parent company (previous year final and current year interim)		84	135
Subsidiaries to minority shareholders		17	16
Total funds applied		761	813
Deficit covered by external finance		(33)	(307)
External finance			
Increased investment of minorities in subsidiaries		3	2
Issues of ICI Ordinary stock		2	43
Advance proceeds from oil sales		(19)	14
Issues of Loan stocks and other non-current borrowings (less repayments)		(18)	255
Sale and leaseback of fixed assets		49	—
Decrease (increase) in net liquid resources	(3,4)	16	(7)
Total external finance		33	307

Notes

1 Extraordinary items charged against 1980 profits included £77 million of provisions in respect of investments and fixed assets, which had no cash effect, and £73 million other costs, £37 million of which had a cash effect in 1981. This amount is shown separately as a movement in creditors. In 1981 there was no cash effect from the extraordinary item of £6 million charged against Group profits.

2 New investment in 1981 comprised £4 million in respect of subsidiaries and £33 million in respect of trade investments (1980 all trade investments). Disposals in 1981 comprised £7 million (1980 nil) in respect of minority shareholdings in subsidiaries and £5 million (1980 £19 million) in respect of trade investments.

3 Liquid resources increased by £279 million (1980 £55 million); short-term borrowings increased by £295 million (£48 million).

4 The movement in net liquid resources represents the difference between amounts shown in the opening and closing balance sheets. Movements in other items do not correspond to the change in balance sheet amounts because the effect of retranslating opening currency balances of overseas subsidiaries at closing exchange rates has been excluded.

Notes relating to the accounts

(figures in brackets represent deductions)

1 Composition of the Group

The Group accounts consolidate the accounts of the Company and its subsidiaries of which there were 326 at 31 December 1981. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts; 122 subsidiaries make up their accounts to dates earlier than 31 December, but not earlier than 30 September.

The accounts have not been materially affected by acquisitions or disposals of subsidiaries.

Results of principal associated companies are brought into the Group accounts using an accounting date coincident with that of the ICI Group company which holds the investment.

The accounts of certain subsidiary and associated companies, representing approximately 15 per cent of Group sales and 20 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

2 Trading profit

	1981 £million	1980 £million
Trading profit comprises:		
Sales	6,581	5,715
Royalty and other income	82	56
Government grants	23	21
Cost of sales exclusive of depreciation	(4,704)	(4,114)
Depreciation	(346)	(291)
Selling, general and administrative expenses	(1,182)	(1,053)
Employees' profit-sharing bonus	(27)	(2)
	425	332
The following amounts have been charged in arriving at trading profit:		
Audit fees and expenses (including Company 1981 £0·6 million; 1980 £0·6 million)	2·7	2·3
Expenditure on research, development and technical service	229	212
Hire of plant	79	78
Pension fund contributions, pensions and gratuities (including severance payments 1981 £51 million; 1980 £49 million)	204	191
Petroleum revenue tax	67	61
Supplementary petroleum duty	60	—

3 Share of profits less losses of principal associated companies and income from other trade investments

	1981 £million	1980 £million
Share of profits less losses of principal associated companies	51	50
Income from other trade investments – listed	1	1
– unlisted	11	11
Provision for losses on other trade investments*	(11)	—
	52	62

*1980 included in extraordinary items.

Dividends and interest from principal associated companies, included above, were £4 million (1980 £4 million) from listed companies and £23 million (£14 million) from unlisted companies.

4 Interest and financing costs less income

	1981 £million	1980 £million
Interest – loans wholly repayable within 5 years	37	35
– loans not wholly repayable within 5 years	92	76
– bank overdrafts	18	11
Other interest and financing costs	65	22
Income from redeemable securities	(9)	(5)
Interest on short-term deposits	(61)	(29)
	142	110

5 Taxation

	1981 £million	1981 £million	1980 £million	1980 £million
ICI Group				
United Kingdom taxation				
Corporation tax	138		62	
Double taxation relief	(23)		(18)	
Deferred taxation adjustment	(38)		(18)	
Advance corporation tax (net)	(36)	41	15	41
Overseas taxation				
Overseas taxes	55		61	
Deferred taxation adjustment	2	57	(7)	54
Total ICI Group		98		95
Principal associated companies		13		23
		111		123

5 Taxation (continued)

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 52 per cent. The assumption has been made that the UK systems of capital allowances and stock relief will continue in their present form.

In the UK the depreciation charge exceeded the capital allowances available and consequently there was no benefit to the UK tax charge from accelerated capital allowances (1980 £14 million benefit).

The UK corporation tax charge largely results from the taxation on UK oil trade profits. Tax relief from other parts of the Group cannot be used to extinguish this charge. However, the overall UK tax charge benefits from deferred corporation tax on deferred petroleum revenue tax, which has been charged in arriving at oil trade profits, and a substantial part of the total advance corporation tax credit is related to taxes payable on oil trade profits.

The amounts of deferred taxation accounted for and the potential amounts of deferred taxation are:

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Accounted for at balance sheet date				
Timing differences on UK capital allowances and depreciation in future years	35	13	22	—
Miscellaneous timing differences	(8)	(6)	—	—
	27	7	22	—
Corporation tax effect of deferred petroleum revenue tax provision	(78)	(18)	—	—
	(51)	(11)	22	—
Not accounted for at balance sheet date				
UK capital allowances utilised in excess of depreciation charged, less losses	700	750	560	623
Advance corporation tax	(101)	(137)	(101)	(129)
Miscellaneous timing differences	5	(17)	(31)	(38)
	604	596	428	456
Total	553	585	450	456

6 Extraordinary items*

The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:

	1981 £million	1980 £million
Costs and write-offs associated with restructuring of fibres operations	—	(95)
Loss on disposal of US chlor-alkali business	—	(17)
ICI's equity share of extraordinary items provided by Carrington Viyella Plc	(6)	(11)
Provision in respect of investment in Carrington Viyella Plc	—	(15)
Losses less gains on disposals of, and provisions in respect of, other trade investments	—	(12)
	(6)	(150)

*Net of minority interests.

7 Dividends

	1981 £million	1980 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (dividends for both years were £0·3 million)	—	—
Ordinary stock: Interim 9·0p (1980 12·0p) per £1 unit	54	71
Second interim 10·0p (1980 5·0p) per £1 unit	59	30
	113	101

The interim dividend was paid on 9 October 1981 and the second interim dividend, to be confirmed as final, is payable on 2 April 1982.

8 Earnings per £1 Ordinary stock

	1981	1980
Earnings for Ordinary stockholders, before extraordinary items	192	130
Average Ordinary stock in issue during year, weighted on a time basis	594	588
Earnings before extraordinary items per £1 Ordinary stock	32·3p	22·1p

The effect on earnings per £1 Ordinary stock of (a) full conversion of outstanding convertible bonds of a subsidiary and (b) issue of shares under option (see Note 14) would not be material.

9 Reserves

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
At beginning of year	2,138	2,208	1,462	1,612
Profit (loss) retained for year –	73	(121)		
By Company	(114)	(88)	(114)	(88)
By subsidiaries	173	(34)		
In principal associated companies	14	1		
Amounts taken direct to reserves –				
Share premiums	1	31	1	31
Revaluations of fixed assets	1	62	—	—
Exchange adjustments–	92	(42)	132	(93)
Interests in overseas subsidiaries and associated companies				
Fixed assets	169	(111)	139	(94)
Investments and other items	33	(13)	—	(1)
Net current assets	64	(33)	3	(3)
Loans	(174)	115	(10)	5
Other movements (mainly revaluation of fixed assets of a principal associated company)	47	—	—	—
At end of year	2,352	2,138	1,481	1,462

Group reserves are those attributable to the parent company.

Of the exchange adjustments taken to Group reserves an increase of £125 million (1980 £70 million decrease) arose on consolidation from retranslating the net investment in overseas subsidiaries and associated companies at closing rates of exchange, and a loss of £33 million (£28 million gain) arose on external loans in the accounts of individual companies.

Reserves at end of year included share premiums amounting to £349 million (1980 £348 million); substantially all of the other reserves of the Company are distributable.

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries; undistributed profits of prior years are, in the main, permanently employed in the businesses of the subsidiaries. Group reserves included £161 million (1980 £122 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

10 Trade Investments

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Principal associated companies				
Shares and advances at cost less amounts provided	202	157	47	35
Group share of post-acquisition retained profits, losses and reserves (excluding amounts capitalised)	152	113		
Scrip issues capitalised	12	11	4	4
	366	281	51	39

Information relating to the principal associated companies is given on page 37.

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Other trade investments				
Shares and advances at cost less amounts provided	64	51	24	25
Scrip issues capitalised	3	3	2	2
	67	54	26	27
Total	433	335	77	66
The division of the above between listed and unlisted investments is:				
Listed shares	52	55	19	11
Unlisted equity shares	347	246	58	55
Advances	34	34	—	—
	433	335	77	66
Market value of listed shares	101	91	18	8
The following information is given in respect of the investments in unlisted equity shares:				
Amount included in ICI profit before taxation	32	23	8	9
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	22	39	17	34
After taxation	8	21	10	22
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	134	96	146	91
Aggregate amounts provided by ICI in respect of losses since acquisition	79	46	34	26

11 Fixed assets

	Land and buildings			Plant and equipment			Total
	Cost or as revalued £million	Depreciation £million	Net book value £million	Cost or as revalued £million	Depreciation £million	Net book value £million	Net book value £million
Group							
At beginning of year	853	274	579	4,365	1,829	2,536	3,115
Exchange adjustments	86	21	65	224	73	151	216
Capital expenditure	45		45	366		366	411
Sale and leaseback of assets				(49)		(49)	(49)
Disposals and other movements	14	(11)	25	(165)	(137)	(28)	(3)
Depreciation for year		39	(39)		309	(309)	(348)
At end of year	998	323	675	4,741	2,074	2,667	3,342
Company							
At beginning of year	319	149	170	2,610	1,269	1,341	1,511
Capital expenditure	40		40	128		128	168
Sale and leaseback of assets				(49)		(49)	(49)
Disposals and other movements	(6)	(6)	—	(119)	(106)	(13)	(13)
Depreciation for year		13	(13)		163	(163)	(176)
At end of year	353	156	197	2,570	1,326	1,244	1,441

The net book value of Group fixed assets at the end of the year included:	1981 £million	1980 £million
Fixed assets under construction, excluding oil assets	261	788
Oil concessions, exploration and development expenditure	275	298
Revalued assets – land and buildings	183	169
– plant and equipment	127	125

Land and buildings comprised:	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Land	185	156	11	10
Buildings	813	697	342	309
	998	853	353	319
Freeholds	910	777	341	306
Long leases (over 50 years unexpired)	29	26	11	11
Short leases	59	50	1	2
	998	853	353	319

12 Interests in subsidiaries

	1981 £million	1980 £million
Shares at cost less amounts provided	753	582
Scrip issues capitalised	26	23
Book value of shares*	779	605
Amounts owed by subsidiaries	851	970
Amounts owed to subsidiaries*	(730)	(726)
	900	849

*The amounts owed to dormant subsidiaries (£89 million) have been set off against the book value of the corresponding investments.

Information relating to the principal subsidiaries is given on page 36.

13 Net current assets

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Stocks				
Finished goods	709	613	304	284
Raw materials and other stocks	544	456	270	239
	1,253	1,069	574	523

Debtors
A wholly owned subsidiary has acquired trade debts from the parent company and certain other wholly owned subsidiaries under factoring agreements. Debts so acquired and outstanding at the balance sheet date amounted to £417 million (1980 £337 million) and are included in Group debtors.

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Liquid resources				
Redeemable securities, at cost	45	70	—	13
Short-term deposits	595	209	43	1
Cash	79	61	1	2
	719	340	44	16
Market value of redeemable securities	43	71	—	14
Creditors				
Trade and other creditors	1,101	921	453	420
Dividends to Ordinary stockholders	59	30	59	30
Taxation	178	141	—	30
	1,338	1,092	512	480
Short-term borrowings				
Bank borrowings – secured	24	22	—	—
– unsecured	134	118	50	[illegible]
Other short-term borrowings	431	154	—	—
	589	294	50	42

14 Capital of parent company

	Authorized £million	Issued 1981 £million	Issued 1980 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	594	594	593
Unclassified shares (£1 each)	122	—	—
	725	603	602

Small amounts of Ordinary stock aggregating approximately £0·5 million (1980 £12 million) were issued during the year, mainly in respect of the Employees' Profit-Sharing Scheme (1980 £8 million) and conversion of loan stock of a subsidiary (1980 £4 million).

Options to subscribe for Ordinary shares of £1 outstanding at 31 December 1981 under the Company's share option schemes were:

Number of shares	Subscription price	Exercisable up to
2,768,466	£2·69	31 March, 1987
2,293,626	£3·20	31 January, 1986
2,827,000	£3·55	18 March, 1987
427,000	£3·55	17 September, 1987
644,000	£3·55	18 March, 1988

Options granted to directors, included above, are detailed on page 24.

15 Deferred liabilities

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Advance proceeds from oil sales (Note 16)	67	86	67	86
Deferred taxation	99	72	22	—
Deferred petroleum revenue tax	150	83	—	—
Deferred corporation tax thereon	(78)	(18)*	—	—
Other deferred tax (Note 5)	27	7*	22	—
Other deferred liabilities	46	29	—	—
	212	187	89	86

*Net amount of £11 million included in debtors in 1980 accounts.

16 Ninian oilfield – advance proceeds from oil sales

At 31 December 1981 the Group had an approximate 18 per cent interest in the Ninian oilfield in the UK sector of the North Sea, on which it had incurred capital expenditure of £310 million (1980 £310 million). Financing for part of this expenditure has been arranged from banks as advance payments for a portion of the Group's share of the oil to be extracted. Discharge of the liability by way of deliveries of oil (to be repurchased by the Group) will be completed by 1986. Should the oil sales proceeds be insufficient to meet the Group's obligations under the arrangements, deficiencies will be payable in cash. The advance payments, net of amounts discharged, totalled £67 million at 31 December 1981 (£86 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £23 million relates to oil deliveries undertaken to be made in 1982.

17 Loans

	Repayment Dates	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Secured loans					
Sterling	1982/96	3	2	—	—
Foreign currencies					
Australian Dollars (6¾ to 13½ per cent)	1982/2006	127	107	—	—
Others (5½ to 22¼ per cent)	1982/98	49	32	—	—
Total secured loans		179	141	—	—
Unsecured loans					
Sterling					
7¼ to 3 per cent stocks	1986/93	119	119	119	119
10¾ per cent stock	1991/96	43	43	43	43
5½ per cent stock	1994/2004	26	26	26	26
Others	1982/99	27	19	11	1
		215	207	199	189
Multi-currency revolving loans (variable interest)	1984/89	231	238	—	—
Foreign currencies					
US Dollars					
6½ to 8¼ per cent Euro-dollar bonds	1982/92	75	63	3	5
8⅞ to 11 per cent US Dollar bonds	1983/2003	197	157	—	—
6¾ per cent Convertible Euro-dollar bonds*	1997	15	13	—	—
7½ to 12½ per cent loans	1982/2005	167	153	5	21
Others	1982/98	31	20	8	10
		485	406	16	36
Swiss Francs (3½ to 7⅞ per cent)	1982/94	125	113	—	12
Deutsche Marks (5 to 8⅛ per cent)	1982/92	112	105	—	—
Dutch Florins (5¼ to 9 per cent)	1982/91	41	41	—	—
Canadian Dollars (5⅝ to 14½ per cent)	1982/96	70	28	—	—
Others (6½ to 18 per cent)	1982/89	39	28	—	—
		872	721	16	48
Total unsecured loans		1,318	1,166	215	237
Total loans		1,497	1,307	215	237

*Unless previously redeemed these bonds are convertible until 1 September 1997 into Ordinary stock of the Company at a conversion price, subject to adjustment in certain events, of 460 pence per £1 of Ordinary stock (with a fixed rate of exchange applicable upon conversion of the bonds of US$1·7423 = £1).

17 Loans (continued)

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Loans or instalments thereof are repayable within periods from balance sheet date of:				
Less than one year	52	65	5	35
From one to two years	115	38	2	4
From two to five years	412	333	18	8
Over five years	918	871	190	190
	1,497	1,307	215	237
Amount included above in respect of loans wholly repayable within five years	338	261	19	43

18 Commitments and contingent liabilities

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	83	149	20	66
Expenditure authorized but not yet contracted	316	316	106	146
	399	465	126	212

Contingent liabilities existed at 31 December 1981 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £141 million (1980 £120 million) for the Group and £1,471 million (£1,132 million) for the Company, (b) guarantees relating to Pension Funds, including guarantees of the solvency of Pension Funds, (c) other guarantees and contingencies arising in the ordinary course of business.

The Company has agreed to make special payments at the rate of £14 million per annum for three years from July 1980 and of £10 million per annum for three years from November 1981, in respect of increased benefits under the Staff Pension Fund, the Workers' Pension Fund and the Supplementary Pension Fund; at 31 December 1981, the instalments still to be paid totalled £50 million.

A subsidiary of ICI Australia has entered into agreements with an associated company which has been incorporated specifically to erect an olefines plant and to lease it to the subsidiary. Under the terms of the agreements commitments to pay lease rentals over the next sixteen years are £327 million. Commitments also exist in respect of certain leasing arrangements entered into by the Company and by other subsidiaries.

19 Emoluments of directors and employees

The total emoluments of the directors of the Company for the year comprised fees £50,000 (1980 £45,000) and other emoluments £1,350,000 (£1,282,000). Ten directors waived emoluments in the form of productivity bonus aggregating £22,000 (£24,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £2,242,000 (£2,630,000).

19 Emoluments of directors and employees (continued)

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 £20,000).

Emoluments	Directors 1981	Directors 1980	Employees 1981	Employees 1980
£				
1 – 5,000	2	—		
5,001 – 10,000	—	2		
10,001 – 15,000	5	4		
20,001 – 25,000	—	2	884	628
25,001 – 30,000	—	1	329	223
30,001 – 35,000	—	—	165	115
35,001 – 40,000	—	—	109	69
40,001 – 45,000	—	—	50	22
45,001 – 50,000	—	—	19	16
50,001 – 55,000	—	—	13	6
55,001 – 60,000	—	—	6	7
60,001 – 65,000	—	—	3	2
65,001 – 70,000	—	1	7	3
70,001 – 75,000	—	—	2	3
75,001 – 80,000	—	—	3	2
85,001 – 90,000	—	3	—	—
90,001 – 95,000	3	3	—	—
95,001 – 100,000	3	—	1	—
105,001 – 110,000	—	1		
110,001 – 115,000	1	1		
115,001 – 120,000	1	—		
130,001 – 135,000	—	1		
140,001 – 145,000	1	—		
160,001 – 165,000	1	—		

The emoluments of the highest paid director shown above were £164,682 and those of the Chairman were £140,907 (1980 £134,853).
Three of the directors whose emoluments are shown above were directors for part of the year only (5 in 1980).

20 Other statutory information

Included in debtors are interest-free loans totalling £197,349 (1980 £246,414) to officers of the Company, comprising £25,000 in total to two directors and £172,349 in total to eight 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 at the end of the year, which were also the maximum amounts during the year, were £10,000 from Dr C. H. Reece and £15,000 from Mr D. H. Henderson (the same as at the beginning of the year). The loans to the other officers were mainly in respect of housing loans.

The freehold house purchased jointly by Dr N. B. Smith and the Company in 1979, and let to him at an annual rent of £1,800 (exclusive of rates) under a full repairing and insuring lease from the Company and himself, is being sub-let during Dr Smith's service in the USA. The net rental from the sub-letting, after payment of expenses, is being apportioned between the Company and Dr Smith in the proportions in which they contributed to the cost of purchase and initial work, which were respectively Dr Smith £67,998 and the Company £135,996.

