Imperial
Chemical
Industries
Limited

Annual Repo

Foreword by the Chairman

In 1979 ICI sales worldwide reached a new peak of £5,368 million, exports from the UK exceeded £1 billion, the Group increased its share of world markets, and £2 million was invested every day in new plants.

In spite of fierce market pressures, in spite of the strengthening of sterling and the set-back resulting from the road haulage strike, people in ICI have again demonstrated their ability to work together to make and sell our products.

But we have to be realistic about the figures.

Sales are up and profits are up, but the numbers reflect inflation as well as business success. Although profits show some recovery from the trough of 1978, they are still not sufficient to support our investment needs. The purchasing power of each pound of profit continues to fall and cost inflation has required a large increase in working capital. Nevertheless, investment spending in 1979 was higher than in 1978 as we fulfilled investment plans approved in previous years. This has meant drawing on our liquid resources. Within our investment programme we have placed increased emphasis on modernisation and improvements in efficiency, including the use of energy.

Our UK export performance was outstanding. Margins were affected by the firmness of sterling, but the volume of our chemical exports increased by 10 per cent. In 1979 ICI accounted for over 3 per cent of all UK exports from manufacturing industry and ICI's positive contribution from its trading to the UK balance of payments was £592 million.

Some of our businesses have come under increasingly severe market pressures, particularly fibres and dyestuffs. In Western Europe, the fibres business continued to present intractable problems in a year when a flood of American imports based on cheap raw materials intensified the difficulties. Much effort is being put into a continuing struggle to re-shape this business in the light of market realities.

Oil has become a profitable part of the business. We went into exploration and development essentially to secure our raw material supplies. The wisdom of that strategic decision, made over ten years ago, is now evident. Our oil interests include a stake of about 19 per cent in the Ninian oilfield in the North Sea. As the price of oil increases, the value of this investment and of our oil trading activities will increase. In 1979 the total profit from oil accounted for £79 million of the Group's trading profit.

Looking at 1980 and beyond, there is considerable uncertainty. Inflation has increased in the OECD countries, and although world output of chemicals rose by 6 per cent in 1979, prospects for growth are poor and there are fears of an economic recession. Problems in the Middle East seem likely to result in continuing uncertainty and instability in oil supplies and prices.

Nevertheless, I believe that the relative security of a substantial proportion of the Group's oil requirements, the strength of our export performance and the programme of plant replacement and technological improvement we

have been carrying through, will enable us to cope with the uncertainties of the '80s as well as any of our competitors. This in itself will not be enough and success will only go to the most efficient. That is why we are continuing to seek improvements in the use of fixed and working capital, energy and manpower. If we can further improve our performance in all these respects we shall be in good shape to meet the challenge of the '80s.

Maurice Hodgson

Notice of Meeting

Notice is hereby given that the fifty-third Annual General Meeting of Imperial Chemical Industries Limited will be held at the Royal Garden Hotel, Kensington High Street, London W8, on Monday, 14 April 1980 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 1979, 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 resolutions as Ordinary Resolutions:-

   (1) 'That the Directors of the Company be and are hereby authorized, for the purposes set out on page 20 of the Report of the Directors for the year ended 31 December 1979:

   (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 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'.

   (2) 'That the capital of the Company be and is hereby increased from £650,000,000 to £725,000,000 by the creation of 75,000,000 unclassified shares of £1 each'.

12 March 1980

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 520,000 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.

For the benefit of stockholders and employees in Continental Western Europe, translations of the Report are provided in French and German.

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.

Cover picture:
ICI's 2,000 acres manufacturing complex on the south bank of the River Tees at Wilton, Cleveland. Production of chemicals on this site began in 1949. Among the latest additions to the site is the new olefines plant owned jointly with BP Chemicals Ltd which came into production in 1979.

Contents

Summary of the year

Economic Background

World economic activity rose moderately but, with inflationary pressures increasing, growth in production was flatten[illegible] by the end of the year. World output o chemicals was 6 per cent up, with substantial rises in costs and prices

Group Results

Group sales totalled £5,368 million and chemical sales volume increased by 8 per cent Profit before tax was £560 million (1978, £421 million). On a current cost accounting basis, the profit before tax was £388 million (1978, £323 million). Dividends totalled £134 million (1978, £105 million).

Capital Expenditure

Money sanctioned for new projects totalled £552 million, of which £286 million is for the UK The amount spent in 1979 was £760 million.

Finance

New borrowings in 1979 amounted to £273 million and borrowings repaid to £146 million. At the end of the year the net liquid resources were £139 million.

Review of Trading

In **agriculture**, sales volume of fertilizers increased in all regions and profits from them were maintained or improved. Trading in crop protection chemicals remained highly competitive.

The Group's **fibres** results (which exclude associated companies) showed a loss of £33 million, principally as a result of a sharp deterioration in business conditions in Western Europe, exacerbated by the growth in imports from the USA.

A substantial increase in sales volume of **general chemicals** was achieved although towards the end of the year there were signs of slackening demand.

Sales of **industrial explosives** were maintained at the 1978 level, but profits were adversely affected by the strength of sterling.

Oil trading profits made a substantial contribution to Group results.

In **organic chemicals**, demand for dyes and pigments improved, but sales of polyurethane chemicals in Western Europe did not grow. It was not possible to raise prices to the extent needed to meet higher costs Profits dropped substantially.

Profits from **paint and decorative products** were significantly above those of 1978. Better results were achieved in Australasia and South East Asia; in the UK, demand for decorative paint was buoyant.

Costs rose sharply in **petrochemicals**, with naphtha feedstock nearly doubling in price, and led to increases in product prices. Higher export sales volume more than offset a small fall in UK sales.

Group sales of **pharmaceuticals** increased by 13 per cent in volume, and profits were maintained.

Demand for the Group's **plastics** products was generally ahead of that in 1978. Higher raw material costs were recovered by increased product prices, but the overall profitability of the West European plastics business remained inadequate.

Geographic Spread

(Sales by the Group in major areas of the world are shown in the chart)

In the **United Kingdom,** chemical sales showed little change in volume from the 1978 level. Sales in the second and third quarters offset much of the loss caused by the road haulage strike. Export sales volume increased strongly.

With a background of strong underlying demand and better capacity utilisation in **Continental Western Europe,** profit margins improved across a wide range of products.

Sales in **Canada** were at a record level and trading profits improved by almost 50 per cent in Canadian dollar terms. In the **United States,** sales of most products were well ahead of 1978, but profits overall failed to reach expected levels.

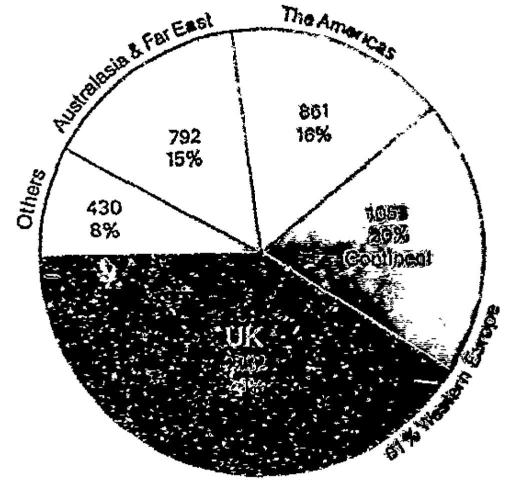
Demand for the Group's products in **Australasia** was strong. Sales increased by 21 per cent in Australian dollars and profits by 29 per cent.

Trading conditions in most areas of the **Far East** were buoyant and, with increased sales, profits were 23 per cent higher.

Despite disturbed business conditions, profits in **India** improved.

1979 Group Sales

£5368 million



Research and Technology

The Group spent £185 million (1978, £164 million) on research, development and technical service. Of this, £48 million (1978, £47 million) was spent overseas. Research effort continued to be directed towards improving cost effectiveness, securing the long term viability of ICI's established business in chemicals, plastics and fibres, and expanding its business based on biological science.

Personnel

The average number of employees in the Group in 1979 was 148,200 (1978, 151,200). Of these, 89,400 (1978, 92,500), were employed in the UK. The Group's policy is to staff its operations with nationals of the country involved.

Group results in brief

'Group' means ICI and its subsidiaries.

The salient profit and capital employed information is shown both as published in the audited accounts and also under the Current Cost Accounting (CCA) convention.

Current Cost Accounts

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 £423 million (historical cost £248 million); the CCA results also include charges of £198 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.

		Audited Historical Cost Accounts 1979 £million	Audited Historical Cost Accounts 1978 £million	Percentage change	Current Cost Accounts 1979 £million	Current Cost Accounts 1978† £million	Percentage change
Sales	Sales to external customers	5,368	4,533	+18%			
	UK	2,232	1,800	+24%			
	Overseas	3,136	2,733	+15%			
	Exports from United Kingdom at f.o.b. value	1,108	856	+29%			
Profits	Trading profit	655	504	+30%	282	306	− 8[illegible]
	Profit before taxation and grants	560	421	+33%	388	323	+20[illegible]
	Earnings (before extraordinary items) per £1 Ordinary Stock	74·7p	53·6p	+39%	45·4p	36·2p*	+2[illegible]
Dividends	Dividend per £1 Ordinary Stock	23.0p	18.5p				
Capital	Capital expenditure						
	Fixed assets	760	701				
	New investments	57	52				
	Additional working capital	262	62				
	Assets employed at year end	4,453	4,010		6,923	6,181	
	Percentage return on average assets employed	15.2%	13.4%		4.6%	6.0%	

†Comparative figures have been restated [illegible] facing page 38).

**Equivalent purchasing power of 1978 earnings [illegible] 1979 £'s is 41·1p. The earnings figures take into account the benefits of gearing (see Note [illegible] facing page 38).*

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	1979 £million	1978 £million	Percentage change	
Sales	5,368	4,533	+18%	
Royalties and other trading income	51	49		
Less: Materials and services used	(3,383)	(2,842)	(+19%)	
Value added by manufacturing and trading activities	2,036	1,740	+17%	
Share of profits of principal associated companies and investment income	99	100		
Exchange loss on net current assets of overseas subsidiaries	(34)	(39)		
Extraordinary items	(16)	(3)		
Total value added to cost of materials and services used	2,085	1,798	+16%	
Disposal of total value added				
Employees	1,173	1,041	+13%	◀ Average number of employees decreased by 2%
— pay, plus pension and national insurance contributions	1,133	1,011		
— profit sharing bonus	40	30		◀ 1979 UK bonus rate 8·1p per £1 of remuneration (6·9p in 1978)*
Governments — corporate taxes, less grants	104	100	+ 4%	◀ Does not include tax paid by employees on their pay. Income tax paid by UK employees under PAYE amounted to £118 million in 1979 (1978 £1[illegible]2 million)
Providers of capital	279	236	+18%	
— interest paid on borrowings	120	114		
— dividends to stockholders	134	105		
— minority shareholders in subsidiaries	25	17		
Re-investment in the business	529	421	+26%	◀ Contribution towards the total spent in the year on new fixed assets, working capital and additional investments
— depreciation set aside	248	225		
— profit retained	281	196		
	2,085	1,798		

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

**The rate is based upon the relationship between pay (plus pension and national insurance contributions) and value added by manufacturing and trading activities.*

Directors

Chairman	Sir Maurice Arthur Eric Hodgson
Deputy Chairmen	William Barr McKinnon Duncan CBE
	John Henry Harvey-Jones MBE
	Sir Raymond William Pennock
	Sir Terence Norman Beckett CBE*
	Alan William Clements
	Sir Arnold Alexander Hall FRS*
	Philip Geoffrey Harvey
	Robert Haslam**
	Dennis Hartley Henderson
	John Robin Ibbs
	Sir Alex (Alexander Anthony) Jarratt CB*
	John Alfred Lofthouse CBE
	The Rt Hon Lord Plowden [illegible]*
	Charles Hugh Reece
	Alan Robertson
	Sir Francis Edwin Prescott Sandilands CBE*
	Norman Brian Smith
	The Rt Hon Lord Thomson of Monifieth PC*
	Frank Whiteley

*Non-Executive Directors
**A Deputy Chairman from 1 Apr 1980

Secretary	James Douglas Cousin
Treasurer	Cyril John Crowe
Solicitor	Bernard John Wyndham Winterbotham

Senior Executives

Division Chairmen	
Agricultural	B. Appleton
Fibres	J. Lister
Mond	R. J. Lindsell
Organics	E. E. Burton
Paints	R. C. Hanwell
Petrochemicals	R. G. J. Telfer
Pharmaceuticals	P. W. Cunliffe CBE
Plant Protection	A. Hayes
Plastics	T. C. Hutchison
ICI Europa Chairman	W. W. Wilme

General Managers	
Commercial	[illegible]
Investments	[illegible]
Personnel (Operations)	[illegible]
Personnel (Senior Management)	V. E. Sear
Planning	[illegible]
Research and Technology	[illegible]

Chief executives of major subsidiary companies

ICI Australia Ltd	Chairman and Joint Managing Director	Sir David Zeidler
ICI Americas Inc	President and Chief Executive Officer	R. F. Bennett
CIL Inc	President and Chief Executive Officer	M. J. Mancini
ICI Group of Companies in India	Chairman	A. J. Wadhwa
ICI Japan Ltd	President	W. D. Macleod
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 Percy Wood [illegible] Imperial Chemical House, Millbank, London [illegible]
Auditors	Thomson McLintock & Co [illegible]
	Price Waterhouse & Co Southwark Towers [illegible] London [illegible]

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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

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:	Sir David Zeidler, CBE
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
Nobel's Explosives Co Ltd	Chief Executive:	E. Innes
Scottish Agricultural Industries Ltd	Managing Director:	A. W. Morrison

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

Report of the Directors 1979

The Directors of Imperial Chemical Industries Limited present their fifty-third Annual Report, together with the Accounts of the Company for the year 1979. They will be laid before the stockholders at the fifty-third Annual General Meeting to be held on 14 April 1980, and copies are being provided for those employees of the Company who are not also stockholders.

THE QUEEN 'WARD
FOR TECHNOLOGICAL ACHIEVEMENT
TO PHARMACEUTICALS DIVISION 1979

This Award was won by the Division for the development of 'Estrumate', a product used in the controlled breeding of cattle.

THE QUEEN'S AWARD
FOR EXPORT ACHIEVEMENT
TO PHARMACEUTICALS DIVISION 1979

Economic Background

World economic activity rose moderately well in 1979 for the fourth consecutive year. There was, however, a widespread increase in inflationary pressures, occasioned in part by the steep rise in the price of oil which followed the revolution in Iran. Many governments reacted by tightening their monetary policies and growth in production was flattening by the end of the year in the main industrial regions.

The UK economy performed poorly. Output was disrupted heavily by strikes in the first quarter and, after recovering in mid-year, fell back again due to further labour troubles and weakening demand. Other features directly affecting industry were increasing labour costs, rising interest rates, and stronger sterling. Continued rapid penetration of the UK market by imported products weakened the industrial base. The current account balance of payments showed a £2½ billion deficit despite another large increase in UK oil production.

World output of chemicals was buoyant, being 6 per cent higher than in 1978. The higher cost of oil led to substantial increases in prices of related chemicals and a trading environment which probably gave rise to some temporary increases in purchases of chemicals for stock. In the UK, home demand for chemicals was also firm. Growth in UK chemical production was, however, only modest. This was due to a worsening in the UK industry's international competitive position, with the volume of imports again rising steeply and exports showing the lowest rise for several years.

Group Results

The Group's audited statutory accounts prepared on the historical cost basis are shown on pages 23 to 35. The Group's unaudited current cost accounts which take account of inflation, are shown on page 36. The Board believe that the current cost accounts, which show lower profits and return on assets than the historical cost figures, provide a more realistic measure of performance.

In 1979, Group sales amounted to £5,368 million compared with £4,533 million in 1978. If sales of oil are excluded, the volume of Group sales increased by 8 per cent compared with 1978, but was adversely affected in the first quarter by the road haulage dispute in the UK, and in the third quarter by seasonal factors and the UK engineering strike. UK sales volume remained at the 1978 level, but sales overseas rose by 12 per cent. Selling prices were raised in response to feedstock and other cost increases. Exports from the UK at £1,108 million f.o.b increased by 29 per cent over 1978, with chemical sales volume being 10 per cent higher. Exports to the EEC showed a marked improvement over 1978.

