Imperial
Chemical
Industries
Limited

218019/919

Annual Report

1980

ɔreword by the Chairman

At last year's Annual General Meeting I described ·ospects for 1980 as "distinctly uncertain". In the ·ent we ran into an unprecedented combination of ·dverse factors. The result was a 54 per cent fall in ·ofit before tax, from £613 million in 1979 to ·284 million in 1980.

There were three main reasons for this outcome. First, the sudden onset of world recession sharply reduced the volume of sales. The chemical industry worldwide was more seriously affected than industry ·s a whole, and the recession was deeper in the UK ·an elsewhere. Since about 40 per cent of our sales are in the UK there was no escape from a dramatic collapse in demand — partly due to customers going out of business. Second, increased costs, especially of raw materials and energy, could not be recovered through higher selling prices in the face of reduced demand and excess capacity. Third, whilst UK costs continued to increase, reflecting a high (though now falling) rate of inflation, export realisations and UK selling prices were depressed by the strength of sterling. Exports account for a vital one-third of our UK production, and by the end of 1980 much of this business had become profitless.

The worst affected businesses were fibres, petrochemicals, plastics and dyestuffs. Others did well. Businesses closer to the consumer such as pharmaceuticals, paints and fertilizers produced good results in difficult trading conditions, as did oil and some parts of general chemicals.

There were also excellent performances in Australasia and the Far East, Canada and South Africa. Sales in Continental Western Europe held up reasonably well although margins were reduced. The weakness of the UK economy highlights the value of our extensive and expanding overseas operations.

In responding to the events of 1980 we have to distinguish between the cyclical effects of recession and the longer term structural changes which are taking place in our business environment. Our response to recession has been to accelerate and intensify cost reductions of every kind, and to exercise tight control over working capital. However, fundamental changes in the fibres and textiles markets require a radical restructuring of our fibres business, including withdrawal from certain commodity products in order to concentrate on those for which the Company has substantial advantages in technology and quality. These actions account for the larger part of the £150 million provision in the accounts for extraordinary costs and write-offs. The organic chemicals business is also being reshaped to redirect its marketing thrust as well as to lower its cost base. Our Petrochemicals and Plastics Divisions are being combined to enable the resources and products of the two Divisions to be concentrated in an integrated way on the needs and opportunities of the market.

In comparison with our world competitors we are dealing not only with recession but also with the added impact on sales and profit margins of specifically UK factors. We are determined to restore our profitability and to adapt to changes in external circumstances. However, our prospects, speed of recovery and international competitiveness will be considerably affected by what happens to the value and volatility of sterling, by the level of UK interest rates, by the size and vitality of our customer base and the extent to which the rate of inflation of Government controlled costs can be reduced. The Company stands to benefit markedly from success in the Government's efforts to reduce the rate of UK inflation, an objective which we fully support. Nevertheless, we have drawn Government's attention in the strongest terms to the dramatic effect on our business of some of the mechanisms which are being used.

There is no doubt that the chemical industry as a whole faces serious problems which are particularly acute for ICI with its strong UK base. Although we judged it right to complete most of the capital spending scheduled for 1980, there was no alternative to a sharp reduction in approvals for new projects. The setback of 1980 should nevertheless be seen in the perspective of our basic strengths.

Product and territorial spread continues to give us resilience. We have good products, competitive technology, loyal employees and good industrial relations. Moreover, our history in recent years has been one of consistent investment in new and replacement plant, accompanied by steadily improving productivity. The balance sheet is strong.

Although we cannot expect conditions in 1981 to be less difficult than 1980, the actions we are now taking will increase the underlying strength of the business and put us in the best position to benefit from economic recovery. Meanwhile, in the light of the very bad results in the second half of the year, and of our inability to see an early improvement, payment of a total dividend equal to that for 1979 is not justified. Accordingly the Board has decided to pay a second interim dividend of 5 pence. With the first interim payment of 12 pence, this brings the total to 17 pence compared with 23 pence last year.

During the year we have kept employees and their representatives closely in touch with business developments. Their response has been constructive and realistic even though it is inevitable that the number of people employed by the Company will decline. Whilst we shall not shrink from actions necessary to safeguard the future of the Group as a whole, we will continue to ensure that determination to meet changed circumstances is fully matched by consideration for the human problems which inevitably arise.

Maurice Hodgson.

5 March 19[illegible]

Notice of Meeting

Notice is hereby given that the fifty-fourth Annual General Meeting of Imperial Chemical Industries Limited will be held at the Royal Garden Hotel, Kensington High Street, London W8, on Wednesday, 22 April 1981 at 11.00 a.m., for the following purposes:

1. To consider the Company's Accounts and the Reports of the Directors and Auditors for the year ended 31 December 1980, and to confirm dividends.

2. To elect Directors in place of those retiring.

3 To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors

4 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:–

'That the Directors of the Company be and are hereby authorized until the date of the next Annual General Meeting, for the purposes set out on page 19 of the Report of the Directors for the year ended 31 December 1980:

(a) to issue further Ordinary Shares of the Company and/or

(b) to issue, or guarantee the issue by any subsidiary of the Company of, securities convertible into Ordinary Shares of the Company,

whether to existing stockholders of the Company or not and at such times and upon such terms and conditions as to price or otherwise as the Directors shall determine; provided that the nominal value of the total number of shares so issued shall not exceed 5 per cent of the nominal value of the Ordinary share capital of the Company at present in issue and for this purpose an issue of convertible securities shall be deemed to be an issue of the number of shares which would be required to satisfy the conversion rights attached to those securities in full at the initial conversion price provided for in the terms and conditions of the issue'.

5 March 1981

Imperial Chemical House, Millbank, London SW1P 3JF

By Order of the Board
J. D. COUSIN
Secretary

Any member of the Company entitled to attend and vote is entitled to appoint one or more proxies (whether members or not) to attend and, on a poll, to vote instead of him. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Transfer Office, PO Box 227, Imperial Chemical House, Millbank, London SW1P 3JL, not less than 48 hours before the time for holding the meeting.

This Report is circulated to members of the Company and to holders of Unsecured Loan Stock of the Company, but those holding Preference Stock and/or Unsecured Loan Stock only are not entitled to attend or vote at the meeting.

The following information, which is available for inspection during business hours at the Company's Transfer Office, Imperial Chemical House, Millbank, London SW1P 3JL, will, on the day of the Annual General Meeting, be available for inspection at the Royal Garden Hotel, Kensington High Street, London W8, from 10.45 a.m. until the conclusion of the meeting:

1) A statement of transactions of Directors (and of their family interests) in the share capital and debentures of the Company and any of its subsidiaries.

2) Copies of all contracts of service under which Directors of the Company are employed by the Company or any of its subsidiaries.

About 510,000 copies of this Report are despatched to stockholders. To facilitate delivery of this very large number of copies, posting of the Report will be phased over a period.

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

Summary of the year

facing page 1
1
2
4
5
6 and 18
7
7
7
9
9
9
10
10
11
14
17
17
18
18
19
20
20
21
32
33
34
36
facing page 36

Economic Background

After a deceptively buoyant start to the year a steep downturn in world industrial activity began suddenly in the second quarter. The UK was worst affected and chemicals suffered more than industry generally. Despite high UK inflation, sterling strengthened substantially throughout the year.

Group Results

In the face of these conditions, which were the most difficult since the Second World War, the Group suffered under the three-fold pressure of

(1) reduced demand, which was accentuated by heavy de-stocking;

(2) rising raw material prices and high UK cost inflation which could not be recovered through increased prices in weak market conditions.

(3) the burden of an ever strengthening pound, which adversely affected both UK and export sales realisations

Group pre-tax profits, after running at an annual rate of about £650 million in the first quarter, started to collapse in the second quarter and the Group operated at a loss in the second half of the year. On sales of £5,715 million, the trading profit for the year was £332 million - little over half of that in the previous year.

Of the £300 million reduction in trading profit, half was due to lower sales volume and half to increased costs not recovered in prices. Within this total, about £150 million was attributable to the effects of the stronger sterling exchange rate.

The major impact was felt in Western Europe with the result that petrochemicals, fibres, plastics and organic chemicals – the four classes of business most affected by conditions in Western Europe – registered overall losses of £200 million for the year. Exports from the UK suffered total losses of £90 million in the year.

In response to the difficult trading conditions, management mounted special efforts to conserve cash and reduce costs even more vigorously. There was also major restructuring of the four worst affected businesses in Western Europe.

The wide geographical and product spread of ICI's business protected the Group from even worse effects. Overseas companies provided more than half of the Group's trading profit.

With the trading profit so severely reduced, th
22.1p (before extraordinary items). A first inter
and the second interim dividend payable on 5
with 23p for 1979.

The rate of any Employees' Profit Sharing bon
costs. In 1980 the ratio fell below the point at
Board has decided not to make a discretionar

Product and Territorial Review

Hardest hit in 1980 were the products within t
business areas. When demand dropped, so di
particular, UK selling prices fell in many case
because of the continuing rise in the value of

Businesses which did well in the adverse eco
agricultural products, paints and pharmaceuti

UK chemical sales volume fell by 13 per cent

Exports from the UK, only slightly down on 19
half of the year, however, losses were running
being maintained only to hold hard-won key m

Overseas the Group's strong and expanding i
h[illegible] profits despite world trading conditions
Europe, but reduced demand and weak prices

Trading profits from the Group's oil business
revenue tax.

Capital Expenditure

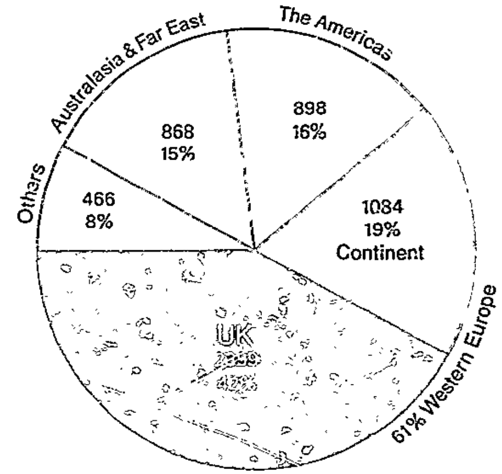
In response to the change in trading circums
new projects was sharply reduced to a total

With the [illegible] severely reduced, the earnings per £1 of Ordinary Stock fell from the 1979 level of 79.2p to 22.1p (before [illegible] items). A first interim Ordinary dividend of 12p per £1 unit was paid on 11 November 1980 and the second interim dividend payable on 3 April 1981 will be 5p per unit, making a total of 17p for the year compared with 23p for 1979.

The rate of [illegible] Employees' Profit-Sharing bonus is determined by a scale based on the ratio of added value to employee costs. In 1980 the ratio fell below the point at which a bonus is normally payable and, in view of the trading results, the Board has decided not to make a discretionary payment.

1980 Group Sales

£5715 million



Product and Territorial Review

Hardest hit in 1980 were the products within the Group's petrochemicals, fibres, plastics and organic chemicals business areas. When demand dropped, so did Continental European and world prices for these products. In particular, UK selling prices [illegible] in many cases under pressure from import competition which was intensified because of the continuing rise in the value of sterling.

Businesses which did well in the adverse economic conditions were those closer to the consumer, such as agricultural products, paints and pharmaceuticals, and also some general chemicals.

UK chemical sales volume fell by 13 per cent and profits were drastically reduced.

Exports from the UK, only slightly down on 1979 volume, were profitable overall in the first quarter. In the second half of the year, however, losses were running at an annual rate in excess of £150 million, with sales in many areas being maintained only to hold hard-won key market positions.

Overseas the Group's strong and expanding interests in Australasia and the Far East, Canada and Africa achieved higher profits despite world trading conditions. The Group retained its market position in Continental Western Europe, but reduced demand and weak prices eliminated the profit on sales from local assets.

Trading profits from the Group's oil business rose to £97 million after provision of £61 million for petroleum revenue tax.

Capital Expenditure

In response to the change in trading circumstances, capital expenditure was tightly controlled and the authorization of new projects was sharply reduced to a total of £324 million as compared with £552 million in 1979.

Group results in brief

'Group' means ICI and its subsidiaries.

		Historical Cost Accounts 1980 £million	Historical Cost Accounts 1979† £million	Current Cost Accounts 1980 £million	Current Cost Accounts 1979* £million
Sales	Sales to external customers	5,715	5,368		
	UK	2,399	2,232		
	Overseas	3,316	3,136		
	Exports from United Kingdom at f.o.b. value	1,173	1,108		
Profits	Trading profit	332	634	93	341
	Profit before taxation	284	613	73	366
	Profit attributable to parent company before extraordinary items	130	457	(61)	223
	Earnings (before extraordinary items) per £1 Ordinary Stock	22·1p	79·2p	(10·4p)	38·6p**
Dividends	Dividend per £1 Ordinary Stock	17·0p	23·0p		
[illegible]	Capital expenditure				
	Fixed assets	724	760		
	New investments	48	42		
	Additional working capital (before extraordinary items)	10	290		
	Assets employed at year end	4,698	4,453	6,368	5,914
	Percentage return on average assets employed	8.6%	16.4%	1.9%	6.9%

The CCA results allow for the heavy cash costs of inflation not reflected in the historical cost results. With inflation, the cost of replacing fixed assets increases and this is allowed for in the CCA depreciation charge of £456 million (historical cost £291 million); the CCA results also include charges of £112 million for the cost of inflation in working capital. This ensures that sufficient funds are put aside to maintain the existing business before declaring the trading profit.

The above profit before tax is after allowing for a gearing gain of £64 million (1979 £72 million) in accordance with Statement of Standard Accounting Practice No. 16. Under ICI's preferred method, the gearing gain would be £204 million (1979 £168 million), the profit before tax £213 million (1979 £462 million) and the earnings per share would be:

1980	1979
14·6p	55·1p

†Comparative figures have been restated (see Note 2 on page 25).

**Comparative figures have been restated (see Note 3 on page 35).*

***Equivalent purchasing power of 1979 earnings in 1980 £'s is 45·5p.*

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.)

Sources of income	1980 £million	1979 £million	Percentage change	
Sales	5,715	5,368	+ 6%	
Royalties and other trading income	56	51		
Less: Materials and services used	(3,907)	(3,383)	+15%	
Value added by manufacturing and trading activities	1,864	2,036	− 8%	
Share of profits less losses of principal associated companies and income from other trade investments	62	59*		
Total value added	1,926	2,095	− 8%	
Disposal of total value added				
Employees	1,318	1,173	+12%	◁ Average number of employees decreased by 3%.
– pay, plus pension and national insurance contributions and severance payments	1,316	1,133		
– profit sharing bonus	—	39		◁ 1979 UK bonus rate 8·1p per £1 of remuneration. No bonus for 1980 – see page 18.
– profit sharing payments to leavers	2	1		
Governments	102	104	− 2%	◁ Does not include tax paid by employees on their pay. Income tax paid by UK employees under PAYE amounted to £141 million in 1980 (1979 £118 million).
– corporate taxes	123	123		
– grants	(21)	(19)		
Providers of capital	242	247	− 2%	
– interest cost of net borrowings	110	80*		
– dividends to stockholders	101	134		
– minority shareholders in subsidiaries	31	33*		
Re-investment in the business	264	571	−54%	◁ Contribution towards the total spent in the year on new fixed assets, working capital and additional investments.
– depreciation and provisions in respect of investments	385	264*		
– profit retained	(121)	307*		◁ Reserves reduced in 1980.
	1,926	2,095		

The above table is based upon the audited historical cost accounts. Figures in brackets represent deductions.
**Comparative figures for 1979 have been restated in accordance with Note 2 on page 25 and to allocate extraordinary items.*

Directors

Chairman	Sir Maurice Arthur Eric Hodgson
Deputy Chairmen	William Barr McKinnon Duncan, CBE
	John Henry Harvey-Jones, MBE
	Robert Haslam
	Alan William Clements
	Sir Arnold Alexander Hall, FRS*
	Philip Geoffrey Harvey
	Denys Hartley Henderson
	Sir Alex (Alexander Anthony) Jarratt, CB*
	Sir Patrick Michael Meaney*
	The Rt Hon Lord Polwarth, TD*
	Charles Hugh Reece
	Alan Robertson
	Sir Francis Edwin Prescott Sandilands, CBE*
	Norman Brian Smith, CBE
	The Rt Hon Lord Thomson of Monifieth, PC*
	Frank Whiteley

*Non-Executive Directors

Secretary	James Douglas Cousin
Treasurer	Cyril John Crowe
Solicitor	Victor Oscar White

Senior Executives

Division Chairmen	
Agricultural	B. Appleton
Fibres	J. Lister
Mond	R. I. Lindsell
Organics	S. E. Blurton
Paints	R. C. Hampel
Petrochemicals	R. G. J. Telfer
Pharmaceuticals	P. W. Cunliffe, CBE
Plant Protection	A. Hayes
Plastics	T. O. Hutchison
ICI Europa Chairman	N. M. Mims, CBE

General Managers	
Commercial	D. S. Hay
Investments	A. Conlong
Personnel (Operations)	J. P. M. Bell
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	President 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 Ltd	Managing Director:	A. W. Morrison

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

Report of the Directors 1980

The Directors of Imperial Chemical Industries Limited present their fifty-fourth Annual Report, together with the Accounts of the Company for the year 1980. They will be laid before the stockholders at the fifty-fourth Annual General Meeting to be held on 22 April 1981, and copies are being provided for those employees of the Company who are not also stockholders.