Mr D. H. Henderson occupied throughout the year the leasehold flat which he had purchased jointly with the Company in 1980 and for which the respective contributions to the cost of purchase and initial work were Mr Henderson £38,934 and the Company £50,000. Mr Henderson is responsible for all regular outgoings but being in occupation as a joint owner pays no rent.

In addition, a house is let by the Company to an officer (not a director); at 31 December 1981 there was no amount outstanding in respect of this transaction.

Lord Polwarth, who retired from the Board on 22 April 1981, has been retained as a consultant to the Company for a period of two years from 1 May 1981 at a fee of £6,000 per annum.

Principal subsidiary companies

31 December 1981

Company	Country of principal operations and registration or incorporation	Class of capital	Percentage held by ICI	Percentage held by Subsidiaries	Principal activities
Europe (Accounting dates 31 December)					
Deutsche ICI GmbH	West Germany	Ordinary	93	7	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine and plastics; merchanting of other ICI products
ICI Finance Ltd	England	Ordinary	100	—	Financial services
I.C.I. France SA	France	Ordinary	100	—	Manufacture of plasticisers and pharmaceuticals; merchanting of other ICI products
ICI Holland BV	Holland	Ordinary	100	—	Manufacture of bulk and speciality plastics, nylon and polyester polymers and polyurethane chemicals; merchanting of other ICI products
ICI Petroleum Ltd	England	Ordinary	100	—	Petroleum exploration, production, processing and trading
Imperial Chemicals Insurance Ltd	England	Ordinary	—	100	Insurance
Nobel's Explosives Co Ltd	Scotland	Ordinary	100	—	Manufacture of industrial explosives and accessories
Scottish Agricultural Industries PLC	Scotland	Ordinary*	62	—	Manufacture of fertilizers and feeding stuffs; agricultural merchants
The Americas					
C-I-L Inc (Accounting date 31 December)	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, mining equipment, paints and plastics
Duperial SAIC (Accounting date 30 September)	Argentina	Ordinary	100	—	Manufacture of chemicals, plastics and sporting ammunition; merchanting of ICI and other products
ICI Americas Inc (Accounting date 31 December)	United States of America	Common	—	100	Manufacture of pharmaceuticals, dyes, petrochemicals, plastics and other chemicals; merchanting of other ICI products
Other countries (Accounting dates 30 September)					
Chemical Company of Malaysia Berhad	Malaysia	Ordinary*	50	—	Manufacture of fertilizers, agricultural chemicals and chlorine products
Chemicals and Fibres of India Ltd	India	Ordinary*	55	—	Manufacture of polyester fibre
ICI Australia Ltd	Australia	Ordinary*	—	62	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints, plastics and pharmaceuticals
I.C.I. (Malaysia) Sdn Berhad	Malaysia	Ordinary	70	—	Merchanting of ICI and other products; manufacture of paints
ICI (South Africa) Ltd	Republic of South Africa	Ordinary	100	—	Merchanting of ICI and other products; manufacture of zip fasteners and pharmaceuticals; holding company
Indian Explosives Ltd	India	Ordinary*	50	—	Manufacture of industrial explosives and fertilizers
The Alkali and Chemical Corporation of India, Ltd	India	Ordinary*	51	—	Manufacture of chemicals, paints, polyethylene, rubber chemicals, pharmaceuticals and agricultural chemicals

*Listed

Principal associated companies
31 December 1981

Company	Country of principal operations and registration or incorporation	Class	£million	Percentage held by ICI	Percentage held by Subsidiaries	Year end date of latest available audited accounts	Year end date adopted for ICI Group accounts	Principal activities
Europe								
Carrington Viyella Plc	England	Ordinary*	45	7	42†	31 December 80	31 December 81	Manufacture of textiles
		Preference	10	—	—			
		Loan	44	—	—			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 80	31 December 81	Oil refining
Tioxide Group PLC	England	Ordinary	31	50	—	31 December 80	31 December 81	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	59	—	—			
The Americas								
Corpus Christi Petrochemical Company	United States of America	Partners' capital	104	—	37	31 December 80	31 December 81	Manufacture of olefines
		Loan	264	—	—			
Fiber Industries, Inc	United States of America	Common	43	37	—	31 December 81	31 December 81	Manufacture of man-made fibres
		Loan	51	—	—			
Rubicon Chemicals Inc**	United States of America	Ordinary	3	50	—	28 December 80	31 December 81	Manufacture of isocyanates
		Loan	27	—	42			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary*	84	—	38††	31 December 80	30 September 81	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	3	—	—			
		Loan	91	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	27	—	45	30 September 81	30 September 81	Manufacture of fertilizers
		Shareholders' Subordinated Loan	9	—	36			
		Loan	23	—	—			

*Listed
**Became a subsidiary in January 1982; the ICI shareholding was transferred to a subsidiary in December 1981
‡Transferred to ICI in 1981
††Includes 28 per cent held through Afex Holdings (Pty) Ltd in which Group interest is 50 per cent

Group accounts (current cost)

Profit and loss account
for the year ended 31 December 1981

1980 £million	1980 restated in 1981 £'s £million		1981 £million	1981 Percentages of profits to related average assets	1980
5,715	6,395	**Sales**	6,581		
93	104	**Trading profit** (Note 5)	111	2·0%	1·9%
26	29	Share of profits less losses of principal associated companies and income from other trade investments	27		
119	133	**Profit before financing costs and taxation**	138	2·0%	1·9%
(46)	(51)	**Interest and other financial items**	(54)		
(110)	(123)	As in historical cost accounts	(142)		
64	72	Gearing adjustment (Note 6)	88		
73	82	**Profit before taxation** (Note 6)	84	**Pence per £1 Ordinary stock**	
(123)	(138)	Taxation	(111)		
(11)	(12)	Minority interests	(14)		
(61)	(68)	**Loss attributable to parent company** (Note 6)	(41)	(6·9p)	(10·4p)
(173)	(194)	Extraordinary items	(6)		
(234)	(262)	**Loss attributable to parent company after extraordinary items** (Note 6)	(47)	(7·9p)	(39·8p)
(101)	(113)	Dividends	(113)	19·0p	17·0p
(335)	(375)	**Deficit met from reserves**	(160)		
(188)	(210)	**Deficit met from reserves under ICI's gearing method** (Note 6)	(221)		

Balance sheet
at 31 December 1981

1981 £million		1980 restated in 1981 £'s £million	1980 £million
	Assets employed		
5,264	Fixed assets excluding those under construction (Note 7)	4,759	4,253
(679)	Government grants (Note 4)	(744)	(665)
4,585		4,015	3,588
1,298	Stocks	1,229	1,098
1,361	Trading debtors	1,230	1,099
(1,011)	Trading creditors	(911)	(814)
6,233	**Net assets employed in manufacturing and trading activities**	5,563	4,971
264	Fixed assets under construction, less capital creditors	935	836
660	Trade investments	628	561
7,157	**Total investment**	7,126	6,368
	Financed by		
9	Preference share capital	10	9
1,497	Loans	1,462	1,307
67	Advance proceeds from oil sales	96	86
(130)	Liquid resources less short-term borrowings	(163)	(146)
346	Taxation and other non-trading provisions (net)	299	267
1,789	**Total non-equity finance**	1,704	1,523
476	**Capital and reserves attributable to minorities**	412	368
4,892	**Capital and reserves attributable to Ordinary stockholders**	5,010	4,477
594	Issued capital	664	593
4,239	Reserves (Note 8)	4,313	3,854
59	Provision for second interim dividend	33	30
7,157		7,126	6,368

	1980
	£million
	4,253
	(665)
	3,588
	1,098
	1,099
	(814)
	4,971
	836
	561
	,368
	9
	,307
	86
	146)
	267
	523
	362
	?77
	93
	54
	30
	?8

Notes relating to the CCA results

1 The accounts prepared on a Current Cost Accounting (CCA) basis include allowance for the impact of price changes on the funds needed to carry on the business and maintain its operating capability. Under the provisions of Statement of Standard Accounting Practice No. 16 (SSAP16) this is achieved by making adjustments to the holding values of assets employed and to the historical cost trading profit to take into account the current levels of construction costs and of raw materials and other operating costs. The profit before taxation further includes a gearing adjustment which represents the inflationary benefit to the stockholders from loan finance, and partially offsets the cost of loan interest. The presentation of the accounts has been designed to separate trading items from items associated with finance and to demonstrate the relationship between the profit and loss account and the balance sheet (see also Note 6 – gearing adjustment).

2 The accounting policies adopted in the historical cost accounts, set out on page 25, apply also to the CCA accounts, except for modifications required to comply with SSAP16.

3 In order to provide a more useful comparison between 1980 and 1981, the results for 1980 have been shown both in 1980 £'s and re-stated in 1981 £'s. For this purpose the movement of 11·9 per cent in the average UK retail price index between 1980 and 1981 has been taken to represent the general rate of inflation.

4 The bases for the current cost adjustments are:

(a) Fixed assets and depreciation–

(i) In general, indices of the cost of chemical plants, and

(ii) Asset lives which are approximately one third longer than those applied in the historical cost accounts (see page 25). Based on reviews of asset values and lives which have been undertaken as part of the Group's consideration of the current cost basis of accounting, the Group believes that it is appropriate for CCA purposes to use longer lives from within the range of possible lives.

(b) Stocks and the cost of sales adjustment – actual movements in costs, using the averaging method.

(c) Changes in the requirements for monetary working capital (trading debtors less creditors) – movements in appropriate specific indices.

(d) Government grants – indices of the cost of chemical plants; grants have been brought into profits over the lives adopted for CCA accounts. In the balance sheet a deduction is made from fixed assets in respect of the current value of grants attributable to the residual value of the assets.

5 Trading profit

Current cost adjustments reduced the historical cost trading profit as shown below:

	1981	1980 restated in 1981 £'s	1980
	£million	£million	£million
Trading profit – historical cost accounts	**425**	372	332
Cost of sales adjustment	**(119)**	(122)	(109)
Monetary working capital adjustment	**(52)**	(3)	(3)
Supplementary depreciation	**(185)**	(185)	(165)
Indexation of government grants	**42**	42	38
Trading profit – current cost accounts	**111**	104	93
The amounts of depreciation charged and government grants credited in the current cost accounts were:			
Depreciation	**533**	510	456
Government grants	**65**	66	59

6 Gearing adjustment

The gearing percentage, being the proportion of average non-equity finance to average total investment, was 24·5% (1980 22·8%).

Under SSAP16 the gearing adjustment in respect of fixed assets is related to the charge for supplementary depreciation (after making allowance for the difference between historical and CCA asset lives). The adjustment thus excludes revaluation surpluses not yet treated as realised. ICI believes that this results in mis-stating the amount by which the interests of the equity stockholders have been affected by loan and other external financing, the interest on which has been charged against profits.

Under ICI's method, the gearing adjustment represents the total holding gains less losses for the year on assets effectively financed by borrowings less cash. The exchange gains or losses on the non-sterling part of these net borrowings are then added to or deducted from the adjustment; in the event that the forthcoming UK accounting standard on foreign currency translation contains concepts on matching borrowings and assets which do not accord with this treatment, some future modification of the method may be appropriate.

The cost of interest and other financial items calculated in accordance with ICI's method would be:	1981	1980 restated in 1981 £'s	1980
	£million	£million	£million
As in historical cost accounts	**(142)**	(123)	(110)
Gearing adjustment	**225**	96	86
Exchange gains (losses) on financial items	**(188)**	132	118
As in current cost accounts – ICI's method	**(105)**	105	94
On this basis results would be:			
Profit before taxation	**33**	238	213
Profit (loss) attributable to the parent company:			
before extraordinary items	**(102)**	96	86
after extraordinary items	**(108)**	(97)	(87)
Deficit met from reserves	**(221)**	(210)	(188)

7 Fixed assets

	31 December 1981			1980 restated in 1981 £'s	1980
	Gross £million	Depreciation £million	Net £million	Net £million	Net £million
Land and buildings	2,314	1,035	1,279	1,124	1,004
Plant and machinery	10,627	6,341	4,286	4,647	4,153
	12,941	7,376	5,565	5,771	5,157
Under construction	(301)		(301)	(1,012)	(904)
	12,640	7,376	5,264	4,759	4,253

8 Reserves

	1981 £million	1980 restated in 1981 £'s £million	1980 £million
At beginning of year	3,854	4,077	3,643
Inflation and exchange adjustments	536	576	515
Revaluation surplus on:			
Fixed assets	247	665	594
Government grants	(28)	(94)	(84)
Investments	65	90	81
Stocks	123	85	76
Monetary working capital adjustment	49	(3)	(8)
Gearing adjustment	(82)	(63)	(53)
Exchange adjustments	162	(104)	(91)
Deficit for year	(160)	(375)	(335)
Share premiums	1	35	31
Other movements	8	—	—
At end of year	4,239	4,313	3,854

Auditors' report

To the Members of Imperial Chemical Industries PLC

We have audited the financial statements on pages 25 to 40 in accordance with approved auditing standards.

In our opinion the financial statements on pages 25 to 37, which have been prepared under the historical cost convention, give under that convention a true and fair view of the state of affairs of the company and the group at 31 December 1981 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts for the year ended 31 December 1981 on pages 38 to 40 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No 16.

London 4 March 1982

Chartered Accountants

Group financial record

For the years ended 31 December

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
		£million									
Assets employed	Fixed assets	1,160	1,185	1,233	1,425	1,733	1,876	2,299	2,770	3,115	3,342
	Trade investments	208	244	258	302	365	345	362	332	335	433
	Net current assets	486	699	906	1,006	1,406	1,433	1,349	1,351	1,237	1,436
	Total assets employed	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,687	5,211
Financed by	Ordinary capital of ICI	478	480	486	494	559	564	570	581	593	594
	Group reserves attributable to ICI Ordinary stockholders	448	615	806	934	1,249	1,679	1,874	2,208	2,138	2,352
	ICI Ordinary stockholders' interest	926	1,095	1,292	1,428	1,808	2,243	2,444	2,789	2,731	2,946
	Minority interests and preference capital of ICI	133	165	187	203	243	204	236	232	279	345
	Deferred taxation (Note 1)	91	115	174	212	308	—	—	—	—	—
	Grants not yet credited to profit	87	81	77	80	85	89	120	157	183	211
	Deferred liabilities	—	—	—	—	26	74	126	130	187	212
	Loans	617	672	667	810	1,034	1,044	1,084	1,145	1,307	1,497
	Total funds invested	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,687	5,211
Sales, profits and reserves	Sales (external) — UK	776	942	1,199	1,314	1,616	1,868	1,800	2,232	2,399	2,575
	— Overseas	918	1,224	1,756	1,815	2,519	2,795	2,733	3,136	3,316	4,006
	— Total	1,694	2,166	2,955	3,129	4,135	4,663	4,533	5,368	5,715	6,581
	Trading profit (after depreciation)	174	311	461	325	514	545	497	634	332	425
	Depreciation	148	157	169	182	205	221	225	248	291	348
	Profits less losses from trade investments	23	39	50	34	43	41	41	59	62	52
	Profit before loan interest and taxation	198	359	534	372	579	619	575	695	395	464
	Profit before taxation	154	310	484	315	504	534	483	613	284	335
	Taxation (Note 1)	58	145	220	148	236	158	123	123	123	111
	Profit after taxation	96	165	264	167	268	376	360	490	161	224
	Profit attributable to ICI before extraordinary items	81	146	241	148	242	342	332	457	130	192
	Extraordinary items	—	15	(5)	(1)	(46)	(29)	(3)	(16)	(150)	(6)
	Profit (loss) attributable to ICI after extraordinary items	81	161	236	147	196	313	329	441	(20)	186
	Net dividends	41	50	54	59	83	93	105	134	101	113
	Income tax on dividends	26	—	—	—	—	—	—	—	—	—
	Profit (loss) retained transferred to reserves	14	111	182	88	113	220	224	307	(121)	73
	Amounts credited (charged) direct to reserves	1	36	9	40	202	(39)	(29)	27	51	141
	Earnings and dividends (in pence) per £1 Ordinary stock (Note 2)										
	Earnings, before extraordinary items	16·7	30·0	49·1	29·7	45·2	60·9	58·6	79·2	22·1	32·3
	Dividends	13·8	10·1	10·9	11·6	14·8	16·5	18·5	23·0	17·0	19·0
	Dividends grossed up for imputed tax credit	—	14·5	16·3	17·9	22·7	25·0	27·6	32·9	24·3	27·1
	Profit before loan interest and taxation, as a percentage of average assets employed	11·0	18·0	23·6	14·5	18·6	17·3	15·0	16·4	8·6	9·4

Notes: 1 Deferred taxation for the years 1972 to 1976 has not been recalculated on the basis of the present accounting policy, set out on page 25; the cumulative amount of the prior years' adjustment at 1 January 1977 was £249 million. From 1977 onwards deferred taxation is included in deferred liabilities.

2 Earnings and dividends per £1 Ordinary Stock have been adjusted to give effect to the bonus element in the rights issue made in 1976.

3 The results of IMI Ltd up to October 1977 are included above but are excluded from the charts of sales (page 10), capital expenditure (page 11) and exports (page 16).

Printed in England by Brown Knight and Truscott Ltd, Tonbridge

ANNUAL REPORT 1981

Foreword by the Chairman

The Chairman, Sir Maurice Hodgson (seated), and his successor, Mr John Harvey-Jones.

The last eighteen months proved to be one of the most testing periods in ICI's history and it is a tribute to the resolution and understanding of all who work in ICI that we are slowly prevailing over the adverse economic forces we have had to face.

During 1981 decisive actions and sustained effort were necessary to overcome the effects of difficult trading conditions. Throughout the year we continued to reduce our fixed cost base so that by the year end it was £100 million lower in real terms than at the beginning—an achievement we believe compares favourably with the efforts of our competitors. At the same time we maintained our commitment to long term objectives and our ability to achieve them, especially by holding our markets and sustaining our exports from the UK. In the first quarter of 1980, exports were losing money at a rate of £200 million per annum but we were determined to hold on to a market position which had been so hard-won. I am pleased to say that during 1981 exports returned to profit, helped by changes in exchange rates.

Although 1981 was not as bad as 1980, and the results we achieved were better than could reasonably have been expected at the beginning of the year, the outcome was still unsatisfactory. Chemical sales volume was 3 per cent below the 1979 level, increased costs could not be fully recovered in prices, and some major businesses in the UK and Europe, petrochemicals and plastics, fibres, and organic chemicals, continued to lose money, albeit at a reduced rate. On the other hand, the agricultural, pharmaceuticals, industrial explosives, paints and oil businesses performed well, and there was a further increase in the profit contributions from overseas operations, especially Australasia and the Far East, Canada, the United States and South Africa. We pressed on with cost reductions and maintained tight cash control throughout 1981, but we were nevertheless able to support fully those good businesses which we believe hold the greatest promise for the future and ensure that they will be able to take advantage of favourable opportunities.

The 1981 results reflect a world still in recession and a chemical industry moving modestly forward after the shocks of 1980 and early 1981. In the UK, where recession continues to be deeper than elsewhere, de-stocking by customers eased, inflation was reduced and sterling became somewhat more competitive. However, these favourable changes were offset by lack of growth in chemical sales volume and excess capacity which kept prices down and profit margins depressed.

As a result of decisions made in 1980, capital expenditure fell sharply during 1981 and the expenditure authorized for future years was held at the 1980 level. As a result, loan repayments exceeded new borrowings, net liquid resources were maintained near their end-1980 level and the balance sheet remained strong. We are confident the Group is well equipped with up-to-date and competitive plant and ready to take advantage of any upturn in world trade.