Trading profit amounted to £655 million, compared with £504 million for 1978. On a Current Cost Accounting (CCA) basis, 1979 trading profit amounted to £282 million compared with £306 million in 1978.

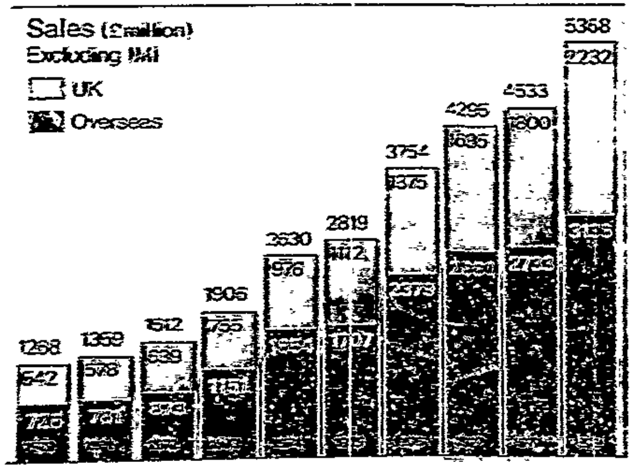
In the chemical businesses, volume and price increases were largely offset by increased costs; 1979 trading profit was £576 million (1978 £520 million).

Oil trading profits, including those from the Group's share of the North Sea Ninian field, made a significant contribution to Group results and, after provision for petroleum revenue tax, were £79 million (1978 £16 million loss).

Group profit before tax and grants in 1979 was £560 million compared with £421 million for 1978. On a CCA basis, these figures were £388 million and £323 million respectively. The table on the right shows Group sales and profit before taxation for the last two years on a quarterly basis.

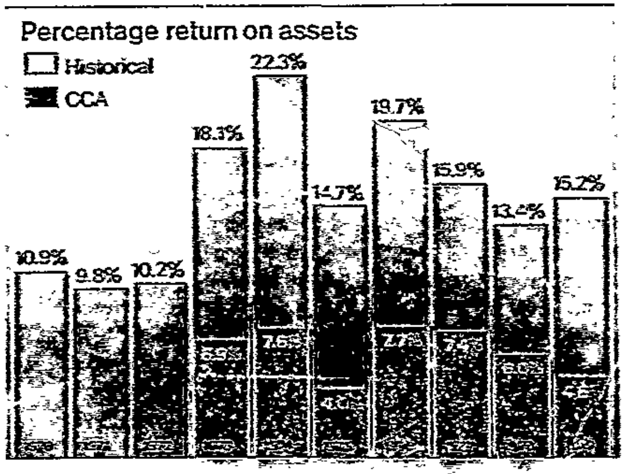
Profit before loan interest, taxation and grants represented a return on average assets employed of 15.2 per cent compared with 13.4 per cent in 1978. The returns on a CCA basis were 4.6 per cent and 6.0 per cent respectively.

The taxation charge, net of Government grants (mainly UK), was £104 million, which was 19 per cent of pre-tax profits. On a CCA basis, however, taxation was 27 per cent of pre-tax profits.



	Sales	Profit before tax			
		Excluding exchange gain/deficit	Exchange gain/(deficit)	Total	On a CCA basis*
	£million	£million	£million	£million	£million
1978					
First quarter	1,060	119	(7)	112	76
Second quarter	1,156	136	3	139	90
Third quarter	1,125	105	(22)	83	77
Fourth quarter	1,192	100	(13)	87	80
	4,533	460	(39)	421	323
1979					
First quarter	1,185	107	(9)	98	68
Second quarter	1,382	182	(20)	162	122
Third quarter	1,326	155	—	155	95
Fourth quarter	1,475	150	(5)	145	103
	5,368	594	(34)	560	388

*See Notes 4 and 7 facing page 36



Earnings after taxation but before extraordinary items were £431 million (74.7p per £1 unit of Ordinary Stock) compared with £304 million (53.6p per £1 unit in 1978). On a CCA basis, earnings were £262 million (45.4p per £1 unit) in 1979 and £205 million (36.2p per £1 unit in 1978).

There was a net loss of £16 million attributable to extraordinary items, including a loss of £15 million on the disposal of ICI's 50 per cent interest in Cleveland Potash Ltd.

A second interim Ordinary dividend of 11p per £1 unit, which the Annual General Meeting will be asked to confirm as the final dividend for 1979, is payable on 3 April 1980. This, together with the first interim dividend of 12p per unit paid on 9 November 1979, makes a total Ordinary dividend of 23p for the year. The gross equivalent of this (including the related tax credit) is 32.86p compared with 27.56p for 1978, an increase of 19.2 per cent. The payment of these dividends requires £134 million, leaving £281 million (1978 £195 million) retained in the business. After adjusting for inflation, retentions on a CCA basis were £112 million (1978 £97 million).

Capital Programme

The sanctioning of expenditure on fixed assets, although substantial, was somewhat lower than in recent years. This reduction was made because of reduced forecast demand for chemicals and the inadequate levels of cash flow and of profitability after adjustment for inflation. Actual expenditure continued to rise as a result of the high rates of sanctioning in previous years.

The policy of maintaining the strength of the Group's main production base in the UK by substantial investment in the expansion, modernisation and improvement of plants was continued. Following the large investments for Continental Western Europe sanctioned in 1977 and 1978, the main thrust of overseas investment in 1979 was concentrated on strengthening the Group's position in the Americas and consolidating its strong position in Australia.

In the chemical businesses, volume and price increases were largely offset by increased costs; 1979 trading profit was £576 million (1978 £520 million).

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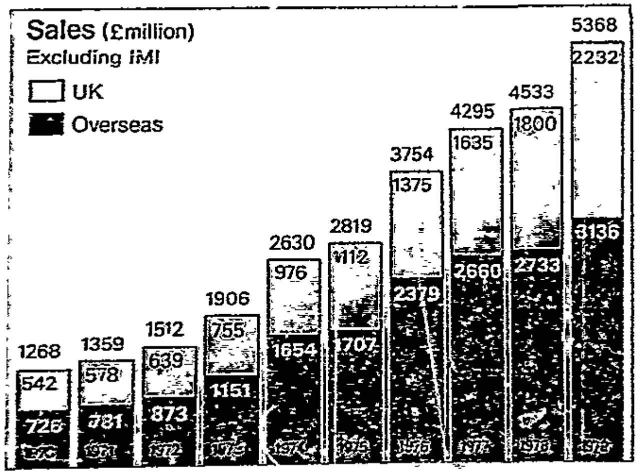

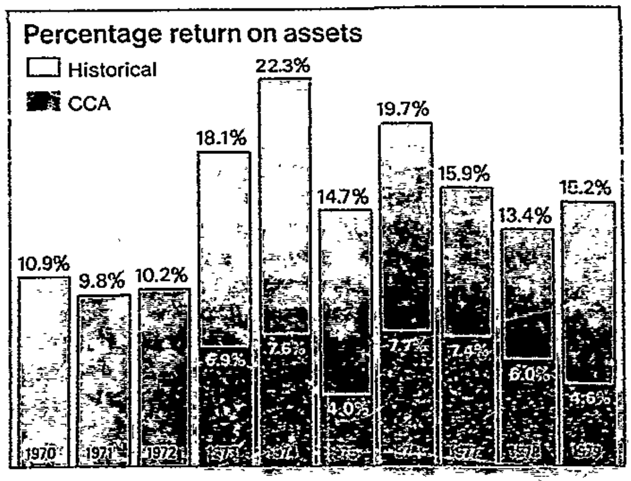

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A second interim Ordinary dividend of 11p per £1 unit which the Annual General Meeting will be asked to confirm as the final dividend for 1979, is payable on 3 April 1980. This, together with the first interim dividend of 12p per unit paid on 9 November 1979, makes a total Ordinary dividend of 23p for the year. The gross equivalent of this (including the related tax credit) is 32·86p compared with 27·56p for 1978, an increase of 19.2 per cent. The payment of these dividends requires £134 million, leaving £281 million (1978 £196 million) retained in the business. After adjusting for inflation, retentions on a CCA basis were £112 million (1978 £97 million).

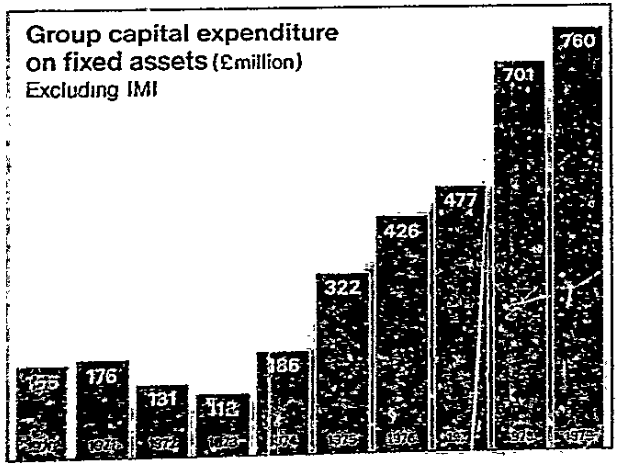
Capital Programme

The sanctioning of expenditure on fixed assets, although substantial, was somewhat lower than in recent years. This reduction was made because of reduced forecast demand for chemicals and the inadequate levels of cash flow and of profitability after adjustment for inflation. Actual expenditure continued to rise as a result of the high rates of sanctioning in previous years.

The policy of maintaining the strength of the Group's main production base in the UK by substantial investment in the expansion, modernisation and improvement of plants was continued. Following the large investments for Continental Western Europe sanctioned in 1977 and 1978, the main thrust of overseas investment in 1979 was concentrated on strengthening the Group's position in the Americas and consolidating its strong position in Australia.

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

Fixed Assets	1977 £million	1978 £million	1979 £million
Sanctioned:			
United Kingdom	454	466	286
Continental Western Europe	168	131	20
The Americas	76	92	171
Other countries	106	99	75
	804	788	552
Expenditure:			
United Kingdom	330	430	432
Continental Western Europe	42	87	121
The Americas	82	107	120
Other countries	37	77	87
	491	701	760
Total sanctioned but unspent at end of year	986	1,073	865



Group capital expenditure on fixed assets (£million)
Excluding IMI

Working Capital

Working capital increased by £262 million (23 per cent) during 1979. This large increase was primarily due to the inflationary pressures on costs and prices. As a result of strict control of working capital, the rise in the volume of stocks was proportionally less than the increase in volume of sales. After allowing for price increases, debtors and creditors also rose less than sales in percentage terms.

Finance

The table below is a summary for 1979 and for the ten year period 1970-1979 of the sources of the Group's funds and how they were spent. A more detailed statement for 1978 and 1979 is given on page 26.

During 1979, issues of Ordinary Stock included 5.5 million £1 units in respect of the Employees' Profit-Sharing Scheme, 3.6 million units in exchange for US$29 1 million of convertible bonds and 2 million units in respect of acquisitions.

New long-term borrowings in 1979 amounted to £273 million. Approximately £170 million was borrowed in foreign currencies under 10-year multi-currency arrangements, and a Swiss Francs 230 million 3½ per cent loan was issued to replace previously existing Swiss Francs borrowings carrying higher interest rates.

During the year, long-term borrowings amounting to £146 million were repaid, including convertible bonds exchanged for Ordinary Stock, Swiss Franc loans refinanced and early repayment of DM 100 million bonds.

At 31 December 1979, Group net liquid resources amounted to £139 million compared with £395 million at 31 December 1978.

Source and Application of Funds

		1979 £million	Ten years 1970/79 £million	%
Source of funds				
Funds generated from trading operations after taxation		754	4,711	77
Issues of ICI Ordinary Stock		41	400	6
Borrowings less repayments		127	662	11
Disposal of investments		45	190	3
Others		6	193	3
	Funds obtained	973	6,156	100
Use of funds				
New fixed assets		760	3,534	58
New investments		57	524	8
Additional working capital		262	1,146	19
Dividends		150	888	15
	Funds used	1,229	6,092	100
Movement of funds		(256)	64	
Net liquid resources at beginning of period		395	75	
Net liquid resources at end of period		139	139	

Stockholders

At the end of 1979 the register of stockholders consisted of 496,602 Ordinary Stock accounts, 930 Preference Stock accounts and 226,625 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	234,710	27.8
251–500	117,351	43.2
501–1,000	89,084	63.1
1,001–5,000	51,941	89.5
5,001–10,000	1,562	10.7
10,001–50,000	944	21.0
50,001–1,000,000	637	134.2
Over 1,000,000	73	192.1
All holdings	496,602	581.6

The Ordinary Stockholders include many thousands of ICI employees in the UK who receive Ordinary Stock under the ICI Employees' Profit-Sharing Scheme.

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 1979 or up to and including 12 February 1980 (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 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 1979 £million	Sales 1978 £million	Trading Profit 1979 £million	Trading Profit 1978 £million
Agriculture	995	873	159	150
Fibres	471	420	(33)	(13)
General chemicals	1,038	895	141	128
Industrial explosives	196	192	18	22
Oil	559	236	79*	(16)
Organic chemicals	519	502	7	21
Paint and decorative products	416	429	30	24
Petrochemicals	1,076	673	98	54
Pharmaceuticals	317	293	66	68
Plastics	748	625	56	39
Miscellaneous	115	88	12	2
	6,450	5,226	633	479
Inter-class eliminations	(1,082)	(693)	—	—
Royalty income	—	—	22	25
Totals as in profit and loss account	5,368	4,533	655	504

After provision for petroleum revenue tax.

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

Classes of Business

Agriculture

Demand for fertilizers was strong in the UK and in all the overseas regions served by ICI Group plants – Canada, Australia, India and Malaysia. In all the regions, sales volumes increased and profits were maintained or improved. In the UK, record plantings of winter-sown cereals in 1978 and 1979 led to higher fertilizer sales in spring and autumn. New manufacturing capacity was commissioned in the UK for 'Nitram', the leading UK straight nitrogen fertilizer, and in Canada for urea. Additional nitric acid capacity for Billingham, Teesside, was sanctioned.

In the related industrial chemicals field a world shortage of methanol capacity led to sharp price increases in this export-orientated business. New gas purification plant was commissioned at Billingham, which will result in significant energy savings in the production of methanol and hydrogen.

Towards the end of the year, construction of the first commercial scale plant for the manufacture of 'Pruteen', ICI's high protein animal feed, was completed at Billingham and commissioning was begun.

Although the world market for crop protection chemicals continued to grow, trading remained highly competitive. Profitable sales progress with pyrethroid insecticides was maintained in most territories. New capacity for diquat herbicide and for the range of pyrimidine products was commissioned in the UK.

The volume and profitability of crop protection chemical exports from the UK were adversely affected by the strengthening of sterling against other leading currencies and by cost increases arising from the UK's high rate of inflation. Sales in Eastern Europe were below expectations due to shortages of foreign currency in those countries.

Fibres

The Group's fibres results (which exclude associated companies) showed a loss of £33 million, principally as a result of a sharp deterioration in business conditions in Western Europe.

Trading conditions for the synthetic fibres industry were good in most of the world for the first half of the year, but during the summer the signs of recession became apparent and demand fell away. In some of the more protected economies, sales remained high throughout the year.

In Western Europe, demand for textile products was relatively strong until the autumn but then slackened. An increasing proportion of total sales was taken by imports, particularly of fabrics and garments. As a consequence, consumption of synthetic fibres failed to increase proportionately in the EEC and actually declined in the UK.

A significant and growing proportion of imports entering Western Europe now originate in North America. Reducing domestic demand in the USA, the weak dollar and the US government energy policy, which maintains prices of oil and gas-based products at levels which are low by world standards, give the US fibre industry a significant cost advantage over other producers who are dependent on raw materials based on international oil prices. Continued representations were made to national governments and the EEC Commission demonstrating the damaging effects of this unfair competition, but by the end of 1979 no positive action had emerged.

The Group's West European fibres business entered 1979 trading at around break-even level after having made losses in recent years, but was unable to hold this position as the year progressed. Over-capacity in the industry prevented prices being raised to a level at which the large increases in ICI's raw material costs could be recovered and it proved impossible to hold sales of polyester fibre at 1978 volumes.

Despite successes in controlling costs and improving technical performance of products and processes, it became abundantly clear during the year that further steps were necessary if the Company's fibre business was to survive. In addition to the programme of technological improvements, the drive to bring manpower productivity at the UK factories into line with international standards has been intensified. Extra provisions for re-structuring expenditure account for £9 million of the 1979 loss.