Economic Background

The combination of world recession, the strength of sterling, an exceptionally steep decline in UK manufacturing output and high UK inflation left ICI in 1980 facing the most difficult trading conditions since the Second World War.

After a buoyant start to the year, world industrial activity showed a sharp downturn first in North America and then in Western Europe and Japan. Continued inflation, coupled with restrictive monetary policies and with political difficulties in the Middle East, made the economic outlook unusually uncertain. Even at the end of the year there were no clear signs of a sustainable international recovery.

The worst decline occurred in the UK, with industrial production falling by 7 per cent. High interest rates and a further rise in the value of sterling, despite another year of high UK inflation, contributed to this. The number of permanent factory closures was disturbingly large. Although the inflation rate has declined in recent months, confidence in the outlook for UK industry remains low.

World chemical demand in early 1980 was still being stimulated by rising oil prices, but thereafter chemicals experienced a steeper fall in output than the rest of world industry. UK chemical and fibre production (including manufacture for export) was 10 per cent lower than in 1979 and this, together with low competitive pricing both in the UK and in export markets, resulted in trading losses in many sectors of the industry.

Group Results

The Group's audited statutory accounts prepared on the historical cost basis are shown on pages 21 to 33. The Group's accounts on a current cost basis in accordance with Statement of Standard Accounting Practice No. 16 are shown on pages 34 to 36. Certain changes in accounting treatment have been made in the light of evolving accounting practice and these are referred to overleaf and in Note 2 on page 25

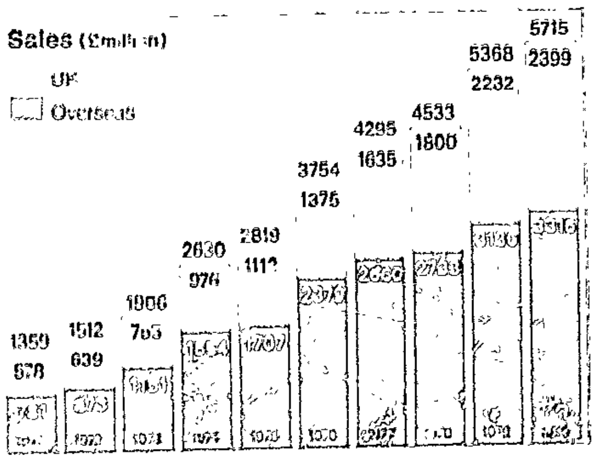
The Group's trading results for 1980 were drastically affected by the unprecedented combination of adverse economic factors previously described. Group sales were £5,715 million (1979 £5,368 million). Excluding oil, sales volume was 5 per cent lower than in 1979.

Inflation of costs in the UK continued to be higher than in Continental Western Europe. Despite this, the value of sterling appreciated against the trade-weighted average of foreign currencies; in particular, it increased in value during the year by some 8 per cent against the US dollar and, more importantly for the Group, by some 22 per cent against the Deutschemark. As a consequence, selling prices in the UK and export realisations in sterling were quite inadequate to maintain profit margins. Due mainly to increases in the latter half of 1979 and in the first quarter of 1980, UK prices for chemicals were 12 per cent higher than the average for 1979, but were insufficient to recover cost increases in raw materials and energy in late 1979 and continued general cost inflation in 1980. During 1980 the need to retain key UK customers' business in the face of pressure from imports forced significant reductions to be made in the selling prices of many products. Although exports were profitable in the first quarter, profit margins thereafter declined rapidly and a substantial overall loss was incurred in the second half of the year, with sales in many areas being maintained only to hold key market positions.

In these circumstances, the Group's businesses in petrochemicals, plastics, fibres and dyestuffs incurred heavy trading losses overall for the year. Other sectors were also affected by the economic conditions, but profits from pharmaceuticals, agricultural products, paints and some general chemicals held up well. Equally, the performances of the businesses in Australasia and the Far East, Canada and Africa were very satisfactory in view of world conditions.

Group trading profit was £332 million, of which £180 million was earned in the first quarter before the recession started to bite.

Oil trading profit at £97 million, after provision for petroleum revenue tax of £61 million, increased by £12 million compared with 1979.



Group profit before tax was £284 million compared with £613 million for 1979. The table following shows these figures for each of the quarters.

	Sales	Profit before tax
	£million	£million
1979		
First quarter	1,185	98
Second quarter	1,382	162
Third quarter	1,326	155
Fourth quarter	1,475	145
Changes in presentation*	—	53
	5,368	613
1980		
First quarter	1,523	162
Second quarter	1,452	80
Third quarter	1,304	(10)
Fourth quarter	1,436	(6)
Changes in presentation*	—	58
	5,715	284

*Certain changes in accounting presentation have been made and the results for the year are on a different basis from that used in the quarterly results in two major respects:

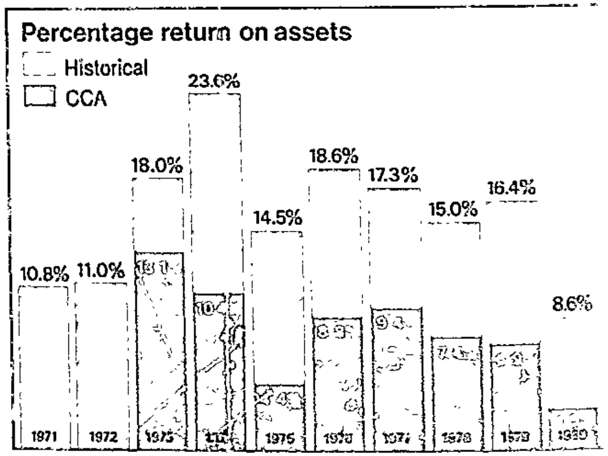
(1) Following the publication of Exposure Draft No. 27 of the UK Accounting Standards Committee (Accounting for foreign currency translations) the exchange loss on translating the net current assets of overseas subsidiaries into sterling is charged against reserves, instead of against profits for the year. This change in presentation increases profit before tax by £37 million (1979 £34 million) and profit attributable to the parent company before extraordinary items by £33 million (1979 £26 million).

(2) Government grants receivable, which are spread over the lives of the relevant assets, are included in trading profit, instead of being deducted from taxation. This follows the practice most commonly adopted by other companies. The change in presentation increases profit before tax by £21 million (1979 £19 million), but does not alter the profit attributable to the parent company.

The taxation charge was £123 million (1979 £123 million), including £54 million for overseas taxation and corporation tax of £44 million on UK oil profits. Earnings after taxation but before extraordinary items were £130 million (22.1p per £1 unit of Ordinary Stock) compared with £457 million (79.2p per £1 unit) in 1979.

Provisions of £150 million were made for extraordinary items, the major item being £95 million to meet the costs of restructuring the fibres operations; included in the balance was £26 million in respect of a reduction in the holding value of the Group's investment in Carrington Viyella Ltd (see page 17 for comments on ICI's investment in that company) and £17 million in respect of the loss on divestment of the chlor-alkali business of ICI Americas Inc.

A second interim Ordinary dividend of 5p per £1 unit, which the Annual General Meeting will be asked to confirm as the final dividend for 1980, is payable on 3 April 1981. This, together with the first interim dividend of 12p per unit paid on 11 November 1980, makes a total Ordinary dividend of 17p for the year. The gross equivalent of this (including the related tax credit) is 24.29p compared with 32.86p for 1979. The payment of these dividends requires £101 million. Because a loss was incurred after charging extraordinary items, reserves were reduced by £121 million, which compares with retained profits of £307 million in 1979.



On a current cost accounting (CCA) basis, 1980 trading profit amounted to £93 million compared with £341 million in 1979. CCA profit before taxation was £73 million (1979 £366 million); earnings before extraordinary items, which had been 38.6p per £1 Ordinary Stock in 1979, were negative in 1980, the loss being 10.4p per £1 Ordinary Stock. Under the gearing method followed by ICI, the earnings were 14.6p in 1980 compared with 55.1p in 1979

Capital Programme

A further sharp reduction was made in the authorization of expenditure on fixed assets during 1980, intensifying the action taken in 1979 because of lower forecast demand for chemicals and inadequate levels of cash flow and profitability. Actual capital expenditure in 1980 was tightly controlled in response to the changing trading conditions.

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

Fixed Assets	1978 £million	1979 £million	1980 £million
Authorized:			
United Kingdom	466	286	176
Continental Western Europe	131	20	45
The Americas	92	171	61
Other countries	99	75	42
	788	552	324
Expenditure:			
United Kingdom	450	432	390
Continental Western Europe	87	121	148
The Americas	107	120	117
Other countries	77	87	69
	701	760	724
Total authorized but unspent at end of year	1,073	865	465

A high proportion of authorizations continues to be for modernisation and improvement of existing plants. These improvements and the completion of large projects authorized in earlier years will ensure that the Group's asset base is fully capable of supporting a strong recovery when the recession ends.

Substantial investments continued to be made overseas in order to maintain the Group's position in the major chemical markets of the world and to participate profitably in markets with high economic growth.

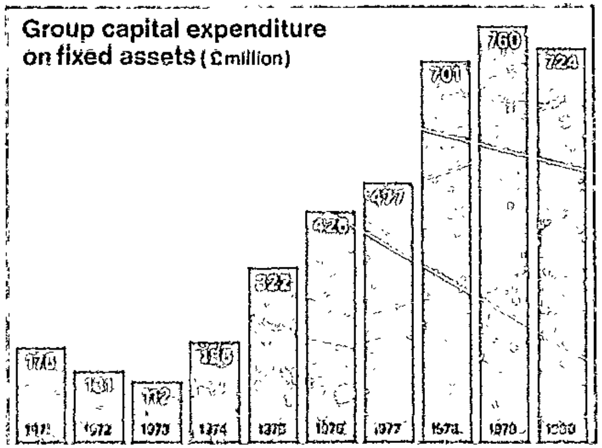
Working Capital

Working capital was held at the 1979 level despite the substantial increases in costs. The efforts of management and staff achieved a reduction in the ratios of both debtors and stocks to sales.

Finance

The table in the next column summarises the sources of the Group's funds and how they were spent. A detailed statement of source and application of funds is given on page 24.

Group capital expenditure on fixed assets (£million)



	1980 £million	1979 £million
Source of funds		
Funds generated from operations	714	970
Less interest and taxation paid during the year	(208)	(206)
Net funds generated from operations	506	764
Funds from other sources:		
Disposal of fixed assets and trade investments	48	50
Issues of ICI Ordinary Stock	43	41
Issues of Loan Stocks and other non-current borrowings (less repayments)	255	127
Decrease (increase) in net liquid resources	(7)	256
Others	16	(13)
Funds obtained	861	1,225
Use of funds		
New fixed assets	724	760
New investments	48	42
Additional working capital	10	290
Effect of extraordinary items	(72)	—
Dividends	151	133
Funds used	861	1,225

Net liquid resources at 31 December 1980 were £146 million, compared with £139 million at 31 December 1979.

During 1980, issues of Ordinary Stock included 8.4 million £1 units in respect of the Employees' Profit-Sharing Scheme and 3.3 million units in exchange for US$26.8 million of convertible bonds.

New long-term borrowings in 1980 amounted to £301 million. There was an increase of £68 million in borrowings in foreign currencies under 10 year multi-currency arrangements. Additionally, US$220 million and DM155 million (sterling equivalent £125 million) were raised in the form of fixed term loans. No major repayments of long-term loans were made in 1980.

Stockholders

At the end of 1980 the register of stockholders consisted of 471,339 Ordinary Stock accounts, 86[illegible] Preference Stock accounts and 212,406 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	214,247	26.6
251 - 500	117,813	42.9
501 - 1,000	86,654	61.5
1,001 - 5,000	49,488	85.0
5,001 - 10,000	1,465	10.0
10,001 - 50,000	945	21.6
50,001 - 1,000,000	647	133.4
Over 1,000,000	80	212.4
All holdings	471,339	593.4

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 – an interest in the progress of ICI.

So far as the Board are aware, at no time during 1980 or up to and including 5 February 1981 (one month prior to the date of the Notice of Meeting on page 1) 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 1980 £million	Sales 1979 £million	Trading Profit 1980 £million	Trading Profit 1979* £million
Agriculture	1,071	995	151	155
Fibres	432	471	(86)	(38)
General chemicals	1,143	1,038	99	134
Industrial explosives	210	196	19	17
Oil	770	559	97**	85**
Organic chemicals	498	519	(35)	1
Paint and decorative products	449	416	27	28
Petrochemicals	976	1,076	(44)	94
Pharmaceuticals	346	317	66	64
Plastics	738	748	(35)	51
Miscellaneous	112	115	9	12
	6,745	6,450	268	603
Inter-class eliminations†	(1,030)	(1,082)	19	(10)
Royalty income	—	—	24	22
Government grants	—	—	21	19
Totals as in profit and loss account	5,715	5,368	332	634

**Restated on a comparable basis to 1980 (see Note 2 on page 25).*
***After provision for petroleum revenue tax.*
† In the above table, profits on inter-class transfers which remain unrealised on a Group basis are now adjusted in inter-class eliminations, instead of in each class of business; 1979 results have been restated on the new basis.

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

Classes of Business

Agriculture

In the UK, fertilizer sales continued at a high level until mid-year when demand slackened. Overseas, demand was strong in all regions served by the Group, and its plants operated at high rates in Canada, Australia and Malaysia; production in India was, however, seriously affected by an interruption of feedstock supplies.

In the related industrial chemicals field, demand for the principal products, ammonia and methanol, eased in the UK in the second quarter and by the middle of the year the market had turned down throughout Western Europe. New manufacturing capacity for liquid carbon dioxide was commissioned at Billingham, Teesside. The first commercial scale plant for the manufacture of 'Pruteen', ICI's high protein animal feed was also commissioned at Billingham during the year.

Profitability of crop protection chemicals continued to be adversely affected by the high rate of inflation of UK costs. Export volumes held up reasonably well, despite intense competition in important product sectors, but the high value of sterling severely reduced the profit margins

Fibres

The Group's fibres results (which exclude associated companies) showed a loss of £86 million before provision for rationalisation. The extent of this loss reflects the deterioration of trading conditions in Western Europe. Rationalisation costs amounting to £95 million have been charged as an extraordinary item in the 1980 Group accounts, following the decision to withdraw from some parts of the fibres business and to close two factories

During the year the world synthetic fibre industry was severely affected by the textile recession and performed unsatisfactorily except in those countries in which there was significant protection. In Continental Western Europe, demand for textile products diminished sharply in the second half of the year, following the pattern of recession which had taken place some six months earlier in the UK. Textile imports from the USA continued to grow at the expense of local production, particularly in the UK. The weakness of the dollar, raw material price advantages and surplus capacity in the USA allowed American producers to sell in Western Europe at prices which had a serious effect on volume and price of both fibres and textiles from local manufacture. The imposition of import quotas by the UK Government and anti-dumping duties by the EEC showed recognition of the problem, but the measures taken were inadequate and ineffective.

The drive to improve manpower productivity at the UK factories initiated in 1979 was successfully carried out and an annual rate of savings in fixed costs of £33 million was obtained. Despite this achievement the intensified problems affecting the industry resulted in even higher losses. Because of these losses and the fundamental changes that are taking place in the textile and clothing market throughout Europe, ICI is withdrawing from manufacture of specific commodity products and is concentrating on those areas in which it has a strong advantage in technology and manufacturing ability. This plan for fibres and fibre intermediates requires considerable rationalisation, including the closure of factories at Kilroot in Northern Ireland and at Ardeer in Scotland and the loss of more than four thousand jobs. It is being pursued with a determination to achieve a viable fibres business as an integral part of ICI's manufacturing operations.

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 speciality chemicals. The Group's main manufacturing base for these products is in Western Europe, principally the UK, but there are also large plants in North America and Australia and smaller plants in many other countries.

In Western Europe, after an encouraging first quarter, the volume of sales fell abruptly during the summer. Some recovery took place later in the year, but there was no sign of an end to the intense competition which had severely squeezed profit margins. Within this general picture, however, some products continued to prosper and they ranged from minerals to speciality chemicals. Continental European sales of selected products made in the UK continued to expand. Amongst these is 'Genklene' chlorinated solvent, for which the commissioning of a new plant at Runcorn, Cheshire, was completed. Elsewhere, apart from the USA, the recession had less serious results and, notably in Australia, the level of prosperity was reflected in the general chemicals business. Although making a lower profit than in 1979, general chemicals nevertheless continued to provide a major contribution to the Group's profit.

The changed economic climate and the resultant lower prospects for growth led to the decision to sell the currently unprofitable chlor-alkali and vinyl chloride plant at Baton Rouge, Louisiana, which in these circumstances is too small to form the base for expansion of the Group's United States activities in this field. Productivity and efficiency in soda ash were improved by the modernisation of the plants at Northwich, Cheshire. Extensions to the plant at Khewra, Pakistan, were commissioned.