It is in this overall context that shareholders should judge our decision to pay a second interim dividend of 10 pence. With the first interim payment of 9 pence, this brings the total to 19 pence compared with 17 pence last year. Our improving cost structure provides a more stable base for us to begin to improve the return to shareholders as rapidly as is consistent with continuing uncertainties. I do have to say however that notwithstanding our spirit of cautious optimism there is real concern about the possible effects of further recession in the USA on interest and exchange rates and on demand and prices throughout the world.

In 1981 I believe we laid sound foundations for recovery in Continental Western Europe and the UK by holding markets, by cost-reduction, cash conservation, business rationalization and re-organization. If there were to be a steady increase in world demand for chemicals, a competitive currency and lower cost inflation in the UK our position could improve rapidly. Of course, the process of change in ICI will continue. Recession has eliminated any breathing space we might have had to adjust to a new world environment for chemicals in which growth rates will be lower than we have been accustomed to in the past. We are confident we can adjust the business to new requirements in product range, production capacity and territorial distribution, and this will be a continuing and major task for my successor, John Harvey-Jones, who will preside at the Annual General Meeting. I have no doubt the momentum of change will be sustained under his leadership and that ICI will maintain its competitive position among the world's major chemical companies. I wish him every success for the future.

Finally, I thank everybody in the Company for their personal support during the whole of my Chairmanship, and particularly for their efforts and understanding during the last eighteen months. Circumstances have inevitably required disagreeable and unwelcome decisions. The constructive way in which these have been received and the speed with which they have been implemented by employees has been of fundamental importance. Given the inherent territorial, technological and innovative strengths of ICI this ability to adjust to changing circumstances provides a basis for real confidence in the future.

Maurice Hodgson

4 March 1982

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Summary of the year

Economic Background

The world recession continued in 1981, with UK manufacturing production falling a further 6 per cent. World chemical production improved a little, but competition continued to be severe. Sterling remained relatively strong despite some depreciation during the year.

Group Results

Group sales totalled £6,581 million (1980 £5,715 million). Excluding oil, sales volume increased overall by 2 per cent against the low level of 1980, but it fell again in the UK.

Low growth in demand and over-capacity in production restricted price increases for chemicals and cost inflation could not be fully recovered in many parts of the business. However, widespread savings in fixed costs were achieved, which contributed substantially to the Group's performance during the year.

Group trading profit at £425 million was £93 million higher than in 1980 but was still £209 million below the 1979 level. Profit before tax was £335 million (1980 £284 million).

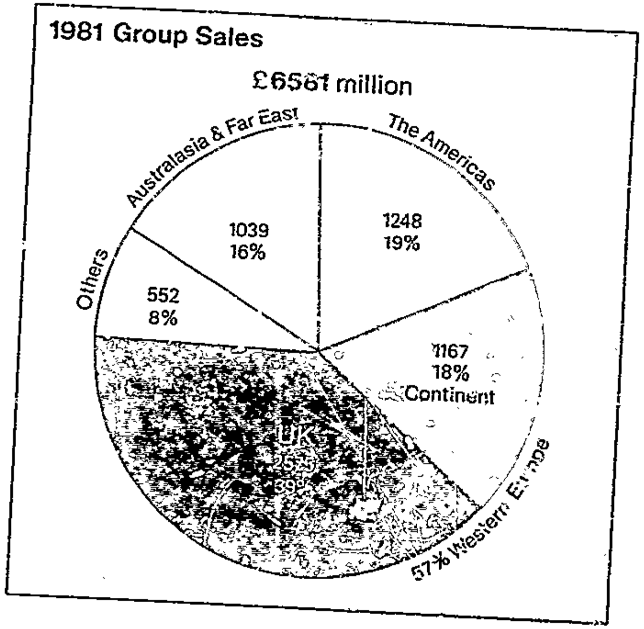
Earnings per £1 of Ordinary Stock were 32·3p (1980 22·1p) before extraordinary items of £6 million (1980 £150 million). A first interim dividend of 9p per unit was paid on 9 October 1981 and the second interim dividend payable on 2 April 1982 will be 10p per unit, making a total of 19p for the year (1980 17p).

Capital Expenditure

The authorization of expenditure on fixed assets and new investments was held at about the 1980 level. Actual expenditure during the year fell sharply to £448 million from £772 million in 1980.

Product and Territorial Review

The losses incurred by the major businesses of petrochemicals and plastics, fibres and organic chemicals were substantially reduced in 1981 – totalling £120 million compared with £199 million in 1980. This improvement was primarily the result of cost reductions arising from the rationalization and re-shaping of these businesses.



Agricultural products, pharmaceuticals, industrial explosives, paints and oil continued to do well. General chemicals suffered in the recession, particularly in the UK, and profits fell.

UK chemical sales volume fell by 3 per cent compared with 1980. The level of sales at the beginning of 1981 was very low, but demand increased slowly through the year, largely due to the ending of the rapid rundown of stocks by customers.

Exports from the UK grew strongly and returned to overall profit.

Sales volume in Continental Western Europe increased by 10 per cent, significantly above the market growth. A trading loss was, however, incurred because of the large proportion of sales in the currently unprofitable fibres, petrochemicals and commodity plastics businesses.

The Group's operations in Australasia and the Far East, Canada, the United States and South Africa contributed strongly to the increased profit earned overseas.

Oil trading profit amounted to £83 million after charging supplementary petroleum duty of £60 million and providing for petroleum revenue tax of £67 million.

Personnel

The average number of employees in the Group in 1981 was 132,400 (1980 143,200). Of these, 74,700 (1980 84,300) were employed in the UK.

Group results in brief

'Group' means ICI and its subsidiaries.

Current Cost Accounts (CCA)

The results prepared on a historical cost basis do not recognise the effects of inflation. Results on a CCA basis, prepared in accordance with the UK accounting standard (SSAP 16), are shown on pages 38 to 40, the main adjustments to trading profit, compared with the historical cost accounts, are an extra depreciation charge of £185 million (1980 £165 million) and charges of £171 million (£112 million) for the cost of inflation in working capital. These adjustments ensure that sufficient funds are put aside to maintain the existing business before declaring the trading profit.

		Historical Cost Accounts 1981 £million	Historical Cost Accounts 1980 £million	CCA 1981 £million	CCA 1980 £million
Sales	Sales to external customers	**6,581**	5,715		
	Chemicals				
	UK	**1,899**	1,881		
	Overseas	**3,851**	3,259		
	Oil	**831**	575		
	Exports from the United Kingdom at f.o.b. value				
	Chemicals	**1,300**	1,116		
	Oil	**153**	57		
Profits	Trading profit	**425**	332	**111**	93
	Profit before taxation	**335**	284	**84**	73
	Profit (loss) attributable to parent company before extraordinary items	**192**	130	**(41)**	(61)
	Earnings (before extraordinary items) per £1 Ordinary Stock	**32·3p**	22·1p	**(6·9p)**	(10·4p)
Dividends	Dividend per £1 Ordinary Stock	**19·0p**	7·0p		
Capital	Capital expenditure				
	Fixed assets	**411**	724		
	New investments	**37**	48		
	Additional working capital (before extraordinary items)	**202**	10		
	Assets employed at year end	**5,211**	4,687	**7,157**	6,368
	Percentage return on average assets employed	**9·4%**	8·6%	**2·0%**	1·9%

Figures in brackets represent losses.

Sources and disposal of value added

(This table 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.*)

	1981 £million	1980 £million	Percentage change	
Sources of income				
Sales	**6,581**	5,715	+15%	
Royalties and other trading income	**82**	56		
Less: Materials and services used	**(4,551)**	(3,907)	+16%	
Value added by manufacturing and trading activities	**2,112**	1,864	+13%	
Share of profits less losses of principal associated companies and income from other trade investments	**52**	62		
Total value added	**2,164**	1,926	+12%	
Disposal of total value added				
Employees	**1,362**	1,318	+3%	◁ Average number of employees decreased by 8%.
–pay, plus pension and national insurance contributions, and severance payments	**1,335**	1,316		
–profit sharing bonus	**27**	2		◁ 1981 UK bonus rate 4·8p per £1 of remuneration. No bonus for 1980, but £2 million paid to leavers.
Governments	**88**	102	−14%	◁ Does not include tax paid by employees on their pay. Income tax paid by UK employees under PAYE amounted to £136 million in 1981 (1980 £141 million).
–corporate taxes	**111**	123		
–grants	**(23)**	(21)		
Providers of capital	**287**	242	+19%	
–interest cost of net borrowings	**142**	110		
–dividends to stockholders	**113**	101		
–minority shareholders in subsidiaries	**32**	31		
Re-investment in the business	**427**	264	+62%	◁ Contribution towards the total spent in the year on new fixed assets, working capital and additional investments.
–depreciation and provisions in respect of investments	**354**	385		
–profit retained	**73**	(121)		◁ Reserves reduced in 1980.
	2,164	1,926		

The above table is based upon the audited historical cost accounts. Figures in brackets represent deductions.

Directors

Chairman	Sir Maurice Hodgson
Deputy Chairmen	W. B. M. Duncan, CBE
	J. H. Harvey-Jones, MBE
	R. Haslam
Other Directors	A. W. Clements
	Sir Arnold Hall, FRS*
	P. G. Harvey
	D. H. Henderson
	Sir Alex Jarratt, CB*
	Sir Patrick Meaney*
	Sir Jeremy Morse, KCMG*
	C. H. Reece
	A. Robertson, CBE
	Sir Francis Sandilands, CBE*
	N. B. Smith, CBE
	The Rt Hon Lord Thomson of Monifieth, KT*
	F. Whiteley

*Non-Executive Directors

Secretary	P. S. G. Flint
Treasurer	C. I. Crowe
Solicitor	V. O. White

Senior Executives

Division Chairmen

Agricultural	B. Appleton
Fibres	J. Lister
Mond	R. I. Lindsell
Organics	S. E. Blurton
Paints	R. C. Hampel
Petrochemicals and Plastics	T. O. Hutchison
Pharmaceuticals	P. W. Cunliffe, CBE
Plant Protection	A. Hayes

General Managers

Commercial	D. S. Hay
Europa	J. York
Investments	A. Conlong
Personnel (Operations)	R. N. Hodge
Personnel (Senior Management)	W. B. Stead
Planning	C. Hampson
Research and Technology	C. W. Suckling, FRS

Chief executives of major subsidiary companies

ICI Australia Ltd	Chairman and Joint Managing Director:	M. D. Bridgland
ICI Americas Inc	President and Chief Executive Officer:	R. P. Barnett
C-I-L Inc	Chairman and Chief Executive Officer:	W. J. Mandry
ICI Group of Companies in India	Chairman:	A. L. Mudaliar
ICI Japan Ltd	President:	N. D. MacLeod, CBE
Nobel's Explosives Co Ltd	Chief Executive:	E. Innes
Scottish Agricultural Industries PLC	Managing Director:	Q. Brown

Registered Office	Imperial Chemical House, Millbank, London SW1P 3JF
Registrar and Transfer Office	B. P. Mould, PO Box 227, Imperial Chemical House, Millbank, London SW1P 3JL
Auditors	Thomson McLintock & Co, 70 Finsbury Pavement, London EC2A 1SX
	Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY

Report of the Directors 1981

The Directors of Imperial Chemical Industries PLC present their fifty-fifth Annual Report, together with the Accounts of the Company for the year 1981. They will be laid before the stockholders at the fifty-fifth Annual General Meeting to be held on 22 April 1982, and copies are being provided for those employees of the Company who are not also stockholders.

THE QUEEN'S AWARD
FOR EXPORT ACHIEVEMENT
TO MOND DIVISION 1981

THE QUEEN'S AWARD
FOR EXPORT ACHIEVEMENT
TO PETROCHEMICALS DIVISION 1981

Economic Background

The world recession continued during 1981, accompanied by generally high interest rates as Governments tried to reduce inflation. For a period, business conditions were relatively buoyant in the USA, but there was a serious downturn towards the end of the year. Economic activity also slackened in other overseas territories after some initial strength. Output in Continental Western Europe was flat throughout the year, failing to improve on its previous depressed level. Unemployment rose steeply in most industrialised countries; and oil markets weakened.

The decline in UK manufacturing production persisted until the second quarter. Despite some subsequent recovery, the average level was 6 per cent below that of the previous year. There was greater moderation in wage settlements, but charges from local government and some nationalised industries increased steeply. Sterling, despite some depreciation during the course of the year, was on average only 1 per cent lower than in 1980.

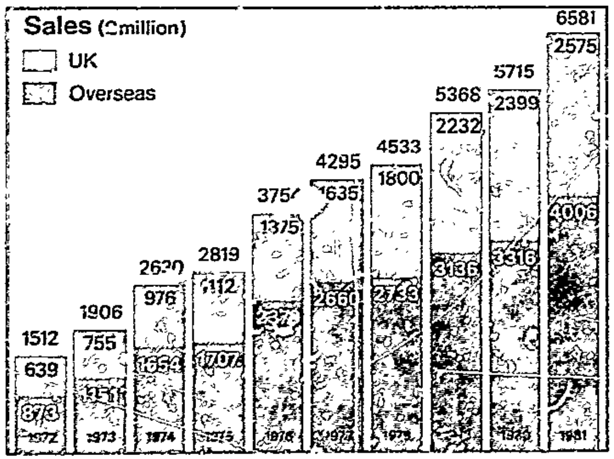
World chemical production had staged a good recovery by early 1981, but subsequently flattened. For the year as a whole, the increase was only 2 per cent following the 2½ per cent fall experienced in 1980. Competition in chemical markets thus remained severe. In the UK, chemical output remained below that of 1980. Home sales by the chemical industry started at a very low level, but increased for a time as de-stocking neared its end, whilst exports rose during the course of the year. The increase in UK chemical prices was only 6 per cent in 1981, well below the general rate of inflation.

Group Results

The continuing recession in world markets, particularly in the UK, not only restrained the recovery in sales volume but also permitted only minimal improvement in profit margins despite significant savings on fixed costs. Although margins recovered from the abnormally low levels reached in the second half of 1980, they nevertheless remained unsatisfactory and substantially below those achieved in earlier years.

Group sales in 1981 were £6,581 million compared with £5,715 million in 1980. If oil is excluded, the volume of Group sales worldwide increased by 2 per cent compared with 1980 but remained 3 per cent lower than in 1979. Chemical sales volume growth of 10 per cent in Continental Western Europe contrasted with a fall of 3 per cent in the UK; outside Western Europe, overall volume rose by 2 per cent. Selling prices of chemicals increased by 7 per cent on average; in the UK the increases were generally lower than average. The pressures of low growth and industry over-capacity restricted price rises, as also did the relative strength of sterling, particularly in the early part of the year.

Group trading profit of £425 million on the historical cost basis was £93 million higher than in 1980. As between business sectors, the pattern of profitability remained largely unchanged. Although the major businesses of petrochemicals and plastics, fibres and organic chemicals each continued to make significant losses, these were substantially lower than in 1980. Profits in the agriculture, pharmaceuticals and industrial explosives sectors advanced, but there were lower profits from oil, where higher operating income was offset by the new supplementary petroleum duty, and from some parts of the general chemicals business in which sales and profits declined. On a territorial basis, there was a marked improvement in UK profits as exports returned to profitability, and also in profits in North America. There was a modest increase in Australasia and the Far East.



Financing costs increased by £32 million to £142 million because of movements in exchange rates and higher interest rates. Group profit before tax at £335 million was £51 million higher than in 1980. The following table summarizes sales and profit before tax for 1980 and 1981 on a quarterly basis.

	Sales	Profit before tax
	£million	£million
1980		
First quarter	1,523	171
Second quarter	1,452	103
Third quarter	1,304	3
Fourth quarter	1,436	7
	5,715	284
1981		
First quarter	1,496	52
Second quarter	1,603	83
Third quarter	1,651	86
Fourth quarter	1,831	111
	6,581	335

The taxation charge was £111 million (1980 £123 million), comprising £41 million of UK taxation, £57 million of overseas taxation and £13 million of taxation on principal associated companies. Earnings after taxation were £192 million (32·3p per £1 unit of Ordinary Stock) compared with £130 million (22·1p per £1 unit) in 1980.

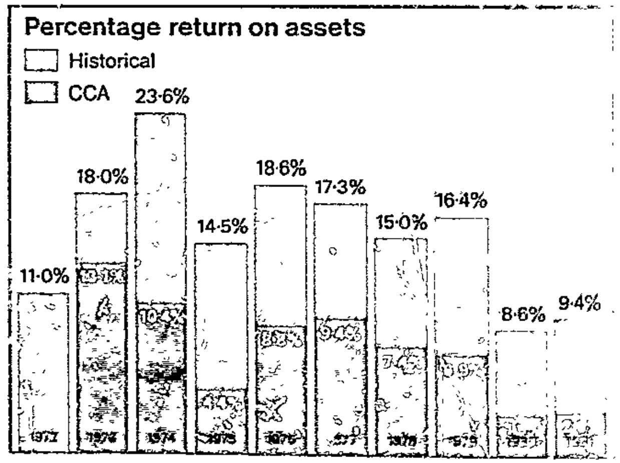
Extraordinary items of £6 million (1980 £150 million) in 1981 are ICI's equity share of rationalization provisions made by Carrington Viyella Plc.

A second interim Ordinary dividend of 10p per £1 unit, which the Annual General Meeting will be asked to confirm as the final dividend for 1981, is payable on 2 April 1982. This, together with the first interim dividend of 9p per unit paid on 9 October 1981, makes a total Ordinary dividend of 19p for the year. The gross equivalent of this (including the related tax credit) is 27·14p compared with 24·29p for 1980. The payment of these dividends requires £113 million (1980 £101 million), leaving £73 million retained in the business (1980 £121 million reduction in reserves).

On a current cost accounting (CCA) basis, the 1981 trading profit was £111 million and profit before tax was £84 million. Earnings for Ordinary stockholders were negative, the loss before extraordinary items being 6·9p per £1 unit of Ordinary Stock compared with a loss of 10·4p in 1980.

Capital Programme

During 1981 authorization of expenditure on fixed assets was held at about the same level as in 1980. Actual capital expenditure in 1981 fell sharply because of the reduced levels of expenditure authorized in 1979 and 1980 in response to lower forecast demand for chemicals.



The following table summarizes Group authorizations and expenditure for each of the past three years.

Fixed Assets	1979 £million	1980 £million	**1981 £million**
Authorized:			
United Kingdom	286	176	**71**
Continental Western Europe	20	45	**25**
The Americas	171	61	**164**
Other countries	75	42	**67**
	552	324	**327**
Expenditure:			
United Kingdom	432	390	**168**
Continental Western Europe	121	148	**39**
The Americas	120	117	**118**
Other countries	87	69	**86**
	760	724	**411**
Total authorized but unspent at end of year	865	465	**381**

As in 1980, a high priority was given in the capital programme to the modernization and improvement of existing UK plants in order to reduce costs, but expenditure for the expansion of profitable businesses such as pharmaceuticals was also authorized. A £95 million ammonia plant in Canada accounted for a major part of overseas authorizations.

In addition to the expenditure on fixed assets, other new investment in 1981 totalled £37 million, compared with £48 million in 1980. During the year the acquisition for £16 million of full ownership of the isocyanates business of Rubicon Chemicals Inc in the USA was authorized; this was completed in January 1982.

Finance

The table below shows the difference for the years 1980 and 1981 between funds generated internally and cash requirements, together with the related movements in external finance. A detailed statement of source and application of funds is given on page 20.