General chemicals

This business, operated by the Group on a worldwide basis, 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.

During the year a substantial increase in sales volume was achieved, led by higher activity in Continental Western Europe and the USA, as the benefits from the 1978 acquisitions in these territories were obtained, and by exports from the UK to Continental Western Europe and to the rest of the world. However, towards the end of 1979 there were initial signs of slackening demand. The business was again very competitive.

The chlor-alkali plant of ICI Atlantik GmbH in West Germany and the chlor-alkali and vinyl chloride plants at Baton Rouge in the USA were integrated into the business. In Canada, a major extension, doubling the installed capacity and using ICI's latest developments in diaphragm cell technology, was commissioned at Becancour. In the UK, the new 'Genklene' chlorinated solvents plant built at Runcorn, using recently developed ICI technology, was completed and commissioning started. The construction of the final stage of the vinyl chloride plant at Teesside was resumed following the clarification of the uncertain market situation which had caused work on this section of the plant to be held back. Good progress was made with the construction of the vinyl chloride plant at Wilhelmshaven, West Germany. Extensions of capacity for ammonium chloride at Northwich, Cheshire, and sodium hypochlorite at Runcorn were sanctioned.

The representations on behalf of the alkali manufacturers made in 1978 by the European Council of Chemical Manufacturers' Federations (CEFIC) to the EEC Commission about low priced soda ash imports from Eastern Europe were upheld and led eventually to undertakings being given by East European producing nations, other than the USSR against whom a dumping duty was imposed.

The Magadi Soda Company Ltd, which has worked the natural ash deposits at Lake Magadi in Kenya for more than 50 years, announced joint plans with the Government of Kenya to expand the existing soda ash plant immediately and to raise total output to over 500,000 tons per annum by 1983.

Industrial explosives

ICI and its associates manufacture industrial explosives and accessories in all continents and continue to be the largest supplier of these products in the western world. Sales in 1979 were maintained at the 1978 level. Profits for ICI and its subsidiaries were, however, somewhat lower, mainly because the strength of the pound adversely affected both exports from the UK and the sterling value of profits earned by overseas subsidiaries. In India, profits were reduced because of power shortages and industrial relations problems.

In a newly formed group of the Corporate Laboratory, fundamental research on detonation problems began during the year, with a team of scientists drawn from Australia, Canada, the UK and South Africa.

Great attention continued to be paid to the maintenance of high standards of safety.

Oil

Crude oil output from the North Sea Ninian field, in which the interest of ICI Petroleum Ltd is currently about 19 per cent, built up to 200,000 barrels a day during the course of the year. ICI Petroleum's share of the 1979 production from the oilfield was approximately 11 million barrels and its share of the proved and probable Ninian reserves at the end of the year was approximately 210 million barrels.

From Ninian and other sources ICI Petroleum contributed 1¼ million tons in 1979 to the crude oil requirements of the Teesside refinery of Phillips-Imperial Petroleum Ltd, in which ICI has a 50 per cent interest, and thus increased ICI's own feedstock supplies from the refinery. These supplies, together with appropriate fractions from the processing of purchased crude, made a large contribution to ICI's total feedstock requirements in a year in which supplies were scarce and prices rose rapidly.

Aided by the oil price increases, crude oil production and refining together made a substantial contribution to ICI's profits.

Further increases in Ninian output are expected in 1980 as additional development wells are drilled from the central and southern platforms and, in the second half of the year, the northern platform is brought into production.

Exploration in the North Sea and to the west of the Shetlands continued and will be extended to the Western Approaches. Further acreage will be sought in the next round of licensing.

In the Gulf of Mexico area six gas and oil discoveries are under development and further discoveries are being appraised. At the end of 1979 ICI's share of the proved reserves was approximately 39 billion cubic feet of gas and 0.5 million barrels of gas condensate and oil. Initial production is due early in 1980. During 1979 further US exploration interests in the California offshore area were secured, jointly with Chevron USA Inc and others, and preparations were being made to commence drilling.

Organic chemicals

Worldwide demand for dyes showed a marked recovery from the depressed conditions of 1978. Because of over-capacity, however, it was not possible to raise prices to the extent needed to meet the large cost increases experienced during the year. As a result of this and the effect of the continuing strength of sterling on the substantial export trade from the UK, profits did not recover as had been expected. In order to maintain the long-term viability of the business, major new cost and productivity improvement programmes were started. New capacity for 'Procion' dyes manufacture was completed at Grangemouth, Scotland.

Sales of pigments increased despite the difficult market situation, but as with dyes it was not possible to increase prices to the extent necessary to recover cost inflation fully.

Sales of polyurethane chemicals in Western Europe were restricted by production difficulties and by the effect on building activity of the unusually severe weather early in the year. Sales volume consequently did not grow and profitability was affected by inability to recover increases in raw material costs. Rubicon Chemicals Inc (jointly owned with Uniroyal Inc) increased its manufacturing capacity for MDI to meet a good growth in demand for polyurethane chemicals in the USA.

Expansion of the range of speciality chemicals and improvement of the existing products continued. Initial sales were made of new products for use in the solvent extraction of copper. Sales of industrial biocides again increased and a big expansion in sales of 'Baquacil' SB, the swimming pool sanitizer, was achieved. Other established products such as industrial nitrocellulose and silicones had a satisfactory year. Sales of the Atlas range of speciality chemicals (sorbitol, mannitol, activated carbon, industrial surfactants and polyester resins) grew in Western Europe and the USA. Activated carbon capacity in the USA was raised substantially by the commissioning of a new kiln.

Paint and decorative products

Profits in the international paints business continued to improve and were significantly above those of 1978. Better results were achieved in Australasia and South East Asia but trading conditions were difficult in Canada and it was finally decided to close the Argentine paint operations.

In the UK, despite the external industrial problems early in the year, there was a further improvement in trading, due mainly to continued buoyant demand for decorative paint and increased contributions from wallcoverings and fabricated products. Exports from the UK were generally disappointing, but sales to Eastern Europe and the Middle East were increased. A large new resin plant, to be built at the Stowmarket factory in Suffolk, was sanctioned as the first part of a programme of asset modernisation.

The results of Hermann Wiederhold GmbH showed some improvement, due mainly to better sales volume and cost reductions. However, higher product prices did not fully match raw material cost increases. Good progress was made within Western Europe in co-ordinating the Group's automotive and refinish paint businesses, with resources being concentrated on those markets with the best long term growth prospects.

Petrochemicals

ICI is one of the world's largest manufacturers of petrochemicals. These products include many of the basic building blocks of the chemical industry, such as ethylene, propylene, benzene and xylenes, as well as their derivatives such as ethylene glycol, phenol, nylon salt and terephthalic acid. The plants concerned are mainly located in the UK. About half the output is used within the Company, chiefly for the manufacture of plastics and fibres, but also as raw material for fine chemicals. The other half is sold in worldwide markets.

During the year, the petrochemicals business was affected by a number of significant changes. The main feature was a succession of sharp rises in the price of oil-based feedstocks and fuel, exacerbated by the revolution in

Iran and US demand for gasoline. The world price of naphtha, the main feedstock in the petrochemical industry, nearly doubled during the year. Under this pressure, which was felt by all petrochemical manufacturers, product prices were increased. The higher sterling exchange rate slightly reduced the impact of raw material price rises, but also reduced the benefit of price increases in overseas markets.

Overall sales volume was about 4 per cent above that in 1978. UK sales volume was slightly lower, partly as a result of the abnormally severe weather and the haulage strike early in the year and of the continuing problems in the synthetic fibre industry. Higher export sales volume, however, more than compensated for the fall in UK volume.

Profitability improved overall, but a large part of the gain was needed to finance a big increase in working capital. For many products, margins are still insufficient to support re-investment and it is essential that further cost increases are recovered through higher product prices.

The large new olefines plant at Wilton, which is jointly owned by the Company and BP Chemicals Ltd, was started up successfully in late 1979. This plant can operate on a wider range of feedstock than other olefine units, thus reducing dependence on naphtha. A new butadiene plant was brought into operation at Wilton and the existing ethylene oxide and glycol plant was extended, making it the largest single unit in Western Europe for these products.

Pharmaceuticals

Group sales increased to £317 million, of which £97 million were in Continental Western Europe, £85 million in the Americas and £53 million in the UK. The overall volume increased by 13 per cent although this continued expansion of the pharmaceuticals business was not fully reflected in the level of sales when expressed in sterling because of its strengthening in value against other currencies. Profits were maintained despite an inability in many instances to increase prices in line with the higher costs which arose mainly from inflation in the countries where most of the Group's manufacture and research is undertaken.

ICI's international pharmaceutical business remains based on a broad range of prescription medicines and animal health products, the principal products being the cardiovascular drugs 'Inderal' and 'Tenormin', 'Nolvadex' used for treating advanced breast cancer, 'Hibitane' antiseptics and the anthelmintic 'Nilverm'. 'Inderal' is still the most widely used beta-blocker in the world, primarily in the treatment of angina and high blood pressure. Sales of 'Tenormin' doubled in 1979 and it is now the fastest growing beta-blocker; development in the USA and Japan is proceeding on plan and the product is expected to be approved for sale in the USA in 1980.

ICI's market position improved in many countries during the year, the most significant progress being in Continental Western Europe. A wholly-owned marketing and processing organization was established in Mexico.

In 1979 Pharmaceuticals Division won a Queen's Award for Technological Achievement for the development of 'Estrumate', a product used in the controlled breeding of cattle, and also a Queen's Award for Export Achievement. The Division has now received eleven Queen's Awards; this is more than any other individual organization.

Plastics

ICI is one of the world's leading producers of plastics materials. The principal products manufactured by the Group are three bulk polymers – low density polyethylene, polypropylene and polyvinyl chloride – and a number of specialities – acrylic, polyamide and PTFE moulding powders; acrylic sheet; and films made from polypropylene, polyester and low density polyethylene. All these products are manufactured in Western Europe, and some of them also in the Americas, Australasia and India.

The West European market for bulk polymers improved during 1979 and demand for the Group's plastics products generally was ahead of that in 1978. For some products, demand exceeded ability to supply; this was partly the result of delays in completing new plants because of industrial unrest in the UK construction industry and partly due to the UK road haulage strike. Overall profits increased, but the profitability of the West European business was adversely affected by the strength of sterling and, for bulk polymers, remained below the level needed to support continued investment. It would have been even lower had it not been possible, in the more favourable market conditions, to recover higher raw material costs by increases in selling prices, particularly in the case of low density polyethylene.

The Group's worldwide sales of polyester and polypropylene films increased by 12 per cent over 1978. The profitability of the West European films business was particularly hit by higher raw material costs and the strength of sterling, but the profitability of the films business in the USA was maintained.

Polypropylene plants based on new technology were commissioned in Holland and Australia. Also in Australia, a new PVC plant came on stream. The first unit for the production in the UK of 'Perspex' extruded acrylic sheet was brought into operation and a second unit was sanctioned.

Polyethersulphone, an engineering plastic with a number of unique qualities, was added to the Group's range of moulding powders and, to meet growing demand for this development product, the UK production facilities are being extended.

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		Trading Profit	
	1979 £million	1978 £million	1979 £million	1978 £million
United Kingdom—				
Home sales	2,229	1,798		
Exports (at invoice value)	1,254	970		
	3,483	2,768	470	370
Continental Western Europe	921	744	31	(2)
The Americas	799	743	37	30
Australasia and the Far East	720	659	77	65
Indian sub-continent	97	116	13	12
Other countries	81	69	5	4
	6,101	5,099	633	479
Inter-territory eliminations	(733)	(566)	—	—
Royalty income	—	—	22	25
Totals as in profit and loss account	5,368	4,533	655	504

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

	1977* £million	1978 £million	1979 £million
Western Europe			
EEC	306	315	501
Rest of Western Europe	109	109	116
	415	424	617
Africa	93	96	112
Far East	59	69	83
North America	83	73	75
Eastern Europe and USSR	52	50	66
Central and South America	59	46	57
Australasia	46	40	44
Middle East	44	46	42
Indian sub-continent	13	12	12
Total	864	856	1,108

*Excluding IMI

The United Kingdom
The volume of ICI sales in the UK, excluding sales of oil, showed little change from 1978. As in 1978, sales of products nearer the consumer were stronger than those of the basic chemicals. Sales in the first quarter were particularly poor as a result of the road haulage dispute, and although sales in the second and third quarters offset much of this loss, the dispute did cause some permanent damage to ICI's position as a supplier.

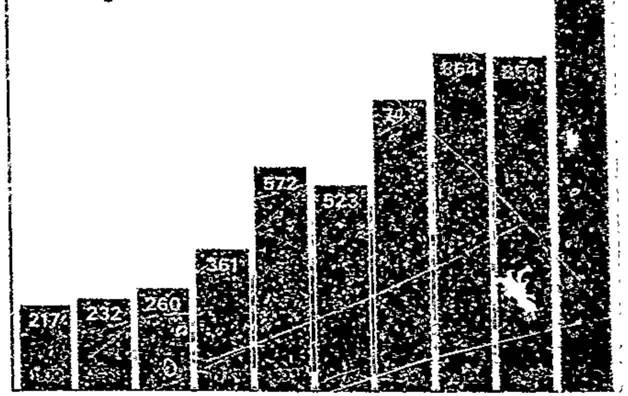
The large rise in the price of oil-based raw materials and fuels during the year led to price increases in downstream products. A disturbing feature was the greater penetration of the UK market by imports. These continued to be mainly from other EEC countries but in 1979 were also from the USA, particularly imports of fibres based on the low costs of US energy and energy-related feedstocks and assisted by a relatively weak dollar.

Exports from the UK The f.o.b. value of Group direct exports from the UK in 1979 was £1,108 million, 29 per cent greater than in 1978.

In spite of the relative strength of sterling, chemical export sales volume showed a good increase of 10 per cent. This was a much better result than that of the UK chemical industry as a whole. Prices were stronger than the depressed levels of 1978, although the improvement mainly represented the recovery of cost increases of raw materials.

Group direct imports were £516 million and the net effect was a positive contribution of £592 million to the UK balance of payments.

Exports from the UK (£million)
Excluding IMI



Continental Western Europe

In contrast to the two preceding years, industrial production grew substantially and capacity utilisation in the chemical industry was much improved. This was particularly true of West Germany. Prices in all markets rose as a result of the massive increase in oil and feedstock costs, the most notable increases being for petrochemicals and plastics, the products most closely related to oil-based feedstocks. Group sales in Continental Western Europe increased to £1,053 million, about half of which were exports from the UK. There was a large rise in petrochemicals sales volume. With the background of strong underlying demand and better capacity utilisation, margins improved across a wide range of products.

The Group has manufacturing facilities in the Netherlands, West Germany, France and Italy, which produce a range of plastics, fibres, polyurethanes, paints, pharmaceuticals and speciality chemicals. Construction of the first stage of the Group's new manufacturing complex at Wilhelmshaven, West Germany, is proceeding satisfactorily, and the vinyl chloride plant is expected to be on stream by the end of 1980, followed shortly afterwards by the PVC plant. In the Netherlands, the new polypropylene plant at Rozenburg came into production in the second half of 1979.

The Americas

There is now an ICI Director resident in New York who is responsible to the Board for the operations of the Group throughout the Americas. This appointment reaffirms ICI's commitment to increasing its business base in the Americas.

Canada During 1979, the Canadian economy grew at a faster rate than that of the USA and the inflation rate was lower. However, with a continuing large current account deficit, the Canadian dollar remained at an average discount of 15 per cent against the US dollar.

C-I-L Inc, together with its subsidiary companies, manufactures agricultural and industrial chemicals, paints, plastics, industrial explosives and underground mining equipment, and provides a range of engineering related services. 1979 was a record year for sales by the company and trading profits were nearly 50 per cent higher in Canadian dollar terms than in 1978. Most business areas had appreciably higher profits in spite of a prolonged strike by employees of a major customer which affected the profits of several of the company's businesses. The improvements achieved in agricultural chemicals and plastics were particularly notable.

The large chlor-alkali plant expansion at Becancour, Quebec, was commissioned ahead of schedule and well below the sanctioned capital cost. The company's second urea plant at Courtright, Ontario, was also commissioned.