Because of the UK Government's high-cost energy policy, as applied through the tariff adopted by the electricity supply industry, UK consumers with a steady high-load electricity usage (including ICI as chlorine manufacturers) currently pay twice as much per unit as their Continental European competitors pay for a similar supply.

Industrial explosives

ICI and its associated companies continue to be the largest supplier of industrial explosives and accessories in the western world. Sales and profits were somewhat higher in 1980 than in 1979, especially in Canada where there was a high level of mining activity. Sales from UK production were slightly ahead of last year but profits were down particularly on exports because of inflation in the UK combined with the continuing high level of sterling.

A new company, ICI Explosives International Private Ltd, was established to strengthen overseas marketing and present a more aggressive approach to worldwide competition

Oil

Crude oil output from the North Sea Ninian field increased in 1980, averaging approximately 265,000 barrels a day in the fourth quarter. The northern platform, which came into operation as planned during the third quarter, contributed to this increase. ICI Petroleum Ltd's share in 1980 production was approximately 16 million barrels (11 million in 1979).

Although refinery margins fell sharply in the second half of the year, crude oil production and refining together made an increased contribution in 1980 to ICI's profits.

With the drilling of additional wells from the northern, southern and central platforms, output from the Ninian field is expected to show a further increase in 1981. Although ICI Petroleum's estimated share of production has been revised from about 19 per cent to about 18 per cent as a result of the latest of a series of reviews under the Partnership Agreements, availability of Ninian crude to ICI Petroleum in 1981 is expected to equal or exceed that in 1980. ICI's share of the proved Ninian reserves remaining at the end of 1980 was approximately 170 million barrels.

Exploration in other parts of the UK continental shelf continues. Interests in three additional blocks were obtained in the seventh UK round of licensing.

In the Gulf of Mexico, production from two offshore oil and gas discoveries commenced in 1980 and continued from two small ones onshore. Eight other discoveries are in various stages of development and several more are being appraised. At the end of 1980 ICI's share of the proved reserves was approximately 23 billion cubic feet of gas and [illegible] million barrels of gas condensate and oil.

During 1980 drilling commenced in the interests acquired in 1979 in the California offshore area. Oil and gas exploration in Alberta, Canada, has yielded proved reserves of approximately 22 billion cubic feet of gas and 0.1 million barrels of oil at the end of 1980 and further exploration interests were acquired.

Organic chemicals

This class of business, which covers a wide range of products, incurred an overall loss of £35 million in 1980 compared with a slight profit the year before.

The recession in the world textile industry, which deepened during the year, resulted in a sharp reduction in demand for dyes. This effect was particularly severe in the UK where a number of customers ceased production. Worldwide sales volume was lower than in 1979, prices could not be raised to the extent needed to recover cost increases and a large trading loss was incurred. Because of the strength of sterling, price increases obtained overseas in local currencies were not reflected in the sterling realisations from export markets. In response to the changing pattern of world demand, a strengthening of the marketing organisation in those territories which offer the best growth opportunities was begun. Significant cost improvements were achieved in 1980 and in the light of the deterioration in business circumstances the programme for reducing the UK production cost base has been intensified. ICI purchased during the year the 50 per cent outside interest in the H Acid plant at Stevenston, Scotland, thereby strengthening its position in the production of dyestuffs intermediates.

Sales of pigments declined in 1980 and as with dyes it was not possible to raise prices sufficiently to recover increases in costs. Other established products such as nitrocellulose and silicones suffered similarly, but sales of aniline held up well. Sales of polyurethane chemicals were depressed in the UK, but recovered well in other parts of the world. The USA market continued to grow rapidly and Rubicon Chemicals Inc, jointly owned with Uniroyal Inc, had a successful year.

Sales of the Atlas range of products, including sorbitol, mannitol, general purpose surfactants, activated carbon and polyester resin, fell slightly in both the USA and Western Europe. New manufacturing capacity was commissioned at Huddersfield for industrial biocides and this business is now well placed for further expansion when trading conditions improve. The recently developed product for the solvent extraction of copper became well established, particularly in North America.

Paint and decorative products

With higher sales in the Far East and India, and an improving situation in Canada, profits from the international paints business increased. Sales of industrial paint in Western Europe again increased, benefiting from the co-ordinated selling policies introduced in earlier years.

In the UK, despite difficult trading conditions in wallcoverings and in industrial markets, profitability was maintained at a satisfactory level with lower raw material costs and a relatively good performance of the decorative paints business. Exports of intermediates and industrial paints from the UK were at record levels, with good business being obtained in African and Eastern European markets.

Capital expenditure during the year was directed towards modernising and increasing production capacity in the Far East and Indian sub-continent. In the UK, the decorative paint plant at Stowmarket was re-equipped with high capacity computer-controlled filling lines.

Petrochemicals

The petrochemicals business, which had made a profit of £94 million in the previous year, incurred a loss of £44 million in 1980 due to the disastrous trading conditions encountered during the year.

Business in Western Europe deteriorated sharply after record petrochemicals sales in the first quarter of 1980, with the weakening demand for many products being exacerbated by heavy de-stocking by customers.

For the year as a whole, crude oil prices were more than 50 per cent higher than in 1979. The gap between United States and West European crude oil and petrochemical feedstock prices widened and this, coupled with the recession in US demand, gave rise to increased supplies of low-priced petrochemical products from the USA. Aromatics and phenol prices were seriously affected and offtake of fibre intermediates was depressed by a large increase in US exports of synthetic fibre into Western Europe.

These events, which led to severe over-capacity in Europe, provoked intense price competition and resulted in an exceptionally severe squeeze on margins. In addition, realisations from all markets were reduced by the strength of sterling and were insufficiently compensated by exchange rate benefits on feedstock costs.

Completion of de-stocking led to a recovery in sales volume during the closing months of the year, but prices and margins remained depressed. Overall sales volume fell by about 13 per cent compared with 1979. For the year as a whole, the Group's business in Western Europe made a substantial trading loss although market share was maintained.

As part of the measures to c[illegible] costs during this period of low demand, e[illegible] [illegible] were made by operating plants intermittently and by closing surplus capacity. As referred to on page 11, it was decided to cease nylon salt manufacture at Ardeer, Scotland, at the beginning of 1981 and to concentrate production of this fibre intermediate at Wilton, Teesside.

The new olefines and butadiene plants at Wilton, which are owned jointly with BP Chemicals Ltd, operated at high rates throughout the year.

ICI's main petrochemicals location on Teesside, where production is integrated both with oil refining and with the Company's downstream operations, should have increasingly important advantages as a centre for UK petrochemicals manufacture, notably its position in relation to North Sea oil and gas.

Pharmaceuticals

ICI's pharmaceuticals business has had a successful year. This is because its products are sold in virtually every country of the world backed by strong marketing and technical service organizations and because the products which have come mainly from ICI's own research and development are recogni[illegible] [illegible] contributors to medical and animal health.

Group sales increased by 9 per cent to £346 million, this percentage growth rate being greater than the overall growth rate in the world pharmaceutical market. The increase was spread over many countries, including particularly the UK, West Germany, France, Italy, Argentina and Mexico. With over 80 per cent of sales outside the UK, profits were again affected by the strength of sterling and by the continuing inflation of costs unaccompanied by adequate price increases in many countries.

The beta blockers 'Inderal' and 'Tenormin', for the treatment of high blood pressure, angina and other heart conditions, are in the fastest-growing medical product sector worldwide and the efficacy of these products will help to ensure that the Group benefits from the increasing acceptance of this form of treatment. Sales of 'Tenormin' increased during the year by 45 per cent, making it the leading beta-blocker in Europe, now just ahead of 'Inderal'. Preparations are being made to market 'Tenormin' in the USA as soon as the product has been approved by the Food and Drug Administration. 'Nolvadex', a treatment for advanced breast cancer, and products in various other therapeutic areas, notably antiseptics, also had higher sales.

The Group's animal health business was affected by lower demand for anthelmintics and by competition but sales were slightly higher than in 1979.

Plastics

In 1980 the Group's plastics businesses made a loss of £35 million compared with a 1979 profit of £51 million, with the performance of the bulk polymers business in Western Europe being extremely hard hit.

The Group manufactures three bulk polymers – low density polyethylene, polypropylene and polyvinyl chloride – and a range of speciality products – moulding powders, acrylic sheet, and films made from polyester, polypropylene and low density polyethylene. The whole range of products is made in Western Europe and some of the products also in the Americas, Australasia and India.

The demand for bulk polymers was much lower throughout Western Europe in 1980 as a consequence of the world recession. As the recession deepened in the second quarter and as the plastics fabrication industry de-stocked, the Group's sales of these products substantially declined in common with the rest of the polymer industry, and prices weakened. Despite some stabilisation of volume, accompanied by some price recovery late in the year, the combined effects of recession, high UK inflation of costs and a strong pound led to unprecedentedly heavy trading losses in the West European bulk polymers business.

By contrast, despite adverse economic conditions, the speciality products and films businesses, which account for just under half of the sales from the Group's plastics operations in Western Europe, maintained profitable trading overall, although at reduced levels.

With the completion of a new PVC plant at Wilhelmshaven in West Germany in 1981, the Group will have manufacturing bases for each of its bulk polymers both in the UK and on the Continent. Completion of a new PVC plant at Hillhouse, Lancashire, and a polypropylene film plant at Dumfries, Scotland, has enabled the Group to accelerate the closure of older, less economic units as part of a vigorous programme to reduce operating costs. In these and its other plastics businesses, the Group is now equipped with modern competitive production units which will enable it to take full advantage of more favourable economic conditions.

Outside Western Europe, the Group's substantial plastics interests continued in 1980 to maintain a profitable position. In Australia, the new polypropylene and PVC plants commissioned in 1979 proved their worth and in Canada the construction of a new plant for the production of speciality grades of low density polyethylene was well in hand.

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 against the territories from which those sales were made; the sales figures differ, therefore, from those in the chart on page 3 where sales are shown according to the territory in which the customer is located.

	Sales 1980 £million	Sales 1979 £million	Trading Profit 1980 £million	Trading Profit 1979* £million
United Kingdom—				
Home sales	2,393	2,229		
Exports (at invoice value)	1,316	1,254		
	3,709	3,483	137	437
Continental Western Europe	924	921	—	31
The Americas	825	799	44	37
Australasia and the Far East	802	720	85	77
Indian sub-continent	96	97	6	13
Other countries	87	81	7	5
	6,443	6,101	279	600
Inter-territory eliminations†	(728)	(733)	8	(7)
Royalty income	—	—	24	22
Government grants	—	—	21	19
Totals as in profit and loss account	5,715	5,368	332	634

*Restated on comparable basis to 1980 (see Note 2 on page 25)

†In the above table, profits on inter-territory transfers which remain unrealised on a Group basis are now adjusted in inter-territory eliminations, instead of in each territory's profits, 1979 results have been restated on the new basis.

The United Kingdom

Despite a strong first quarter the volume of ICI sales in the UK, excluding sales of oil, fell by 13 per cent. The recession in the UK had a much greater impact on the chemical industry than on manufacturing overall, with de-stocking being a big feature. Sales of products nearer the consumer, such as paints, pharmaceuticals and fertilizers, suffered less than basic chemicals.

Prices of chemicals were raised early in the year, but the increases were insufficient to recover the large rise in costs due to higher crude oil prices and general UK inflation. The situation was made worse by the need later in the year to reduce the prices of many products in order to remain competitive with lower quotations by importers, made possible by the increased value of sterling. Profit margins were severely eroded.

ICI maintained its overall market share in chemicals. However, in fibres there was continuing concern over the impact of low priced imports from United States producers, who have had the advantages of cheap energy and energy related feedstocks and a low external value of the dollar.

Exports from the UK

The f.o.b. value of Group direct exports from the UK in 1980 was £1,173 million, 6 per cent greater than in 1979 despite the sharp decline in competitiveness because of the strength of sterling. Sales in the first quarter were a record but declined thereafter, although sales to other EEC markets increased in value, despite the recession, to £528 million for the year. The volume of chemical exports was only slightly less than in 1979.

Although exports were profitable in the first quarter, the rapid decline in margins thereafter culminated in a substantial overall loss for the year, with losses running at an annual rate in excess of £150 million in the second half of the year. Sales of many products were maintained only to hold key market positions.

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

	1978 £million	1979 £million	1980 £million
Western Europe			
EEC	315	501	528
Rest of Western Europe	109	116	121
	424	617	649
Africa	96	112	137
Far East	69	83	82
North America	73	75	75
Central and South America	46	57	64
Eastern Europe and USSR	50	66	61
Middle East	46	42	53
Australasia	40	44	43
Indian sub-continent	12	12	9
Total	856	1,108	1,173

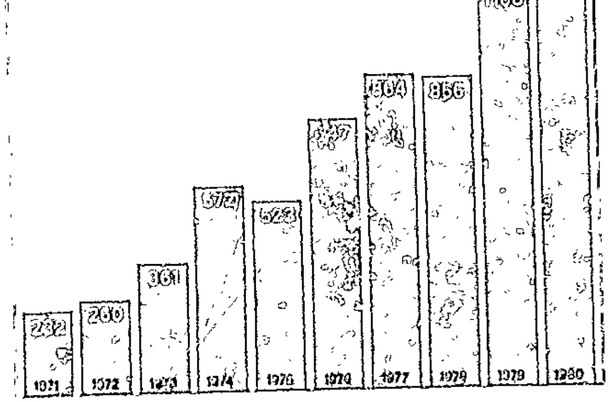
Continental Western Europe

The 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 are sold there. During the last decade sales in the territory have increased at about one and a half times the market growth rate and there is a strong sales network with a wholly-owned company in almost every country.

The Group has manufacturing facilities in the Netherlands, West Germany, France, Belgium and Italy, which produce a range of plastics, fibres, polyurethanes, paints, pharmaceuticals and speciality chemicals. Construction of the Wilhelmshaven manufacturing complex in West Germany continues.

Group sales in Continental Western Europe increased slightly to £1,084 million, about 60 per cent of the value of which were exports from the UK. After a strong first quarter, demand fell, widespread de-stocking occurred and many selling prices had to be reduced under the severe pressure. As a result, the outcome of the year's trading was only a break-even position on sales from local assets. Exports from the UK, increasingly affected by the strength of sterling, incurred losses in many cases. Petrochemicals, plastics and fibres were badly affected by the trading conditions of the year, but pharmaceuticals and crop protection products performed well.

Exports from the UK (£million)



The Americas

USA In 1980, after a short but steep decline, the United States economy showed possible signs of some recovery towards the end of the year. Inflation and interest rates remained high.

ICI Americas Inc manufactures and sells plastics, films, petrochemicals, speciality and crop protection chemicals, pharmaceuticals and dyes. While sales in dollar terms again grew substantially, overall volume showed little change from 1979. Raw material costs were on average 20 per cent higher than in 1979, but, due in part to the recession, these increases could not be fully recovered in higher selling prices. This combination of relatively static volume, rising costs and inadequate selling prices resulted in lower profits. A severe drought in the cotton belt further eroded profits through reduced demand for crop protection products.

The world-scale olefines plant at Corpus Christi, Texas, in which ICI Americas has a 37½ per cent interest, was brought on stream successfully. Construction of the ethylene oxide and glycol plant at Bayport, Texas, progressed towards the planned 1982 start-up. 'Melinex' polyester film capacity at Hopewell, Virginia, was extended. As reported on page 11, it was decided to divest the operations at Baton Rouge, Louisiana.

Canada National output fell slightly in 1980, with much of the weakness attributable to the United States recession. However, two important sectors, the mining and paper industries, did exceptionally well in spite of the recession and this was reflected in C-I-L's results.

C-I-L Inc and its subsidiary companies manufacture agricultural and industrial chemicals, paints, plastics, industrial explosives and underground mining equipment, and provide a range of engineering-related services. In 1980, sales exceeded 1979 levels by 14 per cent in Canadian dollar terms, reflecting improvements in almost all the main business areas. Profits from agricultural chemicals and explosives were significantly higher and trading profits overall increased by 34 per cent.

Construction of the low density polyethylene expansion at Edmonton, Alberta, progressed well and is due to be completed at the beginning of 1982.

Latin America Sales and profits overall in Latin America were marginally higher than in 1979; trading results in the various countries, however, were mixed. An improvement in profits and cash generation in Brazil, despite the heavy negative impact of the December 1979 devaluation, and a particularly strong performance in Mexico, were largely offset by disappointing results in Argentina where the unfavourable economic climate depressed the profitability of local manufacturing operations. Anyl-Mex SA successfully re-established its position in the Mexican dyestuffs market following reconstruction of the plant which had been severely damaged by earthquake in 1979.

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.

Government economic policies in Australia continued to be directed at restraining inflation and the rate of inflation in 1980 remained below the average of the main industrial nations. There was a high level of national activity in the planning and development of resource-based projects.

After a strong opening to the year in sales by the ICI Australia Group demand slackened in the second half. There was sound growth in sales of heavy chemicals, plastics and rural chemicals, although the farm sector was affected by drought conditions towards the end of the year. In terms of Australian dollars, total sales of the Group increased by 21 per cent and trading profit by 26 per cent. The profit from ICI New Zealand Ltd was just below the 1979 level, but all other business areas contributed to the increase.