	1981 £million	1980 £million
Funds generated internally		
Funds generated from operations	**952**	714
Less interest and taxation paid during the year	**(224)**	(208)
Net funds generated from operations	**728**	506
Net cash requirements	**761**	813
New fixed assets	**411**	724
New investments	**37**	43
Disposal of fixed assets and trade investments	**(27)**	(48)
Additional working capital	**202**	10
Effect of 1980 extraordinary items	**37**	(72)
Dividends	**101**	151
Deficit covered by external finance	**(33)**	(307)
External finance		
Issues of ICI Ordinary Stock	**2**	43
Issues of Loan Stocks and other non-current borrowings (less repayments)	**(18)**	255
Sale and leaseback of fixed assets	**49**	—
Others	**(16)**	16
Decrease (increase) in net liquid resources	**16**	(7)
	33	307

During 1981, the Company issued small amounts of Ordinary Stock aggregating approximately £0·5 million.

The Group's requirement for cash for new fixed capital expenditure and new investments was over £300 million less than in any of the previous three years, due to the reduction in the rate of capital authorizations since 1978. Net funds generated from operations financed the major part of requirements. Loan repayments totalled £107 million, including net repayments of £36 million in respect of multi-currency arrangements. New borrowings of £89 million included a Canadian $80 million (£33 million) debenture issue by C-I-L Inc.

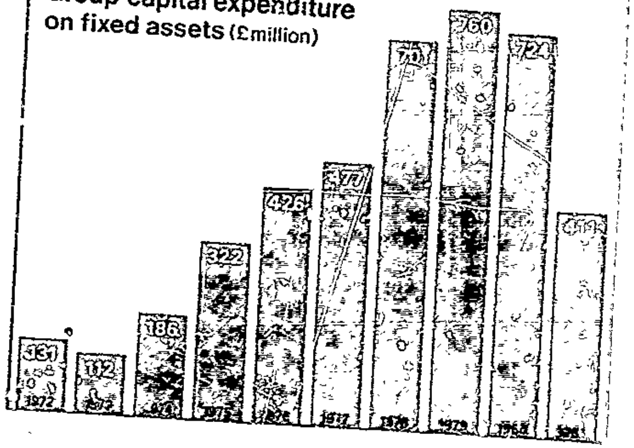
Net liquid resources at 31 December 1981 were £130 million compared with £146 million at 31 December 1980.

Working Capital

Working capital, having been held down to a low level at the end of 1980, increased as business improved and new funds of some £200 million were required.

With overseas sales representing a higher proportion of the business, there was a substantial rise in total debtors although average credit periods were unchanged in the UK and lower in export markets. Stocks rose by slightly less than creditors, but in both cases the increase was largely attributable to inflation.

Group capital expenditure on fixed assets (£million)



Stockholders

At the end of 1981 the register of stockholders consisted of 450,837 Ordinary Stock accounts, 833 Preference Stock accounts and 199,480 accounts in respect of all classes of Loan Stock. The following table analyses the holdings of Ordinary Stock:

Size of holding £	Number of stockholders' accounts	Amount £ million
1—250	202,300	25·1
251—500	113,581	41·5
501—1,000	84,076	60·1
1,001—5,000	47,825	82·4
5,001—10,000	1,407	9·7
10,001—50,000	958	22·5
50,001—1,000,000	615	136·8
Over 1,000,000	75	215·8
All holdings	450,837	593·9

Almost all the holders of more than £50,000 of Ordinary Stock are insurance companies, pension funds, unit trusts, banks and other institutions, together representing millions of people who, as holders of insurance policies, members of pension funds, unit holders and the like, have – with their families – a direct interest in the progress of ICI

So far as the Board are aware, at no time during 1981 or up to and including 10 February 1982 (one month prior to the date of the Notice of Meeting on page 2) has any person held an interest in stock comprising 5 per cent or more of the issued Ordinary share capital of the Company.

Review of Trading Operations

The first part of this review deals on a worldwide basis with the results of each class of business in which the Group is engaged. The table which follows gives the sales and trading profit attributable to each class. It does not include the results of associated companies.

	Sales		Trading Profit	
	1981 £million	1980* £million	1981 £million	1980* £million
Agriculture	1,245	1,071	182	151
Fibres	444	432	(36)	(86)
General chemicals	1,232	1,143	75	99
Industrial explosives	258	210	35	19
Oil	1,056	770	83**	97**
Organic and speciality chemicals	573	520	(30)	(34)
Paint and decorative products	455	449	27	27
Petrochemicals and plastics	1,746	1,588	(54)	(79)
Pharmaceuticals	407	346	90	66
Miscellaneous	118	90	—	8
	7,534	6,619	372	268
Inter-class eliminations	(953)	(904)		
Royalty income			(2)	19
Government grants			32	24
			23	21
Totals as in profit and loss account	6,581	5,715	425	332

The petrochemicals and plastics classes of business have been merged (see page 15) and the 1980 figures have been restated to reflect this and a minor re-classification of speciality chemicals.

***After provision for petroleum revenue tax and supplementary petroleum duty.*

The Group's policy is to transfer products internally at prevailing external market prices.

Classes of Business

Agriculture

The Group's worldwide agricultural business performed well in 1981 and achieved excellent results.

Fertilizer consumption in the UK continued to grow, and competition was keen. Because of stock reduction by customers, market demand did not increase in line with consumption. Nevertheless, the UK plants operated at high rates, as did those in Canada and India. On the other hand, fertilizer demand was reduced in Australia by drought conditions early in the year and in Malaysia by the depressed state of the rubber and palm oil markets.

Demand for the related industrial chemicals, principally ammonia and methanol, remained weak in the UK. High production levels were sustained by increased exports, mainly to Continental Western Europe. An additional plant was commissioned at Billingham, Teesside, for the manufacture of nitric acid, an essential intermediate for nitrogen fertilizer production. The plant at Billingham for the manufacture of 'Pruteen' high protein animal feed is now operating satisfactorily and the product has been well received by customers in Western Europe.

Sales of crop protection chemicals held up well, with the bipyridyl herbicides showing good gains in volume. Paraquat herbicide in particular achieved high growth rates in the USA and the Far East. Profitability in all crop protection product sectors continued to be constrained by severe competition, but the strengthening of the US dollar gave some relief on profit margins.

Fibres

Considerable rationalization and a more helpful trading environment enabled the Group to cut the 1980 loss by more than half in 1981, with the performance improving significantly by the year end. During the year three factories were closed and a fourth was sold to a consortium of employees, with a reduction of some four thousand jobs in the Group as a consequence of these and other actions. The year's result also benefited from the sale for £5 million of an office property lease in London.

Sales volume in Western Europe was maintained despite the closures, but within the total the Group achieved a considerable change of emphasis from commodity products to those in which ICI has a strong advantage in technology and manufacturing ability. Amongst the latter are the new polyester yarns 'Mitrelle' and 'Terinda', which have been well received by the West European textile industry. ICI is the leading supplier of polymer for polyester bottles in Western Europe, sales having nearly trebled during 1981, and new production capacity has been authorized in order to exploit the expanding market.

The strengthening of the dollar in 1981 reduced the surge of imports from the USA which had damaged much of the West European textile industry in 1980, but it is a matter of serious concern that a number of ICI's UK and Continental customers have been forced into liquidation because of difficult trading conditions. ICI has not been alone amongst West European fibre producers in withdrawing excess capacity, so that overall demand and supply are coming into better balance than for many years past. If the announced withdrawals of capacity are fully implemented and a satisfactory outcome is achieved from the re-negotiation of the Multi-Fibre Arrangement on textile imports, the state of the fibres industry will be much improved. However, ICI will continue to pursue its cost reduction policies and maintain its emphasis on product innovation.

The major subsidiaries and associated companies outside Europe traded profitably, particularly Fiber Industries, Inc in the USA and South African Nylon Spinners (Proprietary) Ltd. Within Europe, the business of Finicisa Fibras Sinteticas SARL in Portugal continued to be profitable.

General chemicals

This worldwide business is centred on alkalis, chlorine and chlorinated products but also includes acids, methacrylates, limestone, lime, salt and a range of more specialised chemicals.

The Group's main manufacturing base for general chemicals is in Western Europe and principally the UK. The serious reduction in profit experienced in 1981 primarily reflected the problems of the UK economy, where high and increasing costs (especially of energy) coincided with a 10 per cent fall in demand. However, the drive to reduce fixed costs was successfully pursued and this, together with some recovery in the volume of sales during the year, resulted in some improvement in profitability as the year progressed. The continuing strong representations to the electricity industry and the Government about the effects of the UK electricity tariff on the biggest consumers (including ICI as chlorine manufacturers) have been largely unheeded and ICI's chlorine production in the UK remains at a significant cost disadvantage compared with Continental European competitors.

The main sales increase came from the continued growth of selected products in Continental Western Europe. A new plant for chloromethanes was commissioned at Runcorn, Cheshire, providing further capacity to underpin the export drive into Continental Western Europe. The vinyl chloride plant at Wilhelmshaven, West Germany, which will supply the adjacent PVC plant, and a new ammonium chloride plant at Northwich, Cheshire, were also commissioned.

Elsewhere in the world, the substantial businesses in Canada and Australia maintained their profits.

Industrial explosives

Despite a worldwide downturn in mining of metal ores, sales of industrial explosives outside the UK increased by more than a quarter and profits by over 50 per cent in sterling terms in 1981, although by rather less in terms of local currencies. Sales for use in coal and gold mining and for seismic exploration remained strong, but demand by the construction industry and for extraction of base metals was depressed in all major markets. In the UK, sales volume dropped because of the depressed economy and a reduced demand for coal.

The increased research and development efforts of recent years have led to the introduction of new emulsion-type explosives in Canada and a novel range of detonators and primers in the UK. These accessories, sold under the trade marks 'Magnadet' and 'Magna', give enhanced protection against stray electric currents and static electricity, and the initial response in the UK and overseas markets has been excellent.

ICI Explosives International Private Ltd, which undertakes international marketing, continued to make progress despite severe competition.

Oil

Crude oil output from the North Sea Ninian field increased from an average of approximately 265,000 barrels a day in the fourth quarter of 1980 to approximately 300,000 barrels a day in the fourth quarter of 1981 as a result of the drilling of additional field development wells from the northern, central and southern platforms. Despite the adjustment of ICI Petroleum Ltd's share of Ninian crude oil from about 19 per cent to about 18 per cent as a result of the review under the Consortium Agreements at the end of 1980, its share of 1981 production was approximately 17 million barrels compared with 16 million in 1980. Output is expected to show a further increase in 1982. ICI's share of the proved Ninian reserves remaining at the end of 1981 was approximately 150 million barrels.

Refinery margins, which fell sharply in the second half of 1980, remained weak throughout 1981 because of a low level of demand, and the refining part of the business, which had been profitable in 1980, traded at a small loss.

Exploration on the UK and Irish continental shelf continues and several possible developments are under appraisal. One further block was obtained under the seventh UK round of licensing. Interests were also acquired in West German waters where drilling of one well was in progress at the end of the year.

In the Gulf of Mexico three onshore and five offshore fields were in production at the year end; production from two small onshore fields ceased during the year. Four other discoveries are in various stages of development. At the end of 1981, ICI's share of the proved reserves was approximately 23 billion cubic feet of gas, together with small amounts of gas condensate and oil.

In the California offshore area an extensive joint drilling programme led by Chevron USA Inc as operator was conducted in the Santa Barbara Channel and a significant oil discovery (named Point Arguello) was made. Further work will be carried out in order to assess the full potential of this discovery. Exploration with others in Alberta, Canada, has yielded proved reserves to ICI of approximately 34 billion cubic feet of gas and a small amount of oil at the end of 1981; a number of other discoveries will need further appraisal.

The aggregate net contribution to ICI's trading profits from oil and gas operations was lower in 1981 (£83 million) than in 1980 (£97 million). Although operating income from the North Sea increased, the gain was offset by petroleum revenue tax and the new supplementary petroleum duty introduced with effect from 1 January 1981. Amounts provided in respect of petroleum revenue tax and supplementary petroleum duty totalled £127 million in 1981 (1980 £61 million) and oil royalties were £33 million (1980 £22 million). Moreover, the residual profits are subject to corporation tax.

Organic and speciality chemicals

The worldwide recession in the textile industry, which was particularly marked in the UK and Continental Western Europe, continued to be a major factor affecting sales of dyestuffs. Nevertheless, worldwide sales of dyes were higher than in 1980. This increase partly reflected the effect of earlier de-stocking, but there were signs of an underlying improvement in demand. Prices continued to decline during the first six months, but steadied during the second half of 1981, assisted in the case of exports from the UK by the lower value of sterling. ICI's programme to reduce the UK production cost base has been successful, but it was not possible to recover cost inflation in full during the year because of the effect on prices of the excess of world capacity over demand. In consequence, a substantial trading loss was incurred although the cash outflow was minimised by strict attention to costs and to working capital.

The performance of the pigments business was similar to that of dyes. During the year the transfer of inorganic pigment manufacture from Derby Works, which is scheduled to close, to Trafford Park Works, Manchester, was largely completed. This, coupled with quality improvements in the range of chrome pigments, will strengthen the future position of the business.

The profitability of other products such as nitrocellulose and aniline was also adversely affected by the business situation, especially in Western Europe. In contrast, however, the performance of silicones and the 'Proxel' biocides improved during 1981. Sales of the solvent extractant for copper increased by more than 50 per cent.

Sales volume for polyurethane chemicals increased substantially over 1980, but severe competition made it difficult to obtain price increases in Western Europe and, as a result, cost inflation was not recovered. On the other hand, improved manufacturing performance and a more favourable supply/demand position in the USA enabled Rubicon Chemicals Inc to have a successful year. That company has been owned jointly by ICI and Uniroyal Inc, but in January 1982 the company was reorganized and ICI assumed full ownership and control of the isocyanates business and assets. This will enable the Group to co-ordinate and optimise its polyurethanes business on a worldwide basis.

Sales and profits of the Atlas range of products, which includes sorbitol, mannitol, speciality surfactants, activated carbon and polyester resin, were significantly better in the USA and about the same in Western Europe as in 1980.

Paint and decorative products

Within this class of business, the sales and profits of the international paints business showed further improvement, with all the increase coming from outside Western Europe. Canada, Australia and South-East Asia were the principal territories contributing to higher profits.

In the UK, sales to the general industrial market declined because of the recession, but decorative paint sales held up well despite strong competition. Although the UK motor industry declined further in 1981, sales to it increased as customers switched to newer technology in undercoats and topcoats. In West Germany good progress was made in the can coatings market with new product innovation.

The performance of ICI's associated paint companies overseas improved significantly, and additional licensees were appointed to serve markets in which ICI is not represented. Research is being increasingly organized on an international basis, and good progress has led to new high technology products.

The wallcoverings, PVC sheet and coated fabrics businesses in the UK were merged into a wholly-owned subsidiary, ICI Hyde Products Ltd. The business of that company was affected by a general weakness in demand and by the strength of sterling.

Petrochemicals and plastics

ICI is one of the world's largest producers of petrochemicals and plastics, with its main manufacturing base in Western Europe and with substantial interests also in other parts of the world, particularly North America and Australia. In order to optimise the overall direction and management of the businesses within Western Europe, the former Petrochemicals and Plastics Divisions were merged into a single operating unit in April. This will also enable further streamlining of effort to be achieved, particularly in overheads and common site facilities.

Because of the effect of the recession which emerged with such severity in 1980, the Group's petrochemicals and plastics businesses continued in 1981 to incur significant losses but at a reduced level. The weakness in demand in Western Europe gave rise to extensive over-capacity across almost the whole range of petrochemicals and commodity plastics products. This provoked fierce price competition which, for ICI, was further exacerbated by the strength of sterling against the main Continental currencies. The sterling exchange rate against the Deutschemark was particularly significant since market prices in West Germany largely determine selling prices throughout Western Europe, including the UK. At the same time, a steady decline in the sterling exchange rate against the US dollar during 1981 forced naphtha and other raw material costs upwards in terms of sterling. Although the combined impact of these factors caused all businesses to be adversely affected, the most serious losses arose in Western Europe on the bulk polymers – low density polyethylene, polypropylene and PVC – and, to a lesser extent, on commodity petrochemicals. Other petrochemical products showed some improvement compared with 1980, and films and engineering plastics remained in profit.

From early 1981 the underlying trend in sales volume in UK and overseas markets turned upwards. Export sales from the UK exceeded the previous peak in 1979 by about 20 per cent. The former Petrochemicals Division received a Queen's Award for Export Achievement in April 1981 in recognition of a substantial increase in export sales of a wide range of products.

In response to the difficult trading environment in Western Europe, action to reduce costs and improve efficiency continued to be pursued with determination. This included the closure of nylon intermediates production at Ardeer, Scotland, and of polyethylene film and bag production at Stevenage, with manufacture of these products being consolidated on Teesside. New capacity commissioned during 1981 included plants for the manufacture of terephthalic acid, polypropylene, and ethoxylates at Wilton, Teesside, for 'Perspex' extruded acrylic sheet at Darwen, Lancashire, and for PVC at Wilhelmshaven. The new capacity has enabled older and less efficient plants to be closed.

Outside Western Europe, the Group's petrochemicals and plastics manufacturing operations traded profitably overall in 1981, with ICI Americas Inc and ICI Australia Ltd both recording useful gains on plastics products.

Pharmaceuticals

ICI's pharmaceuticals business had a successful year, both in its sales and profits and also in launching new products in principal markets. Sales grew by 18 per cent to £407 million; this rate of growth was significantly higher than the overall growth rate of the world pharmaceutical market and is a continuation of the good performances of previous years. Sales and profits have both more than doubled in the last five years.

The Group's success in pharmaceuticals is based on research and on a strong worldwide marketing organization. Over 80 per cent of 1981 sales were made outside the UK, with sales of £131 million in the Americas, £106 million in Continental Western Europe and £101 million in other overseas countries.

The Group's major products, which were all invented within the Company, maintained good progress. 'Inderal' continues to be the most widely used beta-blocker heart drug in the world, and sales of 'Tenormin', a second-generation cardio-selective beta-blocker, grew substantially during the year. 'Tenormin' was launched into the USA market in October 1981 and offers the prospect of substantial sales. 'Nolvadex', a palliative treatment for certain cases of breast cancer, has been the subject of favourable clinical trial reports in the USA and a number of other countries, which it is hoped will lead to a further extension of its use. With the launching of 'Nolvadex' in the Japanese market in the early autumn of 1981, the product is now on sale in all the main pharmaceutical markets of the world.

The Group's animal health prostaglandin product 'Estrumate', used principally for controlled breeding in cattle, has been approved for sale by the Food and Drug Administration in the United States and will be launched there early in 1982.

Territorial Analysis

This part of the review analyses the results in each of the main geographical areas of the Group's operations. The sales and trading profit made by companies located in each area are shown in the following table. Export sales and their related profits are included in the territories from which those sales were made; the sales figures differ, therefore, from those in the chart on page 5 where sales are shown according to the territory in which the customer is located.