USA Economic growth in the USA slowed down as expected in 1979, but inflation rates increased, partly due to the heavy dependence upon foreign oil. In order to curb inflation, monetary controls were tightened in the autumn, involving record high interest rates.

ICI Americas Inc manufactures and sells plastics, chlor-alkali products, pharmaceuticals, speciality and crop protection chemicals, and dyes. Despite the lower rate of economic growth, sales of most products were well ahead of 1978. Particularly good results were achieved by the pharmaceuticals and 'Melinex' polyester film businesses. Profits overall, however, failed to reach expected levels, due mainly to the low level of demand for crop protection products in domestic and export markets and to high costs in developing the speciality chemicals business.

The exploration and development programme for oil and gas continued and the first appreciable production revenue from operations in the Gulf of Mexico area is expected in 1980. The world-scale olefines plant at Corpus Christi, Texas, in which ICI Americas has a 37½ per cent interest, neared completion. A large ethylene oxide and glycol plant at Bayport, Texas, was sanctioned. An ICI associated company, Katalco Corporation, acquired the hydro-desulphurisation catalyst business of Nalco Chemical Company.

Latin America With continued political stability and good economic growth in most Latin American countries, sales were higher than in 1978. Although trading conditions in Argentina and Mexico were still difficult, profits there were higher. Results in Brazil were again depressed, mainly because of the adverse effects on the agricultural chemicals business of poor weather conditions early in the year and inability to raise prices in line with inflation.

The polypropylene plant of ICI's associated company in Brazil, Polipropileno SA, achieved good results in its first year of operation. Towards the year end, an interest was acquired through Electroclor SAIC in the vinyl chloride and PVC plants being built as part of the new petrochemical complex at Bahia Blanca in Argentina. In Mexico, a plant for the manufacture of 'Gramoxone' herbicide was commissioned by an ICI associated company, Canamex SA.

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 in 1979 were directed at restraining inflation, with consequent moderation of economic growth. The competitiveness of Australian manufacturing industries was improved by the reduction in inflation rates. There was recovery in the building sector. Favourable weather conditions permitted vigorous growth in the rural sector, and exports of farm products remained high. With this economic background, there was strong market demand for the Group's products.

The total sales of the Group increased by 21 per cent in Australian dollars and its trading profits by 29 per cent, with improvement in most business sectors, especially in the second half of the year. The performance of the heavy chemicals, agricultural products, fibres, plastics and paints businesses was particularly encouraging.

A general improvement in business activity in New Zealand in the first half of the year was sustained in the second six months as a consequence of better prices for primary products and some Government stimulus, particularly for the export trade. As a result, the sales and profits of ICI New Zealand Ltd were materially higher than those of 1978.

Capital expenditure by the Group in Australasia was about one-third higher in local currency than the level of 1978. Production commenced at the new PVC plant at Laverton, Victoria, and at the new polypropylene plant at Botany, New South Wales. A substantial new investment in olefines, low density polyethylene, and ethylene oxide and derivatives at Botany was sanctioned. Planning for the development of a new manufacturing complex on recently acquired land at Point Wilson, Victoria, progressed during the year.

Far East (including Japan)

ICI subsidiary and associated companies in East and South East Asia manufacture an increasingly wide range of products, including crop protection chemicals, inorganic and organic chemicals, industrial explosives, paints and pharmaceuticals. Most of this production is sold to meet local demand in the country of manufacture. Trading conditions in 1979 were buoyant in most areas and, with increased sales, profits were 23 per cent higher. Exports from the UK increased by 20 per cent despite a marked appreciation of sterling compared with most local currencies in the region.

In Japan, particularly good results derived from an increase of 25 per cent in UK exports and there was continued good performance by ICI's joint ventures with Japanese partners in agricultural chemicals, pharmaceuticals and surfactants.

The ICI Malaysia Group had another successful year, with paints, fertilizers and crop protection chemicals making the main contributions.

In the region served by ICI (China) Ltd, sales increased by 60 per cent, including output from new local manufacturing facilities for antiseptics and plastics raw materials. Efforts to increase trade with the People's Republic of China continued and sales were higher than in 1978. A branch of ICI (Export) Ltd was established in Seoul during the year, reflecting the increasing importance of South Korea as a market.

Indian sub-continent

The ICI Group in India manufactures industrial explosives, fertilizer, polyester fibre, polyethylene, rubber chemicals, paints, crop protection chemicals and pharmaceuticals, while associated companies make dyestuffs and textile auxiliaries. The urea fertilizer and polyester fibre plants are being expanded and this work proceeded on schedule during 1979.

Business conditions in India were affected by a national power shortage and a deterioration in the climate of industrial relations. Failure of the monsoon rains in large parts of Northern India also affected trading towards the end of the year and made the economic outlook for 1980 uncertain. Despite these problems the profits of the Group in India improved in 1979.

Under difficult trading conditions, sales and profits in Pakistan were virtually unchanged from 1978. An investment in polyester fibre was sanctioned during the year.

Africa

Exports from the UK to Africa were £112 million, an increase of 17 per cent on 1978. The largest export sales were to South Africa (£58 million) and to Nigeria (£23 million). The principal exports were crop protection chemicals, dyestuffs, pharmaceuticals and general chemicals.

ICI continued to pay particular attention to the wages and conditions of its employees in South Africa. In common with other United Kingdom companies with interests in South Africa, ICI reports annually to the UK Government on progress in implementing the provisions of the EEC Code of Conduct. Copies of its report for 1979 are available on request.

Eastern Europe

Sales were 25 per cent higher in value than in 1978. Most of this increase was a consequence of the higher prices of raw materials; sales of catalysts to USSR accounted for the balance. Shortage of foreign currency in Eastern Europe affected sales adversely, even of products such as crop protection chemicals which yield economic benefits equivalent to many times their cost.

Middle East

The revolution in Iran, and Turkey's continued financial problems, made trading conditions difficult in these large Middle Eastern markets. However, exports to other countries, notably Saudi Arabia, improved and sales overall were somewhat higher than in 1978. Crop protection products and petrochemicals did especially well.

Associated Companies

Details of ICI's investments in its principal associated companies are given on page 35.

Towards the end of the year ICI disposed of its 50 per cent shareholding in Cleveland Potash Ltd to Charter Consolidated Ltd and Anglo American Corporation of South Africa Ltd. This will assist ICI to concentrate its investment in manufacture more closely related to the mainstream of its activities.

AECI Ltd

AECI Ltd, the South African Group in which ICI has a 40 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 896 million. Profit before tax amounted to Rand 125 million, an increase of 32 per cent over 1978. The recovery in the South African economy during 1978 continued throughout 1979 and helped AECI's performance. Profits increased in all the main sectors of AECI's business with the exception of the agricultural sector where a heavy increase in the price of oil-based feedstock affected profitability.

Sales of PVC from the Coalplex project, a large coal based complex producing PVC and a range of chloro-chemical products, in which AECI has a 60 per cent interest, were substantially higher than expected and the economics of the project have benefited accordingly.

Carrington Viyella Ltd

Carrington Viyella Ltd, a manufacturer and seller of a wide range of textile products, in which the Group has a 49 per cent interest, achieved sales in 1979 of £31[illegible] compared with £323 million in 1978. After adjusting the 1978 figures to take account of the fact that the former Canadian subsidiary is now an associated company, this was an increase of 6 per cent. Profit before tax was £8.5 million (1978 £14.5 million). Trading was affected by the haulage strike in January and by generally sluggish demand due to world economic conditions. Results in the first half year were similar to those in 1978, but deteriorated appreciably in the latter part due to depressed market conditions exacerbated by increased textile and clothing imports into the UK. The year's outcome reflects this disappointing trading and the cost of further rationalisation measures.

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 and has major plants in North and South Carolina.

During the first half of the year trading remained strong, with the company taking full advantage of the high level of textile activity in the United States. In the second half, there was a marked decline in trading conditions and the profitability of the company was reduced. In dollar terms, sales were 18 per cent higher than in 1978 and trading profits were slightly over half the 1978 results.

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. Its manufacturing plants are in the UK, France, Canada, Australia, South Africa and Spain.

Operations in the first half of 1979 in the UK and Canada were badly affected by external strikes, national and local, which seriously affected the supply of raw materials. But for this, the pre-tax profit for the first six months of 1979 at £5.6 million (compared with £2.5 million in the first half of 1978) would have shown greater improvement. Firm demand for titanium pigments throughout 1979 made it possible for part of the substantial cost increases of recent years to be recouped through higher prices.

Research and Technology

The Group's expenditure on Research, Development and Technical Service rose to £185 million (1978 £164 million), of which £48 million (1978 £47 million) was spent overseas. The increase in UK expenditure is the result of inflation rather than additional effort and the figure for overseas expenditure has been affected by changes in the value of currencies. The Group's research effort continues to be directed towards improving cost effectiveness, securing the long term viability of ICI's established business in chemicals, plastics and fibres, and expanding its business based on biological science. Much of the research effort is located in the UK but there is increased effort in North America in both biological and materials research, offset by some reduction generally in the support for the more traditional product range. The new buildings for pharmaceuticals research and development at Wilmington, USA, were completed during the year.

In heavy chemicals, fibres and plastics, the overriding objective is to produce the successive advances in technology that are needed to keep ICI's processes competitive in the medium and long term. Engineering science forms the basis of the high unit-throughput technology for fibres and films, which is being rapidly developed. Many of the advances are evolutionary, as in the new ethylene oxide plant sanctioned for the USA, but the cumulative effects can be substantial.

There is still scope for major improvements in energy intensive processes. For example, ICI's latest diaphragm cells, first installed at Becancour, Quebec, make it possible to reduce costs substantially in new chlor-alkali plants. The Group's large research effort on catalysis is directed mainly towards improving the utilisation of raw materials by improving the selective yield of the required product or by opening up more efficient routes, for example to chlorinated solvents.

More attention is being paid to the future use of alternative feedstocks and, in catalysis research, potential routes to petrochemical products are being explored from intermediates which could be obtained from oil, natural gas or coal. Although this process technology is based in the manufacturing Divisions, much of the longer term and more exploratory work in engineering, catalysis and energy conservation emanates from the Corporate Laboratory.

In the biological field, significant advances have been made in the agricultural class of business. Research on the fungicidal properties of the triazoles has led to the development of 'Vigil', a product for the more effective control of rust and mildew on wheat and barley, applications pioneered largely by the 'Milgo' and 'Milstem' fungicides in the early 1970s. New outlets for 'Vigil' as a broad spectrum fungicide are foreseen and these should extend considerably the range of applications of ICI's crop protection products. Improved machinery for the application of crop chemicals is being developed and a new high capacity seed treating machine, 'Centaur', was introduced during the year.

ICI's commitment to pharmaceuticals research and development has been maintained although the proportion devoted to development has again been increased because of the scope and variety of government toxicological requirements throughout the world. Combinations of cardiovascular and diuretic products are used increasingly in the treatment of high blood pressure, and 'Inderetic' (a combination of 'Inderal' and bendrofluazide) and 'Tenoretic' ('Tenormin' and chlorthalidone) have been developed for this purpose.

In the speciality chemicals area, several new development products have reached advanced stages of customer evaluation. A new range of high purity fatty amines is expected to have wide application in surface treatments and colloid technology. A group of extremely powerful, polymeric, non-ionic emulsifiers is being developed for use at high temperatures and under other severe conditions normally unfavourable to emulsion stability. Work on the dispersion of fillers in plastics has led to a new type of moulding technology in which a pigmented and heavily filled liquid dispersion ('Asterite' acrylic cast dispersion) is cured to form a hard, high-gloss material with a ceramic-like appearance. This product, which is 70 per cent inorganic, is arousing considerable interest in Western Europe for kitchen and bathroom fittings. 'Asterite' acrylic cast dispersion is a step towards the wider use of mineral products in place of oil-based materials.

Personnel

The Group

The average number of people employed by the Group in 1979 was 148,200 (1978 151,200) and they were located in the following areas:

	1979	1978
United Kingdom	**89,400**	92,500
Continental Western Europe	**10,700**	10,700
The Americas	**20,200**	19,500
Australasia and the Far East	**15,500**	15,700
Indian sub-continent	**10,500**	11,000
Other countries	**1,900**	1,800
	148,200	151,200

The Group's policy is to staff its operations with nationals of the country involved. At the end of 1979 the number of UK nationals working abroad was 415 and a further 200 non-British personnel were serving away from their own countries. The object of international staff movement is to fill positions until suitable local nationals can be developed, to pass on experience, and to develop staff of high potential likely to occupy senior positions in the Group. Decisions about the content of personnel policies are made locally. The aim of the Group is to be a good and progressive employer and to earn a reputation as such in each territory in which it operates.

The United Kingdom

The aggregate remuneration for 1979 of the employees of the Group in the UK was £607 million (1978 £523 million) and total income tax deducted under PAYE was £118 million (1978 £112 million).

The need to reshape businesses to fit changing market circumstances and to maintain the drive for productivity improvement has resulted in a further reduction in numbers employed. This process will continue. ICI's policy laid out in the Company's statement on security of employment issued to its employees in 1975 is to avoid enforced redundancy wherever possible.

Since its inception ICI has placed great emphasis on having progressive personnel policies. The difficulty of the industrial, social and economic circumstances of the UK over the last decade has revealed the need to involve management and employees in a joint understanding of the realities of running the business. A considerable investment of management and employee energy goes into these matters in ICI and discussions at all levels in the consultation system show a good deal of understanding and realism. Training presentations which have been developed to assist the Company's own employees to understand the nature of the business and the need for wealth creation have been made available to other firms. Useful guidelines for action on employee involvement have also been published by the Confederation of British Industry.

There are no simple figures which can comprehensively sum up the effects of personnel policy, but during the last decade ICI has maintained its reputation for good industrial relations. Productivity, in terms of output per employee, has improved at about 7 per cent per annum. Although the Company's achievement is better than that of UK industry as a whole, further improvement is necessary to match international competition.

Pensions With effect from 1 July 1979 pensions were increased by 10 per cent for those who had been retired for a year or more. Smaller increases were awarded to more recently retired employees. This was the fifteenth increase since 1949.

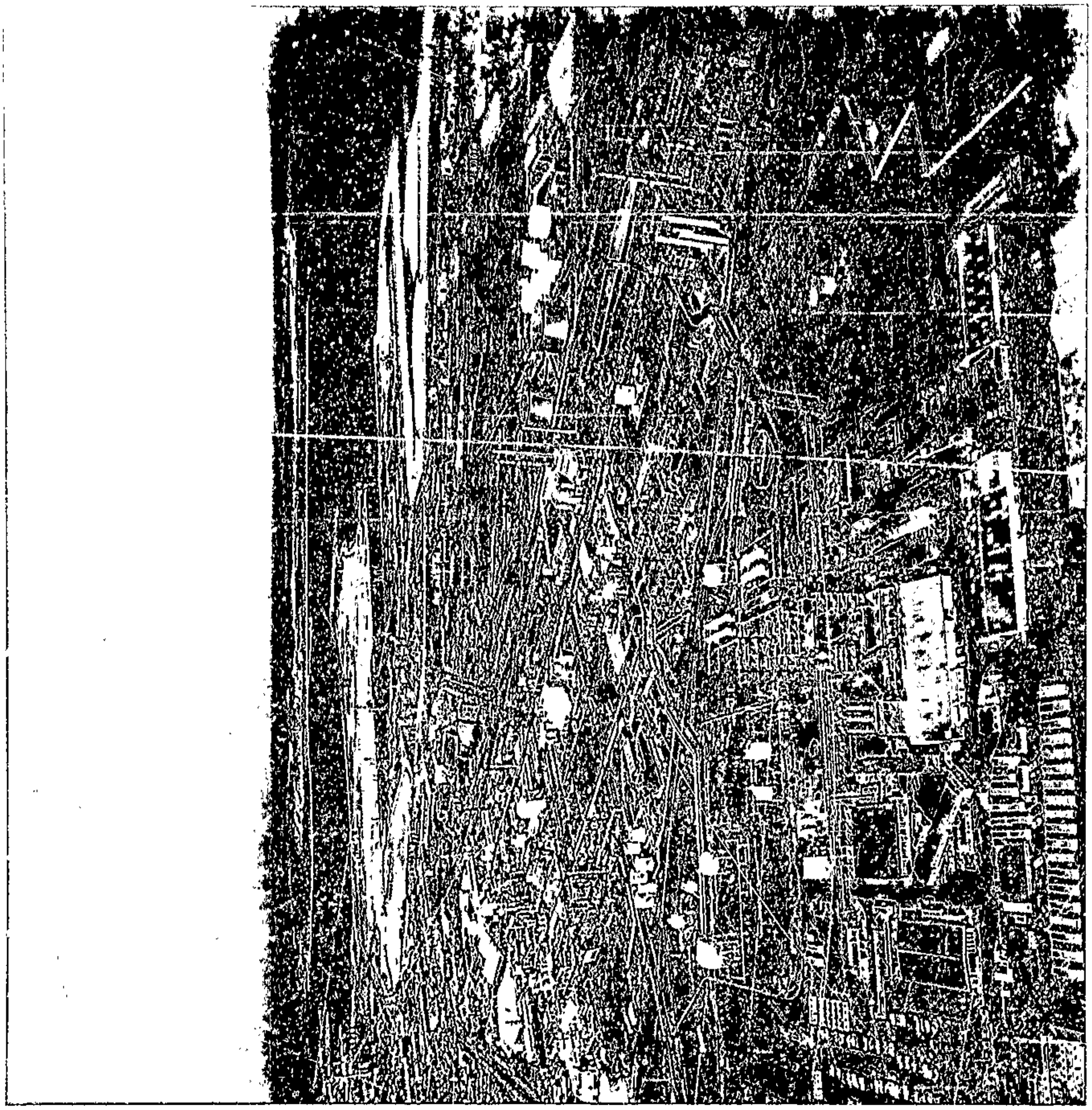
Mitigating the effects of inflation places a considerable burden on the Pension Funds and, on the advice of the Funds' Actuaries, the Company has increased its rates of contribution to both the Staff and Workers' Funds to provide for the improvements in benefits which were made during 1978 and for the increases in pensions.