With the New Zealand Government's removal of effective tariff protection for synthetic fibres, it was necessary for Fibremakers New Zealand Ltd to contract its operations from three sites to one to improve operating costs and the future of this business has become doubtful.

Far East
In the Far East the Group achieved record sales, and although affected by the deepening recession profits were satisfactory in almost all areas. During the second half of the year, the recession particularly reduced sales to the textile industry, including UK exports. Nevertheless, UK exports overall were maintained at the 1979 level.

In Japan, turnover rose by 15 per cent in local currency. Good performances were achieved by ICI's joint ventures with Japanese partners, particularly in agricultural chemicals.

The ICI Malaysia Group had another good year, with improvements in the chlor-alkali business largely offsetting the fact that fertilizer selling prices did not fully recoup a steep rise in costs. A substantial increase in paint manufacturing capacity was commissioned.

In the region served by ICI (China) Ltd, turnover and profit were higher despite the recession in the textile industry which particularly affected business in the second half of the year. The new selling office in Seoul, South Korea, had a successful first year of operation. Business with the People's Republic of China increased by about 20 per cent.

ICI Group companies in Indonesia had a successful year, with an increase of more than 60 per cent in sales from local production of paint, crop protection products and pharmaceuticals. UK exports rose by 26 per cent.

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 expansion of the urea fertilizer plant proceeded on schedule, with commissioning due in 1981.

There was no growth in the Indian economy during 1980, the result of poor monsoons and of severe problems in the infrastructure, particularly an acute shortage of electric power. An interruption in naphtha supplies arising from disturbances in Assam led to a three month shutdown of fertilizer production and this was the main factor in a disappointing year for the Group in India despite a recovery in the industrial explosives business. Against this difficult background, sales were maintained but profits were halved.

In Pakistan, extensions to the Khewra soda ash factory were completed, increasing capacity by 50 per cent. Good progress was made in constructing the polyester fibre plant near Lahore, due to start up in early 1982. After the lack of growth in 1979, sales and profits of the ICI Pakistan Group in 1980 were significantly higher.

Africa
Exports from the UK to Africa were £137 million, an increase of 22 per cent on 1979. The largest export sales were to South Africa (£65 million) and to Nigeria (£33 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.

Eastern Europe
During 1980 Eastern Europe was a relatively stable market for chemical products. Group sales were almost at the same level as in 1979. A commercial agreement with USSR, signed in November 1980, should lead to an increase in trade, particularly in dyestuffs and crop protection chemicals.

Middle East
Despite continuing political unrest in the Middle East, sales to the region continued to grow. The value of exports from the UK was a quarter higher than in 1979.

Associated Companies

Details of ICI's investments in its principal associated companies are given on page 33.

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 1,236 million. Profit before tax amounted to Rand 202 million, an increase of 61 per cent over 1979. All main sectors of the business contributed to this improvement, with the growth rates for agricultural nitrogen, industrial chemicals, paints, plastic pipes and vinyl products being particularly noteworthy. The Coalclex joint venture, in which AECI has a 60 per cent interest, traded at a profit for the year

Carrington Viyella Ltd

Carrington Viyella Ltd, a major UK textile company in which the Group has a 49 per cent interest, had an extremely difficult year in 1980, in common with the rest of the UK textile industry. Sales at £297 million were £16 million less than in 1979.

The loss before tax was £8.3 million compared with a profit of £8.5 million in 1979. In addition, Carrington Viyella had to provide £21.5 million in respect of extraordinary items, reflecting major structural changes. Cash flow was kept under tight control during 1980 despite the trading difficulties and there was a £4 million reduction in the level of borrowings

The Board of ICI have considered it prudent to reduce the holding value of the investment in Carrington Viyella to £22 million (25p per share), which is considered to be an appropriate level between the tangible net asset value and the stock market value

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. For most of the year trading was affected by recession. By the fourth quarter results were improving significantly, aided by strong exports and cost reduction measures. In dollar terms, sales for the year were 5 per cent higher than in 1979 and trading profits were about half those of 1979.

Tioxide Group Ltd

Tioxide Group Ltd, in which ICI has a 50 per cent interest, is the leading international company in titanium pigments and the biggest 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 1980 was £6.3 million compared with £5.6 million in the first half of 1979 and £15.7 million in the full year 1979. Performance during the first quarter of 1980 was satisfactory, but thereafter a severe deterioration in trading conditions, particularly in Western Europe, led to sharply reduced sales and a substantial erosion of profits. The UK trading position has been seriously affected by the strength of sterling and escalating costs. Vigorous action to restore the position is being taken.

Research and Technology

The Group's expenditure on Research, Development and Technical Service was £212 million (1979 £185 million), of which £48 million (1979 £48 million) was spent overseas. The increase in expenditure over 1979 is the result of inflation of research costs; the effort was in fact somewhat reduced The figure for overseas expenditure was affected by changes in the value of currencies.

To improve its performance in the next twenty years the Group has to adapt both to lower growth in many of its traditional markets and to the rising cost of energy. In the longer term ICI also needs to ensure that it is ready to use the alternative feedstocks to oil as they become economically available. The Group research strategy is, accordingly, to focus effort on energy saving and other cost reductions, on alternative feedstocks, and on new products for markets with high growth. Some of the markets and much of the technology will be new to ICI.

Significant reduction of both capital and operating costs requires radical innovation to ensure that each new plant advances the technology, as, for instance, has the new 'Genklene' solvents plant at Runcorn. Such step changes will be facilitated by computer-aided design methods which are being successfully developed. The Group's efforts in cost reduction also require detailed attention to current operations and, in the field of energy conservation, Petrochemicals Division has received a national award for its achievements.

Experimental work on future feedstocks is centred on the utilisation of synthesis gas which will be available from coal and possibly other sources, and attention is also being given to the likely place of ICI's technology in a coal-based economy.

Considerable research effort was devoted in 1980 to pharmaceuticals, covering many of the areas where significant advances in medicine are needed, particularly arthritis, heart disease, cancer and gastrointestinal disorders. New formulations of the cardiovascular drugs 'Inderal' and 'Tenormin', including combinations with diuretics, have been developed and registered for sale in various parts of the world. A clinical pharmacological unit has been built in the UK, in which initial studies of new medicines in man can be carried out under controlled conditions.

Much of ICI's business already lies in the manufacture of construction materials, and there are good prospects for new high-specification engineering plastics, such as polyether-sulphone (sold under the trade mark 'Victrex') and polyether-ether-ketone, and for inorganic materials freed from the drawbacks of the traditional brittle materials like cement and ceramics. The Group's strength in colloid science and in co-ordination chemistry is being strongly exploited, especially in paints, explosives, industrial biocides and metal-winning. Important new markets for specialised chemicals, including 'Proxel' biocides and new surfactants, are arising in the oilfields.

Personnel

The Group

The average number of people employed by the Group in 1980 was 143,200 (1979 148,200), located in the following areas:

	1980	1979
United Kingdom	84,300	89,400
Continental Western Europe	10,800	10,700
The Americas	19,900	20 200
Australasia and the Far East	15,700	15,500
Indian sub-continent	10,600	10,500
Other countries	1,900	1 900
	143,200	148,200

Although expansion of the Group's interests overseas draws on technical and commercial resources in the UK, ICI's policy is to staff its operations with nationals of the country involved. At the end of 1980 the number of UK nationals working abroad was only 400. A further 170 employees of other nationalities were serving away from their own countries.

The United Kingdom

The aggregate remuneration in 1980 of the employees of the Group in the UK was £636 million (1979 £607 million).

Adjustment to changed market circumstances in some businesses, combined with the widespread effects of the recession, have resulted in an increased rate of reduction in numbers employed. In particular, the factories being closed at Ardeer and Kilroot because of the fibres situation employed respectively 750 and 1,150 people. Here and elsewhere the Company is taking energetic action to help employees to find alternative employment and to undertake any necessary re-training for new jobs.

Considerable efforts have been made through the consultation system and with the unions to keep employees and their representatives informed of changes in business circumstances. The general response of employees and their representatives has been realistic and constructive.

Young people are affected severely by the reduced job opportunities in the UK and ICI is continuing to help them in collaboration with the Manpower Services Commission through the Youth Opportunities Programme. This gives experience of work to young people for a three to six month period. In 1980, the Company increased the number of places on its schemes to 1,350.

Pensions Following the annual review, pensions were increased with effect from 1 July 1980 by 14 per cent for those who had been retired for a year or more. Smaller increases were awarded to more recently retired employees.

On the advice of the Actuaries, and pending the completion of valuations of the Pension Funds, it was agreed to pay special contributions to the Funds totalling £13.9 million a year over three years commencing July 1980. These contributions are primarily to provide for the pension increase to the extent that it could not be financed from the Funds' own resources.

Employees' Profit-Sharing Scheme The rate of any bonus is determined by reference to a published scale based on the ratio of added value to employee costs. In 1980 the ratio fell below the point at which a bonus is normally payable and, in view of the trading results, the Board has decided not to make a discretionary payment. However, under the Rules of the Scheme some employees who left ICI's service during the year and were then entitled to a cash payment, received that payment at the 1979 bonus rate.

Donations

Donations made by the Group in 1980 for charitable purposes in the UK amounted to £840,000 (£800,000 in 1979) 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 death on 20 January 1981 of a former Director, Viscount Amory, who retired from the Board on 2 April 1970.

The names of the Directors of the Company at the date of this Report are set out on page 6. With the exception of Mr D. H. Henderson, whose appointment to the Board was referred to in the Report for 1979, and Sir Patrick Meaney, whose appointment to the Board is referred to below, all served as Directors for the whole of 1980. Sir Raymond Pennock, Mr J. A. Lofthouse and Mr J. R. Ibbs, to whom reference was made in the Report for 1979, were Directors for part of the year.

Board changes

Sir Terence Beckett resigned from the Board on 30 September 1980 following his appointment as Director-General of the Confederation of British Industry. A Non-Executive Director since 1 October 1976, Sir Terence brought a wealth of experience and knowledge to the Board which was of great value to the Company. His positive contribution is missed by his colleagues on the Board, and they wish him well in the key post in British industry which he occupies at a difficult time.

The Board is shortly to lose the services of Lord Polwarth who does not intend to offer himself for re-election as a Director at the Company's Annual General Meeting on 22 April 1981. Lord Polwarth has been a Non-Executive Director since 1969, except for the period between 1972 and 1974 when he was a member of Her Majesty's Government. His knowledge of financial and banking matters and his wide experience in commerce and industry have made him a valuable member of the Board. His colleagues record their grateful appreciation of his contribution to the Company's affairs.

One new Director has been appointed since the last Annual General Meeting. Sir Patrick Meaney, the Managing Director of Thomas Tilling Ltd, was appointed a Director with effect from 1 March 1981 and serves in a non-executive capacity.

Directors recommended for re-election

Under Article 80, Sir Patrick Meaney (aged 55 years) retires and is recommended for re-election, together with Mr R. Haslam (aged 58 years), Dr C. H. Reece (aged 54 years), Sir Francis Sandilands (aged 67 years) and Lord Thomson (aged 60 years), who retire under Article 98. Lord Polwarth also retires under Article 98 but does not offer himself for re-election.

Mr R Haslam has thirty-three years' service with the ICI Group, seven as a Director. He was elected a Deputy Chairman of the Board in 1980 and has special responsibility for the business in the Americas.

Dr C. H. Reece has thirty-one years' service, two as a Director. He is currently Research and Development Director and Pharmaceuticals Product Director. He also has special responsibility for the business in India and Pakistan and in the Middle East and North Africa.

Sir Francis Sandilands has been a Non-Executive Director for six years; he is Chairman of the Commercial Union Assurance Company Ltd.

Lord Thomson, the Chairman of the Independent Broadcasting Authority, has been a Non-Executive Director for three years.

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

Directors' interests

At no time during the year has any Director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business. A statement of Directors' interests in stocks, shares and debentures of the Company and its subsidiaries is set out on page 20.

The Secretary

Mr J. D. Cousin, the Secretary of the Company, is retiring in March 1981 after more than thirty-three years' service. He was appointed Secretary in 1972, having previously been an Assistant Secretary since 1962. His knowledge and experience have been of great value to the Board during a period of considerable change both within the Company and in the environments in which it operates. The Directors wish to record their appreciation of the help he has always given so readily to them, and of his distinguished service to the Company. He will be succeeded by Mr P. S. G. Flint, the Assistant Secretary.

Capital of the Company

The Board consider that the Company should continue to be able to issue foreign currency securities convertible into Ordinary Stock to persons other than existing stockholders of the Company so that advantage can be taken of favourable opportunities to raise funds in international markets when this is thought desirable. Moreover, it is possible that placings of small amounts of Ordinary Stock may prove to be 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 market rate at the time.

Stockholders will therefore be asked at the Annual General Meeting of the Company on 22 April 1981 to pass the resolution set out in the Notice of Meeting on page 1. This authority is sought annually and no issues under it have been made since it was last renewed at the Annual General Meeting held on 14 April 1980.

Auditors

The Auditors, Price Waterhouse & Co and Thomson McLintock & Co. 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

The Directors record their warm appreciation of the way in which ICI's employees have responded to the problems of 1980, and particularly the understanding which they have shown in the face of the very difficult and painful decisions which have had to be taken.

Imperial Chemical House
Millbank, London SW1P 3JF

5 March 1981

On behalf of the Board

J. D. COUSIN
Secretary

Directors' interests

The interests at 31 December 1980 of the persons who on that date were Directors (including the interests of their families) in stocks, shares and debentures of the Company and its subsidiaries, are shown below. Their interests at 1 January 1980, or, if appointed during 1980, at their date of appointment, are shown in brackets. There were no changes in the period 1 January 1981 to 5 February 1981 apart from a reduction to £945 in the interest marked.†

Directors (As at 31 December 1980)	Class of stock/share/debenture	Beneficial interest		Other interest		*ICI Ordinary shares under option
A W Clements	ICI Ordinary Stock	£3,043	(£2,466)			68,000
W B M Duncan	ICI Ordinary Stock	£3,304	(£2,585)	£630	(£630)	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	(£2,653) (£150)			
J H Harvey-Jones	ICI Ordinary Stock	£1,367	(£698)			45,000
R Haslam	ICI Ordinary Stock	£2,800	(£2,612)			68,000
D H Henderson	ICI Ordinary Stock	£2,100	(£1,548)			68,000
Sir Maurice Hodgson	ICI Ordinary Stock	£3,407	(£2,561)			105,000
Sir Alex Jarratt	ICI Ordinary Stock	£562	(£562)	£118	(£118)	
Lord Polwarth	ICI Ordinary Stock	£2,125	(£2,125)	£1,178†	(£1,178)	
C H Reece	ICI Ordinary Stock	£2,785	(£2,211)			68,000
A Robertson	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,756 £100	(£1,146) (£100)			68,000
Sir Francis Sandilands	ICI Ordinary Stock	£562	(£562)	£3,500	(£3,500)	
N B Smith	ICI Ordinary Stock	£1,220	(£635)			68,000
Lord Thomson	ICI Ordinary Stock	£500	(£500)			
F Whiteley	ICI Ordinary Stock	£2,681	(£2,084)			

*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. An option in respect of 68,000 shares was also granted to Mr J. R. Ibbs while he was serving as a Director. 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.

Financial calendar

Dividend and interest payments
A second interim dividend for the year 1980, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 3 April 1981 to Ordinary Stockholders registered in the books of the Company on 26 February 1981.

Dividend and interest payments are normally made as follows:—

First Interim Ordinary Dividend: Second week of November
(Announced last Thursday in July)

Second Interim Ordinary Dividend: First week of April
(Announced fourth Thursday in February)

Preference Dividends: 1 February, 1 August

Unsecured Loan Stocks:

5½ per cent	1 February, 1 August
7¼ per cent	31 May, 30 November
8 per cent	10 January, 10 July
10¼ per cent	6 February, 6 August

Quarterly results
Unaudited trading results of the Group for 1981 are expected to be announced as follows:—

First quarter	30 April 1981
Half year	30 July 1981
Nine months	29 October 1981
Whole year	25 February 1982

Taxation
In certain circumstances, when a stockholder sells stock his liability to tax in respect of capital gains is computed by reference to the market value of the stock on 6 April 1965. The market values of ICI stocks at that date, for the purpose of the capital gains tax, were:—

Ordinary Stock 234⅜p
(The adjusted value, for a stockholder who subscribed in full for his share of the 1976 rights issue, is 245p)

Preference Stock 72½p

The Company is not, and has not been, a close company within the meaning of the Income and Corporation Taxes Act 1970 (as amended).

Accounts for the year 1980

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. The Group, recognising to some extent the problem of continuing inflation, has, in its historical cost accounts, adopted lives at the lower end of this range. The Group believes that it is sensible to continue to apply this prudent basis to the calculation of depreciation in the historical cost accounts. 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 24 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 1980 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) Petroleum revenue tax

This 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 exempt on are being taken into account in the periods in which they are utilised.

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 profits in the period in which terms are agreed with employees for the termination of their employment.

Research and development

Research and development expenditure is in general charged to profits in the year in which it is incurred although small amounts are capitalised as part of the cost of new plant.