	Sales 1981 £million	Sales 1980 £million	Trading Profit 1981 £million	Trading Profit 1980 £million
United Kingdom—				
Home sales	2,569	2,393		
Exports (at invoice value)	1,650	1,316		
	4,219	3,709	216	137
Continental Western Europe	1,015	924	(13)	—
The Americas	1,077	825	63	44
Australasia and the Far East	939	802	94	85
Indian sub-continent	140	96	10	6
Other countries	99	87	4	7
	7,489	6,443	374	279
Inter-territory eliminations	(908)	(728)	(4)	8
Royalty income			32	24
Government grants			23	21
Totals as in profit and loss account	6,581	5,715	425	332

The United Kingdom

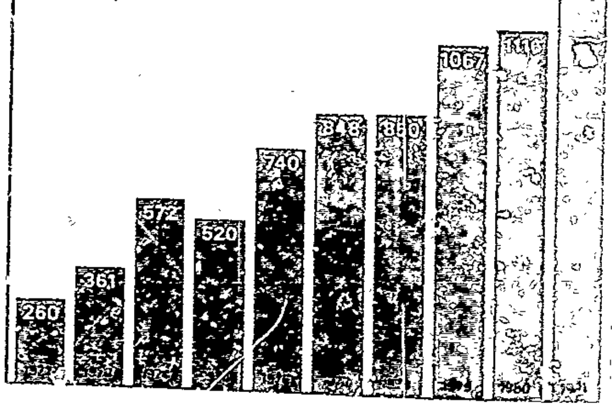
The value of ICI sales in the UK, excluding oil, rose by 1 per cent although the volume fell by 3 per cent. The level of sales at the beginning of 1981 was very low, but demand increased slowly through the year, largely due to the ending of the rapid rundown of stocks by customers. UK industrial production remained generally weak and ICI sales volume at the year end was still well below the level achieved in 1979. The closure of a number of customers' plants and the consequent erosion of ICI's customer base, which was causing concern in 1980, was a continuing feature throughout 1981.

Prices in general only rose slowly and it was not possible to recover all cost increases incurred during the year; hence, despite the extensive cost reduction programme, trading margins were in many cases reduced. Further price increases are therefore essential to achieve adequate profitability, particularly on products such as fibres, dyestuffs and bulk plastic polymers.

Exports from the UK

The f.o.b. value of Group direct exports of chemicals from the UK in 1981 was £1,300 million, 16 per cent greater than in 1980, as a result of continuing strong efforts to improve ICI's position in the world chemicals market against a background of a weak UK market.

Exports of chemicals from the UK
(£million)



The volume and value of exports continued to grow through the year and exports to the EEC increased by 18 per cent in a static market.

Profitability of exports recovered steadily during the year, due to a combination of price increases and some weakening of sterling, moving up from a small loss in the first quarter back towards the levels achieved in 1979. The Company had held on to export markets in 1980 despite significant losses in many instances; the benefits of this policy came in 1981 when exports returned to overall profit, although many commodity products still incurred losses.

The values of exports from the UK, in f.o.b. terms, were:—

	1979 £million	1980 £million	1981 £million
Chemicals			
Western Europe			
EEC	460	479	**565**
Rest of Western Europe	116	121	**127**
	576	600	**692**
Africa	112	137	**151**
Far East	83	82	**111**
North America	75	75	**100**
Central and South America	57	56	**63**
Middle East	42	53	**61**
Australasia	44	43	**58**
Eastern Europe and USSR	66	61	**53**
Indian sub-continent	12	9	**11**
Total (chemicals)	1,067	1,116	**1,300**
Oil	41	57	**153**
Total exports	1,108	1,173	**1,453**

Continental Western Europe

The fifteen countries in Continental Western Europe represent the Group's largest and most important market outside the UK and over half the exports from the UK continue to be sold there. During the last five years, the volume of Group sales in the territory has expanded vigorously despite the slow growth of the chemical market as a whole. This has been achieved by the effective use of a strong sales network of wholly-owned companies and by increased emphasis on local production in the principal markets.

The Group has major manufacturing facilities in West Germany, the Netherlands, France and Italy, which produce a wide range of plastics, fibres, polyurethanes, paints, pharmaceuticals and speciality chemicals. The Wilhelmshaven manufacturing complex in West Germany, producing vinyl chloride monomer and PVC, was commissioned during the year. It represents ICI's largest investment to date in Continental Western Europe and embodies the most advanced technology.

Group sales in Continental Western Europe increased to £1,167 million in 1981, almost 60 per cent of the value of which were exports from the UK. The growth in volume of sales was significantly above that of the market and was sustained throughout the year, a notable result given the difficult economic background. However, price increases were insufficient to offset cost inflation and in the early part of the year sterling was stronger than in 1980. These two factors, combined with substantial excess capacity in some sectors, had a large adverse effect on profitability. As a high proportion of the sales in Continental Western Europe was in the currently unprofitable fibres, petrochemicals and plastics areas, the result was an overall trading loss in the territory. In contrast, pharmaceuticals, crop protection chemicals and speciality chemicals again performed well.

As part of the drive to reduce costs and to achieve a more integrated UK and Continental European organization, responsibility for the major manufacturing sites in Continental Western Europe was transferred in 1981 from ICI Europa to the relevant manufacturing Divisions. ICI Europa was thereby left to concentrate on its prime role of supervising ICI's sales effort in Continental Western Europe and of overseeing European issues of corporate, as opposed to purely Divisional, interest.

The Americas

USA The United States economy grew strongly in the first quarter. Business conditions were sustained during the middle of the year, but in the final quarter the economy entered into recession. The chemical industry performed better than the general economy and this was reflected in substantially improved profits of ICI Americas Inc. Although raw material costs rose faster than selling prices, the effect of this was offset by reductions in fixed costs and administrative overheads and by a significant increase in sales volume.

ICI Americas manufactures and sells speciality and agricultural chemicals, films, pharmaceuticals, petrochemicals, plastics and dyes. Profits in the speciality chemicals sector were significantly higher than in 1980 due to lower plant costs and improved market share. Demand for 'Melinex' polyester film was particularly strong, and this business will be developed further by the commissioning of additional capacity in 1982. The pharmaceuticals business is now well placed to achieve a stronger position in the US market following the launching in October of the beta-blocker heart drug 'Tenormin'.

The main feature of the petrochemicals business was the start-up, three months ahead of schedule, of the ethylene oxide and glycol facility at Bayport, Texas. Since the start-up, production has been interrupted by a fire but the plant is now operating normally.

Canada The Canadian economy followed a similar pattern in 1981 to that of the United States, with high interest rates effectively halting growth in the third quarter after a strong first half.

C-I-L Inc and its subsidiary companies manufacture agricultural, industrial and speciality chemicals, paints, plastics, industrial explosives and underground mining equipment, and provide a wide range of related services. The company is also involved in joint ventures for natural gas exploration and development. This broad range of businesses enabled C-I-L to maintain growth and to achieve trading profits 9 per cent higher than in 1980 in local currency terms. Agricultural and industrial chemicals, industrial explosives and paints performed well, but profit in the plastics sector was reduced because of the effects of world over-supply on resin prices.

At the end of the year the C-I-L Board authorized a second world-scale ammonia plant which will be built at the existing ammonia and fertilizer complex at Lambton, Ontario. This major investment takes advantage of a strong market position, favourable Canadian energy costs and advanced ICI technology Construction of the low density polyethylene expansion at Edmonton, Alberta, was completed at a lower capital cost than had been projected and the plant came on line towards the end of 1981.

Latin America Profits in Latin America were higher than in 1980 due to an improved economic climate in Argentina and continued growth in Mexico, partly offset by lower profits in Brazil.

The recovery in Argentina followed action by the Government to assist local industry. This assistance, and efforts taken to reduce fixed costs, enabled the industrial chemicals, plastics and films businesses, in particular, to improve their trading performance.

The Mexican economy remained relatively strong during 1981 and improved sales and trading profits were achieved; the results of the re-structured paints business were particularly encouraging.

The recession in Brazil led to lower sales and, although action was taken to reduce fixed costs, trading profits in most of the business areas were below the levels achieved in 1980. However, the agricultural chemicals business performed well and a plant to manufacture 'Gramoxone' herbicide in Brazil was authorized.

Australasia

The ICI Australia Group manufactures in Australia, New Zealand and Papua New Guinea an extensive range of products, including plastics, organic and inorganic chemicals, fibres, paints, industrial explosives, pharmaceuticals, crop protection chemicals, veterinary products and fertilizers.

The Australian economy achieved a growth of 3 per cent in its gross domestic product, the main impetus coming from an increase of more than 20 per cent in fixed capital expenditure by private business, mostly associated with the development of mineral and energy resources. The Australian dollar exchange rate index appreciated by nearly 10 per cent, exposing many industries, including the chemical industry, to intense competition from imports.

Total sales of the ICI Australia Group were over 5 per cent higher in Australian dollars than for the previous year, but slightly lower in volume. There was satisfactory growth in the sales of heavy chemicals, industrial explosives and pharmaceuticals. However, because of severe import competition, increased operating costs could not be fully recovered in selling prices and this, together with depressed sales in some business areas, resulted in trading profit being 9 per cent lower than in 1980.

The profit of ICI New Zealand Ltd, in local currency terms, was appreciably higher than for the previous year. The New Zealand Government's action in withdrawing protection against overseas supplies of synthetic fibres resulted in losses by Fibremakers New Zealand Ltd, which was forced to cease production in December 1981 preparatory to final closure in March 1982.

Far East

Sales and profits in the Far East were well maintained despite the continuing recession. UK exports exceeded £100 million for the first time and were 35 per cent above 1980, the largest increases being in agricultural chemicals and petrochemicals.

In Japan, the level of turnover and profit was satisfactory overall, with a strong performance in pharmaceuticals offsetting lower sales in product areas affected by the recession. A company was formed jointly with Asahi Glass Co Ltd to produce 'Fluon' (polytetrafluoroethylene) in Japan, using ICI's technology.

In Malaysia, sales of fertilizer and agricultural chemicals suffered in the second half year because of falling incomes in Malaysia from commodity exports, combined with increased competition and sharply higher interest rates. Sales of industrial chemicals and paints in Malaysia and in Thailand, Singapore, Burma and Brunei were more buoyant. In conformity with the Malaysian Government's New Economic Policy, ICI sold to Permodalan Nasional Berhad 30 per cent of the equity in I.C.I. (Malaysia) Sdn Berhad and 19 per cent of the equity in I.C.I. Agriculture (Malaysia) Sdn Berhad, reducing the Group's holdings in these two companies to 70 per cent and 51 per cent respectively. ICI also continues to own 50 per cent of Chemical Company of Malaysia Berhad.

Turnover increased by 20 per cent in the region served by ICI (China) Ltd, including a significant increase in sales to South Korea. Business with China continued to grow despite some major readjustments to its economy, and satisfactory growth was achieved in Taiwan.

The three manufacturing companies in Indonesia had another successful year, with sales of locally manufactured and imported products well above 1980 levels.

Africa

Exports from the UK to Africa were £151 million, an increase of 10 per cent on 1980. The largest export sales were to South Africa (£86 million) and to Nigeria (£31 million). The principal exports were crop protection chemicals, dyestuffs, pharmaceuticals and general chemicals.

ICI continued to pay particular attention to the employment conditions and welfare of its employees in South Africa. Copies of the Company's latest report to the UK Government on progress in implementing the provisions of the EEC Code of Conduct are available on request

Indian sub-continent

The ICI Group in India manufactures industrial explosives, fertilizer, polyester fibre, polyethylene, rubber chemicals, paints, crop protection chemicals and pharmaceuticals; associated companies make dyestuffs and textile auxiliaries. The extension of urea fertilizer manufacture at Kanpur was completed on schedule and the plant – now the largest of its kind in India and a main contributor to the country's policy of import replacement – was commissioned in September.

Despite a resumption of growth in the Indian economy, the Group's activities were again hampered by difficult operating conditions, with a shortage of electric power being a major concern. In addition, difficulties in obtaining supplies of industrial alcohol necessitated a four months' shutdown of the polythene plant for which alcohol is the main raw material. Sales and profits were nevertheless higher than in 1980, but profits remained below the levels achieved prior to that year.

Sales in Pakistan were boosted by the newly commissioned soda ash extensions at Khewra and profits once again rose substantially. Construction of the polyester fibre plant near Lahore was completed ahead of schedule and commissioning began at the end of the year.

Middle East

Despite continuing political turbulence, sales were again increased, with the value of exports from the UK being about 15 per cent higher than in 1980.

Eastern Europe

During the year, the economic problems of the area grew steadily worse and are being aggravated by Western bankers' loss of confidence in Eastern Europe following the inability of first Poland and then Romania to meet their obligations. Sales were somewhat down in spite of good results in the smaller countries and the outlook is uncertain.

Associated Companies

Details of ICI's investments in its principal associated companies are given on page 37.

AECI Ltd

AECI Ltd, the South African Group in which ICI has a 38 per cent interest, manufactures and sells industrial explosives for mining and other commercial uses, general chemicals, plastics, vinyl products, paints, synthetic fibres and agricultural products.

Sales by AECI increased to Rand 1,467 million. Profits before tax showed an increase of 25 per cent over 1980 to Rand 253 million, despite being adversely affected by a decrease in the rate of growth in the South African economy, by production problems on certain plants and by the effect of the weakening in value of the Rand on the costs of imported raw materials.

Carrington Viyella Plc

Carrington Viyella Plc, a major UK textile company in which the Group has a 49 per cent interest, had another extremely difficult year in 1981. Sales at £260 million were £37 million less than in 1980.

The loss before tax and extraordinary items was £4 million, an improvement of £4 million over 1980. There was a charge of £12 million for extraordinary items (1980 £22 million) relating to further rationalization measures. Cash flow remained under tight control during 1981 despite trading difficulties. Borrowings decreased by £5 million.

During the year, Carrington Viyella sold 50 per cent of its interest in Gelvenor Textiles Ltd (a South African filament weaving business) to Anglo-Transvaal Industries Ltd for £5 million. Also in 1981 Carrington Viyella's Knitting Division became the base of a joint venture with Guilford Mills Inc. The joint venture, named Guilford Kapwood Ltd, will produce and market warp knit fabrics for worldwide markets.

Corpus Christi Petrochemical Company

This partnership – in which ICI owns a 37½ per cent interest, the other partners being Solvay et Cie SA and Union Pacific Corporation – operates a world-scale ethylene, propylene and related petrochemicals plant at Corpus Christi in the USA. The plant started up in the second half of 1980, and 1981 was the first full year of operation. Despite severe over-capacity in the industry, the plant achieved relatively high operating rates throughout the year and sales exceeded US$500 million. However, the combination of reduced demand and low prices, principally for ethylene, meant that the operation traded at a loss.

Fiber Industries, Inc

This company, in which ICI owns 37½ per cent of the stock and Celanese Corporation the rest, is the second largest manufacturer of polyester fibre in the USA. In dollar terms, 1981 sales income was 17 per cent higher than 1980 and trading profits almost doubled, despite the problems of the United States economy. This performance was helped by the acquisition of a plant from Monsanto Company early in 1981.

Tioxide Group PLC

Tioxide Group PLC, in which ICI has a 50 per cent interest, is the leading international company in titanium pigments and the largest producer outside the USA. It manufactures in the UK, France, Canada, Australia, South Africa and Spain.

Pre-tax profit in the first six months of 1981 was £7 million compared with £6 million in the corresponding period of 1980 and £7 million for 1980 as a whole. There was some recovery in sales volume from the very depressed level of the second half of 1980, when customers were making large reductions in their stocks. Overseas operations traded profitably whilst those in the UK, although still making losses at the depressed levels of demand, showed some improvement as a result of rigorous cost reduction measures. The strengthening of the dollar also benefited profit margins.

Research and Technology

The Group's expenditure on Research, Development and Technical Service in 1981 was £229 million (1980 £212 million), of which £59 million (1980 £48 million) was spent overseas. In its deployment of research effort, ICI has continued its policy of investing heavily in biological and materials science.

The Group's pharmaceutical research continues at a high level both in the UK and the USA, and new development facilities costing £6 million were brought into use in the UK early in 1981. These, together with recently completed extensions at the Biomedical Research Laboratories of ICI Americas Inc at Wilmington, will enable potential new medicines to be developed more rapidly up to clinical trial and sale. Present research and development effort is directed towards a number of target areas, including treatments for cancer, heart disease, bacterial and viral infections and gastro-intestinal disorders, anaesthetics and animal health products.

In the field of process technology, energy saving has been highlighted by the commissioning of the new terephthalic acid plant at Wilton which shows a 40 per cent improvement in energy efficiency over its predecessors. Running costs on existing plants for other products are also being reduced by operating improvements and process modifications.

ICI's new chlorine cell, the FM21, represents a major step forward in the new membrane technology now being developed throughout the world to meet the twin challenges of rising energy costs and stricter environmental control. This process produces chlorine and pure caustic soda with an energy usage superior to diaphragm cells and, as the development proceeds, increasingly better than mercury cells. The FM21 combines proven technology in a patented modular design which makes possible substantial reductions in capital and maintenance costs. The Company believes that the FM21 cell can take a substantial share of the world market for new and replacement chlorine capacity during the remainder of this decade and it is being licensed to other producers through selected contractors. A demonstration plant is being operated in the UK.

A further advance in environmental protection has been achieved through the process design and the computer control system developed by ICI's Brixham Laboratory for the new effluent treatment unit for the vinyl chloride plant at Wilhelmshaven.

The high-speed integrated fibres technology developed by the Company in the late 1970's is having a major impact in the market place. The pioneering of nylon partially oriented yarn (POY) has reinforced ICI's leading position in the West European market. The new polyester machines, now also installed in the USA and South Africa, have made the Group the leader in cost-effective routes to silk-like and surface-finished fabrics using yarns which are sold under the 'Mitrelle' and 'Terinda' trade marks. A new fibre, 'Timbrelle' S, has led to an upgrading of the 100 per cent nylon carpet business, particularly in the UK.

'Spindrift', a polymeric bead additive developed by Dulux Australia Ltd to improve the cost-effectiveness of low-sheen decorative paints, is already being used in ICI decorative products in Australia, Canada and South Africa and the technology has been licensed to a number of leading decorative paint manufacturers in the USA.

A high level of research effort is continuing in crop protection. 'Fusilade', a selective herbicide, will be launched in twenty countries in 1982. The Company is also putting on the market the 'Electrodyn' sprayer, a revolutionary breakthrough in application technology which improves both the cost-effectiveness and the environmental safety of pesticides.

During the year ICI scientists succeeded in synthesising a human interferon gene by chemical methods. Subsequent work in collaboration with Leicester University and the Université de Paris Sud has shown that this gene, when implanted in suitable bacterial hosts, makes biologically active interferon. Procedures such as this will clearly have important pharmaceutical uses and, in the longer term, other chemical applications.

Personnel

The Group

The average number of people employed by the Group in 1981 was 132,400 (1980 143,200), located in the following areas:

	1981	1980
United Kingdom	**74,700**	84,300
Continental Western Europe	**10,600**	10,800
The Americas	**18,800**	19,900
Australasia and the Far East	**15,700**	15,700
Indian sub-continent	**10,800**	10,600
Other countries	**1,800**	1,900
	132,400	143,200

ICI's policy is to staff its operations overseas as far as possible with nationals of the relevant country. At the end of 1981 the number of UK nationals working abroad was only 390. A further 208 employees of other nationalities were serving away from their own countries.

The United Kingdom

The aggregate remuneration in 1981 of the employees of the Group in the UK was £660 million (1980 £636 million).

The continuing reduction in numbers employed reflects the widespread nature of actions taken to reduce costs and re-shape businesses. It does not indicate any change in the Company's policy of achieving required reductions as far as possible through non-replacement, re-deployment and voluntary severance. Unions have been kept informed of the nature of the Company's situation and each Division has maintained close communication with employee representatives about the business position and future plans.

Support for the Manpower Services Commission's Youth Opportunities Programme has been maintained. In 1981 the Company provided 1,875 places for work experience and three senior managers were seconded to the CBI Special Programmes Unit. Sixteen managers have been seconded to help with job creation and small business development activities.