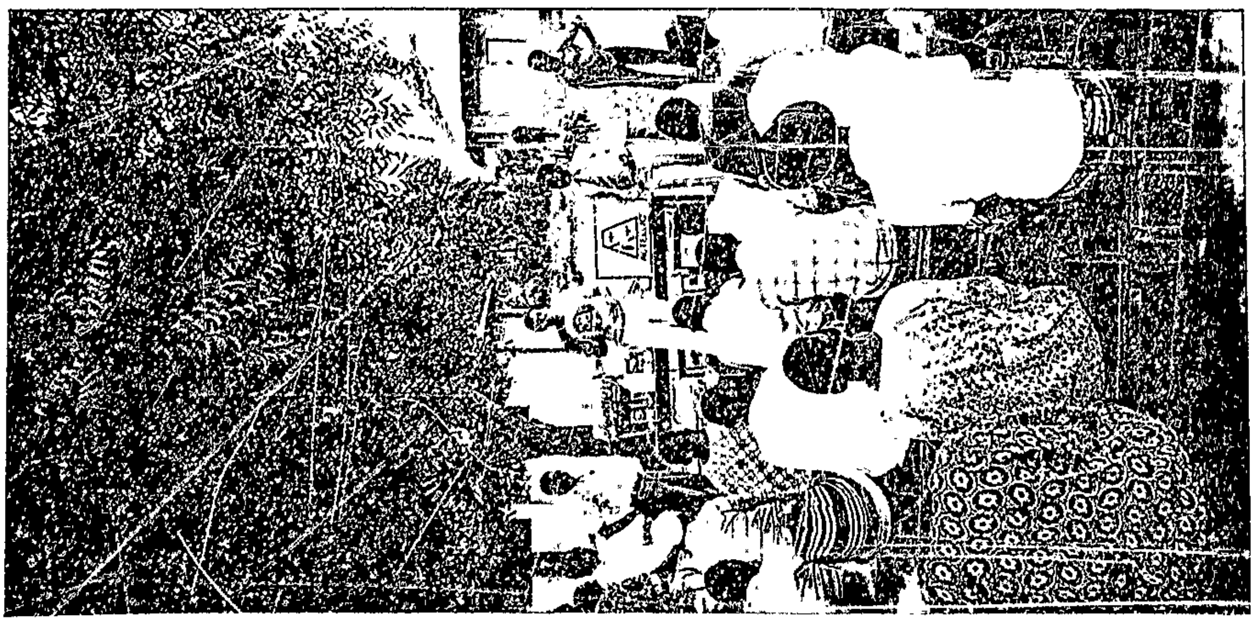
Employees' Profit-Sharing Scheme The rate of bonus is determined by reference to a published scale based on the ratio of added value to employee costs. The rate for 1979 is 8·1p per £1 of remuneration (at a total cost of £40 million) compared with 6·9p (£30 million) for 1978.

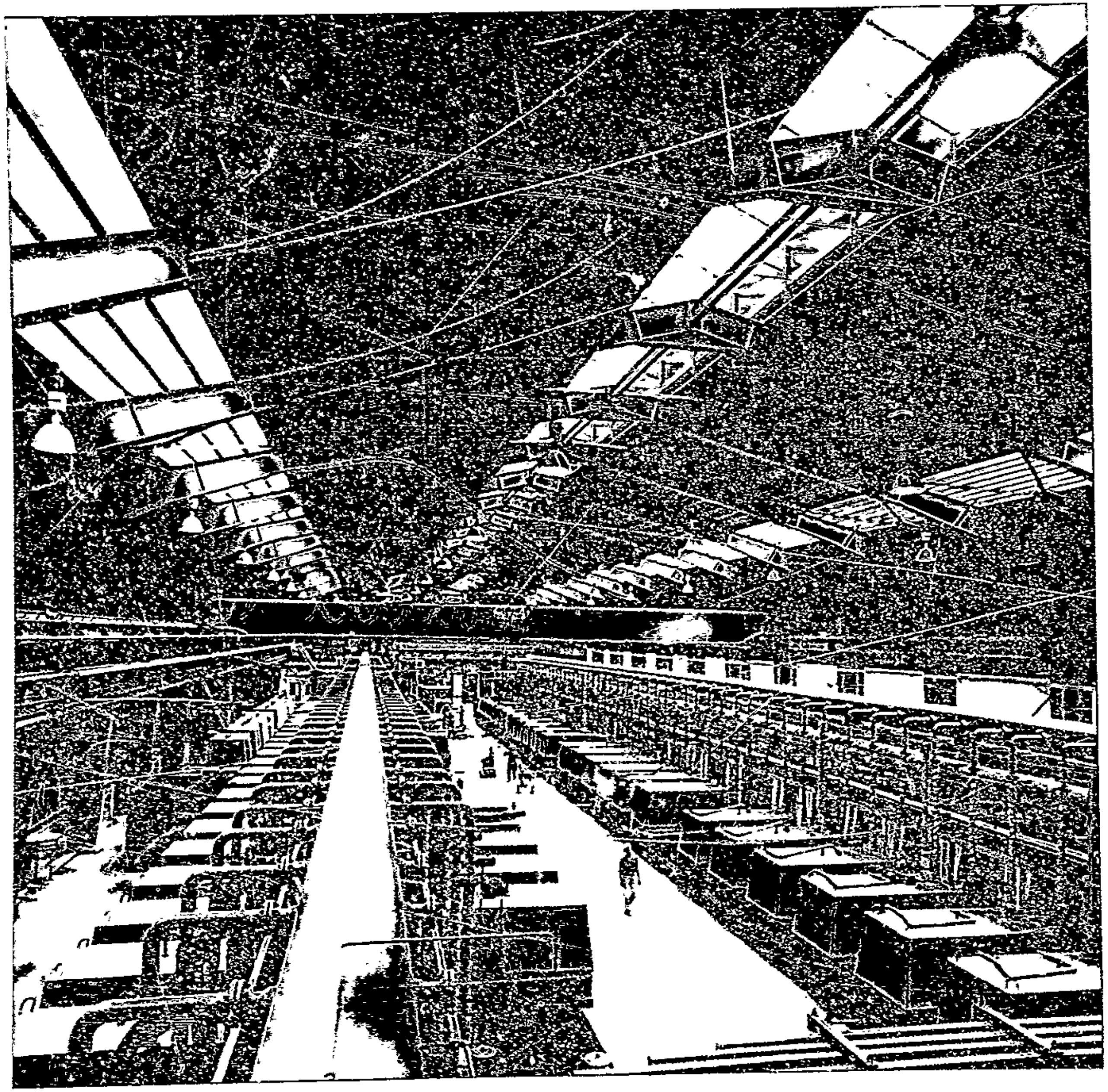
In 1979, 8,300 employees elected to take advantage of the modification made to the Scheme which gives an optional new facility for the favourable tax treatment of bonuses within the provisions of the Finance Act 1978.

Employees' Share Option Schemes

At the Annual General Meeting in 1974, resolutions were passed adopting a savings-related employees' share option scheme and a United Kingdom senior staff share option scheme, and authorizing the Directors to set up a scheme or schemes for senior staff overseas. The resolutions were approved on the understanding that none would be implemented unless and until the Board were satisfied, after consulting the Committee of Non-Executive Directors which originally considered the schemes, that it was in the interests of the Company to do so. Following a review of the matter, the Board decided, on the recommendation of the Committee of Non-Executive Directors, to implement the savings-related scheme and the UK senior staff scheme with effect from March 1980, when the first offers of options under the schemes are being made. The setting up of schemes for senior staff overseas is under consideration and decisions will be taken in the light of the circumstances in the various countries concerned.







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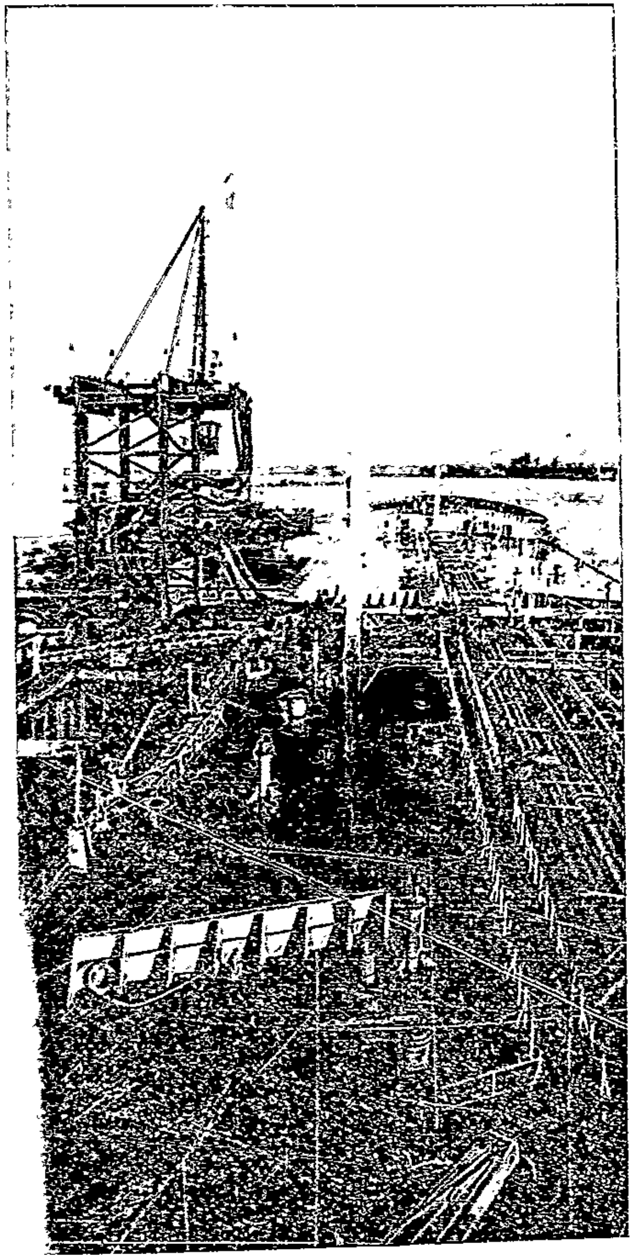
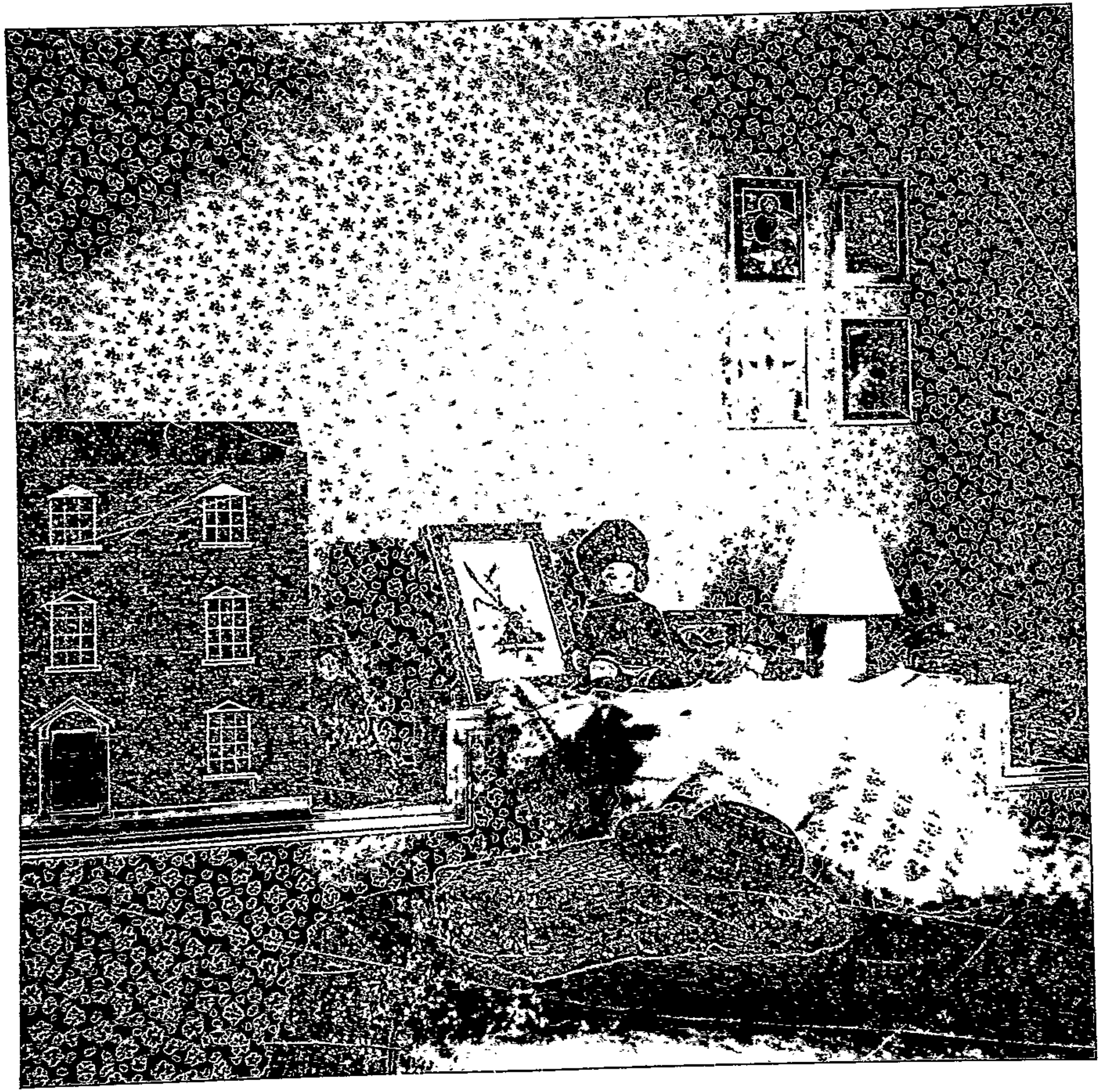
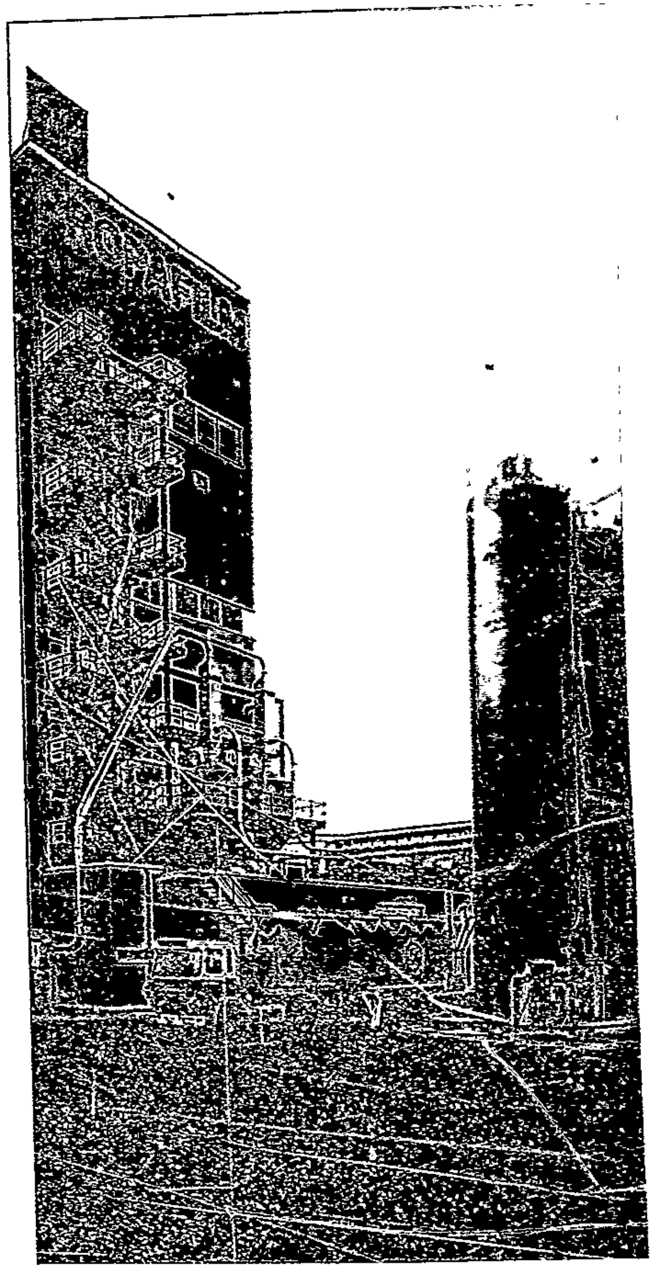


Featured in this bedroom is wallcovering design 'Briar', which is available in the 1980/81 'Novamura' collection throughout the UK. 'Novamura', the unique polyethylene foam film wallcovering, was developed by ICI.