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.

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 the corporation tax liability 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 corporation tax liabilities.

Group profit and loss account (historical cost)

For the year ended 31 December 1980

	Notes	1980 £million	1979 £million
Sales to external customers		5,715	5,368
Trading profit	(3)	332	684
Share of profits less losses of principal associated companies and income from other trade investments	(4)	62	[illegible]
Interest and financing costs less income	(5)	(110)	[illegible]
Profit before taxation		284	613
Taxation	(6)	(123)	[illegible]
Profit after taxation		161	490
Attributable to minorities		(31)	[illegible]
Profit attributable to parent company before extraordinary items		130	457
Extraordinary items	(7)	(150)	[illegible]
Profit (loss) attributable to parent company after extraordinary items		(20)	441
Dividends	(8)	(101)	[illegible]
Profit (loss) retained for year		(121)	307
Earnings before extraordinary items per £1 Ordinary stock	(9)	22·1p	79·2p

Reserves attributable to parent company

	Notes	1980 £million	1979 £million
At beginning of year		2,208	[illegible]
Profit (loss) retained for year		(121)	[illegible]
Amounts taken direct to reserves		51	[illegible]
At end of year	(10)	2,138	2,208

Balance sheets (historical cost)
At 31 December 1980

	Notes	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Assets employed					
Fixed assets	(12)	3,115	2,770	1,511	1,383
Interests in subsidiaries	(13)	—	—	849	1,107
Trade investments	(11)	335	332	66	76
Net current assets	(14)	1,248	1,351	123	97
		4,698	4,453	2,549	2,663
Financed by					
Capital and reserves					
Attributable to parent company:					
Issued capital	(15)	602	590	602	590
Reserves	(10)	2,138	2,208	1,462	1,612
		2,740	2,798	2,064	2,202
Attributable to minorities		270	223		
		3,010	3,021		
Government grants not yet credited to profit		183	157	162	145
Deferred liabilities	(16)	198	130	86	72
Loans	(18)	1,307	1,145	237	244
		4,698	4,453	2,549	2,663

M A E HODGSON } Directors
A W CLEMENTS }

C J CROWE, Treasurer

Composition of net current assets

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Current assets				
Stocks	1,069	[illegible]	523	[illegible]
Debtors	1,125	1,145	107	[illegible]
Liquid resources	440	385	16	18
	2,634	2,672	646	721
Current liabilities				
Creditors	1,092	1,075	480	566
Short-term borrowings	294	246	43	58
	1,386	1,321	523	624
Net current assets	1,248	1,351	123	97

Statement of source and application of funds

For the year ended 31 December 1980

	Notes	Group 1980 £million	Group 1979 £million
Source of funds			
Funds generated from operations			
Trading profit before tax and extraordinary items		332	634
Depreciation		291	248
Petroleum revenue tax provided but not yet paid		61	22
Government grants received but not yet credited to profits		17	28
Dividends and interest from associated companies		30	35
Extraordinary items	1	(73)	—
Miscellaneous items, including exchange	4	56	3
Total generated from operations		714	972
Less interest and taxation paid during year		(208)	(208)
Interest		(106)	(73)
Taxation		(102)	(128)
Net funds generated from operations		506	764
Funds from other sources		355	461
Disposal of fixed assets		29	5
Disposal of trade investments		19	45
Increased investment of minorities in subsidiaries		2	—
Issues of ICI Ordinary stock		43	41
Advance proceeds from oil sales		14	(13)
Issues of Loan stocks and other non-current borrowings (less repayments)		255	127
Decrease (increase) in net liquid resources	2, 4	(7)	256
Total funds from all sources		861	1,225
Application of funds			
New fixed assets		724	760
New investment in subsidiaries and trade investments	3	48	42
Additional (reduced) working capital		(62)	290
Stocks		(31)	259
Debtors		9	198
Creditors (excluding dividends and taxation)		32	(168)
		10	290
Creditors in respect of extraordinary items	1	(72)	—
Dividends paid during year		151	133
Parent company (previous year final and current year interim)		135	118
Subsidiaries to minority shareholders		16	15
Total funds applied		861	1,225

Notes

1 Extraordinary items charged against 1980 profits include £77 million (1979 £16 million) of provisions in respect of investments and fixed assets, which have no cash effect, and £73 million (1979 nil) other costs, £72 million of which will have a cash effect in later years. This amount is shown separately as a movement in creditors.

2 Liquid resources increased by £55 million (1979 £218 million decrease); short-term borrowings increased by £48 million (£38 million).

3 New investment in 1980 was all in respect of trade investments (1979 £7 million in respect of subsidiaries and £35 million in respect of trade investments).

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 324 at 31 December 1980. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 127 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. This uniformity has been achieved in 1980 by including results for periods longer than one year for certain associated companies but the net effect on Group results for the year was not material.

The accounts of one operating division and certain subsidiary and associated companies, representing approximately 23 per cent of Group sales and 27 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

2 Changes in presentation of profit and loss account
Several changes in the presentation of the results have been made in the light of evolving accounting practice. The principal changes are:

the exchange loss on translating the net current assets of overseas subsidiaries into sterling is taken to reserves, instead of profits for the year. Other changes which may follow the issue of the forthcoming UK accounting standard would, on present understanding, be unlikely to affect the 1980 results adversely;

the credit for government grants is included in trading profit, instead of being deducted from taxation;

interest receivable on liquid resources is deducted from interest payable instead of being treated as investment income;

the Employees' profit sharing bonus is charged in arriving at trading profit, instead of as a separate item.

Corresponding figures for 1979 have been restated throughout to make them comparable with those for 1980. These changes do not affect the amount of reserves at 31 December 1979 previously reported.

3 Trading profit

	1980 £million	1979 £million
Trading profit comprises:		
Sales	5,715	5,368
Royalty and other income	56	51
Government grants	21	19
Cost of sales exclusive of depreciation	(4,114)	(3,547)
Depreciation	(291)	(248)
Selling, general and administrative expenses	(1,053)	(953)
Employees' profit sharing bonus	(2)	(40)
	332	634

3 Trading profit (continued)

	1980 £million	1979 £million
The following amounts have been charged in arriving at trading profit:		
Audit fees and expenses (including Company 1980 £0·6 million; 1979 £0·5 million)	2·3	[illegible]
Expenditure on research, development and technical service	212	155
Hire of plant	78	74
Pension fund contributions, pensions and gratuities (including redundancy payments 1980 £49 million; 1979 £26 million)	191	145
Petroleum revenue tax	61	22

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

	1980 £million	1979 £million
Share of profits less losses of principal associated companies (See Note 1)	50	47
Income from other trade investments – listed	1	1
– unlisted	11	11
	62	59

Dividends and interest from principal associated companies, included above, were £4 million (1979 £5 million) from listed companies and £14 million (£18 million) from unlisted companies.

5 Interest and financing costs less income

	1980 £million	1979 £million
Interest – loans wholly repayable within 5 years	35	[illegible]
– loans not wholly repayable within 5 years	76	69
– bank overdrafts	11	11
Other interest and financing costs	22	27
Income from redeemable securities	(5)	(7)
Interest on short-term deposits	(29)	(33)
	110	[illegible]

6 Taxation

	1980 £million		1979 £million	
ICI Group				
United Kingdom taxation				
Corporation tax	62		32	
Double taxation relief	(18)		(23)	
Deferred taxation adjustment	(18)		2	
Advance corporation tax less recoveries	15	41	54	65
Overseas taxation				
Overseas taxes	61		49	
Deferred taxation adjustment	(7)	54	(6)	43
Total ICI Group		95		108
Principal associated companies		28		15
		123		123

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 system of capital allowances will continue in its present form and that the new system for stock relief in the UK proposed by the Inland Revenue in their consultative document issued on 14 November 1980 will be implemented as planned. The charge for taxation for 1980 would have been the same under the old system for stock relief.

The Group tax charge benefited by £14 million in respect of UK capital allowances utilised in excess of depreciation charged (1979 £145 million) and by £33 million in respect of UK stock relief under the new system (1979 £90 million under the old system).

The UK corporation tax charge includes £44 million in respect of the UK oil trade profits. Unutilised capital allowances arising in the UK non-oil trades cannot be used to extinguish corporation tax on these profits.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
The potential amounts of deferred taxation and relief on all timing differences are:				
Not accounted for at balance sheet date				
UK capital allowances utilised in excess of depreciation charged	750	756	623	605
UK stock appreciation relief	—	169	—	147
Advance corporation tax not yet utilised	(137)	(122)	(129)	(115)
Miscellaneous timing differences	(17)	(21)	(38)	—
	596	782	456	637
Accounted for at balance sheet date				
Miscellaneous timing differences	(11)	16	—	(6)
	585	798	456	631

If the old system of stock appreciation relief were to be retained the potential amounts of deferred taxation would, in total, increase by £169 million in the Group and £147 million in the Company.

7 Extraordinary items*

	1980 £million	1979 £million
The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:		
Costs and write-offs associated with restructuring of fibres operations	(95)	—
Loss on disposal of US chlor-alkali business	(17)	—
Provision in respect of investment in Carrington Viyella Ltd.	(26)	(11)
Losses less gains on disposals of, and provisions in respect of, other trade investments	(12)	(4)
Other	—	(1)
	(150)	(16)

Certain of these extraordinary items are eligible for tax relief, but in 1980 none was available.

*Net of minority interests.

8 Dividends

	1980 £million	1979 £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 12·0p (1979 12·0p) per £1 unit	71	70
Second interim 5·0p (1979 11·0p) per £1 unit	30	64
	101	134

The interim dividend was paid on 11 November 1980 and the second interim dividend, to be confirmed as final, is payable on 3 April 1981.

9 Earnings per £1 Ordinary stock

	1980	1979
Earnings for Ordinary stockholders, before extraordinary items	130	457
Average Ordinary stock in issue during year, weighted on a time basis	588	577
Earnings before extraordinary items per £1 Ordinary stock	22·1p	79·2p

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 15) would not be material.

10 Reserves

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
At beginning of year	2,208	1,874	1,612	1,402
Profit (loss) retained for year –	(121)	307		
By Company	(88)	223	(88)	223
By subsidiaries	(34)	69		
In principal associated companies	1	15		
Amounts taken direct to reserves –				
Share premiums	31	30	31	30
Revaluations of fixed assets	62	29	—	—
Exchange adjustments –	(42)	(40)	(93)	(44)
Interests in overseas subsidiaries and associated companies			(94)	(50)
Fixed assets	(111)	(57)	(1)	1
Investments and other items	(13)	(17)		
Net current assets	(33)	(26)	(3)	—
Loans	115	60	5	5
Other movements	—	8	—	1
At end of year	2,138	2,208	1,462	1,612

Group reserves are those attributable to the parent company.

Of the exchange adjustments taken to Group reserves, a decrease of £70 million (1979 £47 million) arose on consolidation from retranslating the net investment in overseas subsidiaries and associated companies at closing rates of exchange, and a gain of £28 million (£7 million) arose on external loans in the accounts of individual companies.

Reserves at end of year included share premiums amounting to £348 million (1979 £317 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 £122 million (£122 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

11 Trade investments

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Principal associated companies				
Shares and advances at cost less amounts provided	157	154	35	39
Group share of post-acquisition retained profits, losses and reserves (excluding amounts capitalised)	113	113		
Scrip issues capitalised	11	11	4	4
	281	278	39	43

Information relating to the principal associated companies is given on page 33.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Other trade investments				
Shares and advances at cost less amounts provided	51	49	25	30
Scrip issues capitalised	3	5	2	3
	54	54	27	33
Total	335	332	66	76
The division of the above between listed and unlisted investments is:				
Listed shares	55	85	11	14
Unlisted equity shares	246	208	55	60
Advances	34	[illegible]	—	2
	335	[illegible]	66	76
Market value of listed shares	91	70	8	9
The following information is given in respect of the investments in unlisted equity shares:				
Amount included in ICI profit before taxation	23	26	9	14
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	39	39	34	26
After taxation	21	24	22	14
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	96	103	91	83
Aggregate amounts provided by ICI in respect of losses since acquisition	46	[illegible]	26	18

12 Fixed assets

	Land and buildings: Cost or as revalued £million	Land and buildings: Depreciation £million	Land and buildings: Net book value £million	Plant and equipment: Cost or as revalued £million	Plant and equipment: Depreciation £million	Plant and equipment: Net book value £million	Total: Net book value £million
Group							
At beginning of year	824	283	541	3,999	1,770	2,229	2,770
Exchange adjustments	(49)	(16)	(33)	(148)	(61)	(87)	(120)
Capital expenditure	71		71	653		653	724
Revaluations	18	(18)	36	(39)	(104)	65	101
Disposals and other movements	(11)	(5)	(6)	(100)	(77)	(23)	(29)
Depreciation for year		30	(30)		301	(301)	(331)
At end of year	853	274	579	4,365	1,829	2,536	3,115
Company							
At beginning of year	295	137	158	2,359	1,134	1,225	1,383
Capital expenditure	28		28	285		285	313
Disposals and transfers	(4)	(1)	(3)	(34)	(32)	(2)	(5)
Depreciation for year		13	(13)		167	(167)	(180)
At end of year	319	149	170	2,610	1,269	1,341	1,511

The net book value of Group fixed assets at the end of the year included*

	1980 £million	1979 £million
Fixed assets under construction, excluding oil assets	788	731
Oil concessions, exploration and development expenditure	298	279
Revalued assets – land and buildings	169	104
– plant and equipment	125	21

Certain overseas subsidiaries revalued their assets during the year, resulting in an increase in net book values of £101 million, of which £76 million was in respect of ICI Australia Ltd in accordance with a valuation by their directors.

Group depreciation of £331 million shown above comprises £291 million charged in arriving at trading profit and £40 million charged under extraordinary items.

Land and buildings comprised:

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Land	156	140	10	10
Buildings	697	684	309	285
	853	824	319	295
Freeholds	777	772	306	281
Long leases (over 50 years unexpired)	26	26	11	12
Short leases	50	26	2	2
	853	824	319	295

13 Interests in subsidiaries

	1980 £million	1979 £million
Shares at cost less amounts provided	582	546
Scrip issues capitalised	23	23
Book value of shares*	605	569
Amounts owed by subsidiaries	970	1,142
Amounts owed to subsidiaries*	(726)	(604)
	849	1,107

*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 32.

14 Net current assets

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Stocks				
Finished goods	613	637	284	325
Raw materials and other stocks	456	505	239	290
	1,069	1,142	523	615

Debtors
As a result of factoring agreements entered into with a wholly owned subsidiary by the parent company and certain other wholly owned subsidiaries, outstanding trade debts of £337 million (1979 £388 million), which have been transferred to that subsidiary, are included with interests in subsidiaries in the parent company balance sheet.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Liquid resources				
Redeemable securities, at cost	70	77	13	13
Short-term deposits	309	214	1	1
Cash	61	94	2	4
	440	385	16	18
Market value of redeemable securities	71	75	14	13
Creditors				
Trade and other creditors	921	889	420	438
Dividends to Ordinary stockholders	30	64	30	64
Taxation	141	122	30	64
	1,092	1,075	480	566

Taxation includes advance corporation tax amounting to £13 million (1979 £28 million) in the Group and in the Company attributable to dividends payable in 1981 in respect of the year 1980.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Short-term borrowings				
Bank borrowings – secured	22	14	—	—
– unsecured	118	123	43	58
Other short-term borrowings	154	109	—	—
	294	246	43	58

15 Capital of parent company

	Authorized £million	Issued 1980 £million	Issued 1979 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	593	593	581
Unclassified shares (£1 each)	123	—	—
	725	602	590

The authorized capital was increased by £75 million on 14 April 1980.

		1980	1979
Ordinary stock was issued during the year in respect of:			
Employees' Profit-Sharing Scheme		8	5
Conversion of loan stock of a subsidiary		4	4
Acquisitions		—	2
		12	11

Options to subscribe for Ordinary shares of £1 outstanding at 31 December 1980 under the Company's share option schemes were:

Number of shares	Subscription price	Exercisable up to
3,021,489	£3.20	31 January, 1986
3,331,000	£3.55	18 March, 1987
482,000	£3.55	17 September, 1987

Options granted to directors, included above, are detailed on page 20.

16 Deferred liabilities

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Advance proceeds from oil sales (Note 17)	86	72	86	72
Deferred petroleum revenue tax	83	22	—	—
Other deferred tax (Note 6)	—	16	—	—
Other deferred liabilities	29	20	—	—
	198	130	86	72

17 Ninian oilfield – advance proceeds from oil sales

The Group had, at 31 December, 1980, an approximate 19 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 up to 31 December 1980 (1979 £267 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) commenced during 1979 and 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 £86 million at 31 December 1980 (1979 £72 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £20 million relates to oil deliveries undertaken to be made in 1981.

Subsequent to 31 December 1980 the Group's interest in the Ninian oilfield was reduced from about 19 per cent to about 18 per cent. During 1981 adjustments will take place whereby the Group's cumulative share of field production and past expenditure will be proportionately reduced.