Employment of the disabled The Company's policy is founded on the belief that the disabled do not belong to a single category, but are individuals offering a wide range of talents, skills and capabilities, whose disabilities vary in their nature and severity and may not necessarily limit the work they do.

Within that context it is the Company's policy that disabled people should have the same consideration as others for all job vacancies for which they apply as suitable candidates. To make that possible, equipment and methods of working are modified wherever it is practicable to do so within the limits of safe practice and operational efficiency. 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.

Special attention is paid to the training and other needs of anyone who becomes disabled while employed by the Company, including redeployment to other work if that is necessary and practicable. Use is made of ICI's own medical and training resources and those provided by Government and other bodies.

Pensions Because of uncertain trading conditions early in the year, the Board deferred the customary review until later in the year. Pensions were increased with effect from 1 July 1981 by 3½ per cent, being an amount which the Pension Funds could pay without an increased rate of contributions from the Company. A second increase, again of 3½ per cent, was made with effect from 1 November 1981. In each case the full increase was applied to those who had been retired for a year or more, and smaller increases were awarded to more recently retired employees.

Recent actuarial valuations of the Pension Funds have shown that they are in a satisfactory state of solvency. In order to maintain this position it was agreed, on the advice of the Actuaries, to pay special contributions to the Funds totalling £10 million a year over three years commencing November 1981 to provide for the second pension increase made during the year.

Employees' Profit-Sharing Scheme The rate of bonus is determined by reference to a published scale based on the ratio of added value to employee costs. The rate for 1981 is 4·8p per £1 of remuneration at a total cost of £27 million.

Safety, Health and the Environment

Continued attention has been given to maintaining in the most cost-effective way the Group's high standards and reputation for health and safety at work, product safety and care for the environmental effect of its processes and products in the community. ICI has continued to add to scientific knowledge in these areas and has contributed to the establishment of national and international regulations and agreements on safety, health and environmental protection.

Donations

Donations made by the Group in 1981 for charitable purposes in the UK amounted to £720,000 (£840,000 in 1980), of which more than half was given for higher education, particularly in the sciences and engineering at British universities. The remainder was given to a wide variety of causes, including medical research, management training, learned and scientific societies, the arts, and organizations serving the young, the elderly and the handicapped. The Company continued its policy of not making donations for political purposes.

Board of Directors

It is with deep regret that the Board record the deaths of two former Directors. Sir Paul Chambers, who was a Director for more than twenty years and Chairman from 1960 until he retired from the Board in 1968, died on 23 December 1981. Dr A. Spinks, who was a Director for nine years and retired from the Board in 1979, died on 11 February 1982.

The names of the Directors of the Company at the date of this Report are set out on page 8. With the exception of Sir Patrick Meaney, whose appointment to the Board was referred to in the Report for 1980, and Sir Jeremy Morse, whose appointment to the Board is referred to below, all served as Directors for the whole of 1981. In addition, Lord Polwarth, to whom reference was made in the Report for 1980, was a Director for part of the year.

Retirement of Sir Maurice Hodgson

As already announced, Sir Maurice Hodgson, who has been a Director for twelve years and Chairman for the past four years, is relinquishing his position as Chairman and retiring from the Board on 31 March 1982 when his service contract terminates. Sir Maurice joined the Company at Billingham in 1942 and, after a number of appointments in research and works management and also with ICI (New York) and as Head of Technical Department at Head Office, he was appointed a Director of Heavy Organic Chemicals Division in 1960. He became a Deputy Chairman of that Division in 1964 and was appointed General Manager – Company Planning in 1966. He was appointed a Director of the Company in 1970 and was elected a Deputy Chairman in 1972 and Chairman in 1978. He received a Knighthood for services to export in 1979.

Sir Maurice's courageous leadership during a time of unprecedented difficulty for industry has been a source of inspiration and strength within the Company. His great knowledge of ICI's operations throughout the world, together with his readiness to meet employees at all levels and to listen to them, has been widely appreciated. The clarity of his analysis of the problems facing the Group and the soundness of his judgment of how best to overcome them have been of inestimable value to his colleagues on the Board. They wish to pay tribute to Sir Maurice's unfailing and selfless dedication to the wellbeing of the Company and to record their deep gratitude to him for his outstanding service over so many years.

Election of new Chairman

The Board have elected Mr John Harvey-Jones to be Chairman of the Board in succession to Sir Maurice Hodgson. After service in the Royal Navy, Mr Harvey-Jones joined the Company in 1956, working initially in work study, supply and sales control and being appointed a Director of Heavy Organic Chemicals (later Petrochemicals) Division in 1967. He became a Deputy Chairman of that Division in 1968 and its Chairman in 1970. He was appointed a Director of the Company in 1973 and elected a Deputy Chairman in 1978.

Other Board changes

Since the last Annual General Meeting one new Director has been appointed and one former Director has been re-appointed. Sir Jeremy Morse, the Chairman of Lloyds Bank Plc, was appointed a Director with effect from 1 September 1981 and serves in a non-executive capacity. Mr J. R. Ibbs was re-appointed a Director with effect from 1 April 1982 when he returns to the Company from secondment to the Cabinet Office as Head of the Central Policy Review Staff. Mr Ibbs previously served as a Director from 1 March 1976 until 31 March 1980.

Directors recommended for re-election

Under Article 80, Sir Jeremy Morse (aged 54 years) and Mr J. R. Ibbs (aged 55 years) retire and are recommended for re-election, together with Mr J. H. Harvey-Jones (aged 57 years), Mr A. W. Clements (aged 53 years), Dr P. G. Harvey (aged 56 years), Sir Alex Jarratt (aged 58 years) and Dr N. B. Smith (aged 53 years), who retire under Article 98.

Mr A. W. Clements has twenty-five years' service with the ICI Group, three as a Director. He is currently Finance Director and Paints Product Director. He also has special responsibility for the business in Africa.

Dr P. G. Harvey has thirty-five years' service, five as a Director. He is currently Petrochemicals and Plastics Product Director and also has special responsibility for the business in Eastern Europe.

Sir Alex Jarratt has been a Non-Executive Director for six years. He is Chairman and Chief Executive Officer of Reed International Ltd.

Dr N. B. Smith has twenty-seven years' service, three as a Director. He currently has special responsibility for the business in the Americas.

Mr Clements, Dr Harvey, Mr Ibbs and Dr Smith have service contracts with the Company which are subject to termination by either party upon 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. Mr Harvey-Jones' service contract as Chairman from 1 April 1982 is for a period of 5 years, terminable by the Company after 3 or 4 years.

Properties jointly owned by the Company and Directors

As reported last year, and again this year on page 35 in Note 20 to the Accounts, the Company owns jointly with Dr N. B. Smith a house purchased in 1979 and jointly with Mr D. H. Henderson a flat purchased in 1980. In each case the Director may be able to make arrangements which would enable him to purchase at market value the Company's share in the jointly owned property in which he has an interest. The Board would like to be able in such circumstances to sell the Company's share in these properties. Under the Companies Act 1980 the prior approval of the Company in general meeting is required. Stockholders will therefore be asked at the Annual General Meeting of the Company on 22 April 1982 to pass the resolution set out on page 3 in item 5 of the Notice of Meeting. The resolution specifies the way in which the price for the sale of the Company's share in each property would be independently determined.

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 24.

Capital of the Company

Section 14 of the Companies Act 1980 prohibits directors of companies from exercising any of the powers of a company to allot shares, share options or convertible bonds unless they are authorized under the Section to do so by the general meeting or by the articles of the company. Any such authority can run for up to five years. Shares allotted under employees' share schemes are excluded from Section 14.

Section 17 provides that equity shares (including options and convertible bonds) may not be allotted for cash without first being offered to the existing equity shareholders pro rata to their shareholdings. There are, however, some circumstances in which a company might wish to make allotments otherwise than pro rata to existing equity shareholders and Section 18 therefore enables a company in its articles or by special resolution to disapply the pre-emption rights of the existing shareholders.

A special resolution will be proposed at the Annual General Meeting of the Company on 22 April 1982 in order to enable the Directors to continue to exercise their existing power under the Company's articles to allot unissued shares in the capital of the Company and to allow the Directors, in certain limited circumstances described below, to allot shares for cash otherwise than pro rata to existing Ordinary stockholders; the resolution is set out in item 4 of the Notice of Meeting on page 2.

The resolution is expressed to run until 31 December 1983, but the intention is to seek to renew it and to roll it forward by one year at each future Annual General Meeting. Paragraphs (b) and (c) of the resolution impose conditions on the Directors as to the extent to which they may allot equity shares for cash otherwise than pro rata to existing Ordinary stockholders. Paragraph (b) is required to enable the Directors, in the event of a rights issue, to continue their previous practice of selling for the benefit of certain overseas stockholders the equity securities to which those stockholders are entitled and which it would be illegal or unduly costly to offer to them; it also allows fractions of shares arising in a rights issue to be sold, as previously, for the benefit of the Company. Paragraph (c) is, in effect, a renewal of the authority given at the last nine Annual General Meetings. The intention is that this authority would be used by the Directors if they wished to issue further Ordinary shares of the Company (or to issue or guarantee the issue of securities convertible into, or carrying the right to subscribe for, Ordinary shares of the Company) in the following circumstances:

1 to take advantage of favourable opportunities to raise funds in international markets, when this is thought desirable, through the issuing of foreign currency securities;

2 if placings of Ordinary Stock prove necessary or desirable in connection with any further listings of the Company's Ordinary Stock which it may be thought appropriate to arrange on stock exchanges in major financial centres; this could involve issuing stock at below the respective market rate at the time and every endeavour would be made to keep any such discount to a minimum; and

3 in other circumstances, subject to the prior consent of the Company in general meeting being given to each specific issue if so required by The Stock Exchange in implementation of the Company's Listing Agreement.

Auditors

The Auditors, Thomson McLintock & Co and Price Waterhouse, are willing to continue in office, and a resolution re-appointing them and authorizing the Directors to fix their remuneration will be submitted to the Annual General Meeting

Thanks to Employees

ICI's employees have continued to respond to the needs of the Group with much understanding and support during a difficult period of necessary change. The Directors wish to express their thanks most sincerely to all employees for their help and co-operation throughout 1981.

Imperial Chemical House
Millbank, London SW1P 3JF

4 March 1982

On behalf of the Board

P. S. G. Flint
Secretary

Directors' interests in stocks, shares and debentures

The interests at 31 December 1981 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 in the table. Their interests at 1 January 1981, or, if appointed during 1981, at their date of appointment, are shown in brackets. There were no changes in the period 1 January 1982 to 10 February 1982.

Directors (As at 31 December 1981)	Class of stock/ debenture	Beneficial interest		Other interest		*ICI Ordinary shares under option	
A. W. Clements	ICI Ordinary Stock	£3,043	(£3,043)			68,579	(68,000)
W. B. M. Duncan	ICI Ordinary Stock	£3,304	(£3,304)	£630	(£630)	85,000	(85,000)
Sir Arnold Hall	ICI Ordinary Stock	£562	(£562)				
P. G. Harvey	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,268 £150	(£1,268) (£150)				
J. H. Harvey-Jones	ICI Ordinary Stock	£1,367	(£1,367)			85,000	(45,000)
R. Haslam	ICI Ordinary Stock	£2,800	(£2,800)			85,000	(68,000)
D. H. Henderson	ICI Ordinary Stock	£2,100	(£2,100)			68,000	(68,000)
Sir Maurice Hodgson	ICI Ordinary Stock	£3,407	(£3,407)			105,000	(105,000)
Sir Alex Jarratt	ICI Ordinary Stock	£562	(£562)	£118	(£118)		
Sir Patrick Meaney	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,325 £200	(£1,325) (£200)				
Sir Jeremy Morse	ICI Ordinary Stock	£1,819	(£1,819)	£1,334	(£1,334)		
C. H. Reece	ICI Ordinary Stock	£2,785	(£2,785)			68,000	(68,000)
A. Robertson	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,756 £100	(£1,756) (£100)			68,000	(68,000)
Sir Francis Sandilands	ICI Ordinary Stock	£562	(£562)	£3,500	(£3,500)		
N. B. Smith	ICI Ordinary Stock	£1,220	(£1,220)			68,579	(68,000)
Lord Thomson	ICI Ordinary Stock	£500	(£500)				
F. Whiteley	ICI Ordinary Stock	£2,731	(£2,681)				

*Except as mentioned below, the options to subscribe for Ordinary shares were granted under the terms of the Company's senior staff share option scheme adopted in 1974 and brought into operation in 1980; the options are for not more than seven years and the price to be paid for the shares is 355p per share; the benefit to the option holder is therefore the difference between that price and the market price when the option is exercised, and this difference is taxable as income. Included in the table, in the case of Mr A. W. Clements and Dr N. B. Smith, are options exercisable not later than March 1987 under the Company's savings-related share option scheme to subscribe for 579 shares at a price of 269p per share.

Accounts for the year 1981

Accounting policies
The accounts have been prepared under the historical cost convention and the Group accounting policies conform with UK Accounting Standards; the following paragraphs describe the main policies. Legislation or local usage precludes some overseas subsidiaries from conforming with certain of these policies and therefore, where appropriate, adjustments are made on consolidation in order that the Group accounts are presented on a consistent basis.

Associated companies & other trade investments
An associated company is defined as a company, not being a subsidiary, in which the Group has a substantial interest and on whose commercial and financial policy decisions the Group exercises significant influence. The Group's share of the profits less losses of the principal associated companies is included in the Group profit and loss account. The results relate to periods ending not earlier than 30 September and are calculated from the latest available audited accounts adjusted, where the accounting dates are before 30 September, by reference to the unaudited results for more recent periods. The results of other companies in which the Group has trade investments, including the smaller associated companies, are included only to the extent of dividends received or provisions for losses.

The Group's share of the post-acquisition retained profits and reserves of the principal associated companies is included in the book values of the investments in the Group balance sheet. The retained profits of other companies in which the Group has trade investments are included in the book values only to the extent of the nominal value of any scrip issues capitalised since acquisition.

Depreciation
The Group's policy is to write off the book value of each 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 technical obsolescence as well as normal wear and tear.

Estimates of asset lives cannot be made with precision and in practice a range of possible lives exists. Recognising to some extent the problem of continuing inflation, the Group has, in its historical cost accounts, adopted lives at the lower end of this range. Under the Group's policy of reviewing the remaining lives of individual assets, it becomes impracticable to calculate average asset lives exactly; however, the total lives approximate to 23 years for buildings and 13 years for plant and equipment.

Depreciation on assets qualifying for investment grants or regional development grants is calculated on their full cost.

Foreign currencies
Profit and loss accounts in foreign currencies are translated into sterling at the average rates applicable to the respective accounting periods. Assets and liabilities are generally translated into sterling at the rates of exchange ruling at the date of the Group balance sheet. Exchange differences arising on consolidation are taken to reserves. Other exchange differences are taken to profits where they relate to items of a trading nature and to reserves where they relate to loans and investments, including, in the Company balance sheet, adjustments to the book values of overseas subsidiaries.

Goodwill
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the price paid for a business exceeds the values attributable to such net assets. Goodwill is written off to Group profit as an extraordinary item over a period or, if minor, on acquisition. At 31 December 1981 all goodwill had been written off.

Government grants
Investment and regional development grants are credited to trading profit over a period approximating to the life of the qualifying assets. The grants shown in the balance sheets consist of the total grants receivable to date less the amounts so far credited to profits.

Oil accounting
(a) Concessions, exploration and development
Expenditure on acquiring, exploring for and developing oil reserves is, in general, capitalised and depreciated over the life of the wells on the basis of the rate of production. However, immediate write-offs are made in the following circumstances:

Expenditure on concessions – to the extent that the value is considered to have been impaired by the absence of successful drilling results;

Exploration expenditure – if unsuccessful or if oil reserves are not determined to be commercially viable within one year of completion of drilling.

The foregoing method is known as the 'successful efforts' basis.

(b) Oil taxation
Petroleum revenue tax, which is levied on profits from oil produced under UK licences, is charged against trading profit. Provision is made for deferred tax, at the rate of 70 per cent, on the difference between the 100 per cent tax allowances for capital expenditure and the amount of depreciation charged in the accounts. For the purpose of calculating the charge for petroleum revenue tax, the uplift allowance on capital expenditure and the oil allowance exemption are being taken into account in the periods in which they are utilised.

Supplementary petroleum duty is charged against trading profit as it arises.

Pension funding
The Company and most of its subsidiaries operate pension schemes which cover the majority of employees in the Group. The amounts charged against profits 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.

Plant closures and staff reductions
Full provision for closure costs, including reduction of asset values to recoverable amounts and operating losses up to the date of closure, is made in the accounting period in which closure of a plant is decided. Losses are charged to trading profit unless the circumstances justify treatment as an extraordinary item. Payments arising from staff reductions which are not associated with plant closures or major restructuring of a business are charged to trading profit in the period in which terms are agreed with employees for the termination of their employment.

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

Stock valuation
Finished goods are stated at the lower of cost or net realisable value, raw materials and other stocks at the lower of cost or replacement price; the first in, first out or an average method of valuation is used. In determining cost for stock valuation purposes, depreciation is included but selling expenses and certain overhead expenses (principally central administration costs) 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 accounting purposes. However, no provision is made for taxation deferred by reliefs, principally accelerated taxation allowances on UK capital expenditure, if there is reasonable evidence that such deferred taxation will not be payable in the future. Credit for deferred corporation tax is taken in respect of the provision for deferred petroleum revenue tax

Advance corporation tax payable on dividends paid or provided for a year is included in the tax charge for that year to the extent that it cannot be recovered against current corporation or oil tax liabilities on that or a prior year's profits. Credit is taken for advance corporation tax charged in previous years when it can be recovered against tax liabilities.