'Propathene' polypropylene polymer made by [illegible] delivered to nv Propafilm sa ICI's joint company [illegible] in Belgium, to be used for the manufacture of [illegible] polypropylene film.





ICI and the Community

Social responsibility In its dealings with the various groups who make up society, ICI seeks to achieve high standards of behaviour as a socially responsible company.

Young people are a particularly important group for the future and ICI has continued to pursue the aim of improving their understanding of the purpose and value of manufacturing industry. In particular, two new films for school children are nearing completion, one to convey the nature of work in industry and the other to illustrate the basic concepts of economics and wealth creation.

Health, safety and the environment Care for the health and safety of its employees, and for the environmental effect of its processes and products in the community, continues to be a basic concern of the ICI Group. During the year the Company's arrangements for co-ordinating action on health, safety and environmental matters were strengthened and this field of action was integrated further into the general management of the Company's activities.

ICI has continued to collaborate with government bodies in the UK and abroad who are concerned in strengthening legislation in the field of health, safety and the environment. With the experience and resources available to it, the Company has been able to make an important contribution in the development of rational legislation.

Extension and modernisation of facilities in the Company's Toxicological and Environmental Laboratories has continued so that they may meet increased needs and enable work to be done which will provide a better understanding of the underlying scientific problems. This work is combined with the continuing efforts in research and technology to develop improved processes with greater inherent safety and with reduced effect on the environment.

The Company's arrangements for management training in health, safety and environmental matters have been reviewed and new training modules are being developed which will reinforce the emphasis which the Company places on the safety of its operations.

Donations Donations made by the Group in 1979 for charitable purposes in the UK amounted to £800,000 (£705,000 in 1978), of which about 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

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 A W Clements, whose appointment to the Board was referred to in the Report for 1978, and Mr F Whiteley and Mr D H Henderson, whose appointments to the Board are referred to below, all served as Directors for the whole of 1979. In addition, Mr F J K Hillebrandt and Dr A Spinks, to whom reference was made in the Report for 1978, were Directors for part of the year.

At the request of the Prime Minister, the Board have agreed to the secondment of Mr J R Ibbs to the Cabinet Office for three years from 1 April 1980 in order to take on the appointment of Head of the Central Policy Review Staff. Mr Ibbs will relinquish his appointment as a Director on 31 March 1980. His colleagues in the Company wish him well in this new task.

It is with great pleasure that the Directors record the honour of Knighthood conferred on Sir Maurice Hodgson and Sir Alex Jarratt in The Queen's Birthday Honours for 1979.

Board changes

Two new Directors have been appointed since the last Annual General Meeting of the Company. Mr F Whiteley, previously Chairman of Agricultural Division, was appointed a Director with effect from 1 August 1979 and Mr D H Henderson, previously Chairman of Paints Division, was appointed a Director with effect from 1 March 1980.

The Board are shortly to lose the services of Mr J A Lofthouse, who retires in March 1980, and of Sir Raymond Pennock who is leaving the Company and the Board in March 1980 to become Chairman of the Board of BICC Ltd. They have served the Company with great distinction and their colleagues on the Board pay warm tribute to the important contributions they have made.

Sir Raymond joined ICI in 1947 and his early years in the Company were spent in personnel work, initially at Billingham. In 1954 he became Staff Manager of Billingham (now Agricultural) Division and, after service in Central Staff Department and Southern Sales Region, he was appointed Commercial Director of Agricultural Division in 1961. He became a Deputy Chairman of that Division in 1964 and its Chairman in 1968. He was appointed to the Board in 1972 and was elected a Deputy Chairman in 1975. Since his appointment to the Board, Sir Raymond has played a major part in many areas, including commercial and planning matters and the activities of the Group in the Pacific and Far East, Continental Western Europe and the Americas. He received a knighthood for services to export in 1978. He is very actively involved in the work of the Confederation of British Industry and is currently its Deputy President.

Mr Lofthouse began his career with the Company in 1939 and his early service was spent in the engineering field at Billingham. In 1958 he became Engineering Manager of the then Heavy Organic Chemicals Division, and in 1961 was appointed Technical and Engineering Director of Nobel Division. In 1966 he returned to Heavy Organic Chemicals Division as a Deputy Chairman, becoming Division Chairman in 1967. Mr Lofthouse was appointed to the Board in 1970 and has served as Personnel Director, Explosives Product Director and Petrochemicals Product Director. He has also played a leading role in the expansion of the Company's business in the Americas and in the development of its oil interests.

The Board have elected Mr R Haslam to be a Deputy Chairman of the Board with effect from 1 April 1980. Mr Haslam has 32 years' service with the ICI Group and was appointed a Director in 1974. He is now the Director resident in the USA and will continue in that capacity as a Deputy Chairman.

Directors recommended for re-election

Under Article 80, Mr D H Henderson (aged 47 years) and Mr F Whiteley (aged 49 years) retire and are recommended for re-election, together with Sir Terence Beckett (aged 56 years), Mr W B M Duncan (aged 57 years) Sir Arnold Hall (aged 64 years), Dr P G Harvey (aged 54 years) and Dr A Robertson (aged 59 years), who retire under Article 98.

Sir Terence Beckett has been a Non-Executive Director of the Company for three years. He is the Chairman and Managing Director of Ford Motor Company Ltd.

Mr W B M Duncan has thirty-eight years' service with the ICI Group, eight as a Director. Before his appointment to the Board he was President and Chief Executive Officer of ICI North America Ltd. He has been a Deputy Chairman for three years.

Sir Arnold Hall has been a Non-Executive Director for nine years. He is Chairman and Managing Director of Hawker Siddeley Group Ltd.

Dr P G Harvey has thirty-three years' service, three as a Director. Before his appointment to the Board he was Chairman of Mond Division. He is currently Plastics Product Director and also has special responsibility for ICI Europa and for the business in Eastern Europe.

Dr A Robertson has forty-three years' service, five as a Director. Before his appointment to the Board he was Chairman of Plant Protection Division. He is currently Agricultural and Plant Protection Product Director and Management Services Director. He also has special responsibility for the business in the Pacific and Far East.

Each of the five 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 21.

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 will 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 14 April 1980 to pass the resolution set out under item 4(1) of the Notice of Meeting on page 1. This is in line with the authority given at the Annual General Meeting held on 18 April 1979, under which no issues have been made. It is the intention of the Directors to ask stockholders at future Annual General Meetings to renew the authority if the situation at the time makes it desirable to do so.

Stockholders will also be asked at the Annual General Meeting to pass the resolution set out under item 4(2) of the Notice of Meeting increasing the capital of the Company from £650,000,000 to £725,000,000. At present the Company has approximately 58 million shares unissued, of which about 8 million will be issued this year under the Employees' Profit-Sharing Scheme and about 35 million may be required for issuing in exchange for the convertible bonds of a finance subsidiary and under the employees' share option schemes referred to on page 18. The increase sought will provide a reasonable working balance.

Auditors

The Auditors, Thomson McLintock & Co and Price Waterhouse & 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 employees of the ICI Group throughout the world have played a vital part in the Group's achievements during the year. Their skill and determination are at the root of ICI's success and the Directors record their grateful appreciation

On behalf of the Board

J D COUSIN
Secretary

Imperial Chemical House
Millbank, London SW1P 3JF

6 March 1980

Directors' interests

The interests at 31 December 1979 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 holdings at 1 January 1979, or, if appointed during 1979, at their date of appointment, are shown in brackets.

Directors (As at 31 December 1979)	Class of stock/share/debenture	*Holding at 31 December 1979 Beneficial interest		Other interest	
Sir Terence Beckett	ICI Ordinary Stock	£562	(£562)		
A. W. Clements	ICI Ordinary Stock	£2,466	(£2,220)		
W. B. M. Duncan	ICI Ordinary Stock	£2,585	(£2,450)	£630	(£630)
Sir Arnold Hall	ICI Ordinary Stock	£562	(£562)		
P. G. Harvey	ICI Ordinary Stock ICI 8 per cent Loan Stock	£2,653 £150	(£2,518) (£150)		
J. H. Harvey-Jones	ICI Ordinary Stock	£698	(£563)		
R. Haslam	ICI Ordinary Stock	£2,612	(£2,477)		
Sir Maurice Hodgson	ICI Ordinary Stock	£2,561	(£2,426)		
J. P. Ibbs	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,184 £150	(£1,049) (£150)		
Sir Alex Jarratt	ICI Ordinary Stock	£562	(£562)	£118	(£118)
J. A. Lofthouse	ICI Ordinary Stock ICI 7¼ per cent Loan Stock	£3,148 £200	(£3,013) (£200)		
Sir Raymond Pennock	ICI Ordinary Stock	£685	(£550)		
Lord Polwarth	ICI Ordinary Stock	£2,125	(£2,125)	£1,178	(£1,178)
C. H. Reece	ICI Ordinary Stock	£2,211	(£1,973)		
A. Robertson	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,146 £100	(£1,011) (£100)		
Sir Francis Sandilands	ICI Ordinary Stock	£562	(£562)	£3,500	(£3,500)
A. B. Smith	ICI Ordinary Stock	£635	(£500)		
Lord Thomson	ICI Ordinary Stock	£500	(£500)		
F. Whiteley	ICI Ordinary Stock	£2,084	(£2,084)		

*There were no changes in the period 1 January 1980 to 12 February 1980.

Financial calendar

Dividend and interest payments

A second interim dividend for the year 1979, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 3 April 1980 to Ordinary Stockholders registered in the books of the Company on 28 February 1980.

Dividend and interest payments are normally made as follows:—

First Interim Ordinary Dividend: Second week of November
(Announced fourth Thursday in August)

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 1980 are expected to be announced as follows:—

First quarter	22 May 1980
Half year	28 August 1980
Nine months	27 November 1980
Whole year	26 February 1981

Taxation

In certain circumstances, when a stockholder sells stock the 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 234½p
(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).

Group financial record

For the years ended 31 December

		1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
		£million									
Assets employed	Fixed assets	1,076	1,157	1,160	1,185	1,233	1,425	1,733	1,876	2,299	2,770
	Trade investments	192	202	208	244	258	302	365	345	362	332
	Net current assets	368	399	486	699	906	1,006	1,406	1,433	1,349	1,351
	Total assets employed	**1,636**	**1,758**	**1,854**	**2,128**	**2,397**	**2,733**	**3,504**	**3,654**	**4,010**	**4,453**
Financed by	Ordinary capital of ICI	469	474	478	480	486	494	559	564	570	581
	Group reserves applicable to ICI Ordinary stockholders	443	433	448	615	806	934	1,249	1,679	1,874	2,208
	ICI Ordinary stockholders' interest	**912**	**907**	**926**	**1,095**	**1,292**	**1,428**	**1,808**	**2,243**	**2,444**	**2,789**
	Minority interests and preference capital of ICI	125	123	133	165	187	203	243	204	236	232
	Deferred taxation (Note 1)	77	62	91	115	174	212	308	—	—	—
	Government grants	80	91	87	81	77	80	85	89	120	157
	Deferred liabilities	—	—	—	—	—	—	26	74	126	[illegible]
	Loans	442	575	617	672	667	810	1,034	1,044	1,084	1,145
	Total funds invested	**1,636**	**1,758**	**1,854**	**2,128**	**2,397**	**2,733**	**3,504**	**3,654**	**4,010**	**4,453**
Sales, profits and reserves	**Sales** (external) — UK	693	704	776	942	1,199	1,314	1,616	1,868	1,800	2,232
	— Overseas.	769	820	918	1,224	1,756	1,815	2,519	2,795	2,733	3,136
	— Total	**1,462**	**1,524**	**1,694**	**2,166**	**2,955**	**3,129**	**4,135**	**4,663**	**4,533**	**5,368**
	Trading profit (after depreciation)	**159**	**145**	**163**	**309**	**463**	**319**	**519**	**552**	**504**	**655**
	Depreciation	114	129	148	157	169	182	205	221	225	248
	Exchange gain (loss) on net current assets of overseas subsidiaries	—	—	6	20	(6)	29	58	(29)	(39)	(24)
	Share of profits less losses of principal associated companies	16	22	18	34	43	24	30	31	29	47
	Profit before loan interest, taxation and grants	172	166	185	360	505	378	615	568	513	642
	Profit before taxation and grants	**144**	**130**	**141**	**311**	**455**	**321**	**540**	**483**	**421**	**560**
	Taxation less grants (Note 1)	42	32	39	126	197	125	214	136	100	104
	Profit after taxation and grants	102	98	102	185	258	196	326	247	321	456
	Profit applicable to ICI before extraordinary items	**92**	**85**	**85**	**161**	**238**	**172**	**291**	**319**	**304**	**431**
	Extraordinary items	—	—	—	15	(5)	(1)	(46)	(29)	(3)	(16)
	Profit applicable to ICI after extraordinary items	**92**	**85**	**85**	**176**	**233**	**171**	**245**	**290**	**301**	**415**
	Net dividends	38	40	41	50	54	59	83	93	105	134
	Income tax on dividends	27	25	26	—	—	—	—	—	—	—
	Profit retained transferred to reserves	27	20	18	126	179	112	162	197	196	231
	Amounts credited (charged) direct to reserves	42	(30)	(3)	41	12	16	153	(16)	(1)	53
	Earnings and dividends (in pence) per £1 Ordinary stock (see Note 2 below)										
	Earnings, before extraordinary items	19·6	17·8	17·6	33·0	48·2	34·5	54·4	56·8	53·6	74·7
	Dividends	13·5	13·5	13·8	10·1	10·9	11·6	14·8	16·5	18·5	23·0
	Dividends grossed up for imputed tax credit	—	—	—	14·5	16·3	17·9	22·7	25·0	27·6	32·9
	Profit before loan interest, taxation and grants, as a percentage of average assets employed	10·9	9·8	10·2	18·1	22·3	14·7	19·7	15·9	13·4	13·2

Notes: 1 Deferred taxation for the years 1970 to 1976 has not been recalculated on the basis of the present accounting policy, set out opposite; the cumulative amount of the prior years' adjustment at 31 December 1976 was £249 million.