	Repayment Dates	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
18 Loans					
Secured loans					
Sterling	1981/1996	2	1	—	—
Foreign currencies					
Australian Dollars (6¾ to 13½ per cent)	1981/2006	107	78	—	—
Others (5½ to 22¼ per cent)	1981/98	32	31	—	—
Total secured loans		141	110	—	—
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	1981/99	19	8	1	1
		207	196	189	189
Multi-currency revolving loans (variable interest)	1984/89	238	170	—	—
Foreign currencies					
US Dollars					
6½ to 8¼ per cent Euro-dollar bonds	1981/92	63	68	5	8
8⅞ to 11 per cent US Dollar bonds	1983/2003	157	124	—	—
6¾ per cent Convertible Euro-dollar bonds*	1997	13	25	—	—
7½ to 12½ per cent loans	1981/2005	153	107	21	23
Others	1981/98	20	18	10	10
		406	342	36	41
Swiss Francs (3½ to 7⅞ per cent)	1981/94	113	131	12	14
Deutsche Marks (5 to 8⅛ per cent)	1981/85	105	87	—	—
Dutch Florins (5¼ to 9 per cent)	1981/91	41	54	—	—
Canadian Dollars (5⅜ to 10⅝ per cent)	1981/96	28	31	—	—
Others (6 to 15¼ per cent)	1981/89	28	24	—	—
		721	669	48	55
Total unsecured loans		1,166	1,035	237	244
Total loans		1,307	1,145	237	244

*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).

18 Loans (continued)

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Loans or instalments thereof are repayable within periods from balance sheet date of:				
Less than one year	65	26	35	2
From one to two years	38	65	4	39
From two to five years	333	159	8	4
Over five years	871	895	190	199
	1,307	1,145	237	244
Amount included above in respect of loans wholly repayable within five years	261	113	43	46

19 Commitments and contingent liabilities

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	149	320	66	134
Expenditure authorized but not yet contracted	316	546	146	276
	465	866	212	410

Contingent liabilities existed at 31 December 1980 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £120 million (1979 £122 million) for the Group and £1,132 million (£1,013 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 in respect of increased benefits under the Staff Pension Fund, the 'Workers' Pension Fund and the Supplementary Pension Fund; at 31 December 1980, there were two and a half years future instalments to be paid.

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 seventeen years are £248 million.

20 Emoluments of directors and employees

The total emoluments of the directors of the Company for the year comprised fees £45,000 (1979 £39,000) and other emoluments £1,282,000 (£1,189,000). Ten directors waived emoluments in the form of productivity bonus aggregating £24,000 for five months of 1980: this waiver also applies to any productivity bonus payments arising in 1981. Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £2,630,000 (£2,146,000).

The emoluments of the Chairman were £134,853 (1979 £124,380)

20 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		Employees	
	1980	1979	1980	1979
£				
5,001 - 10,000	2	5		
10,001 - 15,000	4	1		
15,001 - 20,000	—	2		
20,001 - 25,000	2	—	628	318
25,001 - 30,000	1	—	223	149
30,001 - 35,000	—	—	115	58
35,001 - 40,000	—	1	69	28
40,001 - 45,000	—	—	22	14
45,001 - 50,000	—	—	16	6
50,001 - 55,000	—	—	6	3
55,001 - 60,000	—	—	7	4
60,001 - 65,000	—	—	2	5
65,001 - 70,000	1	1	3	—
70,001 - 75,000	—	2	3	—
75,001 - 80,000	—	—	2	—
80,001 - 85,000	—	4		
85,001 - 90,000	3	—		
90,001 - 95,000	3	—		
100,001 - 105,000	—	3		
105,001 - 110,000	1	—		
110,001 - 115,000	1	—		
120,001 - 125,000	—	2		
130,001 - 135,000	1	—		

Five of the directors whose emoluments are shown above were directors for part of the year only (4 in 1979).

21 Other statutory information

Included in debtors are interest-free loans totalling £246,414 to officers of the Company, comprising £35,000 in total to one person who was a Director for all the year and two who were Directors for part of the year, and £211,414 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 each (the same as at the beginning of the year) from Dr C. H. Reece and Mr J. R. Ibbs, who is currently on secondment to the Cabinet Office, and £15,000 from Mr D. H. Henderson (£10,000 at the beginning of the year). The loans to the other officers were mainly in respect of housing loans.

A freehold house purchased jointly by Dr N. B. Smith and the Company in 1979 was occupied throughout the year by Dr Smith under a full repairing and insuring lease from the Company and himself with an annual rent of £1,800 exclusive of rates; a leasehold flat was purchased jointly by Mr D. H. Henderson and the Company on 21 October 1980 and will be occupied by Mr Henderson. In each case the Company and the Director hold the jointly purchased property as trustees for themselves as tenants in common in proportion to their respective contributions to the cost of purchase and initial work, which were respectively Dr N. B. Smith £67,998 and the Company £135,996, and Mr D. H. Henderson an amount expected to be approximately £38,000 and the Company £50,000.

In addition, a house is let by the Company to an officer (not a director); at 31 December 1980 there was no balance outstanding in respect of this transaction.

Principal subsidiary companies

31 December 1980

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 and chlorine; merchanting of other ICI products
ICI Europa Ltd	Belgium (registered in England)	Ordinary	100	—	Co-ordination of ICI's interests in Continental Western Europe
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 Ltd	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, paints and plastics
Duperial SAIC (Accounting date 30 September)	Argentina	Ordinary	100	—	Manufacture of chemicals, dyes, 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, plastics and speciality 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	100	—	Holding company and merchanting of ICI and other products; subsidiaries merchant ICI and other products and manufacture 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 1980

Company and country of principal operations and registration or incorporation		Issued share and loan capital at date of latest available audited accounts: 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 Ltd	England	Ordinary*	45	7	42	31 December 79	31 December 80	Manufacture of textiles
		Preference	10	—	—			
		Loan	43	—	—			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 79	31 December 80	Oil refining
Tioxide Group Ltd	England	Ordinary	31	50	—	31 December 79	31 December 80	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	31	—	—			
The Americas								
Corpus Christi Petrochemical Company	United States of America	Partners' capital	59	—	37	31 December 79	31 December 80	Manufacture of olefines
		Loan	198	—	—			
Fiber Industries, Inc	United States of America	Ordinary	34	37	—	31 December 80	31 December 80	Manufacture of man-made fibres
		Loan	43	—	—			
Rubicon Chemicals Inc	United States of America	Ordinary	2	50	—	31 December 79	31 December 80	Manufacture of aniline and diphenylamine
		Loan	24	—	44			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary*	83	—	38†	31 December 79	30 September 80	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	3	—	—			
		Loan	107	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	23	—	45	30 September 80	30 September 80	Manufacture of fertilizers
		Shareholders' Subordinated Loan	8	—	37			
		Loan	11	—	—			

*Listed
†Reduced from 40 per cent during 1980. 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 1980

1979 £million (unaudited)	1979 restated in 1980 £'s £million		1980 £million	Percentages of profits to related average assets 1980	1979
5,363	6,334	Sales	5,715		
341	402	Trading profit (Note 5)	93	1.9%	8.3%
33	39	Share of profits less losses of principal associated companies and income from other trade investments	26		
374	441	Profit before financing costs and taxation	119	1.9%	6.9%
(8)	(3)	Interest and other financial items	(46)		
[illegible]	(94)	As in historical cost accounts	(110)		
[illegible]	85	Gearing adjustment (Note 6)	64		
366	442	Profit before taxation (Note 6)	73	Pence per £1 Ordinary Stock	
[illegible]	(145)	Taxation	(123)		
(20)	(24)	Minority interests	(11)		
223	263	Profit (loss) attributable to parent company (Note 6)	(61)	(10.4p)	38.6p
(16)	(19)	Extraordinary items	(173)		
207	244	Profit (loss) attributable to parent company after extraordinary items (Note 6)	(234)	(39.8p)	35.9p
(134)	(158)	Dividends	(101)	17.0p	23.0p
73	86	Profit (loss) retained for year	(335)		
168	198	Profit (loss) retained for year under ICI's gearing method (Note 6)	(198)		

Balance sheet

at 31 December 1980

1980 £million		1979 restated in 1980 £'s £million (unaudited)	1979 £million
	Assets employed		
4,253	Fixed assets excluding those under construction (Note 7)	4,335	3,674
(665)	Government grants (Note 4)	(700)	(553)
3,588		3,635	3,261
1,098	Stocks	1,407	1,192
1,099	Trade debtors	1,313	1,113
(814)	Trade creditors	(923)	(782)
4,971	**Net assets employed in manufacturing and trading activities**	5,432	4,634
836	Fixed assets under construction, less capital creditors	941	797
561	Trade investments	605	513
6,368	**Total investment**	6,978	5,914
	Financed by		
9	Preference share capital	11	9
1,307	Loans	1,357	1,145
86	Advance proceeds from oil sales	85	72
(146)	Liquid resources less short-term borrowings	(164)	(139)
267	Taxation and other non-trading provisions (net)	219	[illegible]
1,523	**Total non-equity finance**	1,502	1,273
368	**Capital and reserves attributable to minorities**	416	353
4,477	**Capital and reserves attributable to Ordinary stockholders**	5,060	4,253
593	Issued capital	686	551
3,854	Reserves (Note 8)	4,299	3,643
30	Provision for second interim dividend	75	64
6,368		6,978	5,914

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 21, apply also to the CCA accounts, except for modifications required to comply with SSAP16. Specific inflation adjustments have been calculated for approximately 95% of the Group and estimates made for the remainder.

3 The holding values of fixed assets have been re-examined in the light of experience gained in the application of CCA, as a result of which the asset values and depreciation previously reported for 1979 have been revised. This re-examination has been carried out in the present conditions of exceptional uncertainty, but so far as can be judged, appropriate provisions have been made to allow for continuing excess capacity and to reduce values which may exceed the amount recoverable from future cash flows. Since 1980 is the first year to be reported under the requirements of SSAP16 these provisions have been incorporated in the values at 1 January 1979, so that the depreciation charge for both 1980 and 1979 is consistent with these values.

In order to provide a more useful comparison between 1979 and 1980, the results for 1979 have been shown both in 1979 £'s and re-stated in 1980 £'s. For this purpose the movement of 18% in the average UK retail price index between 1979 and 1980 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 21). 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 (trade 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 Current cost adjustments reduced the historical cost trading profit as shown below:

	1980 £million	1979 restated in 1980 £'s £million (unaudited)	1979 £million (unaudited)
Trading profit – historical cost accounts	332	748	634
Cost of sales	(109)	(164)	(139)
Monetary working capital	(3)	(70)	(59)
Supplementary depreciation	(165)	(148)	(125)
Indexation of government grants	38	36	30
Trading profit – current cost accounts	93	402	341
The amount of depreciation charged and government grants credited in the current cost accounts were:			
Depreciation	456	440	373
Government grants	59	58	49

6 Gearing adjustment

The gearing percentage, being the proportion of average non-equity finance to average total investment, was 22.8% (1979 20.6%).

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 on the non-sterling part of these net borrowings are then added to the adjustment.

The cost of interest and other financial items calculated in accordance with ICI's method would be:	1980 £million	1979 restated in 1980 £'s £million (unaudited)	1979 £million (unaudited)
As in historical cost accounts	(110)	(94)	(80)
Gearing adjustment	85	117	99
Exchange gains on financial items	118	81	69
As in current cost accounts – ICI's method	94	104	88
On this basis results would be:			
Profit before taxation	213	545	462
Profit (loss) attributable to the parent company:			
before extraordinary items	86	375	318
after extraordinary items	(87)	356	302
Profit (loss) retained for year	(188)	198	168

7 Fixed assets

	31 December 1980 Gross £million	Depreciation £million	Net £million	1979 restated in 1980 £'s Net £million (unaudited)	1979 Net £million (unaudited)
Land and buildings	1,851	847	1,004	1,201	1,018
Plant and machinery	10,203	6,050	4,153	4,156	3,522
	12,054	6,897	5,157	5,357	4,540
Under construction	(904)	—	(904)	(1,022)	(866)
	11,150	6,897	4,253	4,335	3,674

8 Reserves

	£million
At 1 January 1980	3,643
Inflation adjustments	515
Revaluation surplus on:	
Fixed assets	594
Government grants	(84)
Investments	81
Stocks	76
Monetary working capital adjustment	(3)
Gearing adjustment	(58)
Exchange adjustments	(91)
Loss retained for year	(335)
Share premiums	31
At 31 December 1980	3,854

Auditors' report

To the Members of Imperial Chemical Industries Limited

We have audited the financial statements on pages 21 to 36 in accordance with approved auditing standards.

In our opinion the financial statements on pages 21 to 33, 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 1980 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 1980.

In our opinion the supplementary current cost accounts for the year ended 31 December 1980 on pages 34 to 36 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

PRICE WATERHOUSE & CO
THOMSON McLINTOCK & CO
Chartered Accountants

London 5 March 1981

Group financial record

For the years ended 31 December

		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
		£million									
Assets employed	Fixed assets	1,157	1,160	1,185	1,233	1,425	1,733	1,876	2,299	2,770	3,115
	Trade investments	202	208	244	258	302	365	345	362	332	335
	Net current assets	399	486	699	906	1,006	1,406	1,433	1,349	1,351	1,248
	Total assets employed	1,758	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,698
Financed by	Ordinary capital of ICI	474	478	480	486	494	559	564	570	581	593
	Group reserves attributable to ICI Ordinary stockholders	433	448	615	806	934	1,249	1,679	1,874	2,208	2,138
	ICI Ordinary stockholders' interest	907	926	1,095	1,292	1,428	1,808	2,243	2,444	2,789	2,731
	Minority interests and preference capital of ICI	123	133	165	187	203	243	204	236	232	279
	Deferred taxation (Note 1)	62	91	115	174	212	308	—	—	—	—
	Government grants	91	87	81	77	80	85	89	120	157	183
	Deferred liabilities	—	—	—	—	—	26	74	126	130	198
	Loans	575	617	672	667	810	1,034	1,044	1,084	1,145	1,307
	Total funds invested	1,758	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,698
Sales, profits and reserves	Sales (external) — UK	704	776	942	1,199	1,314	1,616	1,868	1,800	2,232	2,399
	— Overseas	820	918	1,224	1,756	1,815	2,519	2,795	2,733	3,136	3,316
	— **Total**	1,524	1,694	2,166	2,955	3,129	4,135	4,663	4,533	5,368	5,715
	Trading profit (after depreciation)	157	174	311	461	325	514	545	497	634	332
	Depreciation	129	148	157	169	182	205	221	225	248	291
	Profits less losses from trade investments	27	23	39	50	[illegible]	43	41	41	59	62
	Profits before loan interest and taxation	184	198	359	534	372	579	619	575	695	295
	Profit before taxation	148	154	310	484	315	504	534	483	613	284
	Taxation (Note 1)	50	58	145	220	148	236	158	123	123	123
	Profit after taxation	98	96	165	264	167	268	376	360	490	161
	Profit attributable to ICI before extraordinary items	85	81	146	241	148	242	342	332	457	130
	Extraordinary items	—	—	15	(5)	(1)	(46)	(29)	(3)	(16)	(150)
	Profit (loss) attributable to ICI after extraordinary items	85	81	161	236	147	196	313	329	441	(20)
	Net dividends	40	41	50	54	59	83	93	105	134	101
	Income tax on dividends	25	26	—	—	—	—	—	—	—	—
	Profit (loss) retained transferred to reserves	20	14	111	182	88	113	220	224	307	(121)
	Amounts credited (charged) direct to reserves	(30)	1	56	9	40	202	(39)	(29)	27	51
	Earnings and dividends (in pence) per £1 Ordinary stock (Note 3)										
	Earnings, before extraordinary items	17·8	16·7	30·0	49·1	29·7	45·2	60·9	58·6	79·2	22·1
	Dividends	13·5	13·8	10·1	10·9	11·6	14·8	16·5	18·5	23·0	17·0
	Dividends grossed up for imputed tax credit	—	—	[illegible]	16·3	17·9	22·7	25·0	27·6	32·9	24·3
	Profit before loan interest and taxation, as a percentage of average assets employed	10·8	11·0	18·0	23·6	14·5	18·6	17·3	15·0	16·4	8·5

Notes:
1 Deferred taxation for the years 1971 to 1976 has not been recalculated on the basis of the present accounting policy, set out on page 21: the cumulative amount of the prior years' adjustment at 1 January 1977 was £249 million. From 1977 to 1979 deferred taxation is included in deferred liabilities and in 1980 is included in debtors.
2 The changes in presentation of the profit and loss account referred to on page 25 have been reflected in the table above.
3 Earnings and dividends per £1 Ordinary stock have been adjusted to give effect to the bonus element in the rights issue made in 1976.
4 The results of IMI Ltd up to October 1977 are included above but are excluded from the charts of sales (page 8), capital expenditure (page 9) and exports (page 15).

Printed in England by Mears Caldwell Hacker Limited, London SW5

Accounts for the year 1980

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. The Group, recognising to some extent the problem of continuing inflation, has, in its historical cost accounts, adopted lives at the lower end of this range. The Group believes that it is sensible to continue to apply this prudent basis to the calculation of depreciation in the historical cost accounts. 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 24 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 1980 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) Petroleum revenue tax

This 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.