Group profit and loss account (historical cost)

For the year ended 31 December 1981

	Notes	1981 £million	1980 £million
Sales to external customers		**6,581**	5,715
Trading profit	(2)	**425**	332
Share of profits less losses of principal associated companies and income from other trade investments	(3)	**52**	62
Interest and financing costs less income	(4)	**(142)**	(110)
Profit before taxation		**335**	284
Taxation	(5)	**(111)**	(123)
Profit after taxation		**224**	161
Attributable to minorities		**(32)**	(31)
Profit attributable to parent company before extraordinary items		**192**	130
Extraordinary items	(6)	**(6)**	(150)
Profit (loss) attributable to parent company after extraordinary items		**186**	(20)
Dividends	(7)	**(113)**	(101)
Profit (loss) retained for year		**73**	(121)
Earnings before extraordinary items per £1 Ordinary stock	(8)	**32·3p**	22·1p

Reserves attributable to parent company

	Notes	1981 £million	1980 £million
At beginning of year		**2,138**	2,208
Profit (loss) retained for year		**73**	(121)
Amounts taken direct to reserves		**141**	51
At end of year	(9)	**2,352**	2,138

Balance sheets (historical cost)

At 31 December 1981

	Notes	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Assets employed					
Fixed assets	(11)	**3,342**	3,115	**1,441**	1,511
Interests in subsidiaries	(12)			**900**	849
Trade investments	(10)	**433**	335	**77**	66
Net current assets	(13)	**1,436**	1,237	**124**	123
		5,211	4,687	**2,542**	2,549
Financed by					
Capital and reserves					
Attributable to parent company:					
Issued capital	(14)	**603**	602	**603**	602
Reserves	(9)	**2,352**	2,138	**1,481**	1,462
		2,955	2,740	**2,084**	2,064
Attributable to minorities		**336**	270		
		3,291	3,010		
Grants not yet credited to profit		**211**	183	**154**	162
Deferred liabilities	(15)	**212**	187	**89**	86
Loans	(17)	**1,497**	1,307	**215**	237
		5,211	4,687	**2,542**	2,549

4 March 1982

M. A. E. HODGSON }
A. W. CLEMENTS } Directors

C. J. CROWE, Treasurer

Composition of net current assets

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Current assets				
Stocks	**1,253**	1,069	**574**	523
Debtors	**1,391**	1,114	**68**	107
Liquid resources	**719**	440	**44**	16
	3,363	2,623	**686**	646
Current liabilities				
Creditors	**1,338**	1,092	**512**	480
Short-term borrowings	**589**	294	**50**	43
	1,927	1,386	**562**	523
Net current assets	**1,436**	1,237	**124**	123

Statement of source and application of funds

For the year ended 31 December 1981

	Notes	Group 1981	Group 1980
Source of funds		£million	£million
Funds generated from operations			
Trading profit		425	332
Depreciation		348	291
Petroleum revenue tax provided but not yet paid		67	61
Grants received but not yet credited to profit		58	17
Dividends and interest from associated companies		31	30
Extraordinary items	(1)	—	(73)
Miscellaneous items, including exchange	(4)	23	56
Total generated from operations		952	714
Less interest and taxation paid during year		(224)	(208)
Interest		(136)	(106)
Taxation		(88)	(102)
Net funds generated from operations		728	506
Application of funds			
New fixed assets		411	724
Disposal of fixed assets		(15)	(29)
New investment in subsidiaries and trade investments	(2)	37	48
Disposal of trade investments and minority shareholdings in subsidiaries	(2)	(12)	(19)
Additional (reduced) working capital		239	(62)
Stocks		100	(31)
Debtors		225	9
Creditors (excluding dividends and taxation)		(123)	32
		202	10
Creditors in respect of 1980 extraordinary items	(1)	37	(72)
Dividends paid during year		101	151
Parent company (previous year final and current year interim)		84	135
Subsidiaries to minority shareholders		17	16
Total funds applied		761	813
Deficit covered by external finance		(33)	(307)
External finance			
Increased investment of minorities in subsidiaries		3	2
Issues of ICI Ordinary stock		2	43
Advance proceeds from oil sales		(19)	14
Issues of Loan stocks and other non-current borrowings (less repayments)		(18)	255
Sale and leaseback of fixed assets		49	—
Decrease (increase) in net liquid resources	(3,4)	16	(7)
Total external finance		33	307

Notes

1 Extraordinary items charged against 1980 profits included £77 million of provisions in respect of investments and fixed assets, which had no cash effect, and £73 million other costs, £37 million of which had a cash effect in 1981. This amount is shown separately as a movement in creditors. In 1981 there was no cash effect from the extraordinary item of £6 million charged against Group profits.

2 New investment in 1981 comprised £4 million in respect of subsidiaries and £33 million in respect of trade investments (1980 all trade investments). Disposals in 1981 comprised £7 million (1980 nil) in respect of minority shareholdings in subsidiaries and £5 million (1980 £19 million) in respect of trade investments.

3 Liquid resources increased by £279 million (1980 £55 million); short-term borrowings increased by £295 million (£48 million).

4 The movement in net liquid resources represents the difference between amounts shown in the opening and closing balance sheets. Movements in other items do not correspond to the change in balance sheet amounts because the effect of retranslating opening currency balances of overseas subsidiaries at closing exchange rates has been excluded.

Notes relating to the accounts

(figures in brackets represent deductions)

1 Composition of the Group

The Group accounts consolidate the accounts of the Company and its subsidiaries of which there were 326 at 31 December 1981. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 122 subsidiaries make up their accounts to dates earlier than 31 December, but not earlier than 30 September.

The accounts have not been materially affected by acquisitions or disposals of subsidiaries.

Results of principal associated companies are brought into the Group accounts using an accounting date coincident with that of the ICI Group company which holds the investment.

The accounts of certain subsidiary and associated companies, representing approximately 15 per cent of Group sales and 20 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

2 Trading profit

	1981 £million	1980 £million
Trading profit comprises:		
Sales	6,581	5,715
Royalty and other income	82	56
Government grants	23	21
Cost of sales exclusive of depreciation	(4,704)	(4,114)
Depreciation	(348)	(291)
Selling, general and administrative expenses	(1,182)	(1,053)
Employees' profit-sharing bonus	(27)	(2)
	425	332

The following amounts have been charged in arriving at trading profit:		
Audit fees and expenses (including Company 1981 £0·6 million; 1980 £0·6 million)	2·7	2·3
Expenditure on research, development and technical service	229	212
Hire of plant	79	78
Pension fund contributions, pensions and gratuities (including severance payments 1981 £51 million; 1980 £49 million)	204	191
Petroleum revenue tax	67	61
Supplementary petroleum duty	60	—

3 Share of profits less losses of principal associated companies and income from other trade investments

	1981 £million	1980 £million
Share of profits less losses of principal associated companies	51	50
Income from other trade investments – listed	1	1
– unlisted	11	11
Provision for losses on other trade investments*	(11)	—
	52	62

*1980 included in extraordinary items.

Dividends and interest from principal associated companies, included above, were £4 million (1980 £4 million) from listed companies and £23 million (£14 million) from unlisted companies.

4 Interest and financing costs less income

	1981 £million	1980 £million
Interest – loans wholly repayable within 5 years	37	35
– loans not wholly repayable within 5 years	92	76
– bank overdrafts	18	11
Other interest and financing costs	65	22
Income from redeemable securities	(9)	(5)
Interest on short-term deposits	(61)	(29)
	142	110

5 Taxation

	1981 £million		1980 £million	
ICI Group				
United Kingdom taxation				
Corporation tax	138		62	
Double taxation relief	(23)		(18)	
Deferred taxation adjustment	(38)		(18)	
Advance corporation tax (net)	(36)	41	15	41
Overseas taxation				
Overseas taxes	55		61	
Deferred taxation adjustment	2	57	(7)	54
Total ICI Group		98		95
Principal associated companies		13		28
		111		123

5 Taxation (continued)

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 52 per cent. The assumption has been made that the UK systems of capital allowances and stock relief will continue in their present form.

In the UK the depreciation charge exceeded the capital allowances available and consequently there was no benefit to the UK tax charge from accelerated capital allowances (1980 £14 million benefit).

The UK corporation tax charge largely results from the taxation on UK oil trade profits. Tax relief from other parts of the Group cannot be used to extinguish this charge. However, the overall UK tax charge benefits from deferred corporation tax on deferred petroleum revenue tax, which has been charged in arriving at oil trade profits, and a substantial part of the total advance corporation tax credit is related to taxes payable on oil trade profits.

The amounts of deferred taxation accounted for and the potential amounts of deferred taxation are:

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Accounted for at balance sheet date				
Timing differences on UK capital allowances and depreciation in future years	35	13	22	—
Miscellaneous timing differences	(8)	(6)	—	—
	27	7	22	—
Corporation tax effect of deferred petroleum revenue tax provision	(78)	(18)	—	—
	(51)	(11)	22	—
Not accounted for at balance sheet date				
UK capital allowances utilised in excess of depreciation charged, less losses	700	750	560	623
Advance corporation tax	(101)	(137)	(101)	(129)
Miscellaneous timing differences	5	(17)	(31)	(38)
	604	596	428	456
Total	553	585	450	456

6 Extraordinary items*

The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:

	1981 £million	1980 £million
Costs and write-offs associated with restructuring of fibres operations	—	(95)
Loss on disposal of US chlor-alkali business	—	(17)
ICI's equity share of extraordinary items provided by Carrington Viyella Plc	(6)	(11)
Provision in respect of investment in Carrington Viyella Plc	—	(15)
Losses less gains on disposals of, and provisions in respect of, other trade investments	—	(12)
	(6)	(150)

*Net of minority interests.

7 Dividends

	1981 £million	1980 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (dividends for both years were £0·3 million)	—	—
Ordinary stock: Interim 9·0p (1980 12·0p) per £1 unit	54	71
Second interim 10·0p (1980 5·0p) per £1 unit	59	30
	113	101

The interim dividend was paid on 9 October 1981 and the second interim dividend, to be confirmed as final, is payable on 2 April 1982.

8 Earnings per £1 Ordinary stock

	1981	1980
Earnings for Ordinary stockholders, before extraordinary items	192	130
Average Ordinary stock in issue during year, weighted on a time basis	594	588
Earnings before extraordinary items per £1 Ordinary stock	32·3p	22·1p

The effect on earnings per £1 Ordinary stock of (a) full conversion of outstanding convertible bonds of a subsidiary and (b) issue of shares under option (see Note 14) would not be material.

9 Reserves

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
At beginning of year	2,138	2,208	1,462	1,612
Profit (loss) retained for year –	73	(121)		
By Company	(114)	(88)	(114)	(88)
By subsidiaries	173	(34)		
In principal associated companies	14	1		
Amounts taken direct to reserves –				
Share premiums	1	31	1	31
Revaluations of fixed assets	1	62	—	—
Exchange adjustments–	92	(42)	132	(93)
Interests in overseas subsidiaries and associated companies			139	(94)
Fixed assets	169	(111)	—	(1)
Investments and other items	33	(13)		
Net current assets	64	(33)	3	(3)
Loans	(174)	115	(10)	5
Other movements (mainly revaluation of fixed assets of a principal associated company)	47	—	—	—
At end of year	2,352	2,138	1,481	1,462

Group reserves are those attributable to the parent company.

Of the exchange adjustments taken to Group reserves, an increase of £125 million (1980 £70 million decrease) arose on consolidation from retranslating the net investment in overseas subsidiaries and associated companies at closing rates of exchange, and a loss of £33 million (£28 million gain) arose on external loans in the accounts of individual companies.

Reserves at end of year included share premiums amounting to £349 million (1980 £348 million); substantially all of the other reserves of the Company are distributable.

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries; undistributed profits of prior years are, in the main, permanently employed in the businesses of the subsidiaries. Group reserves included £161 million (1980 £122 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

10 Trade Investments

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Principal associated companies				
Shares and advances at cost less amounts provided	202	157	47	35
Group share of post-acquisition retained profits, losses and reserves (excluding amounts capitalised)	152	113		
Scrip issues capitalised	12	11	4	4
	366	281	51	39

Information relating to the principal associated companies is given on page 37.

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Other trade investments				
Shares and advances at cost less amounts provided	64	51	24	25
Scrip issues capitalised	3	3	2	2
	67	54	26	27
Total	433	335	77	66
The division of the above between listed and unlisted investments is:				
Listed shares	52	55	19	11
Unlisted equity shares	347	246	58	55
Advances	34	34	—	—
	433	335	77	66
Market value of listed shares	101	91	18	8
The following information is given in respect of the investments in unlisted equity shares:				
Amount included in ICI profit before taxation	32	23	6	9
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	22	39	17	34
After taxation	8	21	10	22
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	134	96	146	91
Aggregate amounts provided by ICI in respect of losses since acquisition	79	46	34	26

11 Fixed assets

	Land and buildings			Plant and equipment			Total
	Cost or as revalued £million	Depreciation £million	Net book value £million	Cost or as revalued £million	Depreciation £million	Net book value £million	Net book value £million
Group							
At beginning of year	853	274	579	4,365	1,829	2,536	3,115
Exchange adjustments	86	21	65	224	73	151	216
Capital expenditure	45		45	366		366	411
Sale and leaseback of assets				(49)		(49)	(49)
Disposals and other movements	14	(11)	25	(165)	(137)	(28)	(3)
Depreciation for year		39	(39)		309	(309)	(348)
At end of year	998	323	675	4,741	2,074	2,667	3,342
Company							
At beginning of year	319	149	170	2,610	1,269	1,341	1,511
Capital expenditure	40		40	128		128	168
Sale and leaseback of assets				(49)		(49)	(49)
Disposals and other movements	(6)	(6)	—	(119)	(106)	(13)	(13)
Depreciation for year		13	(13)		163	(163)	(176)
At end of year	353	156	197	2,570	1,326	1,244	1,441

The net book value of Group fixed assets at the end of the year included:	**1981 £million**	1980 £million
Fixed assets under construction, excluding oil assets	**261**	788
Oil concessions, exploration and development expenditure	**275**	298
Revalued assets – land and buildings	**183**	169
– plant and equipment	**127**	125

	Group		Company	
Land and buildings comprised:	**1981 £million**	1980 £million	**1981 £million**	1980 £million
Land	**185**	156	**11**	10
Buildings	**813**	697	**342**	309
	998	853	**353**	319
Freeholds	**910**	777	**341**	306
Long leases (over 50 years unexpired)	**29**	26	**11**	11
Short leases	**59**	50	**1**	2
	998	853	**353**	319

12 Interests in subsidiaries

	1981 £million	1980 £million
Shares at cost less amounts provided	**753**	582
Scrip issues capitalised	**26**	23
Book value of shares*	**779**	605
Amounts owed by subsidiaries	**851**	970
Amounts owed to subsidiaries*	**(730)**	(726)
	900	849

*The amounts owed to dormant subsidiaries (£89 million) have been set off against the book value of the corresponding investments.

Information relating to the principal subsidiaries is given on page 36.

13 Net current assets

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Stocks				
Finished goods	709	613	304	284
Raw materials and other stocks	544	456	270	239
	1,253	1,069	574	523

Debtors
A wholly owned subsidiary has acquired trade debts from the parent company and certain other wholly owned subsidiaries under factoring agreements. Debts so acquired and outstanding at the balance sheet date amounted to £417 million (1980 £337 million) and are included in Group debtors.

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Liquid resources				
Redeemable securities, at cost	45	70	—	13
Short-term deposits	595	309	43	1
Cash	79	61	1	2
	719	440	44	16
Market value of redeemable securities	43	71	—	14
Creditors				
Trade and other creditors	1,101	921	453	420
Dividends to Ordinary stockholders	59	30	59	30
Taxation	178	141	—	30
	1,338	1,092	512	480
Short-term borrowings				
Bank borrowings – secured	24	22	—	—
– unsecured	134	118	50	43
Other short-term borrowings	431	154	—	—
	589	294	50	43

14 Capital of parent company

	Authorized £million	Issued 1981 £million	Issued 1980 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	594	594	593
Unclassified shares (£1 each)	122	—	—
	725	603	602

Small amounts of Ordinary stock aggregating approximately £6·5 million (1980 £12 million) were issued during the year, mainly in respect of the Employees' Profit-Sharing Scheme (1980 £8 million) and conversion of loan stock of a subsidiary (1980 £4 million).

Options to subscribe for Ordinary shares of £1 outstanding at 31 December 1981 under the Company's share option schemes were:

Number of shares	Subscription price	Exercisable up to
2,768,466	£2·69	31 March, 1987
2,293,626	£3·20	31 January, 1986
2,827,000	£3·55	18 March, 1987
427,000	£3·55	17 September, 1987
644,000	£3·55	18 March, 1988

Options granted to directors, included above, are detailed on page 24.

15 Deferred liabilities

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Advance proceeds from oil sales (Note 16)	67	86	67	86
Deferred taxation	99	72	22	—
Deferred petroleum revenue tax	150	83	—	—
Deferred corporation tax thereon	(78)	(18)*	—	—
Other deferred tax (Note 5)	27	7*	22	—
Other deferred liabilities	46	29	—	—
	212	187	89	86

*Net amount of £11 million included in debtors in 1980 accounts.

16 Ninian oilfield – advance proceeds from oil sales

At 31 December 1981 the Group had an approximate 18 per cent interest in the Ninian oilfield in the UK sector of the North Sea, on which it had incurred capital expenditure of £310 million (1980 £310 million). Financing for part of this expenditure has been arranged from banks as advance payments for a portion of the Group's share of the oil to be extracted. Discharge of the liability by way of deliveries of oil (to be re-purchased by the Group) will be completed by 1986. Should the oil sales proceeds be insufficient to meet the Group's obligations under the arrangements, deficiencies will be payable in cash. The advance payments, net of amounts discharged, totalled £67 million at 31 December 1981 (£86 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £23 million relates to oil deliveries undertaken to be made in 1982

17 Loans

	Repayment Dates	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Secured loans					
Sterling	1982/96	**3**	2	**—**	—
Foreign currencies					
Australian Dollars (6¾ to 13½ per cent)	1982/2006	**127**	107	**—**	—
Others (5½ to 22¼ per cent)	1982/98	**49**	32	**—**	—
Total secured loans		**179**	141	**—**	—
Unsecured loans					
Sterling					
7¼ to 8 per cent stocks	1986/93	**119**	119	**119**	119
10¾ per cent stock	1991/96	**43**	43	**43**	43
5½ per cent stock	1994/2004	**26**	26	**26**	26
Others	1982/99	**27**	19	**11**	1
		215	207	**199**	189
Multi-currency revolving loans (variable interest)	1984/89	**231**	238	**—**	—
Foreign currencies					
US Dollars					
6½ to 8¼ per cent Euro-dollar bonds	1982/92	**75**	63	**3**	5
8⅞ to 11 per cent US Dollar bonds	1983/2003	**197**	157	**—**	—
6¾ per cent Convertible Euro-dollar bonds*	1997	**15**	13	**—**	—
7½ to 12½ per cent loans	1982/2005	**167**	153	**5**	21
Others	1982/98	**31**	20	**8**	10
		485	406	**16**	36
Swiss Francs (3½ to 7⅞ per cent)	1982/94	**125**	113	**—**	12
Deutsche Marks (5 to 8⅛ per cent)	1982/92	**112**	105	**—**	—
Dutch Florins (5¼ to 9 per cent)	1982/91	**41**	41	**—**	—
Canadian Dollars (5⅝ to 14½ per cent)	1982/96	**70**	28	**—**	—
Others (6½ to 18 per cent)	1982/89	**39**	28	**—**	—
		872	721	**16**	48
Total unsecured loans		**1,318**	1,166	**215**	237
Total loans		**1,497**	1,307	**215**	237

*Unless previously redeemed these bonds are convertible until 1 September 1997 into Ordinary stock of the Company at a conversion price, subject to adjustment in certain events, of 460 pence per £1 of Ordinary stock (with a fixed rate of exchange applicable upon conversion of the bonds of US$1·7423 = £1).

17 Loans (continued)

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Loans or instalments thereof are repayable within periods from balance sheet date of:				
Less than one year	**52**	65	**5**	35
From one to two years	**115**	38	**2**	4
From two to five years	**412**	333	**18**	8
Over five years	**918**	871	**190**	190
	1,497	1,307	**215**	237
Amount included above in respect of loans wholly repayable within five years	**338**	261	**19**	43

18 Commitments and contingent liabilities

	Group 1981 £million	Group 1980 £million	Company 1981 £million	Company 1980 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	**83**	149	**20**	66
Expenditure authorized but not yet contracted	**316**	316	**106**	146
	399	465	**126**	212

Contingent liabilities existed at 31 December 1981 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £141 million (1980 £120 million) for the Group and £1,471 million (£1,132 million) for the Company, (b) guarantees relating to Pension Funds, including guarantees of the solvency of Pension Funds, (c) other guarantees and contingencies arising in the ordinary course of business.

The Company has agreed to make special payments at the rate of £14 million per annum for three years from July 1980 and of £10 million per annum for three years from November 1981, in respect of increased benefits under the Staff Pension Fund, the Workers' Pension Fund and the Supplementary Pension Fund; at 31 December 1981, the instalments still to be paid totalled £50 million.

A subsidiary of ICI Australia has entered into agreements with an associated company which has been incorporated specifically to erect an olefines plant and to lease it to the subsidiary. Under the terms of the agreements commitments to pay lease rentals over the next sixteen years are £327 million. Commitments also exist in respect of certain leasing arrangements entered into by the Company and by other subsidiaries.