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

Accounts for the year 1979

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 profits relate to periods ending not earlier than 30 June and are calculated from the latest available audited accounts adjusted, where the accounting dates are before 30 June, by reference to the unaudited results for more recent periods. The profits of other companies in which the Group has trade investments, including the smaller associated companies, are included only to the extent of dividends received.

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 lives approximate to 23 years for buildings and 14 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. Differences arising from changes in exchange rates are taken to profits where they relate to items of a trading nature, and to reserves where they relate to fixed assets, investments and long-term loans, including, in the Company balance sheet, adjustments to the book values of overseas subsidiaries and trade investments.

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 1979 all goodwill had been written off.

Government grants

Investment and regional development grants are credited to profit and loss account, as a deduction from taxation, 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 the acquisition, exploration for and development of 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 60 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 covering the majority of employees. Contributions to pension funds are charged against profits as payments are made. With some minor exceptions these schemes are fully funded and contributions by employees and by the companies are held in trustee-administered funds completely independent of the companies' finances.

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 and UK stock appreciation relief, 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, as a matter of prudence, 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 1979

Composition of the Group

The Group accounts consolidate the accounts of the Company and its subsidiaries of which there were 332 at 31 December 1979. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 129 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.

The accounts of one operating division and certain subsidiary and associated companies, representing approximately 24 per cent of Group sales and 21 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

	Notes	1979 £million	1978 £million
Sales to external customers		5,368	[illegible],533
Trading profit	(1)	655	504
Exchange loss on net current assets of overseas subsidiaries		(34)	[illegible]
Investment income	(2)	52	[illegible]
Interest and financing costs	(3)	(120)	[illegible]
Employees' profit-sharing bonus		(40)	[illegible]
Share of profits less losses of principal associated companies		47	[illegible]
Profit before taxation and grants		560	421
Taxation less grants	(4)	(104)	[illegible]
Profit after taxation and grants		456	321
Applicable to minorities		(25)	[illegible]
Profit applicable to parent company before extraordinary items		431	304
Extraordinary items	(5)	(16)	[illegible]
Profit applicable to parent company after extraordinary items		415	301
Dividends	(6)	(134)	[illegible]
Profit retained for year		281	196
Earnings before extraordinary items per £1 Ordinary stock	(7)	74·7p	53·6p

Reserves applicable to parent company

	Notes	1979 £million	1978 £million
At beginning of year		1,874	[illegible]
Profit retained for year		281	[illegible]
Amounts taken direct to reserves		53	[illegible]
At end of year	(8)	2,208	1,674

Balance sheets (historical cost)

At 31 December 1979

	Notes	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Assets employed					
Fixed assets	(9)	2,770	2,299	1,383	1,165
Interests in subsidiaries	(10)	—	—	1,107	1,140
Trade investments	(11)	332	362	76	91
Net current assets	(12)	1,351	1,349	97	75
		4,453	4,010	2,663	2,471
Financed by					
Capital and reserves					
Applicable to parent company:					
Issued capital	(13)	590	579	590	579
Reserves	(8)	2,208	1,874	1,612	1,402
		2,798	2,453	2,202	1,981
Applicable to minorities		223	227		
		3,021	2,680		
Government grants not yet credited to profit		157	120	145	114
Deferred liabilities	(14)	130	126	72	85
Loans	(15)	1,145	1,084	244	291
		4,453	4,010	2,663	2,471

M A E HODGSON
A W CLEMENTS } Directors

C J CROWE, Treasurer

Composition of net current assets

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Current assets				
Stocks	1,142	919	615	459
Debtors	1,145	980	88	84
Liquid resources	385	603	18	53
	2,672	2,502	721	596
Current liabilities				
Creditors	1,075	945	566	460
Short-term borrowings	246	208	58	61
	1,321	1,153	624	521
Net current assets	1,351	1,349	97	75

Auditors' report

To the Members of Imperial Chemical Industries Limited

We have examined the accounts set out on pages 23 to 35 which have been prepared under the historical cost convention as modified by the revaluation of certain assets.

In our opinion the accounts give, under the convention mentioned above, a true and fair view of the state of affairs of the company and the group at 31 December 1979 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 and 1967.

London 6 March 1980

THOMSON McLINTOCK & CO
PRICE WATERHOUSE & CO
Chartered Accountants

Statement of source and application of funds

For the year ended 31 December 1979

	Group 1979 £million	Group 1978 £million
Source of funds		
Profit after taxation and grants	456	321
Depreciation	248	225
Government grants received but not yet credited to profits	37	31
Miscellaneous items	13	25
Total generated from operations	754	602
Funds from other sources	219	176
Issues of ICI Ordinary stock	41	23
Issues of Loan stocks (less repayments)		
United Kingdom	(1)	(1)
Overseas	128	50
Deferred liabilities	6	52
Increased investment of minorities in subsidiaries	—	42
Disposal of subsidiaries and trade investments	45	10
Total funds obtained	973	778
Application of funds		
Dividends	150	120
Parent company	134	105
Subsidiaries to minority shareholders	16	15
Investment	1,079	815
New fixed assets	760	701
New investment in subsidiaries and trade investments	57	52
Additional working capital		
Stocks	223	63
Debtors	165	64
Creditors	(126)	(65)
Total funds applied	1,229	935
Decrease in net liquid resources	256	157

Sales proceeds in 1979 were from trade investments (1978 £9 million in respect of subsidiaries and £1 million in respect of trade investments).

New investment, mainly for cash, of £57 million (1978 £52 million) comprised £7 million (£5 million) in respect of subsidiaries and £50 million (£47 million) in respect of trade investments.

Liquid resources decreased by £218 million (1978 £108 million); short-term borrowings increased by £38 million (£49 million).

Notes relating to the accounts (figures in brackets represent deductions)

1 Trading profit

	1979 £million	1978 £million
Trading profit comprises:		
Sales	5,368	4,533
Royalty and other income	51	49
Cost of sales exclusive of depreciation	(3,547)	(3,001)
Depreciation	(248)	(225)
Selling, general and administrative expenses	(969)	(852)
	655	504
The following amounts have been charged in arriving at trading profit:		
Audit fees and expenses (including parent company 1979 £0·5 million; 1978 £0·4 million)	2·2	2·1
Hire of plant	74	62
Pension fund contributions, pensions and gratuities (including redundancy payments)	145	108
Petroleum revenue tax	22	—
Expenditure on research, development and technical service	185	164

2 Investment income

	1979 £million	1978 £million
Dividends and interest from:		
Trade investments – listed	6	5
– unlisted	29	23
Other listed investments	7	6
Short-term deposits and sundry loans	33	53
	75	87
Less: income from principal associated companies	(23)	(16)
	52	71

3 Interest and financing costs

	1979 £million	1978 £million
Interest – loans wholly repayable within 5 years	13	19
– loans not wholly repayable within 5 years	69	73
– bank overdrafts	11	9
Other interest and financing costs	27	13
	120	114

4 Taxation less grants

	1979 £million		1978 £million	
ICI Group				
United Kingdom taxation				
Corporation tax	32		34	
Double taxation relief	(23)		(23)	
Deferred taxation adjustment	2		4	
Advance corporation tax less recoveries	54	65	45	60
Overseas taxation				
Overseas taxes	49		51	
Deferred taxation adjustment	(6)	43	(1)	50
		108		110
Less: Government grants		(19)		(23)
Total ICI Group		89		87
Principal associated companies		15		13
		104		100

The ICI Group taxation charge has benefited from UK accelerated capital allowances, UK stock appreciation relief and certain other timing differences. It is not expected that the taxation deferred by these timing differences will be payable in the future and accordingly this tax has not been provided. Without the benefit of these accelerated allowances and timing differences the Group taxation charge would have been increased as follows:

	1979 £million	1978 £million
UK capital allowances in excess of depreciation charged	145	144
UK stock appreciation relief	90	24
Miscellaneous timing differences	(11)	7
	224	175
Less: advance corporation tax	(54)	[illegible]
	170	[illegible]

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.

5 Extraordinary items*

	1979 £million	1978 £million
The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:		
Losses less gains on disposals of, and provisions against, trade investments	(15)	(5)
Other	(1)	2
	(16)	(3)

*Net of minority interests.

6 Dividends

	1979 £million	1978 £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 (1978 10·0p) per £1 unit	70	57
Second interim 11·0p (1978 8·46586p) per £1 unit	64	48
	134	105

The interim dividend was paid on 9 November 1979 and the second interim dividend, to be confirmed as final, is payable on 3 April 1980.

7 Earnings per £1 Ordinary stock

	1979	1978
Earnings for Ordinary stockholders, before extraordinary items	431	304
Average Ordinary stock in issue during year, weighted on a time basis	577	567
Earnings before extraordinary items per £1 Ordinary stock	74·7p	53·6p

The effect on earnings per £1 Ordinary stock of full conversion of outstanding convertible bonds of a subsidiary into Ordinary stock of the Company would not be material.

8 Reserves

	Group 1979 £million	Group 1978 £million	Company 1979 £million
At beginning of year	1,874	1,679	1,402
Profit retained for year –			
By parent company	223	161	223
By subsidiaries	43	18	—
In principal associated companies	15	17	—
Amounts taken direct to reserves –			
Share premiums	30	17	30
Revaluations of fixed assets	29	—	—
Exchange adjustments –			
Book value of overseas subsidiaries	—	—	(40)
Fixed assets	(57)	(25)	1
Loans	60	3	—
Investments and other items	(17)	4	(5)
Other movements	8	—	1
At end of year	2,208	1,874	1,612

Group reserves are those applicable to the parent company.

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.

Reserves at end of year included share premiums amounting to £317 million (1978 £287 million). Group reserves included £122 million (£112 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

9 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	748	267	481	3,464	1,646	1,818	2,299
Exchange adjustments	(35)	(7)	(28)	(86)	(40)	(46)	(74)
Capital expenditure	86		86	674		674	760
Revaluations	32		32	6		6	38
Disposals and other movements	(7)	(6)	(1)	(59)	(55)	(4)	(5)
Depreciation for year		29	(29)		219	(219)	(248)
At end of year	824	283	541	3,999	1,770	2,229	2,770
Company							
At beginning of year	266	128	138	2,069	1,042	1,027	1,165
Capital expenditure	30		30	322		322	352
Disposals and transfers	(1)	(1)	—	(32)	(25)	(7)	(7)
Depreciation for year		10	(10)		117	(117)	(127)
At end of year	295	137	158	2,359	1,134	1,225	1,383

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

	1979 £million	1978 £million
Fixed assets under construction, excluding oil assets	731	672
Oil concessions, exploration and development expenditure	279	220
Revalued assets – land and buildings	104	76
– plant and equipment	21	16

During the year fixed assets of various subsidiaries were revalued; the major part of the revaluations was based on the acquisition cost of the minority shareholding in a partly-owned subsidiary.

Land and buildings comprised:

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Land	140	120	10	[illegible]
Buildings	684	628	285	[illegible]
	824	748	295	[illegible]
Freeholds	772	696	281	253
Long leases (over 50 years unexpired)	26	26	12	[illegible]
Short leases	26	26	2	2
	824	748	295	[illegible]

10 Interests in subsidiaries

	1979 £million	1978 £million
Shares at cost less amounts provided	546	490
Scrip issues capitalised	23	25
Book value of shares*	569	515
Amounts owed by subsidiaries	1,142	1,204
Amounts owed to subsidiaries*	(604)	(579)
	1,107	1,140

*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 34.

11 Trade investments

	Group 1979 £million	Group 1978 £million	Company 1979 £million
Principal associated companies			
Shares and advances at cost less amounts provided	154	153	39
Group share of post-acquisition retained profits and reserves (excluding amounts capitalised)	113	102	—
Scrip issues capitalised	11	13	4
	278	268	43

Information relating to the principal associated companies is given on page 35.

	Group 1979 £million	Group 1978 £million	Company 1979 £million
Other trade investments			
Shares and advances at cost less amounts provided	49	90	30
Scrip issues capitalised	5	4	3
	54	94	33
Total	332	362	76

The division of the above between listed and unlisted investments is:

	Group 1979	Group 1978	Company 1979
Listed shares	85	91	14
Unlisted equity shares	208	221	60
Advances	39	50	2
	332	362	76
Market value of listed shares	70	68	9

The following information is given in respect of the investments in unlisted equity shares:

	Group 1979	Group 1978	Company 1979
Amount included in ICI profit before taxation	26	21	14
ICI share of profits less losses for period of latest audited accounts received			
Before taxation	39	39	26
After taxation	24	20	14
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	103	77	83
Aggregate amounts provided by ICI in respect of losses since acquisition	24	52	18

12 Net current assets

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Stocks				
Finished goods	637	523	325	234
Raw materials and other stocks	505	396	290	228
	1,142	919	615	462

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 £388 million (1978 £325 million), which have been transferred to that subsidiary, are included with interests in subsidiaries in the parent company balance sheet.

Included in debtors are loans totalling £105,000 (1978 £62,000) made to officers of the Company. Advances during the year totalled £116,000 and repayments were £73,000. These loans were made in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Liquid resources				
Redeemable securities, at cost	77	113	13	42
Short-term deposits	214	420	1	5
Cash	94	70	4	3
	385	603	18	50
Market value of redeemable securities	75	116	13	46
Creditors				
Trade and other creditors	889	763	438	349
Dividends to Ordinary stockholders	64	48	64	48
Taxation	122	134	64	63
	1,075	945	566	460

Taxation includes advance corporation tax amounting to £28 million (1978 £24 million) in the Group and £28 million (£23 million) in the Company attributable to dividends payable in 1980 out of 1979 profits.

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Short-term borrowings				
Bank borrowings – secured	14	13	—	—
– unsecured	123	124	58	61
Other short-term borrowings	109	71	—	—
	246	208	58	61

13 Capital of parent company

	Authorised £million	Issued 1979 £million	[illegible]
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	[illegible]
Ordinary stock (£1 units)	581	581	[illegible]
Unclassified shares (£1 each)	60	—	—
	650	590	[illegible]

Ordinary stock was issued during the year in respect of:		
Employees' Profit-Sharing Scheme	5	4
Conversion of loan stock of a subsidiary	4	[illegible]
Acquisitions	2	[illegible]
	11	6

14 Deferred liabilities

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Advance proceeds from oil sales	72	35	72	[illegible]
Deferred petroleum revenue tax	22	—	—	[illegible]
Other deferred tax (Note 17)	16	24*	—	[illegible]
Other deferred liabilities	20	17*	—	[illegible]
	130	126	72	[illegible]

*included in creditors in 1978 Group accounts

Advance proceeds from oil sales
The Group has currently an approximate 19 per cent interest in the Ninian oilfield in the UK sector of the North Sea, on which it has incurred capital expenditure of £267 million up to 31 December 1979 (1978 £207 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 during 1979, totalled £72 million at 31 December 1979 (1978 £85 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £15 million relates to oil deliveries undertaken to be made in 1980.

12 Net current assets

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Stocks				
Finished goods	637	523	325	234
Raw materials and other stocks	505	396	290	228
	1,142	919	615	462

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 £388 million (1978 £325 million), which have been transferred to that subsidiary, are included with interests in subsidiaries in the parent company balance sheet.

Included in debtors are loans totalling £105,000 (1978 £62,000) made to officers of the Company. Advances during the year totalled £116,000 and repayments were £73,000. These loans were made in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Liquid resources				
Redeemable securities, at cost	77	113	13	42
Short-term deposits	214	420	1	5
Cash	94	70	4	3
	385	603	18	50
Market value of redeemable securities	75	116	13	46
Creditors				
Trade and other creditors	889	763	438	349
Dividends to Ordinary stockholders	64	48	64	48
Taxation	122	134	64	63
	1,075	945	566	460

Taxation includes advance corporation tax amounting to £28 million (1978 £24 million) in the Group and £28 million (£23 million) in the Company attributable to dividends payable in 1980 out of 1979 profits.