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 are charged to trading profits in the period in which terms are agreed with employees for the termination of their employment. or major restructuring of a business

Research and development

Research and development expenditure is in general charged to profits in the year in which it is incurred although small amounts are capitalised as part of the cost of new plant.

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.

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 the corporation tax liability 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 corporation tax liabilities.

Group profit and loss account (historical cost)

For the year ended 31 December 1980

	Notes	1980 £million	1979 £million
Sales to external customers		5,715	5,368
Trading profit	(3)	332	634
Share of profits less losses of principal associated companies and income from other trade investments	(4)	62	59
Interest and financing costs less income	(5)	(110)	(80)
Profit before taxation		284	613
Taxation	(6)	(123)	(123)
Profit after taxation		161	490
Attributable to minorities		(31)	(33)
Profit attributable to parent company before extraordinary items		130	457
Extraordinary items	(7)	(150)	(16)
Profit (loss) attributable to parent company after extraordinary items		(20)	441
Dividends	(8)	(101)	(134)
Profit (loss) retained for year		(121)	307
Earnings before extraordinary items per £1 Ordinary stock	(9)	22·1p	79·2p

Reserves attributable to parent company

	Notes	1980	1979
At beginning of year		2,208	[illegible]
Profit (loss) retained for year		(121)	[illegible]
Amounts taken direct to reserves		51	[illegible]
At end of year	(10)	2,138	2,208

Balance sheets (historical cost)
At 31 December 1980

	Notes	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Assets employed					
Fixed assets	(12)	3,115	2,770	1,511	1,383
Interests in subsidiaries	(13)	—	—	849	1,107
Trade investments	(11)	335	332	66	76
Net current assets	(14)	1,248	1,351	123	97
		4,698	4,453	2,549	2,663
Financed by					
Capital and reserves					
Attributable to parent company:					
Issued capital	(15)	602	590	602	590
Reserves	(10)	2,138	2,208	1,462	1,612
		2,740	2,798	2,064	2,202
Attributable to minorities		270	223		
		3,010	3,021		
Government grants not yet credited to profit		183	157	162	145
Deferred liabilities	(16)	198	130	86	72
Loans	(18)	1,307	1,145	237	244
		4,698	4,453	2,549	2,663

Composition of net current assets

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Current assets				
Stocks	1,069	1,142	523	618
Debtors	1,125	1,145	107	85
Liquid resources	440	385	16	18
	2,634	2,672	646	721
Current liabilities				
Creditors	1,092	1,075	480	566
Short-term borrowings	294	246	43	58
	1,386	1,321	523	624
Net current assets	1,248	1,351	123	97

M. Hodgson
W. Clements } Directors

C. Hows, Treasurer

Statement of source and application of funds

For the year ended 31 December 1980

	Notes	Group 1980 £million	Group 1979 £million
Source of funds			
Funds generated from operations			
Trading profit before tax and extraordinary items		332	634
Depreciation		291	248
Petroleum revenue tax provided but not yet paid		61	22
Government grants received but not yet credited to profits		17	28
Dividends and interest from associated companies		30	35
Extraordinary items	1	(73)	—
Miscellaneous items, including exchange	4	56	3
Total generated from operations		714	970
Less interest and taxation paid during year		(208)	(206)
Interest		(106)	(78)
Taxation		(102)	(128)
Net funds generated from operations		506	764
Funds from other sources		355	461
Disposal of fixed assets		29	5
Disposal of trade investments		19	45
Increased investment of minorities in subsidiaries		2	—
Issues of ICI Ordinary stock		43	41
Advance proceeds from oil sales		14	(13)
Issues of Loan stocks and other non-current borrowings (less repayments)		255	127
Decrease (increase) in net liquid resources	2, 4	(7)	256
Total funds from all sources		861	1,225
Application of funds			
New fixed assets		724	760
New investment in subsidiaries and trade investments	3	48	42
Additional (reduced) working capital		(62)	290
Stocks		(31)	259
Debtors		9	199
Creditors (excluding dividends and taxation)		32	(168)
		10	290
Creditors in respect of extraordinary items	1	(72)	—
Dividends paid during year		151	133
Parent company (previous year final and current year interim)		135	118
Subsidiaries to minority shareholders		16	15
Total funds applied		861	1,225

Notes

1 Extraordinary items charged against 1980 profits include £77 million (1979 £16 million) of provisions in respect of investments and fixed assets, which have no cash effect, and £73 million (1979 nil) other costs, £72 million of which will have a cash effect in later years. This amount is shown separately as a movement in creditors.

2 Liquid resources increased by £55 million (1979 £218 million decrease); short-term borrowings increased by £48 million (£38 million).

3 New investment in 1980 was all in respect of trade investments (1979 £7 million in respect of subsidiaries and £35 million in respect of trade investments).

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 324 at 31 December 1980. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 127 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. This uniformity has been achieved in 1980 by including results for periods longer than one year for certain associated companies but the net effect on Group results for the year was not material.

The accounts of one operating division and certain subsidiary and associated companies, representing approximately 23 per cent of Group sales and 27 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

2 Changes in presentation of profit and loss account

Several changes in the presentation of the results have been made in the light of evolving accounting practice. The principal changes are:

the exchange loss on translating the net current assets of overseas subsidiaries into sterling is taken to reserves, instead of profits for the year. Other changes which may follow the issue of the forthcoming UK accounting standard would, on present understanding, be unlikely to affect the 1980 results adversely;

the credit for government grants is included in trading profit, instead of being deducted from taxation;

interest receivable on liquid resources is deducted from interest payable instead of being treated as investment income;

the Employees' profit sharing bonus is charged in arriving at trading profit, instead of as a separate item.

Corresponding figures for 1979 have been restated throughout to make them comparable with those for 1980. These changes do not affect the amount of reserves at 31 December 1979 previously reported.

3 Trading profit

Trading profit comprises:	1980 £million	1979 £million
Sales	5,715	5,368
Royalty and other income	56	51
Government grants	21	19
Cost of sales exclusive of depreciation	(4,114)	(3,547)
Depreciation	(291)	(248)
Selling, general and administrative expenses	(1,053)	(969)
Employees' profit sharing bonus	(2)	(40)
	332	634

3 Trading profit (continued)

The following amounts have been charged in arriving at trading profit:	1980 £million	1979 £million
Audit fees and expenses (including Company 1980 £0·6 million; 1979 £0·5 million)	2·3	2·2
Expenditure on research, development and technical service	212	185
Hire of plant	78	74
Pension fund contributions, pensions and gratuities (including redundancy payments 1980 £49 million; 1979 £26 million)	191	145
Petroleum revenue tax	61	22

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

	1980 £million	1979 £million
Share of profits less losses of principal associated companies (See Note 1)	50	47
Income from other trade investments – listed	1	1
– unlisted	11	11
	62	59

Dividends and interest from principal associated companies, included above, were £4 million (1979 £5 million) from listed companies and £14 million (£18 million) from unlisted companies.

5 Interest and financing costs less income

	1980 £million	1979 £million
Interest – loans wholly repayable within 5 years	35	13
– loans not wholly repayable within 5 years	76	69
– bank overdrafts	11	11
Other interest and financing costs	22	27
Income from redeemable securities	(5)	(7)
Interest on short-term deposits	(29)	(33)
	110	80

6 Taxation

	1980 £million		1979 £million	
ICI Group				
United Kingdom taxation				
Corporation tax	62		32	
Double taxation relief	(18)		(23)	
Deferred taxation adjustment	(18)		2	
Advance corporation tax less recoveries	15	41	54	65
Overseas taxation				
Overseas taxes	61		49	
Deferred taxation adjustment	(7)	54	(6)	43
Total ICI Group		95		108
Principal associated companies		28		15
		123		123

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 system of capital allowances will continue in its present form and that the new system for stock relief in the UK proposed by the Inland Revenue in their consultative document issued on 14 November 1980 will be implemented as planned. The charge for taxation for 1980 would have been the same under the old system for stock relief.

The Group tax charge benefited by £14 million in respect of UK capital allowances utilised in excess of depreciation charged (1979 £145 million) and by £33 million in respect of UK stock relief under the new system (1979 £90 million under the old system).

The UK corporation tax charge includes £44 million in respect of [illegible] UK oil trade profits. Unutilised capital allowances arising in the UK non-oil trades cannot be used to extinguish corporation tax on these profits.

The potential amounts of deferred taxation and relief on all timing differences are:	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Not accounted for at balance sheet date				
UK capital allowances utilised in excess of depreciation charged	750	758	623	605
UK stock appreciation relief	—	169	—	147
Advance corporation tax not yet utilised	(137)	(122)	(129)	(115)
Miscellaneous timing differences	(17)	(21)	[illegible]	—
	596	[illegible]	456	637
Accounted for at balance sheet date				
Miscellaneous timing differences	(11)	16	—	(6)
	585	793	456	631

If the old system of stock appreciation relief were to be retained the potential amounts of deferred taxation would, in total, increase by £169 million in the Group and £147 million in the Company.

7 Extraordinary items*

	1980 £million	1979 £million
The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:		
Costs and write-offs associated with restructuring of fibres operations	(95)	—
Loss on disposal of US chlor-alkali business	(17)	—
Provision in respect of investment in Carrington Viyella Ltd.	(26)	(11)
Losses less gains on disposals of, and provisions in respect of, other trade investments	(12)	(4)
Other	—	(1)
	(150)	(16)

Certain of these extraordinary items are eligible for tax relief, but in 1980 none was available.

*Net of minority interests.

8 Dividends

	1980 £million	1979 £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 12·0p (1979 12·0p) per £1 unit	71	70
Second interim 5·0p (1979 11·0p) per £1 unit	30	64
	101	134

The interim dividend was paid on 11 November 1980 and the second interim dividend, to be confirmed as final, is payable on 3 April 1981.

9 Earnings per £1 Ordinary stock

	1980	1979
Earnings for Ordinary stockholders, before extraordinary items	130	457
Average Ordinary stock in issue during year, weighted on a time basis	588	577
Earnings before extraordinary items per £1 Ordinary stock	22·1p	79·2p

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 15) would not be material.

10 Reserves

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
At beginning of year	2,208	1,874	1,612	1,402
Profit (loss) retained for year –	(121)	307		
By Company	(88)	223	(88)	223
By subsidiaries	(34)	69		
In principal associated companies	1	15		
Amounts taken direct to reserves –				
Share premiums	31	30	31	30
Revaluations of fixed assets	62	29	—	—
Exchange adjustments –	(42)	(40)	(93)	(44)
Interests in overseas subsidiaries and associated companies			(94)	(50)
Fixed assets	(111)	(57)	(1)	1
Investments and other items	(13)	(17)		
Net current assets	(33)	(26)	(3)	—
Loans	115	60	5	5
Other movements	—	8	—	1
At end of year	2,138	2,208	1,462	1 612

Group reserves are those attributable to the parent company.

Of the exchange adjustments taken to Group reserves, a decrease of £70 million (1979 £47 million) arose on consolidation from retranslating the net investment in overseas subsidiaries and associated companies at closing rates of exchange, and a gain of £28 million (£7 million) arose on external loans in the accounts of individual companies.

Reserves at end of year included share premiums amounting to £348 million (1979 £317 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 £122 million (£122 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

11 Trade investments

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Principal associated companies				
Shares and advances at cost less amounts provided	157	154	35	39
Group share of post-acquisition retained profits, losses and reserves (excluding amounts capitalised)	113	113		
Scrip issues capitalised	11	11	4	4
	281	278	39	43

Information relating to the principal associated companies is given on page 33.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Other trade investments				
Shares and advances at cost less amounts provided	51	49	25	30
Scrip issues capitalised	3	5	2	3
	54	54	27	33
Total	335	332	66	76
The division of the above between listed and unlisted investments is:				
Listed shares	55	85	11	14
Unlisted equity shares	246	208	55	60
Advances	34	39	—	2
	335	332	66	76
Market value of listed shares	91	70	8	9
The following information is given in respect of the investments in unlisted equity shares:				
Amount included in ICI profit before taxation	23	26	9	14
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	39	39	34	26
After taxation	21	24	22	14
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	96	103	91	83
Aggregate amounts provided by ICI in respect of losses since acquisition	46	24	26	18

12 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	824	283	541	3,999	1,770	2,229	2,770
Exchange adjustments	(49)	(16)	(33)	(148)	(61)	(87)	(120)
Capital expenditure	71		71	653		653	724
Revaluations	18	(18)	36	(39)	(104)	65	101
Disposals and other movements	(11)	(5)	(6)	(100)	(77)	(23)	(29)
Depreciation for year		30	(30)		301	(301)	(331)
At end of year	853	274	579	4,365	1,829	2,536	3,115
Company							
At beginning of year	295	137	158	2,359	1,134	1,225	1,383
Capital expenditure	28		28	285		285	313
Disposals and transfers	(4)	(1)	(3)	(34)	(32)	(2)	(5)
Depreciation for year		13	(13)		167	(167)	(180)
At end of year	319	149	170	2,610	1,269	1,341	1,511

The net book value of Group fixed assets at the end of the year included:

	1980 £million	1979 £million
Fixed assets under construction, excluding oil assets	788	731
Oil concessions, exploration and development expenditure	298	279
Revalued assets – land and buildings	169	104
– plant and equipment	125	21

Certain overseas subsidiaries revalued their assets during the year, resulting in an increase in net book values of £101 million, of which £76 million was in respect of ICI Australia Ltd in accordance with a valuation by their directors.

Group depreciation of £331 million shown above comprises £291 million charged in arriving at trading profit and £40 million charged under extraordinary items.

Land and buildings comprised:

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Land	156	140	10	10
Buildings	697	684	309	285
	853	824	319	295
Freeholds	777	772	306	281
Long leases (over 50 years unexpired)	26	26	11	12
Short leases	50	26	2	2
	853	824	319	295

13 Interests in subsidiaries

	1980 £million	1979 £million
Shares at cost less amounts provided	582	546
Scrip issues capitalised	23	23
Book value of shares*	605	569
Amounts owed by subsidiaries	970	1,142
Amounts owed to subsidiaries*	(726)	(604)
	849	1,107

*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 32.

14 Net current assets

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Stocks				
Finished goods	613	637	284	325
Raw materials and other stocks	456	505	239	290
	1,069	1,142	523	615

Debtors

As a result of factoring agreements entered into with a wholly owned subsidiary by the parent company and certain other wholly owned subsidiaries, outstanding trade debts of £337 million (1979 £388 million), which have been transferred to that subsidiary, are included with interests in subsidiaries in the parent company balance sheet.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Liquid resources				
Redeemable securities, at cost	70	77	13	13
Short-term deposits	309	214	1	1
Cash	61	94	2	4
	440	385	16	18
Market value of redeemable securities	71	75	14	13
Creditors				
Trade and other creditors	921	889	420	438
Dividends to Ordinary stockholders	30	64	30	64
Taxation	141	122	30	64
	1,092	1,075	480	566

Taxation includes advance corporation tax amounting to £13 million (1979 £28 million) in the Group and in the Company attributable to dividends payable in 1981 in respect of the year 1980.

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Short-term borrowings				
Bank borrowings – secured	22	14	—	—
– unsecured	118	123	43	58
Other short-term borrowings	154	109	—	—
	294	246	43	58

15 Capital of parent company

	Authorized £million	Issued 1980 £million	Issued 1979 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	593	593	581
Unclassified shares (£1 each)	123	—	—
	725	602	590

The authorized capital was increased by £75 million on 14 April 1980.

Ordinary stock was issued during the year in respect of:	Issued 1980 £million	Issued 1979 £million
Employees' Profit-Sharing Scheme	8	5
Conversion of loan stock of a subsidiary	4	4
Acquisitions	—	2
	12	11

Options to subscribe for Ordinary shares of £1 outstanding at 31 December 1980 under the Company's share option schemes were:

Number of shares	Subscription price	Exercisable up to
3,021,489	£3.20	31 January, 1986
3,331,000	£3.55	18 March, 1987
462,000	£3.55	17 September, 1987

Options granted to directors, included above, are detailed on page 20.

16 Deferred liabilities

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Advance proceeds from oil sales (Note 17)	86	72	86	72
Deferred petroleum revenue tax	83	22	—	—
Other deferred tax (Note 6)	—	16	—	—
Other deferred liabilities	29	20	—	—
	198	130	86	72

17 Ninian oilfield – advance proceeds from oil sales

The Group had, at 31 December, 1980, an approximate 19 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 up to 31 December 1980 (1979 £267 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) commenced during 1979 and 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 £86 million at 31 December 1980 (1979 £72 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £20 million relates to oil deliveries undertaken to be made in 1981.

Subsequent to 31 December 1980 the Group's interest in the Ninian oilfield was reduced from about 19 per cent to about 18 per cent. During 1981 adjustments will take place whereby the Group's cumulative share of field production and past expenditure will be proportionately reduced.