19 Emoluments of directors and employees

The total emoluments of the directors of the Company for the year comprised fees £50,000 (1980 £45,000) and other emoluments £1,350,000 (£1,282,000). Ten directors waived emoluments in the form of productivity bonus aggregating £22,000 (£24,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £2,[illegible]42,000 (£2,630,000).

19 Emoluments of directors and employees (continued)

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 £20,000).

Emoluments	Directors 1981	Directors 1980	Employees 1981	Employees 1980
£				
1 – 5,000	2	—		
5,001 – 10,000	—	2		
10,001 – 15,000	5	4		
20,001 – 25,000	—	2	884	628
25,001 – 30,000	—	1	329	223
30,001 – 35,000	—	—	165	115
35,001 – 40,000	—	—	109	69
40,001 – 45,000	—	—	50	22
45,001 – 50 000	—	—	19	16
50,001 – 55,000	—	—	13	6
55,001 – 60,000	—	—	6	7
60,001 – 65,000	—	—	3	2
65,001 – 70,000	—	1	7	3
70,001 – 75,000	—	—	2	3
75,001 – 80,000	—	—	3	2
85,001 – 90,000	—	3	—	—
90,001 – 95,000	3	3	—	—
95,001 – 100,000	3	—	1	—
105,001 – 110,000	—	1		
110,001 – 115,000	1	1		
115,001 – 120,000	1	—		
130,001 – 135,000	—	1		
140,001 – 145,000	1	—		
160,001 – 165,000	1	—		

The emoluments of the highest paid director shown above were £164,682 and those of the Chairman were £140,907 (1980 £134,853).
Three of the directors whose emoluments are shown above were directors for part of the year only (5 in 1980).

20 Other statutory information

Included in debtors are interest-free loans totalling £197,349 (1980 £246,414) to officers of the Company, comprising £25,000 in total to two directors and £172,349 in total to eight 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 at the end of the year, which were also the maximum amounts during the year, were £10,000 from Dr C. H. Reece and £15,000 from Mr D. H. Henderson (the same as at the beginning of the year). The loans to the other officers were mainly in respect of housing loans.

The freehold house purchased jointly by Dr N. B. Smith and the Company in 1979, and let to him at an annual rent of £1,800 (exclusive of rates) under a full repairing and insuring lease from the Company and himself, is being sub-let during Dr Smith's service in the USA. The net rental from the sub-letting, after payment of expenses, is being apportioned between the Company and Dr Smith in the proportions in which they contributed to the cost of purchase and initial work, which were respectively Dr Smith £67,998 and the Company £135,996.

Mr D. H. Henderson occupied throughout the year the leasehold flat which he had purchased jointly with the Company in 1980 and for which the respective contributions to the cost of purchase and initial work were Mr Henderson £38,934 and the Company £50,000. Mr Henderson is responsible for all regular outgoings but being in occupation as a joint owner pays no rent.

In addition, a house is let by the Company to an officer (not a director); at 31 December 1981 there was no amount outstanding in respect of this transaction.

Lord Polwarth, who retired from the Board on 22 April 1981, has been retained as a consultant to the Company for a period of two years from 1 May 1981 at a fee of £6,000 per annum.

Principal subsidiary companies
31 December 1981

Company	Country of principal operations and registration or incorporation	Class of capital	Percentage held by ICI	Percentage held by Subsidiaries	Principal activities
Europe (Accounting dates 31 December)					
Deutsche ICI GmbH	West Germany	Ordinary	93	7	Manufacture of nylon and polyester fibres, paints, pharmaceuticals, chlorine and plastics; merchanting of other ICI products
ICI Finance Ltd	England	Ordinary	100	—	Financial services
I.C.I. France SA	France	Ordinary	100	—	Manufacture of plasticisers and pharmaceuticals; merchanting of other ICI products
ICI Holland BV	Holland	Ordinary	100	—	Manufacture of bulk and speciality plastics, nylon and polyester polymers and polyurethane chemicals; merchanting of other ICI products
ICI Petroleum Ltd	England	Ordinary	100	—	Petroleum exploration, production, processing and trading
Imperial Chemicals Insurance Ltd	England	Ordinary	—	100	Insurance
Nobel's Explosives Co Ltd	Scotland	Ordinary	100	—	Manufacture of industrial explosives and accessories
Scottish Agricultural Industries PLC	Scotland	Ordinary*	62	—	Manufacture of fertilizers and feeding stuffs, agricultural merchants
The Americas					
C-I-L Inc (Accounting date 31 December)	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, mining equipment, paints and plastics
Duperial SAIC (Accounting date 30 September)	Argentina	Ordinary	100	—	Manufacture of chemicals, plastics and sporting ammunition; merchanting of ICI and other products
ICI Americas Inc (Accounting date 31 December)	United States of America	Common	—	100	Manufacture of pharmaceuticals, dyes, petrochemicals, plastics and other chemicals: merchanting of other ICI products
Other countries (Accounting dates 30 September)					
Chemical Company of Malaysia Berhad	Malaysia	Ordinary*	50	—	Manufacture of fertilizers, agricultural chemicals and chlorine products
Chemicals and Fibres of India Ltd	India	Ordinary*	55	—	Manufacture of polyester fibre
ICI Australia Ltd	Australia	Ordinary*	—	62	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints, plastics and pharmaceuticals
I.C.I. (Malaysia) Sdn Berhad	Malaysia	Ordinary	70	—	Merchanting of ICI and other products; manufacture of paints
ICI (South Africa) Ltd	Republic of South Africa	Ordinary	100	—	Merchanting of ICI and other products; manufacture of zip fasteners and pharmaceuticals; holding company
Indian Explosives Ltd	India	Ordinary*	50	—	Manufacture of industrial explosives and fertilizers
The Alkali and Chemical Corporation of India, Ltd	India	Ordinary*	51	—	Manufacture of chemicals, paints, polyethylene, rubber chemicals, pharmaceuticals and agricultural chemicals

*Listed

Principal associated companies

31 December 1981

Company	Country of principal operations and registration or incorporation	Class	£million	Percentage held by ICI	Percentage held by Subsidiaries	Year end date of latest available audited accounts	Year end date adopted for ICI Group accounts	Principal activities
Europe								
Carrington Viyella Plc	England	Ordinary*	45	7	42†	31 December 80	31 December 81	Manufacture of textiles
		Preference	10	—	—			
		Loan	44	—	—			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 80	31 December 81	Oil refining
Tioxide Group PLC	England	Ordinary	31	50	—	31 December 80	31 December 81	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	39	—	—			
The Americas								
Corpus Christi Petrochemical Company	United States of America	Partners' capital	104	—	37	31 December 80	31 December 81	Manufacture of olefines
		Loan	264	—	—			
Fiber Industries, Inc	United States of America	Common	43	37	—	31 December 81	31 December 81	Manufacture of man-made fibres
		Loan	51	—	—			
Rubicon Chemicals Inc**	United States of America	Ordinary	3	50	—	28 December 80	31 December 81	Manufacture of isocyanates
		Loan	27	—	42			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary*	84	—	38††	31 December 80	30 September 81	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	3	—	—			
		Loan	91	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	27	—	45	30 September 81	30 September 81	Manufacture of fertilizers
		Shareholders' Subordinated Loan	9	—	36			
		Loan	23	—	—			

*Listed

**Became a subsidiary in January 1982; the ICI shareholding was transferred to a subsidiary in December 1981

†Transferred to ICI in 1981

††Includes 28 per cent held through Afex Holdings (Pty) Ltd in which Group interest is 50 per cent

Group accounts (current cost)

Profit and loss account
for the year ended 31 December 1981

1980 £million	1980 restated in 1981 £'s £million		1981 £million	1981 Percentages of profits to related average assets	1980
5,715	6,395	**Sales**	6,581		
93	104	**Trading profit** (Note 5)	111	2·0%	1·9%
26	29	Share of profits less losses of principal associated companies and income from other trade investments	27		
119	133	**Profit before financing costs and taxation**	138	2·0%	1·9%
(46)	(51)	**Interest and other financial items**	(54)		
(110)	(123)	As in historical cost accounts	(142)		
64	72	Gearing adjustment (Note 6)	88		
73	82	**Profit before taxation** (Note 6)	84	**Pence per £1 Ordinary stock**	
(123)	(138)	Taxation	(111)		
(11)	(12)	Minority interests	(14)		
(61)	(68)	**Loss attributable to parent company** (Note 6)	(41)	(6·9p)	(10·4p)
(173)	(194)	Extraordinary items	(6)		
(234)	(262)	**Loss attributable to parent company after extraordinary items** (Note 6)	(47)	(7·9p)	(39·8p)
(101)	(113)	Dividends	(113)	19·0p	17·0p
(335)	(375)	**Deficit met from reserves**	(160)		
(188)	(210)	**Deficit met from reserves under ICI's gearing method** (Note 6)	(221)		

Balance sheet
at 31 December 1981

1981 £million		1980 restated in 1981 £'s £million	1980 £million
	Assets employed		
5,264	Fixed assets excluding those under construction (Note 7)	4,759	4,253
(679)	Government grants (Note 4)	(744)	(665)
4,585		4,015	3,588
1,298	Stocks	1,223	1,098
1,361	Trading debtors	1,230	1,099
(1,011)	Trading creditors	(911)	(814)
6,233	**Net assets employed in manufacturing and trading activities**	5,563	4,971
264	Fixed assets under construction, less capital creditors	935	836
660	Trade investments	628	561
7,157	**Total investment**	7,126	6,368
	Financed by		
9	Preference share capital	10	9
1,497	Loans	1,462	1,307
67	Advance proceeds from oil sales	96	86
(130)	Liquid resources less short-term borrowings	(163)	(146)
346	Taxation and other non-trading provisions (net)	299	267
1,789	**Total non-equity finance**	1,704	1,523
476	**Capital and reserves attributable to minorities**	412	368
4,892	**Capital and reserves attributable to Ordinary stockholders**	5,010	4,477
594	Issued capital	664	593
4,239	Reserves (Note 8)	4,313	3,854
59	Provision for second interim dividend	33	30
7,157		7,126	6,368

Notes relating to the CCA results

1 The accounts prepared on a Current Cost Accounting (CCA) basis include allowance for the impact of price changes on the funds needed to carry on the business and maintain its operating capability. Under the provisions of Statement of Standard Accounting Practice No. 16 (SSAP16) this is achieved by making adjustments to the holding values of assets employed and to the historical cost trading profit to take into account the current levels of construction costs and of raw materials and other operating costs. The profit before taxation further includes a gearing adjustment which represents the inflationary benefit to the stockholders from loan finance, and partially offsets the cost of loan interest. The presentation of the accounts has been designed to separate trading items from items associated with finance and to demonstrate the relationship between the profit and loss account and the balance sheet (see also Note 6 – gearing adjustment).

2 The accounting policies adopted in the historical cost accounts, set out on page 25, apply also to the CCA accounts, except for modifications required to comply with SSAP16.

3 In order to provide a more useful comparison between 1980 and 1981, the results for 1980 have been shown both in 1980 £'s and re-stated in 1981 £'s. For this purpose the movement of 11·9 per cent in the average UK retail price index between 1980 and 1981 has been taken to represent the general rate of inflation.

4 The bases for the current cost adjustments are:

(a) Fixed assets and depreciation–

(i) In general, indices of the cost of chemical plants, and

(ii) Asset lives which are approximately one third longer than those applied in the historical cost accounts (see page 25). Based on reviews of asset values and lives which have been undertaken as part of the Group's consideration of the current cost basis of accounting, the Group believes that it is appropriate for CCA purposes to use longer lives from within the range of possible lives.

(b) Stocks and the cost of sales adjustment – actual movements in costs, using the averaging method.

(c) Changes in the requirements for monetary working capital (trading debtors less creditors) – movements in appropriate specific indices.

(d) Government grants – indices of the cost of chemical plants; grants have been brought into profits over the lives adopted for CCA accounts. In the balance sheet a deduction is made from fixed assets in respect of the current value of grants attributable to the residual value of the assets.

5 Trading profit

Current cost adjustments reduced the historical cost trading profit as shown below:

	1981	1980 restated in 1981 £'s	1980
	£million	£million	£million
Trading profit – historical cost accounts	425	372	332
Cost of sales adjustment	(119)	(122)	(109)
Monetary working capital adjustment	(52)	(3)	(3)
Supplementary depreciation	(185)	(185)	(165)
Indexation of government grants	42	42	38
Trading profit – current cost accounts	111	104	93
The amounts of depreciation charged and government grants credited in the current cost accounts were:			
Depreciation	533	510	456
Government grants	65	66	59

6 Gearing adjustment

The gearing percentage, being the proportion of average non-equity finance to average total investment, was 24·5% (1980 22·8%).

Under SSAP16 the gearing adjustment in respect of fixed assets is related to the charge for supplementary depreciation (after making allowance for the difference between historical and CCA asset lives). The adjustment thus excludes revaluation surpluses not yet treated as realised. ICI believes that this results in mis-stating the amount by which the interests of the equity stockholders have been affected by loan and other external financing, the interest on which has been charged against profits.

Under ICI's method, the gearing adjustment represents the total holding gains less losses for the year on assets effectively financed by borrowings less cash. The exchange gains or losses on the non-sterling part of these net borrowings are then added to or deducted from the adjustment; in the event that the forthcoming UK accounting standard on foreign currency translation contains concepts on matching borrowings and assets which do not accord with this treatment, some future modification of the method may be appropriate.

The cost of interest and other financial items calculated in accordance with ICI's method would be:	1981	1980 restated in 1981 £'s	1980
	£million	£million	£million
As in historical cost accounts	(142)	(123)	(110)
Gearing adjustment	225	96	86
Exchange gains (losses) on financial items	(188)	132	118
As in current cost accounts – ICI's method	(105)	105	94
On this basis results would be:			
Profit before taxation	33	238	213
Profit (loss) attributable to the parent company:			
before extraordinary items	(102)	96	85
after extraordinary items	(108)	(97)	(87)
Deficit met from reserves	(221)	(210)	(188)

7 Fixed assets

	31 December 1981 Gross £million	Depreciation £million	Net £million	1980 restated in 1981 £'s Net £million	1980 Net £million
Land and buildings	2,314	1,035	**1,279**	1,124	1,004
Plant and machinery	10,627	6,341	**4,286**	4,647	4,153
	12,941	7,376	**5,565**	5,771	5,157
Under construction	(301)		**(301)**	(1,012)	(904)
	12,640	7,376	**5,264**	4,759	4,253

8 Reserves

	1981 £million	1980 restated in 1981 £'s £million	1980 £million
At beginning of year	**3,854**	4,077	3,643
Inflation and exchange adjustments	**536**	576	515
Revaluation surplus on:			
Fixed assets	**247**	665	594
Government grants	**(28)**	(94)	(84)
Investments	**65**	90	81
Stocks	**123**	85	76
Monetary working capital adjustment	**49**	(3)	(3)
Gearing adjustment	**(82)**	(65)	(58)
Exchange adjustments	**162**	(102)	(91)
Deficit for year	**(160)**	(375)	(335)
Share premiums	**1**	35	31
Other movements	**8**	—	—
At end of year	**4,239**	4,313	3,851

Auditors' report

To the Members of Imperial Chemical Industries PLC

We have audited the financial statements on pages 25 to 40 in accordance with approved auditing standards.

In our opinion the financial statements on pages 25 to 37, which have been prepared under the historical cost convention, give under that convention a true and fair view of the state of affairs of the company and the group at 31 December 1981 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts for the year ended 31 December 1981 on pages 38 to 40 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No 16.

THOMSON McLINTOCK & CO
PRICE WATERHOUSE
Chartered Accountants

London 4 March 1982

Group financial record

For the years ended 31 December

		1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
		£million									
Assets employed	Fixed assets	1,160	1,185	1,233	1,425	1,733	1,876	2,299	2,770	3,115	3,342
	Trade investments	208	244	258	302	365	345	362	332	335	433
	Net current assets	486	699	906	1,006	1,406	1,433	1,349	1,351	1,237	1,436
	Total assets employed	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,687	5,211
Financed by	Ordinary capital of ICI	478	480	486	494	559	564	570	581	593	594
	Group reserves attributable to ICI Ordinary stockholders	448	615	806	934	1,249	1,679	1,874	2,208	2,138	2,352
	ICI Ordinary stockholders' interest	926	1,095	1,292	1,428	1,808	2,243	2,444	2,789	2,731	2,946
	Minority interests and preference capital of ICI	133	165	187	203	243	204	236	232	279	345
	Deferred taxation (Note 1)	91	115	174	212	308	—	—	—	—	—
	Grants not yet credited to profit	87	81	77	80	85	89	120	157	183	211
	Deferred liabilities	—	—	—	—	26	74	126	130	187	212
	Loans	617	672	667	810	1,034	1,044	1,054	1,145	1,307	1,497
	Total funds invested	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,687	5,211
Sales, profits and reserves	**Sales** (external) — UK	776	942	1,199	1,314	1,616	1,668	1,800	2,232	2,399	2,575
	— Overseas	918	1,224	1,756	1,815	2,519	2,795	2,733	3,136	3,316	4,006
	— **Total**	1,694	2,166	2,955	3,129	4,135	4,663	4,533	5,368	5,715	6,581
	Trading profit (after depreciation)	174	311	461	325	514	545	497	634	332	425
	Depreciation	148	157	169	182	205	221	225	248	291	348
	Profits less losses from trade investments	23	39	50	34	43	41	41	59	62	52
	Profit before loan interest and taxation	198	359	534	372	579	619	575	695	395	464
	Profit before taxation	154	310	484	315	504	534	483	613	284	335
	Taxation (Note 1)	58	145	220	148	236	158	123	123	123	111
	Profit after taxation	96	165	264	167	268	376	360	490	161	224
	Profit attributable to ICI before extraordinary items	81	146	241	148	242	342	332	457	130	192
	Extraordinary items	—	15	(5)	(1)	(46)	(29)	(3)	(16)	(150)	(6)
	Profit (loss) attributable to ICI after extraordinary items	81	161	236	147	196	313	329	441	(20)	186
	Net dividends	41	50	54	59	83	93	105	134	101	113
	Income tax on dividends	26	—	—	—	—	—	—	—	—	—
	Profit (loss) retained transferred to reserves	14	111	182	88	113	220	224	307	(121)	73
	Amounts credited (charged) direct to reserves	1	56	9	40	202	(39)	(29)	27	51	141
	Earnings and dividends (in pence) per £1 Ordinary stock (Note 2)										
	Earnings, before extraordinary items	16·7	30·0	49·1	29·7	45·2	60·9	58·6	79·2	22·1	32·3
	Dividends	13·8	10·1	10·9	11·6	14·8	16·5	18·5	23·0	17·0	19·0
	Dividends grossed up for imputed tax credit	—	14·5	16·3	17·9	22·7	25·0	27·6	32·9	24·3	27·1
	Profit before loan interest and taxation, as a percentage of average assets employed	11·0	18·0	23·6	14·5	18·6	17·3	15·0	16·4	8·6	9·4

Notes: 1 Deferred taxation for the years 1972 to 1976 has not been recalculated on the basis of the present accounting policy, set out on page 25; the cumulative amount of the prior years' adjustment at 1 January 1977 was £249 million. From 1977 onwards deferred taxation is included in deferred liabilities.

2 Earnings and dividends per £1 Ordinary stock have been adjusted to give effect to the bonus element in the rights issue made in 1976.

3 The results of IMI Ltd up to October 1977 are included above but are excluded from the charts of sales (page 10), capital expenditure (page 11) and exports (page 16).

Printed in England by Brown Knight and Truscott Ltd, Tonbridge