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Short-term borrowings				
Bank borrowings – secured	14	13	—	—
– unsecured	123	124	58	61
Other short-term borrowings	109	71	—	—
	246	208	58	61

13 Capital of parent company

	Authorised £million	Issued 1979 £million	Issued 1978 £million
5 per cent (now 3·5 per cent plus tax credit)			
Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	581	581	570
Unclassified shares (£1 each)	60	—	—
	650	590	579

Ordinary stock was issued during the year in respect of:		
Employees' Profit-Sharing Scheme	5	4
Conversion of loan stock of a subsidiary	4	2
Acquisitions	2	—
	11	6

14 Deferred liabilities

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Advance proceeds from oil sales	72	85	72	85
Deferred petroleum revenue tax	22	—	—	—
Other deferred tax (Note 17)	16	24*	—	—
Other deferred liabilities	20	17*	—	—
	130	126	72	85

*included in creditors in 1978 Group accounts

Advance proceeds from oil sales

The Group has currently an approximate 19 per cent interest in the Ninian oilfield in the UK sector of the North Sea, on which it has incurred capital expenditure of £267 million up to 31 December 1979 (1978 £207 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 during 1979, totalled £72 million at 31 December 1979 (1978 £85 million) and are included in deferred liabilities in the Company and Group balance sheets; of this, £15 million relates to oil deliveries undertaken to be made in 1980.

15 Loans

	Repayment Dates	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Secured loans					
Sterling	1980/2001	1	1	—	—
Foreign currencies					
Australian Dollars (6¾ to 13½ per cent)	1980/2006	78	70	—	—
Others (5½ to 22¼ per cent)	1980/98	31	31	—	—
Total secured loans		110	102	—	—
Unsecured loans					
Sterling					
7¼ to 8 per cent stocks	1986/93	119	119	119	116
10¾ per cent stock	1991/96	43	43	43	43
5½ per cent stock	1994/2004	26	26	26	29
Others	1980/99	8	9	1	1
		196	197	189	189
Multi-currency revolving loans (variable interest)	1984/89	170	—	—	—
Foreign currencies					
US Dollars					
6½ to 8¼ per cent Euro-dollar bonds	1980/92	63	79	8	12
9.05 per cent US Dollar bonds	1983/95	45	49	—	—
8¾ per cent US Dollar bonds	1988/2003	[illegible]	86	—	—
6¾ per cent Convertible Euro-dollar bonds*	1997	25	42	—	—
Others (5⅜ to 13¾ per cent)	1980/98	125	130	33	29
		342	386	41	41
Swiss Francs (3½ to 7⅞ per cent)	1980/94	131	145	14	61
Deutsche Marks (5 to 8¾ per cent)	1980/85	87	130	—	—
Dutch Florins (5¼ to 9 per cent)	1980/91	54	60	—	—
Canadian Dollars (5⅜ to 10⅝ per cent)	1980/[illegible]	31	33	—	—
Others (6 to 15¼ per cent)	1980/89	24	31	—	—
		669	735	55	102
Total unsecured loans		1,035	982	244	291
Total loans		1,145	1,084	244	291

*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).

15 Loans (continued)

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Loans or instalments thereof are repayable within periods from balance sheet date of:				
Less than one year	26	33	2	6
From one to two years	65	32	39	6
From two to five years	159	209	4	10
Over five years	895	810	199	269
	1,145	1,084	244	291
Amount included above in respect of loans wholly repayable within five years	113	170	46	60

16 Commitments and contingent liabilities

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	320	310	134	169
Expenditure sanctioned but not yet contracted	546	774	276	[illegible]
	866	1,084	410	522

Contingent liabilities existed at 31 December 1979 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £122 million (1978 £87 million) for the Group and £1,013 million (£822 million) for the Company, (b) guarantees relating to Pension Funds, including guarantees of the solvency of Pension Funds, (c) medium-term currency exchange arrangements of a subsidiary totalling £161 million (1978 £161 million) in respect of which exchange losses (or gains) could arise and (d) other guarantees and contingencies arising in the ordinary course of business.

17 Deferred taxation

Deferral of taxation relates mainly to the UK, where levels of capital expenditure and stockholdings are expected to be adequate to ensure that corporation tax deferred by accelerated capital allowances and by stock appreciation relief, in so far as not permanently relieved, will not be payable in the future. The assumption has been made that capital allowances and stock appreciation relief will continue in their present form.

	Group 1979 £million	Group 1978 £million	Company 1979 £million	Company 1978 £million
The potential amounts of deferred taxation and relief on all timing differences are:				
Not accounted for at balance sheet date				
UK capital allowances	756	611	605	482
UK stock appreciation relief	169	130	147	113
Advance corporation tax not yet utilised	(122)	(68)	(115)	(59)
Miscellaneous timing differences	(21)	(10)	—	—
	782	663	637	536
Accounted for at balance sheet date				
Miscellaneous timing differences (included in Group deferred liabilities - Note 14)	16	24	(6)	(5)
	798	687	631	531

18 Emoluments of directors and employees

The total emoluments of the directors of the Company for the year comprised fees £39,000 (1978 £32,000) and other emoluments £1,189,000 (£947,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £2,146,000 (£1,932,000).

The emoluments of the Chairman were £124,380. During 1978 the emoluments of the Chairman and his predecessor totalled £106,587.

The tables which follow show the number of directors and UK employees of the Company whose emoluments during the year were within the bands stated. The tables also show the total amount of income tax at the appropriate graduated rates applicable for 1979/80 at the higher end of each band over £20,000 and the corresponding take-home pay; it has been assumed that the recipient is a married man without children and with no other source of income.

18 Emoluments of directors and employees (continued)

Directors

Emoluments £	Tax £	Take-home pay £	1979	1978
5,001 - 10,000			5	[illegible]
10,001 - 15,000			1	—
15,001 - 20,000			2	[illegible]
20,001 - 25,000	9,400	15,600	—	1
25,001 - 30,000	12,300	17,700	—	1
35,001 - 40,000	18,300	21,700	1	[illegible]
45,001 - 50,000	24,300	25,700	—	1
65,001 - 70,000	36,300	33,700	1	[illegible]
70,001 - 75,000	39,300	35,700	2	1
80,001 - 85,000	45,300	39,700	4	1
85,001 - 90,000	48,300	41,700	—	2
100,001 - 105,000	57,300	47,700	3	1
120,001 - 125,000	69,300	55,700	2	[illegible]

4 of the directors whose emoluments are shown above were directors for part of the year only (3 in 1978).

Employees

Emoluments £	Tax £	Take-home pay £	1979	1978
20,001 - 25,000	9,400	15,600	318	[illegible]
25,001 - 30,000	12,300	17,700	149	[illegible]
30,001 - 35,000	15,300	19,700	58	21
35,001 - 40,000	18,300	21,700	28	[illegible]
40,001 - 45,000	21,300	23,700	14	[illegible]
45,001 - 50,000	24,300	25,700	6	[illegible]
50,001 - 55,000	27,300	27,700	3	
55,001 - 60,000	30,300	29,700	4	[illegible]
60,001 - 65,000	33,300	31,700	5	

Principal subsidiary companies

31 December 1979

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					
†Canadian Industries Ltd (Accounting date 31 December)	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, paints and plastics, directly and through holdings in 23 subsidiary companies
Duperial SAIC (Accounting date 30 September)	Argentina	Ordinary	100	—	Manufacture of chemicals, dyes, plastics, sporting ammunition and paints; merchanting of ICI and other products
ICI Americas Inc (Accounting date 31 December)	United States of America	Common	—	100	Manufacture of pharmaceuticals, dyes, plastics, chlor-alkali products 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, directly and through holdings in 42 subsidiary companies
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
†Renamed C-I-L Inc on 1 January 1980

Principal associated companies

31 December 1979

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 78	30 June 79	Manufacture of textiles
		Preference	10	—	—			
		Loan	45	—	—			
Nurel SA	Spain	Ordinary	20	50	—	31 December 78	31 December 79	Manufacture of man-made fibres
		Loan	30	—	25			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 78	31 December 79	Oil refining
Tioxide Group Ltd	England	Ordinary	31	50	—	31 December 78	30 June 79	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	26	—	—			
The Americas								
Corpus Christi Petrochemical Company	United States of America	Partners' capital	38	—	37	31 December 78	31 December 79	Manufacture of olefines (not yet in operation)
		Loan	119	—	—			
Fiber Industries, Inc	United States of America	Ordinary	37	37	—	31 December 79	31 December 79	Manufacture of man-made fibres
		Loan	44	—	—			
Rubicon Chemicals Inc	United States of America	Ordinary	2	50	—	31 December 78	31 December 79	Manufacture of aniline and diphenylamine
		Loan	27	—	49			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary*	81	—	40†	31 December 78	30 June 79	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	3	—	—			
		Loan	106	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	23	—	45	30 September 79	30 September 79	Manufacture of fertilizers
		Shareholders' Sub-ordinated Loan	8	—	36			
		Loan	11	—	—			

*Listed
†Includes 29 per cent held through Afex Holdings (Pty) Ltd in which Group interest is 50 per cent.

Inflation Accounting on Current Cost Accounting (CCA) Basis

Group results — unaudited

		1979 £million	1979 £million	1978 £million	1978 £million
Trading profit - historical cost accounts			**655**		**504**
	Adjustments to trading profit				
	Additional depreciation (Note 4)		(175)		(140)
	Cost of sales adjustment for stocks (Note 5)		(139)		(52)
	Erosion of monetary working capital (Note 6)		(59)		(6)
Trading profit - CCA basis			**282**		**306**
	Investment income		52		71
	Employees' profit-sharing bonus		(40)		(30)
	Share of profits less losses of principal associated companies		47		29
	Interest payable	(120)		(114)	
	Gearing adjustment (Note 7)	98		37	
	Exchange gains on financial items (Note 7)	69	47	24	(53)
Profit before taxation and grants			**388**		**323**
	Taxation less grants		(104)		(100)
Profit after taxation and grants			**284**		**223**
	Applicable to minorities		(22)		(18)
Profit applicable to parent company before extraordinary items			**262**		**205**
	Extraordinary items		(16)		(3)
Profit applicable to parent company after extraordinary items			**246**		**202**
	Dividends		(134)		(105)
Profit retained for year			**112**		**97**
	Earnings (before extraordinary items) per £1 Ordinary stock		45·4p		36·2p
Average assets employed			**6,552**		**5,935**
	Profit before loan interest, gearing and exchange gains and taxation, as a percentage of average assets employed (Note 8)		4·6%		[illegible]

Notes relating to the CCA results

1 The CCA trading profit includes allowances for the impact of price changes on the funds needed to carry on the business and maintain its operating capability. This is achieved by making adjustments 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 and grants further includes a gearing adjustment which represents the inflationary benefit to the stockholders from loan finance, and partially offsets the cost of loan interest.

In calculating the assets employed, current levels of construction costs are also taken into account.

2 The accounting policies adopted in the historical cost accounts, set out on page 23, apply also to the accounts prepared on a CCA basis, except for modifications required to comply with the provisions of the CCA exposure draft issued by the Accounting Standards Committee (ED 24). The exposure draft has been followed with the exception of the method of calculating the gearing adjustment (see Note 7 below) and adjustments in respect of associated companies (see Note 3 below).

3 Specific inflation adjustments have been calculated for approximately 90% of the Group and estimates made for the remainder. Results of principal associated companies have not been restated on a CCA basis, nor have principal associated companies and other investments been revalued.

4 The additional depreciation has been based on:

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

(2) Asset lives which are approximately 40% longer than those applied in the historical cost accounts (see page 23). Based on a review of asset values and lives which has 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.

Building on the experience gained in operating CCA within the Group a number of changes in practice have been introduced. The most significant change is a reduction of the net values as at 1 January 1978 of older assets to reflect more consistently the Group's depreciation policy. As a result of this change there is a reduction in the 1978 depreciation charge of £73 million to £365 million. Total CCA depreciation for 1979 was £423 million.

It is possible that further modifications will be made during 1980 in the light of the expected accounting standard and as a result of further experience.

5 The cost of sales adjustment for stocks has been based mainly on actual movements in costs, using the averaging method.

6 The erosion by inflation of monetary working capital (trade debtors less creditors) has been based on movements in prices of sales and purchases.

7 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 total gearing adjustment is positioned immediately following the interest payment, i.e. as part of the profit before taxation.

Under ED 24 only the geared proportion of the revaluation surpluses which have been charged in the profit and loss account is credited to profit. 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. The gearing adjustment calculated in accordance with ED 24 would be £67 million for 1979 (1978 £31 million).

8 Since the CCA profits for the two years shown are expressed in £'s of each year they are not directly comparable, although the profits expressed as percentages of average assets employed are comparable.

The following table allows for inflation between the two years by increasing key figures in the 1978 CCA results so as to make them comparable with 1979. For this purpose the 13.4% movement in the average UK retail price index has been taken to represent the general rate of inflation.

	1979 £million	1978 restated in 1979 £'s £million	1978 £million
Trading profit	282	347	[illegible]
Profit before taxation and grants	388	366	[illegible]
Earnings (before extraordinary items) per £1 Ordinary stock	45·4p	41·1p	[illegible]

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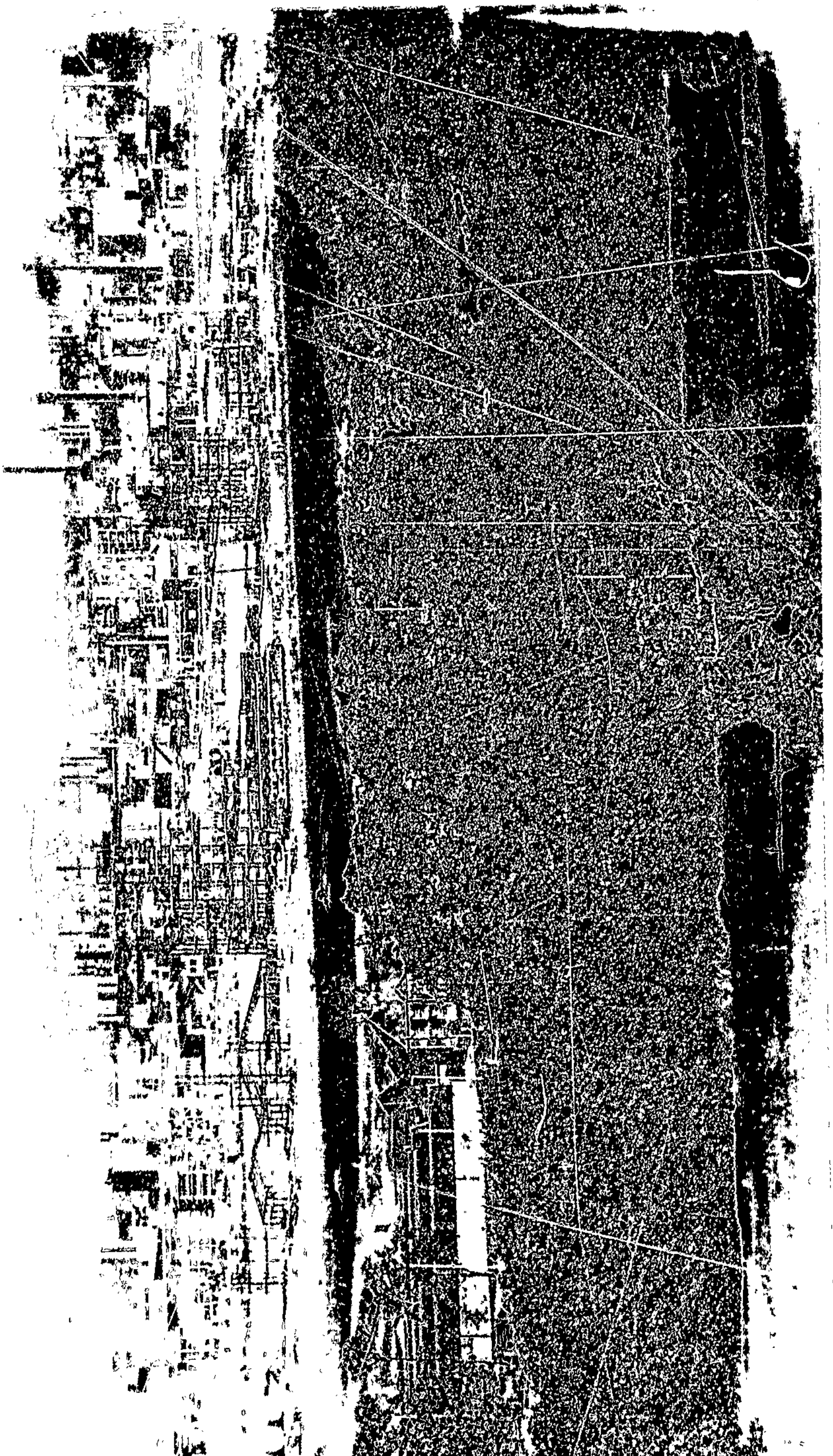

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