18 Loans

	Repayment Dates	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Secured loans					
Sterling	1981/1996	2	1	—	—
Foreign currencies					
Australian Dollars (6¾ to 13¼ per cent)	1981/2006	107	78	—	—
Others (5¼ to 22¼ per cent)	1981/98	32	31	—	—
Total secured loans		141	110	—	—
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
5¾ per cent stock	1994/2004	26	26	26	26
Others	1981/99	19	8	1	1
		207	196	189	189
Multi currency revolving loans (variable interest)	1984/89	238	170	—	—
Foreign currencies					
US Dollars					
6½ to 8¼ per cent Euro-dollar bonds	1981/92	63	68	5	8
8¾ to 11 per cent US Dollar bonds	1983/2003	157	124	—	—
6¾ per cent Convertible Euro-dollar bonds*	1997	13	25	—	—
7¼ to 12¼ per cent loans	1981/2005	153	107	21	23
Others	1981/98	20	18	10	10
		406	342	36	41
Swiss Francs (3¼ to 7¾ per cent)	1981/94	113	131	12	14
Deutsche Marks (5 to 8¼ per cent)	1981/85	105	87	—	—
Dutch Florins (5¼ to 9 per cent)	1981/91	41	[illegible]	—	—
Canadian Dollars (5⅝ to 10⅞ per cent)	1981/96	28	31	—	—
Others (6 to 15¼ per cent)	1981/89	28	24	—	—
		721	[illegible]	48	55
Total unsecured loans		1,166	1,035	237	244
Total loans		1,307	1,145	237	244

*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).

18 Loans (continued)

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Loans or instalments thereof are repayable within periods from balance sheet date of:				
Less than one year	65	26	35	2
From one to two years	38	65	4	39
From two to five years	333	159	8	4
Over five years	871	895	190	199
	1,307	1,145	237	244
Amount included above in respect of loans wholly repayable within five years	261	113	43	46

19 Commitments and contingent liabilities

	Group 1980 £million	Group 1979 £million	Company 1980 £million	Company 1979 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	149	320	66	134
Expenditure authorized but not yet contracted	316	546	146	276
	465	866	212	410

Contingent liabilities existed at 31 December 1980 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £120 million (1979 £122 million) for the Group and £1,132 million (£1,013 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 in respect of increased benefits under the Staff Pension Fund, the Workers' Pension Fund and the Supplementary Pension Fund; at 31 December 1980, there were two and a half years future instalments to be paid.

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 seventeen years are £248 million.

20 Emoluments of directors and employees

The total emoluments of the directors of the Company for the year comprised fees £45,000 (1979 £39,000) and other emoluments £1,282,000 (£1,189,000). Ten directors waived emoluments in the form of productivity bonus aggregating £24,000 for five months of 1980; this waiver also applies to any productivity bonus payments arising in 1981. Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £2,630,000 (£2,146,000).

The emoluments of the Chairman were £134,853 (1979 £124,380).

20 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 1980	Directors 1979	Employees 1980	Employees 1979
£				
5,001 - 10,000	2	5		
10,001 - 15,000	4	1		
15,001 - 20,000	—	2		
20,001 - 25,000	2	—	628	318
25,001 - 30,000	1	—	223	149
30,001 - 35,000	—	—	115	58
35,001 - 40,000	—	1	69	28
40,001 - 45,000	—	—	22	14
45,001 - 50,000	—	—	16	6
50,001 - 55,000	—	—	6	3
55,001 - 60,000	—	—	7	4
60,001 - 65,000	—	—	—	5
65,001 - 70,000	1	1		—
70,001 - 75,000	—	2	3	—
75,001 - 80,000	—	—	—	—
80,001 - 85,000	—	4		
85,001 - 90,000	3	—		
90,001 - 95,000	3	—		
100,001 - 105,000	—	3		
105,001 - 110,000	1	—		
110,001 - 115,000	1	—		
120,001 - 125,000	—	2		
130,001 - 135,000	1	—		

Five of the directors whose emoluments are shown above were directors for part of the year only (4 in 1979).

21 Other statutory information

Included in debtors are interest-free loans totalling £246,414 to officers of the Company, comprising £35,000 in total to one person who was a Director for all the year and two who were Directors for part of the year, and £211,414 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 each (the same as at the beginning of the year) from Dr C. H. Reece and Mr J. R. Ibbs, who is currently on secondment to the Cabinet Office, and £15,000 from Mr D. H. Henderson (£10,000 at the beginning of the year). The loans to the other officers were mainly in respect of housing loans.

A freehold house purchased jointly by Dr N. B. Smith and the Company in 1979 was occupied throughout the year by Dr Smith under a full repairing and insuring lease from the Company and himself with an annual rent of £1,800 exclusive of rates; a leasehold flat was purchased jointly by Mr D. H. Henderson and the Company on 21 October 1980 and will be occupied by Mr Henderson. In each case the Company and the Director hold the jointly purchased property as trustees for themselves as tenants in common in proportion to their respective contributions to the cost of purchase and initial work, which were respectively Dr N. B. Smith £67,998 and the Company £135,996, and Mr D. H. Henderson an amount expected to be approximately £38,000 and the Company £50,000.

In addition, a house is let by the Company to an officer (not a director); at 31 December 1980 there was no balance outstanding in respect of this transaction.

Principal subsidiary companies

31 December 1980

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 and chlorine; merchanting of other ICI products
ICI Europa Ltd	Belgium (registered in England)	Ordinary	100	—	Co-ordination of ICI's interests in Continental Western Europe
ICI Finance Ltd	England	Ordinary	100	—	Financial services
ICI 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 Ltd	Scotland	Ordinary*	62	—	Manufacture of fertilizers and feeding stuffs; agricultural merchants
The Americas					
CIL Inc (Accounting date 31 December)	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, paints and plastics
Duperial SAIC (Accounting date 30 September)	Argentina	Ordinary	100	—	Manufacture of chemicals, dyes, 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, plastics and speciality 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
ICI (Malaysia) Sdn Berhad	Malaysia	Ordinary	100	—	Holding company and merchanting of ICI and other products; subsidiaries merchant ICI and other products and manufacture 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 1980

Company and country of principal operations and registration or incorporation		Issued share and loan capital at date of latest available audited accounts: 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 Ltd	England	Ordinary*	45	7	42	31 December 79	31 December 80	Manufacture of textiles
		Preference	10	—	—			
		Loan	43	—	—			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 79	31 December 80	Oil refining
Tioxide Group Ltd	England	Ordinary	31	50	—	31 December 79	31 December 80	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	31	—	—			
The Americas								
Corpus Christi Petrochemical Company	United States of America	Partners' capital	59	—	37	31 December 79	31 December 80	Manufacture of olefines
		Loan	198	—	—			
Fiber Industries Inc	United States of America	Ordinary	34	37	—	31 December 80	31 December 80	Manufacture of man-made fibres
		Loan	43	—	—			
Rubicon Chemicals Inc	United States of America	Ordinary	2	50	—	31 December 79	31 December 80	Manufacture of aniline and diphenylamine
		Loan	24	—	44			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary*	83	—	38†	31 December 79	30 September 80	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	3	—	—			
		Loan	107	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	23	—	45	30 September 80	30 September 80	Manufacture of fertilizers
		Shareholders' Subordinated Loan	8	—	37			
		Loan	11	—	—			

*Listed

†Reduced from 40 per cent during 1980. 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 1980

1979 £million	1979 restated in 1980 £'s £million (unaudited)		1980 £million	Percentages of profits to related average assets 1980	1979
5,368	6,334	Sales	5,715		
341	402	Trading profit (Note 5)	93	1.9%	8.3%
33	39	Share of profits less losses of principal associated companies and income from other trade investments	26		
374	441	Profit before financing costs and taxation	119	1.9%	6.9%
(8)	(9)	Interest and other financial items	(46)		
(66)	(94)	As in historical cost accounts	(110)		
72	85	Gearing adjustment (Note 6)	64		
[illegible]	432	Profit before taxation (Note 6)	73	Pence per £1 Ordinary Stock	
(123)	(145)	Taxation	(123)		
(20)	(24)	Minority interests	(11)		
223	263	Profit (loss) attributable to parent company (Note 6)	(61)	(10.4p)	38.6p
(16)	(19)	Extraordinary items	(173)		
[illegible]	244	Profit (loss) attributable to parent company after extraordinary items (Note 6)	(234)	(39.8p)	35.9p
(134)	(158)	Dividends	(101)	17.0p	23.0p
73	86	Profit (loss) retained for year	(335)		
163	193	Profit (loss) retained for year under ICI's gearing method (Note 6)	(188)		

Balance sheet
at 31 December 1980

1980 £million		1973 restated in 1980 £'s £million (unaudited)	1979 £million
	Assets employed		
4,253	Fixed assets excluding those under construction (Note 7)	4,335	3,674
(665)	Government grants (Note 4)	(700)	(593)
3,588		3,635	3,081
1,098	Stocks	1,407	1,192
1,099	Trade debtors	1,313	1,113
(814)	Trade creditors	(923)	(782)
4,971	Net assets employed in manufacturing and trading activities	5,432	4,604
836	Fixed assets under construction, less capital creditors	941	797
561	Trade investments	605	513
6,368	Total investment	6,978	5,914
	Financed by		
9	Preference share capital	11	9
1,307	Loans	1,351	1,145
86	Advance proceeds from oil sales	85	72
(146)	Liquid resources less short-term borrowings	(164)	(139)
267	Taxation and other non-trading provisions (net)	219	186
1,523	Total non-equity finance	1,502	1,273
368	Capital and reserves attributable to minorities	416	353
4,477	Capital and reserves attributable to Ordinary stockholders	5,060	4,288
593	Issued capital	686	581
3,854	Reserves (Note 8)	4,299	3,643
30	Provision for second interim dividend	75	64
6,368		6,978	5,914

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/~~loss~~ 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 21, apply also to the CCA accounts, except for modifications required to comply with SSAP16. Specific inflation adjustments have been calculated for approximately 95% of the Group and estimates made for the remainder.

3 The holding values of fixed assets have been re-examined in the light of experience gained in the application of CCA, as a result of which the asset values and depreciation previously reported for 1979 have been revised. This re-examination has been carried out in the present conditions of exceptional uncertainty, but so far as can be judged, appropriate provisions have been made to allow for continuing excess capacity and to reduce values which may exceed the amount recoverable from future cash flows. Since 1980 is the first year to be reported under the requirements of SSAP16 these provisions have been incorporated in the values at 1 January 1979, so that the depreciation charge for both 1980 and 1979 is consistent with these values.

In order to provide a more useful comparison between 1979 and 1980, the results for 1979 have been shown both in 1979 £'s and re-stated in 1980 £'s. For this purpose the movement of 18% in the average UK retail price index between 1979 and 1980 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 21). 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 (trade 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 Current cost adjustments reduced the historical cost trading profit as shown below:

Thall.

	1980	1979 restated in 1980 £'s	1979
	£million	£million (unaudited)	£million (unaudited)
Trading profit – historical cost accounts	332	748	634
Cost of sales	(109)	(164)	(139)
Monetary working capital	(3)	(70)	(59)
Supplementary depreciation	(165)	(148)	(125)
Indexation of government grants	38	36	30
Trading profit – current cost accounts	93	402	341
The amount of depreciation charged and government grants credited in the current cost accounts were:			
Depreciation	456	440	373
Government grants	59	58	49

6 **Gearing adjustment**

The gearing percentage, being the proportion of average non-equity finance to average total investment, was 22.8% (1979 20.6%).

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 on the non-sterling part of these net borrowings are then added to the adjustment.

The cost of interest and other financial items calculated in accordance with ICI's method would be:	1980	1979 restated in 1980 £'s	1979
	£million	£million (unaudited)	£million (unaudited)
As in historical cost accounts	(110)	(94)	(80)
Gearing adjustment	86	117	99
Exchange gains on financial items	118	81	69
As in current cost accounts – ICI's method	94	104	88
On this basis results would be:			
Profit before taxation	213	545	462
Profit (loss) attributable to the parent company:			
before extraordinary items	86	375	318
after extraordinary items	(87)	356	302
Profit (loss) retained for year	(188)	198	168

7 Fixed assets

	31 December 1980 Gross £million	Depreciation £million	Net £million	1979 restated in 1980 £'s Net £million (unaudited)	1979 Net £million (unaudited)
Land and buildings	1,851	847	1,004	1,201	1,018
Plant and machinery	10,203	6,050	4,153	4,156	3,522
	12,054	6,897	5,157	5,357	4,540
Under construction	(904)	—	(904)	(1,022)	(866)
	11,150	6,897	4,253	4,335	3,674

8 Reserves

	£million
At 1 January 1980	3,643
Inflation adjustments	515
Revaluation surplus on:	
Fixed assets	594
Government grants	(84)
Investments	81
Stocks	76
Monetary working capital adjustment	(3)
Gearing adjustment	(58)
Exchange adjustments	(91)
Loss retained for year	(335)
Share premiums	31
At 31 December 1980	3,854

Auditors' report

To the Members of Imperial Chemical Industries Limited

We have audited the financial statements on pages 21 to 36 in accordance with approved auditing standards.

In our opinion the financial statements on pages 21 to 33, 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 1980 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 1980.

In our opinion the supplementary current cost accounts for the year ended 31 December 1980 on pages 34 to 36 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.

Price Waterhouse & Co
Thomson McLintock & Co.
Chartered Accountants

London 5 March 1981

Group financial record

For the years ended 31 December

		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
		£million									
Assets employed	Fixed assets	1,157	1,160	1,185	1,233	1,425	1,733	1,876	2,299	2,770	3,115
	Trade investments	202	208	244	258	302	365	345	362	332	335
	Net current assets	399	486	699	906	1,006	1,406	1,433	1,349	1,351	1,248
	Total assets employed	1,758	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,698
Financed by	Ordinary capital of ICI	474	478	480	486	494	559	564	570	581	593
	Group reserves attributable to ICI Ordinary stockholders	433	448	615	806	934	1,249	1,679	1,874	2,208	2,138
	ICI Ordinary stockholders' interest	907	926	1,095	1,292	1,428	1,808	2,243	2,444	2,789	2,731
	Minority interests and preference capital of ICI	123	133	165	187	203	243	204	236	232	279
	Deferred taxation (Note 1)	62	91	115	174	212	308	—	—	—	—
	Government grants	91	87	81	77	80	85	89	120	157	183
	Deferred liabilities	—	—	—	—	—	26	74	126	130	198
	Loans	575	617	672	667	810	1,034	1,044	1,084	1,145	1,307
	Total funds invested	1,758	1,854	2,128	2,397	2,733	3,504	3,654	4,010	4,453	4,698
Sales, profits and reserves	Sales (external) — UK	704	776	942	1,199	1,314	1,616	1,868	1,800	2,232	2,399
	— Overseas	820	918	1,224	1,756	1,815	2,519	2,795	2,733	3,136	3,316
	— **Total**	1,524	1,694	2,166	2,955	3,129	4,135	4,663	4,533	5,368	5,715
	Trading profit (after depreciation)	157	174	311	461	325	514	545	497	634	332
	Depreciation	129	148	157	169	182	205	221	225	248	291
	Profits less losses from trade investments	27	23	39	50	34	43	41	41	59	62
	Profits before loan interest and taxation	184	198	359	534	372	579	619	575	695	395
	Profit before taxation	148	154	310	484	315	504	534	483	613	284
	Taxation (Note 1)	50	58	145	220	148	236	158	123	123	123
	Profit after taxation	98	96	165	264	167	268	376	360	490	161
	Profit attributable to ICI before extraordinary items	85	81	146	241	148	242	342	332	457	130
	Extraordinary items	—	—	15	(5)	(1)	(46)	(29)	(3)	(16)	(150)
	Profit (loss) attributable to ICI after extraordinary items	85	81	161	236	147	196	313	329	441	(20)
	Net dividends	40	41	50	54	59	83	93	105	134	101
	Income tax on dividends	25	26	—	—	—	—	—	—	—	—
	Profit (loss) retained transferred to reserves	20	14	111	182	88	113	220	224	307	(121)
	Amounts credited (charged) direct to reserves	(30)	1	56	9	40	202	(39)	(29)	27	51
	Earnings and dividends (in pence) per £1 Ordinary stock (Note 3)										
	Earnings, before extraordinary items	17·8	16·7	30·0	49·1	29·7	45·2	60·9	58·6	79·2	22·1
	Dividends	13·5	13·8	10·1	10·9	11·6	14·8	16·5	18·5	23·0	17·0
	Dividends grossed up for imputed tax credit	—	—	14·5	16·3	17·9	22·7	25·0	27·6	32·9	24·3
	Profit before loan interest and taxation, as a percentage of average assets employed	10·8	11·0	18·0	23·6	14·5	18·6	17·3	15·0	16·4	8·6

Notes: 1 Deferred taxation for the years 1971 to 1976 has not been recalculated on the basis of the present accounting policy, set out on page 21; the cumulative amount of the prior years' adjustment at 1 January 1977 was £249 million. From 1977 to 1979 deferred taxation is included in deferred liabilities and in 1980 is included in debtors.

2 The changes in presentation of the profit and loss account referred to on page 25 have been reflected in the table above.

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

4 The results of ~~Imperial Metal Industries~~ IMI Ltd up to October 1977 are excluded from the charts of sales (page 8), capital expenditure (page 9) and exports (page 15). ~~but are included above.~~

included above but as

Profits

CH8

NOTICE OF ILLEGIBLE PAGES

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The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause