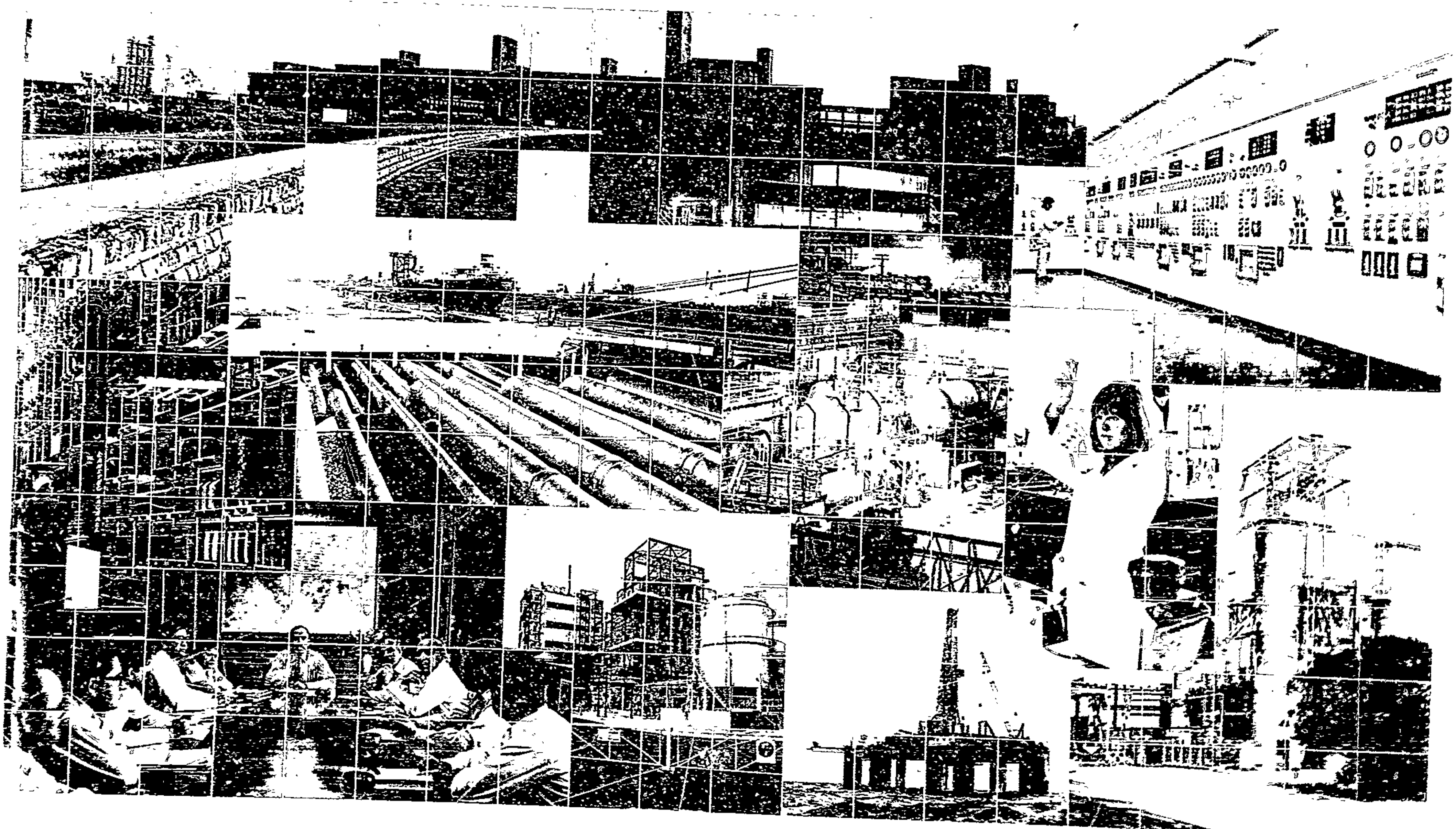
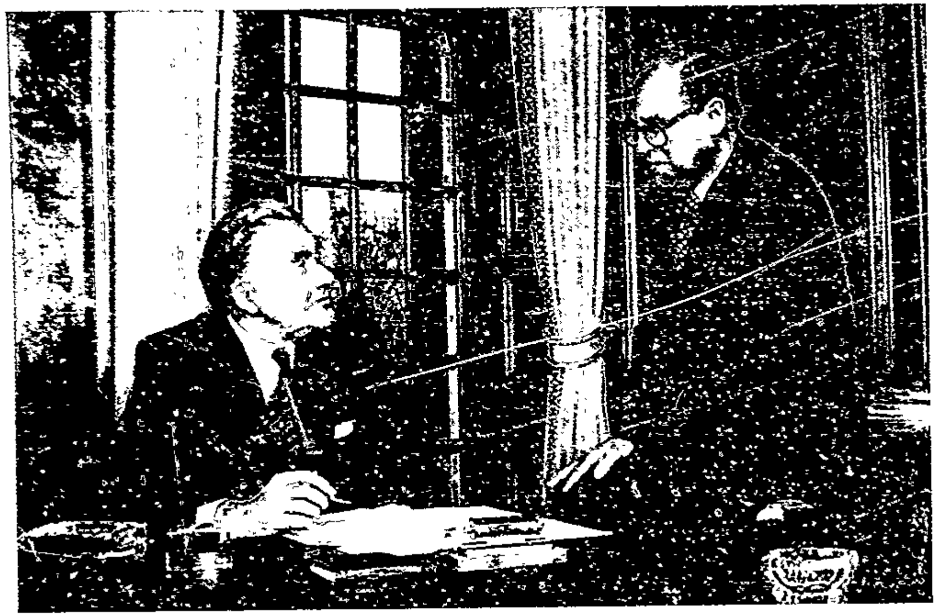
Imperial
Chemical
Industries
Limited

Annual Report 1977





The Chairman, Sir Rowland Wright, and his successor, Mr Maurice Hodgson.

This is the last Annual Report I shall have the privilege of putting before you and I would like to take this opportunity of making some observations on the nature and philosophy of our company, which ranks with the best in the world. These are based on over 40 years' service and an involvement in one way or another with many of the developments which have given the Group its present shape and substance. Particularly in recent years, I have been able to see for myself most of our major operations across the world and to talk – and listen – to ICI people of many nationalities and at all levels – people on whom we depend for the success of our business.

As this Report shows, in 1977 we were successful in increasing our sa and exports in the face of powerful competition. But the times are not easy and profits are increasingly hard to earn; and it is against a background of worldwide economic uncertainties, continuing inflation and high unemployment that the performance of our enterprise has to be seen. Our ability to achieve our business objectives is restricted by other factors also, the most obvious of which is the growing intervention by governments in more and more aspects of our affairs. This is an increasing and disturbing trend and one that must affect the ability of industry to create the wealth on which the prosperity of every country depends.

Another problem that is receiving a great deal of publicity is that of productivity. Britain has to earn its living in an international society, and if we cannot pay our way then we must inevitably face national poverty. The achievement of high productivity demands a more flexible attitude towards technology and social change. In taking the lead in this, management in the UK has to match the best in the world and that means that industry must be able to attract and motivate management and skilled people at all levels. I much regret that once again I have to draw attention to the de-motivating effects of taxation and incomes policy in the UK. Whilst there has been Government recognition of the dangers of these effects, there has – as yet – been no significant alleviation of the problem

As an international business we can thrive only on a big scale. We have face competition from the great world chemical groups not only abroad but also in our home markets and we need to face them on equal terms. This necessitates planning on a world scale and for the long term. The results our policies can be seen throughout this Report. Our overseas business, from which so many benefits flow, exceeds the business in our home territory. In 1977 we demonstrated our faith in the future by approving an investment programme amounting to £804 million, of which more than half is for the UK. Investment now in progress will result in the expansion of existing manufacture and in the introduction of entirely new products of which high-concentration protein for animal feed, the outcome of our own research and development work, is one of the most promising.

Besides embarking on new ventures made possible by new science and technology, we must sometimes withdraw from businesses that no longer fit the overall pattern. Thus in the past year, we decided that it would be appropriate and beneficial to both for us to sell our holding in Imperial Metal Industries Ltd, which had since the formation of ICI been part of our Group. IMI will no doubt retain many of the Group's characteristics, but it now stands on its own and all of us who have been involved in its growth over the years wish it well.

That decision illustrates well the qualities of our people. Because of the business we are in, with its exposure to worldwide pressures and its need to adapt to change, we can never afford to rest on past achievements. At all times we have to attract into our ranks the best available people - and such people are not likely to follow slavishly the pattern of their predecessors. They will always be restless, enquiring and forward-looking. It is on these qualities that our company has built in the past and will continue to depend in the testing times that lie ahead. We know that it is people who matter, and never more so than when the going becomes harder.

Not all our activities are directly concerned with manufacture and trade. Wherever we operate, we find ourselves involved with local communities and with local and national governments and throughout the world our fundamental policies remain the same: we endeavour to be good neighbours and good citizens as well as good businessmen. In India, for example, I have seen schemes to help small villages with technical and financial aid, backed up by voluntary service by ICI people. And in the UK in different circumstances, we help with youth employment problems and give guidance to small industries to help them increase their exports. I believe these activities reflect an important feature of our philosophy a feature which does not stem entirely from deliberately planned policies but owes something to the attitudes of the people who serve and fashion the ICI Group.

By the time of the Annual General Meeting, I shall have retired and the Company will have a new Chairman, Maurice Hodgson. As with all the executive members of the Board, he has had wide and varied experience of the ICI Group: his progression to Chairman took him through two UK Divisions, to ICI New York and then to Head Office where he took up the newly created post of General Manager in charge of planning. On his appointment to the Board in 1970, he became Commercial Director and Planning Director. After two years he was made a Deputy Chairman. I welcome him as my successor and wish good fortune to him and to all who are concerned with our company's future.

Rowland Wright

2 March 1978

Contents and summary of the year

Directors

Chairman	Sir Rowland Sydney Wright, CBE
Deputy Chairmen	William Barr McKinnon Duncan, CBE
	John Henry Harvey-Jones, MBE
	Maurice Arthur Eric Hodgson
	Raymond William Pennock
	Terence Norman Beckett, CBE*
	Sir Arnold Alexander Hall, FRS*
	Philip Geoffrey Harvey
	Robert Haslam
	Frederick John Kenneth Hillebrandt
	John Robin Ibbs
	Alexander Anthony Jarratt, CB*
	John Alfred Lofthouse, OBE
	Robert Malpas, CBE
	The Rt Hon Lord Polwarth, TD*
	Alan Robertson
	Sir Francis Edwin Prescott Sandilands, CBE*
	Alfred Spinks, CBE, FRS
	The Rt Hon Lord Thomson of Monifieth, PC*

*Non-Executive Directors

Secretary	James Douglas Cousin
Treasurer	Alan William Clements
Solicitor	Bernard John Wyndham Winterbotham

Senior Executives

Division Chairmen	
Agricultural	F. Whiteley
Europa	N. M. Mims
Fibres	N. B. Smith
Mond	V. G. Cove
Organics	J. D. Rigg
Paints	D. H. Henderson
Petrochemicals	R. G. J. Telfer
Pharmaceuticals	P. W. Cunliffe
Plant Protection	C. H. Reece
Plastics	C. Vowles

General Managers	
Commercial	R C. Hampel
International Co-ordination	Sir Cyril Pitts
International Personnel Co-ordination	J A. G Coates, DFC
Investments	A. Conlong
Personnel (UK Operations)	J. P M Bell
Planning	J Lister
Research and Technology	C. W Suckling

Chief executives of major subsidiary companies

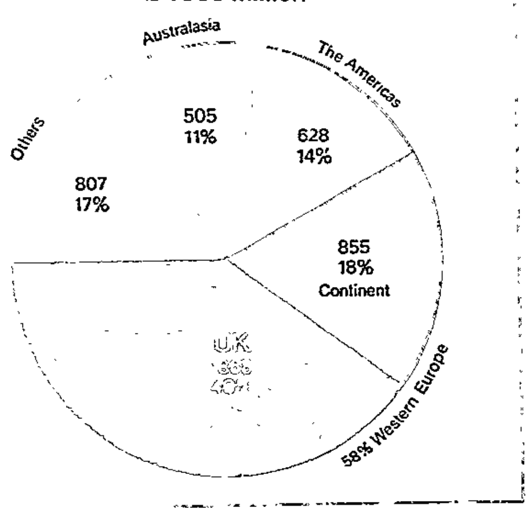
ICI Australia Ltd	Chairman and Joint Managing Director:	D. R Zeidler, CBE
ICI Americas Inc	President and Chief Executive Officer: Executive Vice President and Chief Operating Officer:	E J Goett R. P. Barnett
Canadian Industries Ltd	President and Chief Executive Officer:	W J. Mandry
I.C.I. (India) Private Ltd	Chairman:	A. L. Mudaliar
ICI Japan Ltd	President:	N D. MacLeod
Nobel's Explosives Co Ltd	Chief Executive:	W C McDowall
Scottish Agricultural Industries Ltd	Managing Director:	L. S. B Scott

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

Group results in brief

1977 Group Sales

£4663 million



(The Group sold its 63% interest in Imperial Metal Industries Ltd (IMI) in early November 1977. ICI's estimates of IMI's results have been included in Group results up to 31 October 1977).

	1976 £million	1977 £million	
Sales to external customers	4,135	4,663	◁ If IMI is excluded from both years, sales in 1977 amounted to £4,295 million and in 1976 to £3,754 million.
UK	1,616*	1,868*	◁ Volume, excluding oil resold, only marginally up.
Overseas	2,519	2,795	◁ Volume up by 7%.
Exports from United Kingdom at f.o.b. value	822	936	◁ Volume up by 6%.
Trading profit	519	552	◁ Excluding IMI, 1977 £521 million, 1976 £468 million
Profit before taxation and grants	540	483	◁ Including exchange losses of £29 million in 1977 and gains of £58 million in 1976 on translation into sterling of net current assets of overseas subsidiaries.
Profit applicable to parent company before extraordinary items	291	255	
Profit applicable to parent company before extraordinary items – Current Cost Accounting (CCA) basis	139	190	
Ordinary dividends	83	93	◁ Increase is maximum permitted by the Government's regulations
Earnings (before extraordinary items) per £1 Ordinary Stock	54·4p	45·4p	
Dividend per £1 Ordinary Stock	14·8p	16·5p	◁ First dividend 9·0p, second dividend 7·5p

	1976 £million	1977 £million	
Capital expenditure	438	491	◁ Excluding IMI, 1977 £477 million 1976 £426 million
Assets employed at year end	3,519	3,680	
Percentage return on average assets employed	19·6%	15·8%	◁ On a CCA basis, 1977 5·6% 1976 5·7%

*Including oil purchased and resold, amounting in 1976 to £5 million and in 1977 to £69 million.

'Group' means ICI and its subsidiary companies.

Sources and disposal of value added

Sources of income	1976 £million	1977 £million	
Sales	4,135	4,663	
Royalties and other trading income	40	39	
Less: Materials and services used	(2,458)	(2,866)	
Value added by manufacturing and trading	1,717	1,836	
Share of profits of principal associated companies and investment income	83	96	
Exchange gain (loss) on net current assets of overseas subsidiaries	58	(29)	
Extraordinary items	(46)	(29)	◁ 1977 charge related mainly to the sale of IMI; 1976 charge related mainly to the restructuring of the fibres business
Total value added	1,812	1,874	

Disposal of total value added			
Employees	1,020	1,092	
— pay, plus pension and national insurance contributions	993	1,063	
— profit sharing bonus	27	29	◁ 1977 bonus rate 7·1p per £1 of remuneration (1976 7·0p) 1977 rate based upon the relationship between pay (plus pension and national insurance contributions) and value added by manufacturing and trading.
Governments — corporate taxes, less grants	214	202	
Providers of capital	211	226	
— interest paid on borrowings	93	107	
— dividends to stockholders	83	93	
— minority shareholders in subsidiaries	35	26	
Re-investment in the business	367	354	◁ Contribution towards the total spent in the year on new fixed assets, working capital and additional investments
— depreciation set aside	205	221	
— profit retained	162	133	
	1,812	1,874	

Figures in brackets represent deductions.

Report of the Directors 1977

The Directors of Imperial Chemical Industries Limited present their fifty-first Annual Report, together with the Accounts of the Company for the year 1977. They will be laid before the stockholders at the fifty-first Annual General Meeting to be held on 19 April 1978, and copies are being provided for those employees of the Company who are not also stockholders.

THE QUEEN'S AWARD FOR
TECHNOLOGICAL ACHIEVEMENT
TO PLANT PROTECTION DIVISION 1977

This Award was won by the Division for the development of a new safe specific aphicide, pirimicarb (sold under the trade marks 'Pirimor', 'Aphox' and 'Rapid').

Economic Background

The recovery in the world economy lost much of its momentum in 1977. A satisfactory rate of growth was maintained in the USA but, in most other developed countries, a strong first quarter was followed by prolonged stagnation in industrial output. International trade expanded very little and unemployment continued to be a serious problem.

Business conditions in the chemical industry proved disappointing. Surplus capacity persisted at a high level in most parts of the industry and chemical prices were under pressure during the course of the year, especially in Western Europe. Fibres have continued to be a particularly depressed sector.

UK economic activity showed hardly any growth. However, the country's financial position substantially improved and was accompanied by lower interest rates and declining inflation. Home sales by the UK chemical industry made no progress against a background of demand which weakened sharply after the first quarter. UK chemical exports were markedly higher than in 1976, providing the basis for an advance in production in excess of total UK industrial output.

The sterling exchange rate rose substantially during the year, partly due to the improvement in the UK balance of payments and the weakness of the dollar. The particularly strong rise towards the end of the year began to undermine the competitive performance of British industry.

Group Results

The Group sold its 63 per cent interest in Imperial Metal Industries Ltd in early November, 1977. IMI's results have been included in Group results up to 31 October 1977 on the basis of the published unaudited results for the first half of the year and ICI's estimates of the results for the period 1 July to 31 October.

In 1977, Group sales amounted to £4,663 million compared with £4,135 million in 1976. In the UK after an encouraging first half year, sales volume fell away in the second half. For the year as a whole, if the increase in sales of oil purchased and resold is excluded, the volume of UK sales was only marginally higher than in 1976. The volume of overseas sales also fell in the third quarter, reflecting the stagnant economies of most major countries particularly in Europe, but for the year as a whole was about 7 per cent higher than in 1976. Exports from the UK increased in volume by about 6 per cent and, although lower in the second half of the year, were again a record, at £936 million f.o.b.

Trading profit amounted to £552 million. This included ten months' trading profit of IMI estimated at £31 million. Excluding IMI from both years, 1977 trading profit amounted to £521 million compared with £488 million in 1976. In the third quarter of the year, trading profit was substantially lower than the record level in the second quarter and deteriorated further in the fourth quarter. An erosion of profit margins, which started in the third quarter and continued for the rest of the year, resulted from increased costs which were not matched by higher prices. Furthermore in the fourth quarter, with the strengthening of sterling, the profitability of exports from the UK was sharply reduced.

Group profit before taxation and grants was £483 million compared with £540 million for 1976. In arriving at the 1977 profit a deficit of £29 million arising from the translation into sterling of the net current assets of overseas subsidiaries, has been deducted. This compares with a surplus of £58 million in 1976 and thus there has been a reduction in profit of no less than £87 million on this account due to the fall in the value of sterling in 1976 and to recovery in 1977. The table which follows shows Group sales and profit before taxation for the last two years on a quarterly basis.

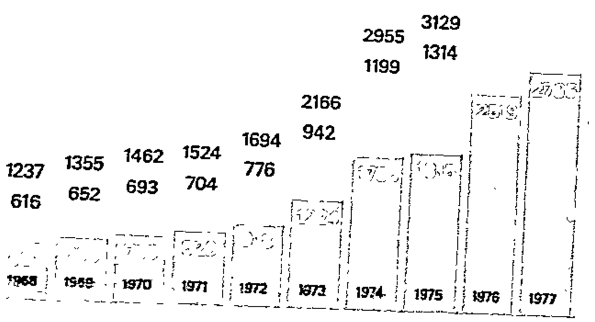
	Sales	Profit before tax: Excluding exchange gain/(deficit)	Profit before tax: Exchange gain/(deficit)	Profit before tax: Total
	£million	£million	£million	£million
1976				
First quarter	936	115	13	128
Second quarter	1,024	126	25	151
Third quarter	1,033	116	33	149
Fourth quarter	1,142	125	(13)	112
	4,135	482	58	540
1977				
First quarter	1,190	148	(7)	141
Second quarter	1,224	169	(1)	168
Third quarter	1,136	107	(2)	105
Fourth quarter	1,113	88	(19)	69
	4,663	512	(29)	483

Profit before loan interest, taxation and grants represented a return on average assets employed of 15·8 per cent compared with 19·6 per cent in 1976

Sales (£ million)

UK

Overseas



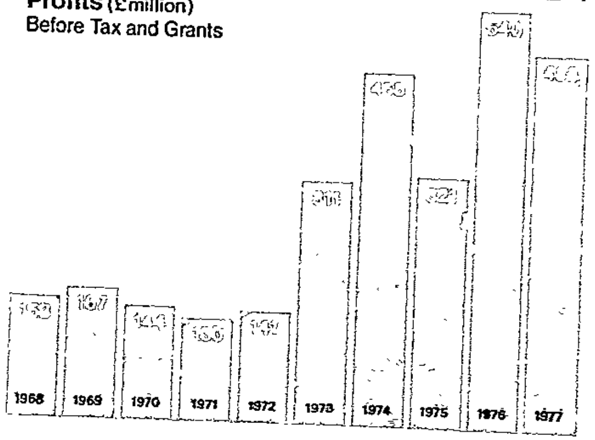
The net charge for taxation less grants was £202 million compared with £214 million in 1976. The basis used for accounting for deferred taxation is the same as in past years and is explained on page 21. Further consideration will be given to the proposals on deferred taxation contained in Exposure Draft 19 issued by the Accounting Standards Committee when the relevant accounting standard is issued. Had these proposals been adopted in the 1977 Accounts, it is provisionally estimated that after-tax earnings would have been increased by about £60 million.

Earnings before extraordinary items were £255 million (45·4p per £1 unit of Ordinary Stock) compared with £291 million (54·4p per £1 unit) in 1976.

Extraordinary items applicable to the parent company in 1977 amounted to a net charge of £29 million (1976 £46 million). The major item was a charge of £27 million being the difference between the consideration received from the sale of the Group's 63 per cent interest in IMI, and the Group's share of the book value of IMI's net assets at the date of sale.

A second interim Ordinary dividend of 7·51587p per £1 unit, which the Annual General Meeting will be asked to confirm as the final dividend for 1977, is payable on 5 April 1978.

Profits (£million)
Before Tax and Grants



This, together with the first interim dividend of 9p per unit paid on 11 November 1977, makes a total Ordinary dividend of 16·51587p for the year. The gross equivalent of this (including the related tax credit) is 25·02405p, compared with 22·739p for 1976. The increase is the maximum permitted by the Government's dividend restraint regulations. The payment of these dividends requires £93 million.

Inflation Accounting

The Board believe that profits unadjusted for inflation are misleading and are in favour of inflation accounting based upon Current Cost Accounting (CCA). In November 1977, the Accounting Standards Committee issued interim recommendations for inflation adjustments which proposed a depreciation adjustment, a cost of sales adjustment for stocks and a gearing adjustment. These recommendations recognised expressly that companies may have developed their own methods for calculating the gearing adjustment and did not discourage their use. ICI has developed its own method, believing that it is more relevant for management accounting and that it produces a more realistic measure of after-tax profit attributable to Ordinary Stockholders. However, ICI's method results in lower pre-tax profit than the Accounting Standards Committee's proposals. The Group's CCA results for 1977, with comparative figures for 1976, are set out on page 36, together with notes explaining the methods used.

Trading profit is estimated at £301 million on a CCA basis compared with £552 million on the historical basis, and the return on average assets employed becomes 5·9 per cent compared with 15·8 per cent. After adopting, for CCA purposes, the proposals on deferred taxation contained in Exposure Draft 19, Group profit applicable to the parent company before extraordinary items is estimated at £190 million compared with £255 million on the historical basis.

On the historical basis, 1977 profit applicable to the parent company was lower than 1976 profit. Restated for inflation, however, profit in 1977 was higher than in 1976. This was due to the effect of fluctuating exchange rates in 1976 and 1977 and to the incidence of inflation on working capital.

Capital Programme

Expenditure of a record £804 million on fixed assets was sanctioned during 1977, an increase of more than 50 per cent over the already high level of 1976. More than half the sum sanctioned was for projects in the UK. Actual expenditure during the year also rose as a result of the increasing sums sanctioned in recent years but was lower than planned partly because of delays and difficulties in the construction industry in the UK. In consequence the sums sanctioned but unspent rose sharply.

A major part of the capital programme is directed towards increasing ICI's share of the important chemical markets in the EEC and North America. This will be achieved primarily by the expansion and modernisation of capacity in the Group's main manufacturing base in the UK, with complementary investments in Continental Western Europe and in the USA and Canada to meet market requirements. Large investments are also being made to ensure the continuing strength of the Group as a supplier of chemicals in other markets both by exports, primarily from the UK, and by manufacture in these markets. The major projects sanctioned during the year are set out in the table below.

Project	Location	Fixed Assets Cost £ million
United Kingdom		
Pure terephthalic acid	Teesside	90
'Nitram' fertilizer (and nitric acid)	Teesside	35
'Genklene' chlorinated solvents	Merseyside	27
Services for the planned chlorine and vinyl chloride plants	Teesside	25
'Procion' dyestuffs	Grangemouth	17
'Propafilm' polypropylene film	Dumfries	12
'Saffil' new high temperature insulating fibre	Merseyside	7
Pharmaceuticals research facilities	Macclesfield	5
In addition to the above projects and other smaller ones for new plant, over £130 million was sanctioned for projects to modernise and improve existing plants in the UK.		
Continental Western Europe		
First stage of chlorine and related products complex	Wilhelmshaven, West Germany	150
The Americas		
Chlorine plant extension	Province of Quebec, Canada	51
Other countries		
Polypropylene	Australia	37
PVC	Australia	25

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

Fixed Assets	1975 £million	1976 £million	1977 £million
Sanctioned:			
United Kingdom	221	268	454
Continental Western Europe	61	56	168
The Americas	83	147	76
Other countries	25	45	106
	390	516	804
Expenditure:			
United Kingdom	239	268	330
Continental Western Europe	25	37	42
The Americas	46	102	82
Other countries	22	31	37
	332	438	491
Total sanctioned but unspent at end of year	595	673	986

Working Capital

Requirements for additional working capital continued to rise during 1977, mainly in the first half of the year. There was little increase in the latter part of the year due to the downturn in trading, to reduced cost pressures on some raw materials, and to shorter credit terms

Finance

The table on the right summarises, for 1977 and for the ten year period 1968 to 1977, the sources of the Group's funds and how they were spent. A more detailed statement for 1976 and 1977 is given on page 24.

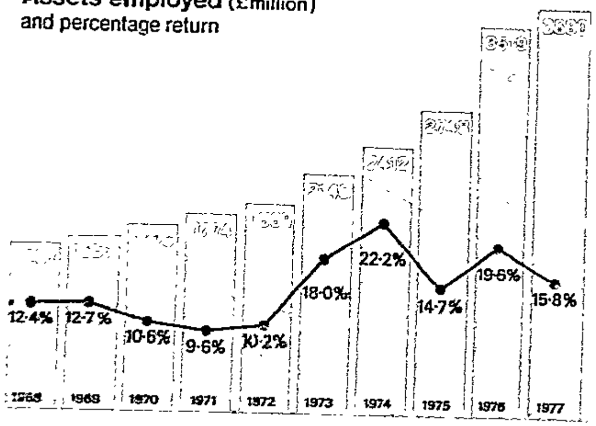
During 1977, 4·4 million £1 units of Ordinary Stock were issued in respect of the Employees' Profit-Sharing Scheme and 0·5 million £1 units were issued as part consideration for the purchase of the shares not already owned in Chafers Ltd. ICI Australia made a rights issue of two new ordinary shares of A$1 each for every five held. This issue, of which ICI has taken up its full 62 per cent share, will raise A$60 million in two instalments, the first in September 1977 and the second in March 1978.

New borrowings in 1977 amounted to £181 million. Included is the public issue by a finance subsidiary of US$100 million 6¾ per cent convertible bonds due 1997 guaranteed by ICI. Borrowings of £82 million were repaid during the year.

In November 1977, the Group sold its 63 per cent interest in Imperial Metal Industries Ltd for a cash consideration, after expenses, of £64 million receivable in two instalments, the first in November 1977, and the second in January 1978.

At 31 December 1977, Group net liquid resources amounted to £552 million.

Assets employed (£million)
and percentage return



Source and Application of Funds

		Ten years 1968/77 £million	Ten years 1968/77 %	1977 £million
Source of funds				
Funds generated from trading operations after taxation		3,891	78	599
Issues of ICI Ordinary Stock		348	7	17
Borrowings less repayments		518	10	99
Disposal of investments, including IMI in 1977		162	3	87
Others		82	2	33
	Funds obtained	5,001	100	835
Use of funds				
New fixed assets		2,357	53	491
New investments		471	10	39
Additional working capital		916	20	115
Dividends		752	17	107
	Funds used	4,496	100	752
Movement of funds				
Net liquid resources at beginning of period		505		83
		47		469
Net liquid resources at end of period		552		552

Research and Technology

£150 million (1976 £137 million) was spent by the Group on Research, Development and Technical Service, of which £46 million (1976 £41 million) was spent overseas. Most of the increase was caused by inflation. Increased effort, in North America and India and on toxicology in the UK, was balanced approximately by selective reductions in unpromising fields in the UK. ICI's research and technology helps to maintain short term as well as long term international competitiveness by responding to the changing needs of customers, by extending the use of existing products and by generating new business through new products like 'Saffil' alumina fibres and 'Pruteen' high protein animal feed. At the same time, process costs are reduced not only by attention to the fine details of process development but also by radically new ways of making existing products.

The Group has continued to place great importance on changes in technology to conserve and improve the use of energy and feedstocks. From 1971 to 1977 the average amount of energy used by the Company in the UK to make a standard weight of product has fallen by 18 per cent. It is estimated that, had usage continued at the 1971 rate, the extra cost in 1977 would have been at least £40 million. This saving results partly from better running of existing plants and from expenditure on modification of existing plants and processes; the most significant savings, however, are from radically new plants and processes.

Another eight proposals for joint research with universities were accepted, bringing the total number of active projects up to thirty-two. They span a broad range of disciplines, including organic chemistry, polymer and colloid science, catalysts, bio-science and chemical engineering. At present, fifteen British universities or colleges, and three in Continental Western Europe, take part in the scheme

Group Personnel

The average number of people employed by the Group worldwide (excluding Imperial Metal Industries Ltd and its subsidiary companies) in 1977 was 154,000, a reduction of 5,000 compared with 1976. Of these, 59,000 were employed outside the UK (60,000 in 1976) in the following areas:

	1976	1977
Continental Western Europe	11,800	11,000
The Americas	19,700	19,900
Australasia	12,900	12,400
Indian sub-continent	10,800	10,800
Other countries	4,800	4,900
	60,000	59,000

ICI has always placed great importance on good industrial relations based on sound personnel policies appropriate to the cultures of the countries in which it operates.

With high unemployment, particularly among the young, in most areas in which the Group operates, continuing high inflation, political uncertainties and increasing intervention by governments in business matters, 1977 was a difficult year for industrial relations, and the Group's personnel policies were well tested. The improvement of productivity was a prime task; even greater effort is needed to secure the further advances so vital to maintain competitiveness in the international market-place.

Movement of staff across international boundaries continued, to support existing business and new investments and to develop the careers of selected staff. The number of employees living and working outside their home countries increased to well over 600 at the end of 1977.

Stockholders

At the end of 1977 the register of stockholders consisted of 517,236 Ordinary Stock accounts, 1,022 Preference Stock accounts and 254,461 accounts in respect of all classes of Loan Stock.

455,005 stockholders held £1,000 or less of Ordinary Stock and only 3,609 held more than £5,000 of Ordinary Stock. 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 1977 or up to and including 8 February 1978 (one month prior to the date of the Notice of Meeting facing page 36) has any person held an interest in stock comprising 5 per cent or more of the issued Ordinary share capital of the Company.

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

ICI and the Community

Social responsibility ICI has always believed that companies should be, and should be seen to be, good corporate citizens responding to the needs and expectations of the day. Companies operating worldwide meet differing demands in the territories in which they operate but, everywhere, business and society are becoming more dependent upon one another and more understanding of each other's role and aspirations

The prime responsibility of a company is to be successful, harnessing efficiently the necessary resources and skills and being progressive and competitive in its chosen field of business. A successful company, with the cooperation of its employees, is better able to involve itself in the life of the community, making resources available for activities which do not necessarily relate to the company's business directly but which help to foster the relationship upon which increasingly the company and the community depend. For ICI the form of this participation varies from country to country, according to the needs of the many communities in which the ICI Group operates worldwide

For example, in the UK the Company supports the Government's work experience and job creation programmes, and is also participating in initiatives to provide more lasting solutions to unemployment particularly amongst the young. In India, a subsidiary company helps to make medical aid available to remote communities. In Canada, a subsidiary has a travelling collection of paintings which allows many more people to see them. In Australia, and elsewhere, ICI has made land available for wild life sanctuaries. Across the world, companies of the ICI Group make donations to a wide range of charities supporting educational and welfare projects. These are some of the ways in which the ICI Group is seeking to demonstrate its wish to be a good neighbour to those alongside whom it lives and works

Health, safety and the environment The health and safety of employees and the community at large, and care for the environment, have continued to rank high among ICI's priorities. Responsibility for co-ordinating policy on health, safety and environmental affairs has been included in the duties of the General Manager – Research and Technology, to whom most of the specialist central resources – Brixham Laboratory, Central Toxicology Laboratory, and the Central Environment and Safety Sections – now respond.

During the year the second phase of the expansion of the Central Toxicology Laboratory was completed and the additional facilities were brought into use. As well as providing for a greater current work load, the new facilities make it possible to explore further ways of making the investigations of toxic action more informative and of limiting the use of animals. Research on the identification of carcinogenic and mutagenic action has been maintained at the Laboratory and a first generation of rapid screening tests brought into use. Because of its expertise, the Laboratory has been able to play a key part in an international collaborative study on the effectiveness of a range of rapid tests in detecting carcinogenic activity.

Comprehensive legislation, which will make it obligatory to assess the environmental effects of all new chemicals before marketing, is now being introduced, the most recent example of this being the Toxic Substances Act in the USA. Similar legislation is being considered in other countries including the United Kingdom. As a result of the work that ICI has done in this field over many years, the Group can cope with the requirements of this new legislation, but it will place a large additional load on the Company's testing facilities and associated specialist staff.

In designing new plant the Company has continued its policy of eliminating, as far as possible, the production of polluting wastes rather than installing additional equipment to treat effluents, and there is a major programme of reducing pollution from the discharge of liquid effluents, especially to estuaries.

Review of Trading Operations

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

	Sales		Trading Profit	
	1976 £million	1977 £million	1976 £million	1977 £million
Agriculture	645	**848**	103	**139**
Fibres	422	**398**	(11)	**(16)**
General chemicals	738	**858**	136	**146**
Industrial explosives	173	**203**	22	**24**
Metals and engineering products	427	**411**	31	**33**
Organic chemicals	451	**520**	63	**55**
Paints and building services	363	**409**	6	**13**
Petrochemicals	674*	**768***	74	**44**
Pharmaceuticals	199	**245**	34	**46**
Plastics	538	**602**	42	**50**
Miscellaneous	73	**63**	(1)	**(4)**
	4,703	**5,325**	499	**530**
Inter-class sales	(568)	**(662)**	—	**—**
Royalty income	—	**—**	20	**22**
Totals as in profit and loss account	4,135	**4,663**	519	**552**

**Including oil purchased and resold, amounting in 1976 to £5 million and in 1977 to £69 million.*

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

Classes of Business

Agriculture

Demand for fertilizers was strong in all regions served by the Group and sales volumes in the UK, Canada, Australia and Malaysia were higher than in 1976. However, competitive pressures on selling prices reduced profits in Canada and Malaysia. ICI's confidence in British agriculture was demonstrated by the sanctioning of £35 million for new plant to manufacture 'Nitram', the Group's principal straight nitrogen fertilizer in the UK.

In the related heavy chemicals business, the Group maintained its position in the important methanol markets of the UK, USA, West Germany and Australasia and, helped by the excellent performance of the new UK ammonia plant which came into production early in the year, increased its sales of ammonia to a record level.

In the UK, North Sea gas is the principal feedstock for the Group's manufacture of ammonia, the basic raw material for nitrogen fertilizer production. Gas is supplied by the British Gas Corporation under long term contract. Having regard to the provisions of the contract, which was signed in 1969, the British Gas Corporation and ICI renegotiated the contract price for gas. In recognition of the impact of inflation on British Gas Corporation costs, the settlement involved a substantial price increase effective from January 1978. The settlement also necessitated an increase in the price of ICI's fertilizers in the UK.

Construction on Teesside of the first commercial scale plant to make 'Pruteen', a high protein animal feed, is on programme. Development of the European market is proceeding with pilot plant product and widespread customer demand is being established.

The world market for crop protection chemicals recovered strongly from the depressed conditions of 1976 and this was reflected in a substantial increase in Group sales.

The bipyridyl herbicides 'Gramoxone' and 'Reglone' had a good year with sales volume up 30 per cent. Based on the manufacturing plants in the UK, USA, Brazil, India and Malaysia and on the joint venture with Teijin Ltd in Japan, the Group is in a strong position to expand further its sales of 'Gramoxone'.

The Group's other crop protection chemicals also showed strong growth. Sales of the aphicide 'Pirimor', which in 1977 won the Queen's Award for Technological Achievement, expanded outside Western Europe, particularly in Brazil. The insecticide 'Actellic' showed further growth, especially in the Middle East. The new pyrethroid insecticide 'Ambush' achieved substantial sales in its first year, with the USA being a major market.

Fibres

Total fibres sales, including those of associated companies, were about £900 million (1976 £816 million).

Gross overcapacity throughout Western Europe, greatly exacerbated by cheap textile imports, remains the root cause of the West European fibre industry's problems. Unless a solution can be found, trading will remain at distressed levels and the future of the Western European textile industry will remain in doubt. The Company has, separately and through trade associations of which it is a member, worked hard to ensure that national governments and the EEC Commission are fully aware of the industry's needs. The agreements reached by the EEC with the textile supplying nations under the new Multi-Fibre Arrangement represent a major step towards achieving a more stable market environment for the European textile and clothing industries. They need to be followed up by actions to re-structure and reduce synthetic fibre capacity throughout Europe, and the Company is supporting the initiative which the Commission are taking to bring this about.

The major changes in the structure of the Company's fibre business, which were foreshadowed in last year's Report, are being implemented in a way which reflects credit on management and employees at all levels. The organization throughout Western Europe has been simplified and its overheads substantially reduced. As part of these changes the Offenbach factory in West Germany has been closed and all fibre production in Continental Western Europe is now centred on the Oestringen factory near Heidelberg. If these actions had not been taken the loss for 1977 would have been much greater. The new structure, now largely complete, places ICI in a strong position relative to its European competitors.

The major problem remaining to be tackled is that of bringing the productivity of the UK-based factories nearer to the level of their Continental and North American counterparts. With the goodwill of the employees, major progress should be made during the forthcoming year. Within the aim of reducing surplus capacity, limited capital expenditure is being maintained in order to phase out obsolete plant and install new equipment which embodies the latest technology.

General chemicals

These products are made largely from materials indigenous to the countries where the main plants are located. They are centred on alkalis, chlorine and chlorinated products. The wide range of chlorinated products includes bulk raw materials for use in plastics manufacture, especially polyvinyl chloride, industrial solvents, refrigerants and aerosol propellants as well as a range of smaller scale but important speciality chemicals.

A business so largely dependent on bulk commodity chemicals inevitably reflects the changing levels of world activity; consequently, profits in the early part of the year were better than in 1976 but this gain was later partly eroded.

A decision to adopt a strategy of parallel investment in the UK and Continental Western Europe to manufacture chlorine and related products was taken during the year. Service facilities for the planned extension of chlorine and vinyl chloride monomer capacity at Teesside, north-east England, and the first stage of the investment at Wilhelmshaven, West Germany, were sanctioned. A large plant for the manufacture of 'Genklene' chlorinated solvents at Runcorn, Cheshire and a doubling of the size of the modern chlorine plant in Canada were also sanctioned in the course of the year. Good progress was made with the major modernisation of the soda ash plants in Cheshire and with the extensions and modernisation of those in Australia and Pakistan. At Northwich, Cheshire, the first modern diaphragm cell chlorine plant using ICI's own technology was commissioned.

Considerable progress was made with establishing the market for 'Saffil' alumina fibres as an insulation material for use in extremely high temperatures. This product was discovered and developed in Mond Division's laboratories in the UK. The existing pilot plant has been greatly extended and during the year the first production plant was sanctioned for construction in the UK.

Industrial explosives

ICI, together with its associates, continues to be the leading producer of industrial explosives and accessories. In spite of the long recession in the prospecting, mining and civil engineering industries total sales were substantially above those for 1976 and profits were higher.

The development of new products and processes continued and the total effort on research and technology was increased. Further progress was made in improving the Group's high safety standards and in minimising the number of people exposed to risk.

Metals and engineering products

Towards the end of the year ICI sold to the public its 63 per cent interest in Imperial Metal Industries Ltd, which comprised most of this class of business. Throughout its existence IMI has developed its own policies and strategies, largely independently of ICI, to meet the requirements of the business areas in which IMI operates and, at the time of the sale, had for some time been managed independently of ICI; this approach recognised the essential difference between ICI's business in chemicals and related products and IMI's in non-ferrous metals and engineering.

Organic chemicals

ICI is one of the world's major producers of dyes. The Group's main centre for manufacture is in the UK, and it has manufacturing interests also in the USA, Mexico, Brazil, Argentina, India and Spain.

The low level of activity in the textile industry depressed demand for dyestuffs, particularly in Western Europe. Increased costs and stronger sterling also affected profitability. The ICI system using 'Dispersol'/'Procion' PC dyes for printing polyester/cotton fabrics nevertheless made excellent progress and additional capacity for manufacturing the intermediates was commissioned. During the year, increases in capacity for the manufacture of 'Procion' dyes in the UK and India were sanctioned.

Polyurethane chemicals continued to make good progress notably in the construction, refrigeration and automotive sectors. There are major manufacturing sites in the UK, on the Continent of Europe and in the USA and manufacturing interests in other parts of the world including Japan and Yugoslavia. Rubicon Chemicals Inc, the joint venture with Uniroyal, Inc in the United States, sanctioned a major expansion of aniline capacity.

The Atlas range of speciality chemicals products, such as sorbitol, mannitol, activated carbon, general purpose surfactants and polyester resins showed continued growth in 1977, both in the USA and Europe. A new surfactants plant was started up during the year in the UK. Sales of the biocides 'Proxel', 'Vantocil' and 'Baquacil' showed substantial growth.

The new company, Vulnax International Ltd, formed to take over the rubber chemicals businesses of ICI and Rhone-Poulenc Industries, made good progress despite difficult trading conditions.

Paints and building services

The Group's widespread and generally profitable international paints business had a better year with improved performance in Australasia, India, South-East Asia and the UK. Disappointing economic growth in most major markets resulted in little growth in overall sales volume but UK paints exports increased by over 45 per cent

Continued attention to cost reduction, firmer prices and divestment of unprofitable activities contributed to the overall improvement and were also reflected in the results of Hermann Wiederhold GmbH, whose recovery, however, was delayed by a low rate of growth in Germany

Considerable progress continued to be made in optimising the Group's international technical co-ordination. An example was the design and construction of ICI's latest paints plant in the Far East, in which personnel from six countries were involved

Petrochemicals

ICI is one of Europe's largest manufacturers of petrochemicals. This class of business includes many of the basic building blocks of the chemical industry, such as ethylene, propylene, benzene and xylenes, as well as derivatives from these, such as ethylene glycol, nylon salt and terephthalic acid. The plants concerned are mainly located in the UK.

About half of ICI's output is used within the Company chiefly for the manufacture of plastics and fibres, but also as raw material for paints polyurethanes, dyestuffs and pharmaceuticals. The other half is sold in worldwide markets, making this one of ICI's largest export sectors

Business in 1977 proved disappointing. The gradual growth in sales that occurred in the first half of the year was not sustained in the second half, when sales volume fell substantially, reflecting the general recession in world trade, particularly in the plastics and fibres sectors. Although the trade downturn was accompanied by lower costs for naphtha, the major raw material for petrochemicals, these were offset by weakening product prices resulting from low demand and from overcapacity in a number of areas following the commissioning of new plants by the industry.

During the year the Company sanctioned a large new plant in the UK to manufacture terephthalic acid, a major raw material for polyester fibre. This additional capacity will help consolidate ICI's already strong position in this important growth area. In Spain, Ertisa SA, ICI's joint company with Union Explosivos Rio Tinto SA, successfully started up a new plant to manufacture methylamines and derivatives, which are used in the production of agricultural and rubber chemicals, pharmaceuticals and fibres. This plant has enabled advantage to be taken of additional market opportunities in Europe.

Oil and gas exploration and development Development of the North Sea Ninian oilfield, in which ICI has an interest of approximately 18 per cent, continued to make good progress towards first production in 1978. Of the three production platforms planned, the southern platform is now in position and in course of being commissioned, construction of the central platform at Raasay, Scotland, is nearing completion in time for towing out in 1978 and fabrication of a northern platform is under way on the Moray Firth. The pipeline from the field to Sullom Voe in the Shetlands is now laid and the terminal facilities are expected to be ready in time to receive the initial flow of oil from the field.

In conjunction with partners, offshore and onshore concessions were explored during 1977 in the Gulf of Mexico area, with some success. Exploration in 1978, with partners, is planned in Irish offshore waters and, if legal hurdles can be overcome in time, in the Baltimore Canyon, off the east coast of the USA.

Along with The British Petroleum Company Ltd, Rio Tinto Zinc Oil and Gas Ltd and Total Oil Marine Ltd, ICI is participating in the studies led by the British Gas Corporation and the British National Oil Corporation into the viability of possible North Sea gas gathering systems.

Pharmaceuticals
Group sales increased to £245 million in 1977, of which £73 million were in Continental Western Europe, £70 million in the Americas and £37 million in the United Kingdom.

ICI's pharmaceutical products are supplied to most countries of the world and are a valuable contribution to the prevention and treatment of disease and illness. Most of the products were developed in the United Kingdom and are exported in bulk or finished form; the value of exports in 1977 was £93 million. In addition ICI Americas Inc has a range of pharmaceutical products, which is being augmented by the introduction of two British products, 'Hibiclens' medical antibacterial skin cleanser and 'Nolvadex', a drug for the treatment of breast cancer.

There was substantial growth in sales of pharmaceutical products, primarily from the increasing use of the well-established cardiovascular product 'Inderal' and the successful introduction in many countries of 'Tenormin', a product which reduces high blood pressure.

Despite a considerable research effort, it is still not known why a small percentage of patients treated with the heart drug 'Eraldin' developed unexpected side effects. Financial assistance continues to be given to patients where recognised adverse effects have caused permanent injury even though ICI has been advised that there is no legal liability to make any payments.

ICI's pharmaceutical products have resulted largely from its own research and the search continues for further advances in medicine, particularly in relation to the many diseases and illnesses for which there is currently no adequate protection or treatment; a major extension to the pharmaceutical research and development facilities in the United Kingdom was sanctioned in 1977. It is essential that reasonable prices are obtained throughout the world to ensure the continuation of this investment in research, as well as to offset the effect of inflation.

Plastics
The principal products manufactured by the Group are three bulk polymers – low density polyethylene, polypropylene and polyvinyl chloride; 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.

There was some improvement in demand for bulk polymers in Western Europe in the first half of the year, but the seasonal decline in the third quarter was accentuated and the recovery in the last quarter was weaker than usual. Selling prices were generally affected by overcapacity and were much below the levels required to justify investment. One of the two major PVC extensions previously sanctioned in the UK was completed at the end of the year. In Australia projects were sanctioned to manufacture polypropylene and to extend PVC capacity.

Demand in Western Europe for films and sheet held up somewhat better than that for bulk polymers, and for these products it was possible to obtain some improvement in prices to compensate for higher manufacturing costs. In the USA demand and profitability improved substantially. Two major film plants using advanced technology were commissioned, one to make polypropylene film in Belgium in partnership with n.v. UCB s.a. and the other to extend polyester film capacity in Holland. A major extension of polypropylene film capacity and a project for the manufacture of extruded acrylic sheet were sanctioned in the UK.

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 4 where sales are shown according to the territory in which the customer is located.

	Sales				Trading Profit	
	£million	1976 £million	£million	1977 £million	1976 £million	1977 £million
United Kingdom—						
Home sales	1,610		1,867			
Exports (at invoice value)	918		1,041			
		2,528		2,908	399	406
Continental Western Europe		673		730	(7)	(3)
The Americas		665		726	36	43
Australasia		435		502	33	45
Indian sub-continent		125		125	16	17
Other countries		184		217	22	22
		4,610		5,208	499	530
Inter-territory sales within the Group		(475)		(545)	—	—
Royalty income		—		—	20	22
Totals as in profit and loss account		4,135		4,663	519	552

Exports from the UK The f.o.b. value of Group direct exports from the UK in 1977 was £936 million, 14 per cent higher than in 1976. Group direct imports amounted to £323 million and the net effect was a positive contribution of £613 million to the UK balance of payments.

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

	1975 £million	1976 £million	1977 £million
Western Europe			
EEC	190	293	338
Rest of Western Europe	96	128	125
	286	421	463
Africa	67	88	98
North America	45	56	87
Far East	32	45	62
Central and South America	43	57	60
Eastern Europe and USSR	40	49	53
Middle East	32	43	50
Australasia	31	48	48
Indian sub-continent	6	12	15
Other countries	4	3	—
Total	586	822	936

The United Kingdom

Excluding an increase in sales of oil purchased and resold, the volume of sales in the UK was only marginally higher than in 1976. There was little expansion of the UK economy and growth of exports weakened in the second half of the year. Stockbuilding by the chemical industry and its customers created some excess demand in the first half of the year and subsequent destocking contributed to the lower sales level later in the year. The strengthening of sterling exchange rates resulted in increased competition from imports and reduced profitability of exports.

Growth occurred in fertilizers, crop protection chemicals, pharmaceuticals and general chemicals. Petrochemicals, fibres and plastics were depressed and were subject to strong competition, with severe pressure on prices, particularly from Continental Western Europe where there was substantial overcapacity.

The procedure for price control in the UK changed from a cost-related to a discretionary system during the year with the restructuring of the Price Commission and the introduction of a new Code from 1 August. The evidence so far is that the new system is substantially increasing the heavy burden of administrative work and now entails much greater involvement of senior management. It is too early to comment on its effect on prices, but ICI needs to be confident of an adequate level of profitability over the life of plants if its investment programme for the UK is to be maintained.

Exports from the UK (£million)

Personnel The average number of people employed in the Group in the UK (excluding Imperial Metal Industries Ltd and its subsidiary companies) in 1977 was 95,000 (1976 99,000) and their aggregate remuneration for the year was £473 million (1976 £445 million). The reduction in numbers arose mainly from rationalisation of the fibres and paints businesses and was achieved almost entirely voluntarily by retraining, re-deployment and early retirement.

In this year of debate on employee participation, ICI continued to make further practical progress. Following the development over a number of years of Business and Investment Committees at Division level, Central Business and Investment Committees now exist for both weekly and monthly staff. The Chairman of these committees is a Deputy Chairman of the Board, who is accompanied by a number of Directors and senior executives. Each Division elects an employee representative who, in the case of weekly staff, is a shop steward. These new arrangements bring employee representatives into regular contact with the development of the Company's business and investment policies and give employees an opportunity to influence such policies. Parallel discussions also take place with the appropriate national officers of the signatory trades unions.

The fundamental strength of ICI's participation system lies in the large number of employees who are involved at every level. At works and department level some 3,200 shop stewards and monthly staff representatives are involved. About 860 meet Division Boards, and about 320 meet the ICI Board at the annual Central Committee and Central Staff meetings. In order to improve understanding of business and economic matters by employees at all levels, Divisions have undertaken specific education programmes on business realities, involving so far about 24,000 employees.

The Company continues to share public disquiet about employment prospects for young people. It has continued to support the efforts of the Manpower Services Commission to the extent of employing some 700 (25 per cent) more young people than it normally would. The majority of youngsters undertaking work experience or training courses find permanent employment. The long term problem, however, calls for more radical solutions.

At the same time there needs to be a greater understanding in schools of industry's vital contribution to the nation and an improvement in industry's ability to attract young people of the best personal qualities and abilities. For some time the Company has encouraged its managers to respond to requests for help and information from local schools and to meet academic staff and undergraduates at universities. The Company would like to see an increase in two-way links of this kind.

On Teesside, and to a growing extent on some other Company sites, there has been a shortage of instrument artificers arising from high demand in the construction industry and from Middle East developments and North Sea operations. Shortages of such critical skills and experience are affecting production capacity. The effective completion of new plant projects is also of vital importance to the Company's success and on Teesside the poor performance of the construction industry has delayed the completion of some major projects.

Pensions Consultation with employees through the Staff and Works Committee system, and with the appropriate trades unions, resulted in unanimous support for the recommendation to contract-out under the Social Security Pensions Act 1975, which comes into operation in April 1978. The appropriate administrative changes to bring this decision into effect are now being completed.

It has been decided to increase the number of Trustees of the Staff Pension Fund and to seek nominations from the members so that the nominated Trustees will be equal in number to those appointed from Management. In the Workers' Pension Fund one half of the Trustees have been appointed from amongst the members since the Fund's formation in 1937.

From 1 July 1977 pensions in payment were again increased to help pensioners faced with continuing inflation. The increase amounted to 10 per cent, with smaller increases for those who retired during the previous year. Following the relaxation of restrictions concerning pension benefits under the Government's incomes policy, some improvements were made in the prospective pensions for existing employees, including improved benefits for the dependants of those who die in service.

Employees' Profit-Sharing Scheme The Board have decided that the rate of bonus payable for 1977 under the ICI Employees' Profit-Sharing Scheme will be 7·1p per £1 of remuneration (at a total cost of £29 million) compared with 7p (£27 million) for 1976.

As a result of a review of the Scheme with weekly and monthly staff representatives in the joint consultative systems, a number of changes have been adopted with effect from 1 January 1978. The most significant change is that in future the rate of bonus will be determined by reference to a published scale based on the ratio of added value to employee costs. The Executive Directors, who are no longer involved in determining the rate of bonus, will be included in the Scheme along with all other employees when incomes policy permits.

Donations Donations made by the Group in 1977 for charitable purposes in the UK amounted to £685,000 (£614,000 in 1976), of which nearly 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.

Continental Western Europe

The Group made sales of £855 million in Continental Western Europe, more than half of which were exported from the UK. An extensive marketing organization supports these sales. There are also major manufacturing facilities in the Netherlands, West Germany, France and Italy. The principal products manufactured are plastics, fibres, polyurethane chemicals, speciality chemicals and paints.

Economic growth in the main EEC countries was lower than expected and there was considerable overcapacity in some chemical sectors. However, total sales including exports from the UK increased by 8 per cent, although demand in the important fibres and plastics markets was particularly weak and prices declined during the year as a result of increased competition among producers. Despite the unfavourable business environment, the polyurethane chemicals business had an encouraging year.

During the year, expenditure was sanctioned on the first stage of a new manufacturing complex at Wilhelmshaven, West Germany; this will initially involve production of chlorine related products. Establishment of this complex is a part of the strategy for the parallel development of the Group's businesses in these products in the UK and Continental Western Europe. The investment is subject to final agreement with the authorities in West Germany on legal and operational conditions.

The Americas

Most economies in the Americas faltered somewhat in 1977 as a result of the low level of world trade exacerbated in some instances by political uncertainties. The United States was an important exception, although growth in that market slowed down in the second half of the year. In generally difficult trading conditions, the total sales of ICI's companies in the area were higher than in 1976.

Canada Canadian Industries Ltd, with its subsidiary companies, manufactures industrial and agricultural chemicals, paints, plastics and industrial explosives. In 1977 total sales and profits improved only slightly, reflecting low growth in the economy, sluggish conditions in the mining and pulp and paper industries, which are important customers, and increased competitive pressure on prices. The political situation in Quebec is creating additional uncertainties which are likely to continue for some time. Despite this Canadian Industries decided to proceed with the doubling of the size of the large new chlor-alkali plant at Becancour, Quebec, which is designed to serve adjacent United States as well as Canadian markets.

USA The organization of ICI's wholly owned subsidiary companies in the United States was streamlined, so that ICI Americas is now not only responsible for ICI's overall interests in the Americas but is also the chief operating company in the USA. Operations in the USA cover the manufacture of dyes, plastics, speciality chemicals and pharmaceuticals. Sales of ICI Americas increased by over 20 per cent to £229 million and profits again improved. Manufacture of paraquat herbicide has begun at the recently completed plant at Bayport, Texas and a new insecticide, 'Ambush', has been successfully introduced. Work is progressing on the large petrochemical project at Corpus Christi, Texas, in which ICI Americas has a 37½ per cent interest.

Latin America Most of the Latin American countries experienced economic difficulties during 1977. Sales and profits overall were somewhat higher than in 1976.

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.

Moderate economic growth continued in 1977, a year when Government policies were directed with some success at a reduction of inflation rates. Sales continued to expand and, with most of the Group's plants operating close to capacity, there was a strong growth in profits. Sales of pharmaceuticals, heavy chemicals, plastics and fertilizers were particularly strong.

Projects for expansion of plastics capacity totalling almost £65 million were sanctioned during the year. A polypropylene plant costing £37 million is to be built at Botany, New South Wales, and a PVC plant costing £25 million at Laverton, Victoria.

Indian sub-continent

Business conditions in the Indian sub-continent were generally poorer than in 1976. Sales and profits in 1977 were approximately the same as in the previous year.

Production in India was affected by power cuts and there were strikes at two sites. Excellent progress was made with the construction of plants for the production of pharmaceuticals and 'Gramoxone' bipyridyl herbicide at Ennore, near Madras, and parts of the pharmaceuticals plant are now in production.

In Pakistan sales of soda ash, which had been disrupted by cheap imports from Eastern Europe, recovered following Government intervention.

Africa

Exports from the UK to Africa in 1977 were £98 million, an increase of 11 per cent on 1976. The largest export sales were to South Africa (£36 million) and Nigeria (£21 million). Principal exports were crop protection chemicals, dyestuffs, pharmaceuticals and general chemicals.

ICI continued to pay particular attention to the employment conditions and welfare of its employees in South Africa. The statement prepared last year on this subject has been brought up-to-date and copies are available for those who would like further information.

Eastern Europe

Trade became more difficult as a consequence of the East European countries' shortage of foreign currency but sales were higher than in 1976. The main increases were in crop protection products and organic chemicals.

Trading relationships are being further developed. Several comprehensive trade agreements with state organizations were concluded in 1977, and the Company has established expatriate managers in Bulgaria, the German Democratic Republic and Poland.

Far East (excluding Japan)

Sales at £125 million were significantly higher than in 1976. ICI (China) achieved the most noticeable increase, with sales up by 28 per cent. Improved opportunities for trade with the People's Republic of China were reflected during the year in increased sales of chemicals and dyes. Turnover in Indonesia also improved, with increases in sales of dyes, explosives and agricultural chemicals. ICI (Malaysia) continued to progress satisfactorily, while ICI (Singapore) commenced supplying Japan with ICI paints.

Exports from the UK were increased by 35 per cent, including a substantial increase in agricultural chemicals.

Japan

ICI's exports from the UK to Japan increased by about 20 per cent, the main products being dyestuffs, pharmaceuticals and chemicals. In addition ICI has a substantial involvement in joint ventures with Japanese partners in agricultural chemicals, pharmaceuticals, polyurethane chemicals, surfactants and water treatment; in spite of difficult trading conditions in Japan due to a low level of domestic demand and overcapacity, particularly in the heavy chemical sector, satisfactory progress was made.

Middle East
Steps were taken to increase ICI's representation in the Middle East. Sales to the area showed a significant increase over 1976. Sales of crop protection chemicals and pharmaceutical products particularly improved.

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

AECI Ltd
AECI Ltd, the South African Group in which ICI has a 40 per cent interest, manufactures and sells industrial explosives for mining and other commercial uses, general chemicals, plastics, vinyl products and agricultural products.

Sales by AECI increased to £386 million. Profit before tax amounted to £42 million. The lower economic activity experienced in the country during 1976 continued into 1977 and sales volumes in some business areas were below expectations. However, some indications of a slight recovery in economic activity were in evidence in the last quarter of the year. Operation of the coal-based nitrogen complex at Modderfontein improved substantially.

All the plants in Coalplex were commissioned before the end of the year. Coalplex is a complex for the manufacture of carbide, acetylene, chlorine, caustic soda and PVC based on coal, in which AECI has a 60 per cent interest and another South African company, Sentrachem Ltd, the rest.

Carrington Viyella Ltd
In the course of the year, as a result of a private placing by Carrington Viyella Ltd of 40,000,000 new Ordinary shares of 25p each, the Group's interest in that company fell from 63 per cent to 49 per cent. This investment is now included in the accounts as a principal associated company, instead of as an unconsolidated subsidiary.

Sales by Carrington Viyella Ltd during the year were £304 million, an increase of 9 per cent over 1976. Profit before tax was £17 million (1976 £11 million).

Cleveland Potash Ltd
This company, of which ICI owns 50 per cent and Charter Consolidated Ltd and associates the rest, mines potash at Boulby, in north-east England. Since production began on a limited scale in 1973, difficulties have been encountered and output has been substantially below expectations. In 1977 the partners agreed to provide an additional £20 million to finance capital expenditure and operating deficits.

Fiber Industries, Inc
This company is the second largest producer of polyester fibres in the United States. ICI owns $37\frac{1}{2}$ per cent of the stock, the rest being held by Celanese Corporation.

Results in the first half of 1977 were encouraging but demand in the second half of the year was somewhat disappointing. Even so sales were £418 million, and profit before tax at £31 million was some 35 per cent higher than in 1976. This performance compared favourably with that of the fibres industry elsewhere in the world.

Tioxide Group Ltd
Tioxide Group Ltd is a major international producer of titanium pigments, with manufacturing facilities in the UK, France, Spain, Canada, Australia and South Africa.

Little, if any, growth occurred in the world market for titanium pigments during 1977. For the half year to June 1977, Tioxide Group reported profit before tax of £11 million (the same as in the corresponding period of 1976), and since then prices, especially in Western Europe, have come under increasing pressure as a result of excess capacity.

During the year Tioxide Group raised £10 million by a rights issue to help finance the cost of a major expansion in its production facilities.

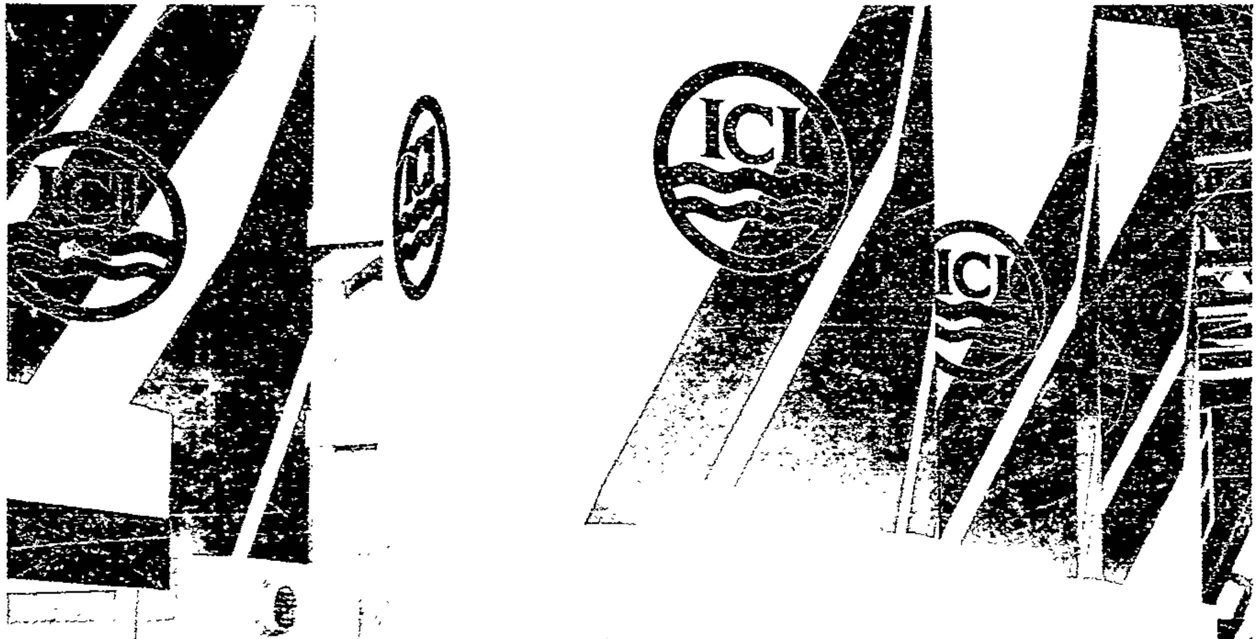
In February 1978 ICI acquired a further 6·4 per cent of the share capital of Tioxide Group, increasing its interest to 50 per cent; the other 50 per cent is owned by Lead Industries Group Ltd.

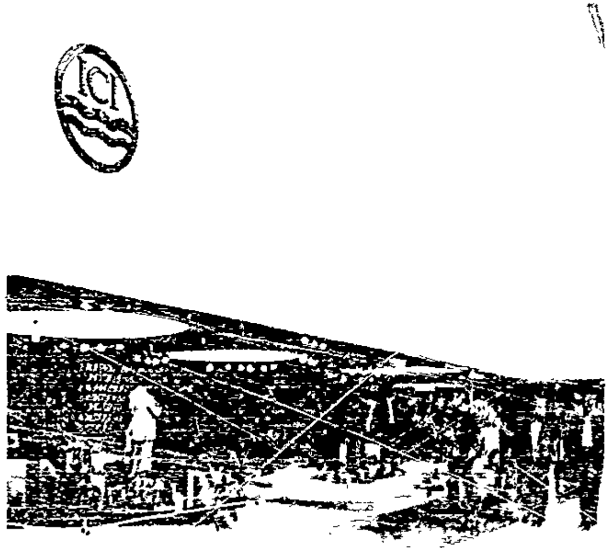
Board of Directors
The names of the Directors of the Company at the date of this Report are set out on page 3. With the exception of Lord Thomson, whose appointment to the Board is referred to below, all served as Directors for the whole of 1977. In addition, Mr S D Lyon, to whom reference was made in the Report for 1976, was a Director for part of the year.

Retirement of Sir Rowland Wright
As already announced, Sir Rowland Wright, who has been a Director for twelve years and Chairman for the past three years, has reached the age of 62 and is relinquishing his position as Chairman and retiring from the Board on 31 March 1978. Sir Rowland joined the Company over forty years ago in the Dyestuffs Division. After holding a number of appointments in production and works management, he became a member of Dyestuffs Division's Board in 1957, serving first as Production Director and later as Research Director. In 1961 he was appointed Joint Managing Director of Billingham Division and when that Division became the Agricultural Division in1964 he was appointed its Chairman. He was appointed a Director of the Company in 1966 and was elected a Deputy Chairman in 1971 and Chairman in 1975. He received a Knighthood for services to export in 1976.

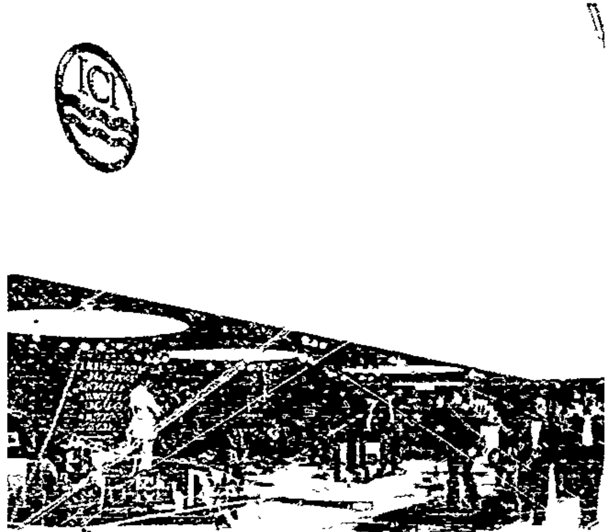
Sir Rowland's leadership has been of inestimable value to ICI during a period of difficult external circumstances affecting ICI's business and employees at all levels. The amount of time and effort which he has devoted to visiting ICI establishments throughout the world to see their achievements and to discuss their problems has been greatly valued. Sir Rowland has also played a leading part in industrial affairs in the UK and has made a notable contribution in the fields of management and employee participation. His colleagues on the Board wish to record their deep appreciation of Sir Rowland's distinguished service to the Company over the years and their gratitude for the outstanding example he has invariably given.

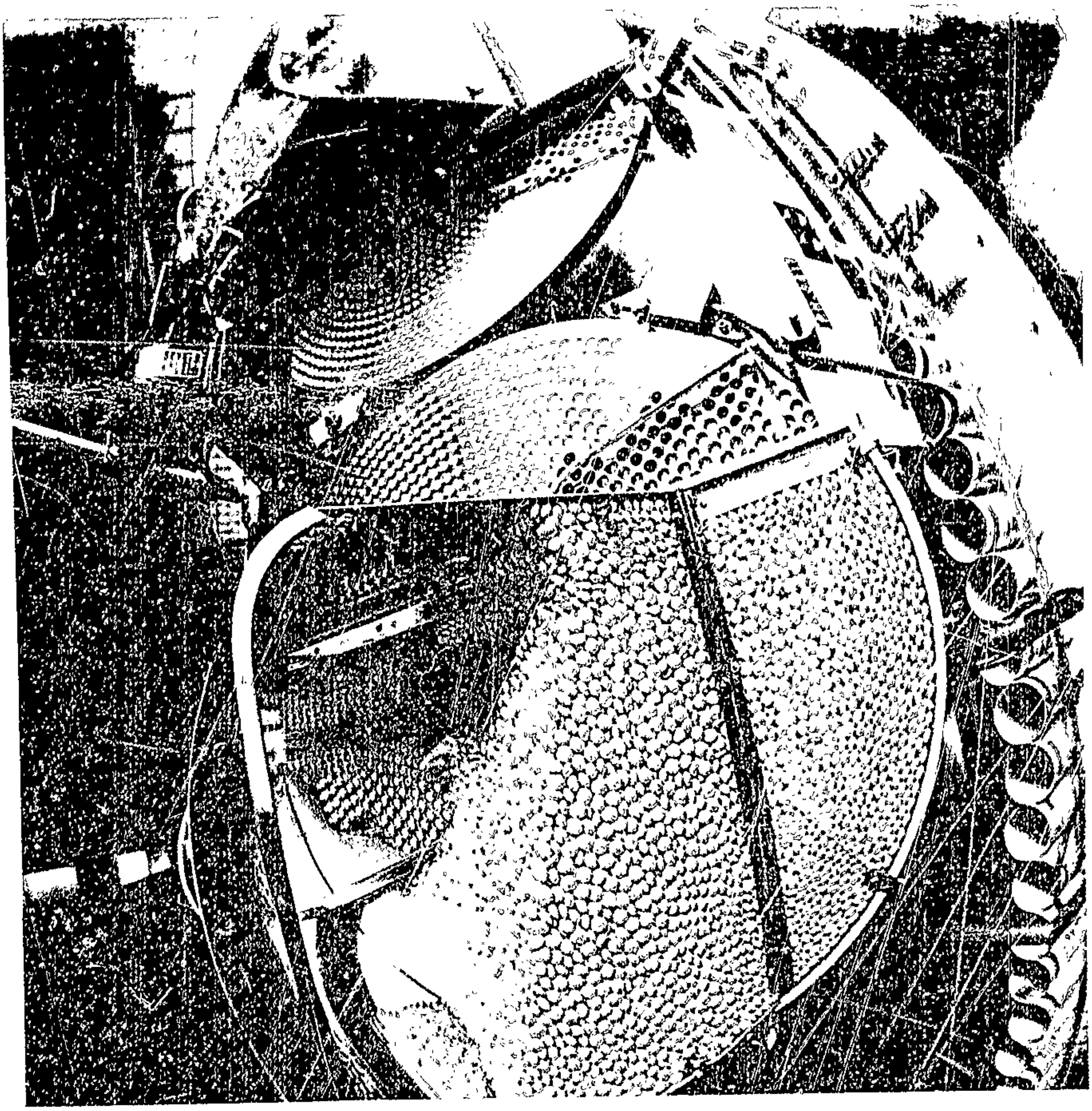
ICI products in the public eye at three key exhibitions overseas – Moscow, Frankfurt and Kuala Lumpur

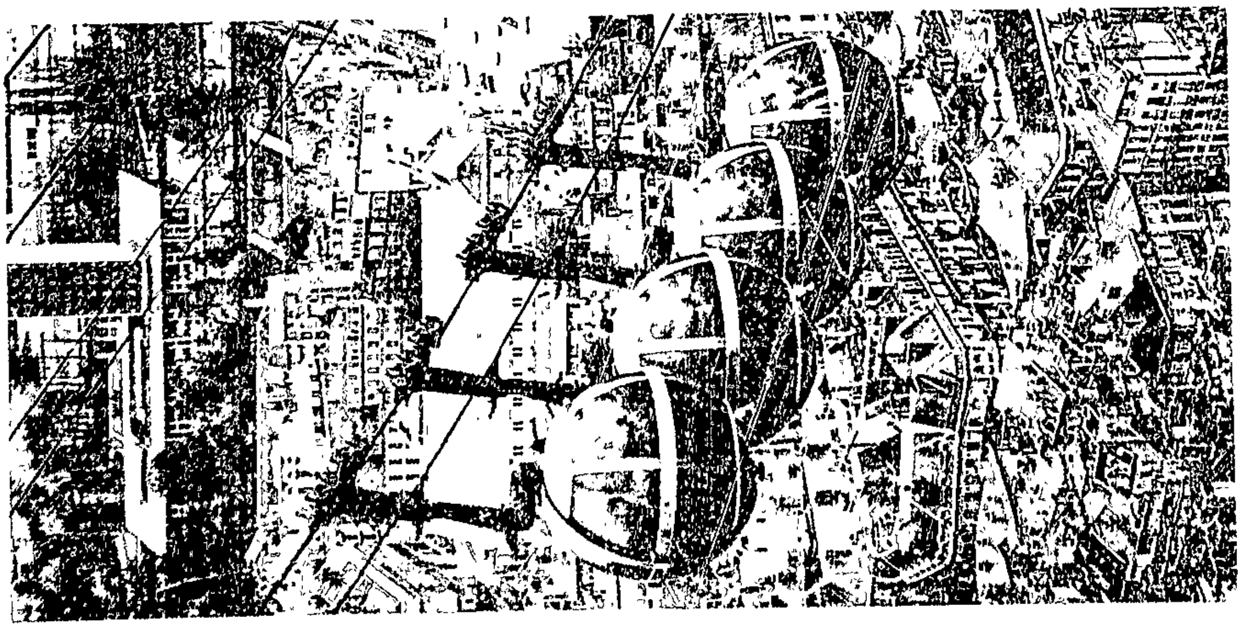




ICI products in the public eye at three key exhibitions overseas — Moscow, Frankfurt and Kuala Lumpur

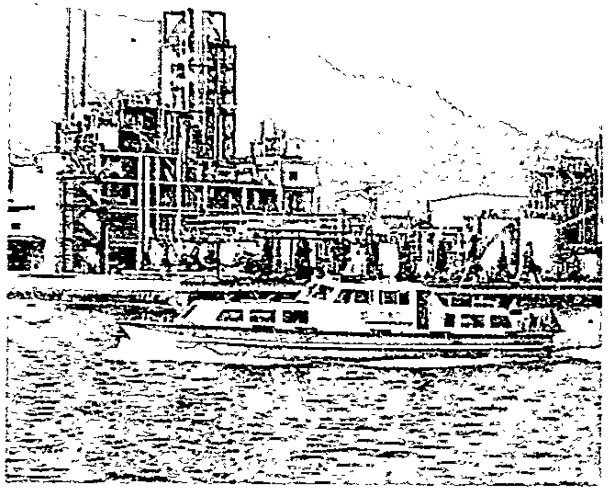




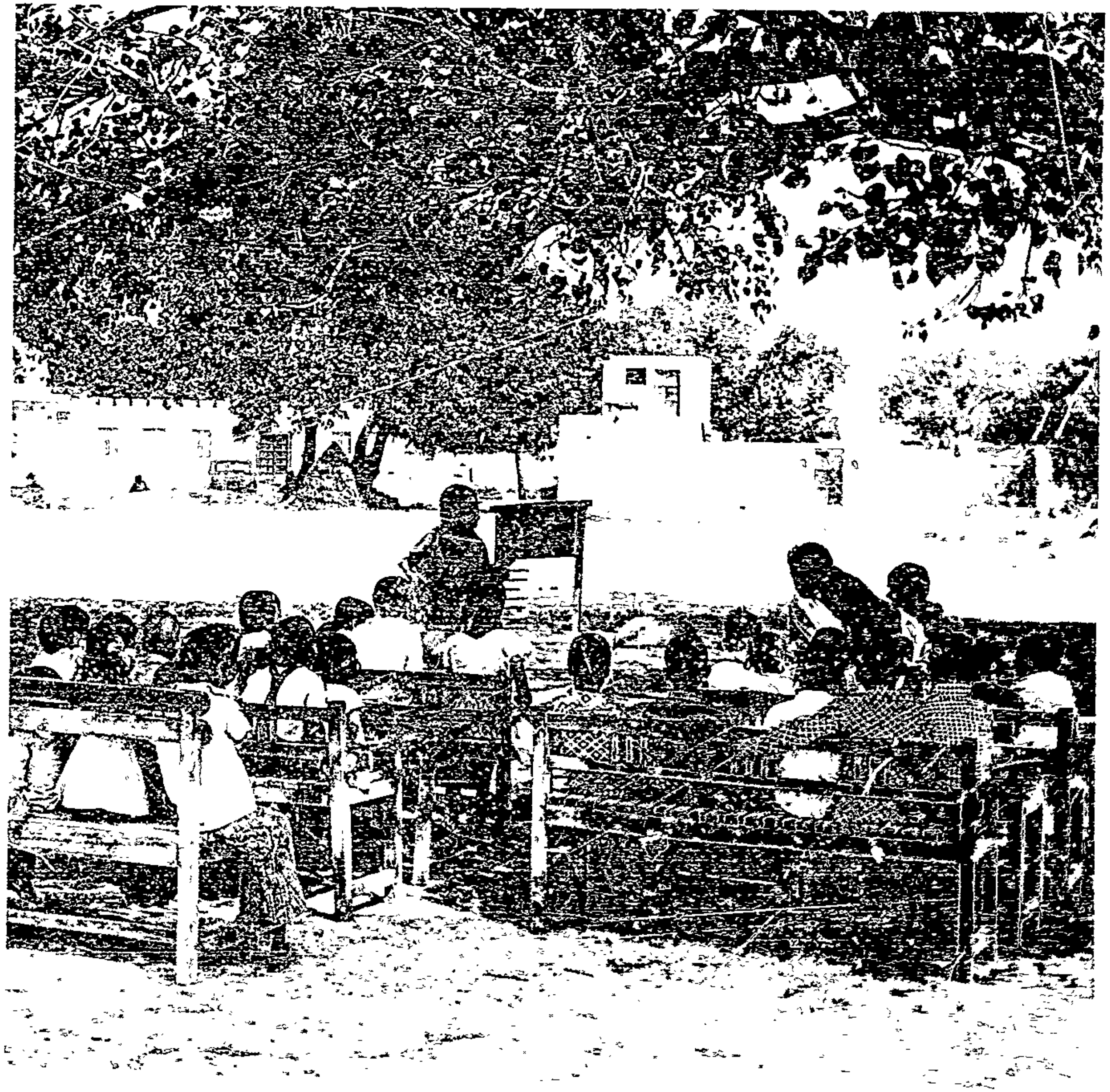


... is manufactured in this ... by ... Agrochemicals Ltd, owned ...

Below: ... plantation protected by Gramoxone

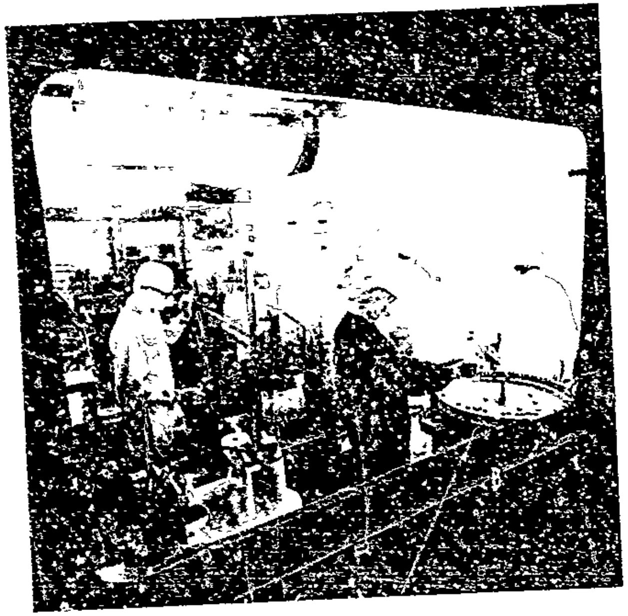


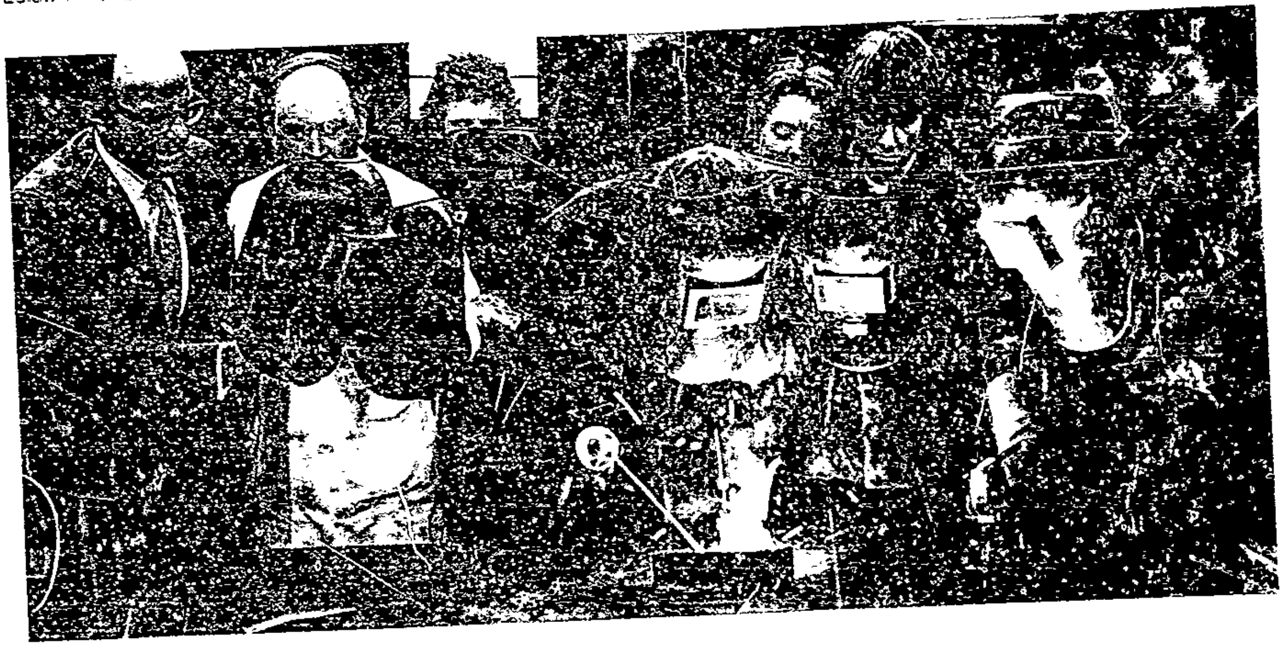
Lessons for children in an Indian village where an ICI Village Adoption Programme is going on.

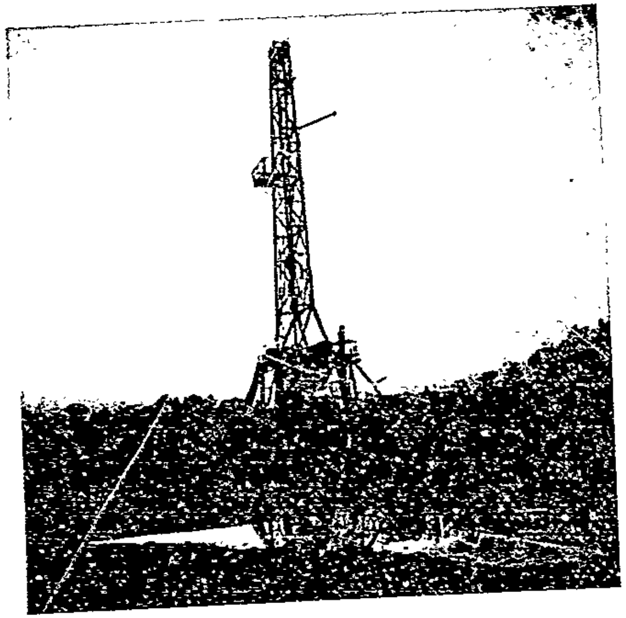


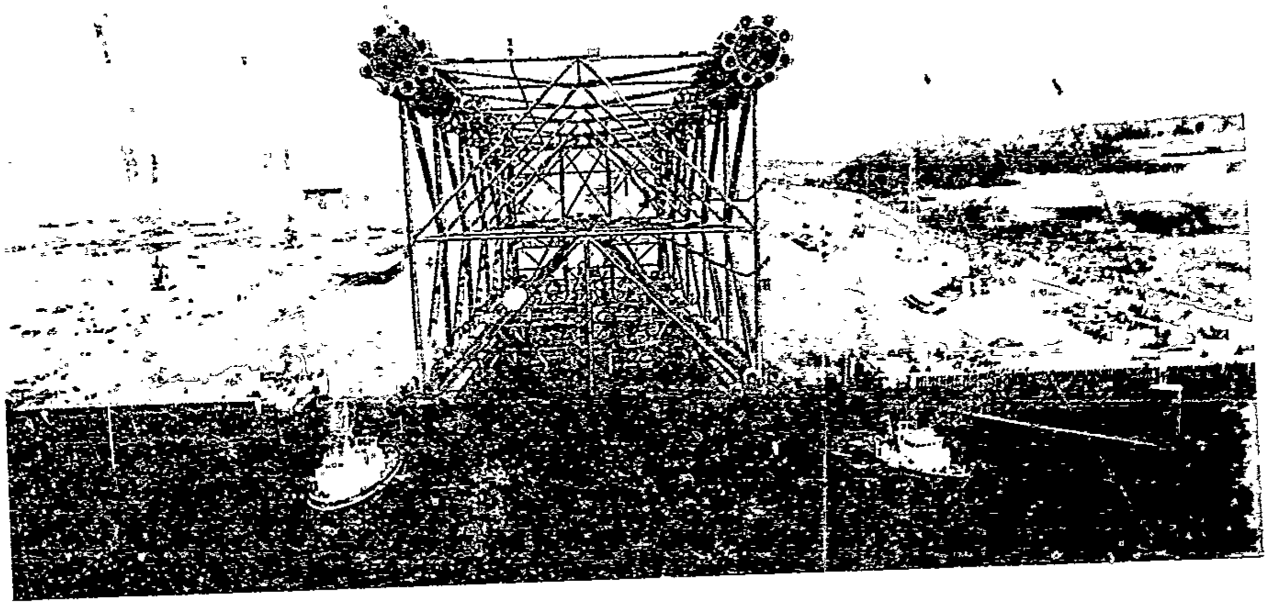
Top: [illegible] apprentices learn welding techniques at the [illegible] training centre at W[illegible]

Below: A[illegible] production platform begins its journey to the North Sea [illegible]









Election of new Chairman

The Board have elected Mr Maurice Hodgson to be Chairman of the Board in succession to Sir Rowland Wright. Mr Hodgson joined the Company at Billingham in 1942 and, after thirteen years of service in research and works management and three years with ICI (New York), he became Head of Technical Department at Head Office in 1958.

In 1960 he was appointed a Director of Heavy Organic Chemicals Division, becoming a Deputy Chairman of that Division in 1964. In 1966 he returned to Head Office as General Manager – Company Planning. He was appointed to the Board in 1970, when he became Commercial Director and Planning Director. He was elected a Deputy Chairman of the Board in 1972, since when he has had a wide range of responsibilities in the UK and overseas, including the chairmanship of the Capital Programme Committee.

Other Board changes

The Board have elected Mr J H Harvey-Jones to be a Deputy Chairman of the Board with effect from 1 February 1978. Mr Harvey-Jones has 21 years' service with the ICI Group and, since his appointment as a Director in 1973, has devoted a large part of his time to Group organization, to the petrochemicals and fibres businesses and to the business in Continental Western Europe.

One new Director has been appointed since the last Annual General Meeting. Lord Thomson of Monifieth, PC was appointed a Director with effect from 1 July 1977 and serves in a non-executive capacity. Lord Thomson's wide experience in public life and his knowledge of European affairs will be of great value to the Company.

Directors recommended for re-election

Under Article 80, Lord Thomson (aged 57 years) retires and is recommended for re-election, together with Mr J A Lofthouse (aged 60 years), Mr R W Pennock (aged 57 years), Lord Polwarth (aged 61 years), Dr A Robertson (aged 57 years) and Sir Francis Sandilands (aged 64 years).

Mr J A Lofthouse has 38 years' service, seven as a Director. Before his appointment to the Board he was Chairman of Heavy Organic Chemicals Division. He is currently Explosives Product Director and Petrochemicals Product Director. He also has special responsibility for the business in the Americas.

Mr R W Pennock has 30 years' service, six as a Director. Before his appointment to the Board he was Chairman of Agricultural Division. He has been a Deputy Chairman since 1975.

Lord Polwarth has been a Non-Executive Director of the Company since 1969, except for the period between 1972 and 1974 when he was a member of Her Majesty's Government.

Dr A Robertson has 41 years' service, three as a Director. Before his appointment to the Board he was Chairman of Plant Protection Division. He is currently Agricultural Product Director and Management Services Director. He also has special responsibilities for the business in the Pacific and Far East.

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

Directors' Interests

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

Capital of the Company

Following the successful convertible dollar bond issue referred to on page 9, 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 19 April 1978 to pass the resolution set out in the Notice of Meeting facing page 36. This is in line with the authority given at previous Annual General Meetings under which the convertible dollar bond issue was made, although it is proposed that the extent of the new authority be increased from 3 per cent to 5 per cent of the nominal value of the Ordinary share capital of the Company in issue at the date of the resolution. In seeking this increased authority, the Directors have in mind the desirability of maintaining flexibility to undertake more than one financing operation of this type within a year; it is their intention to ask stockholders at future Annual General Meetings to renew the authority if the situation at the time makes it desirable to do so.

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 have played a vital part in the Group's achievements during the year. The skill and dedication of the men and women who work for ICI are a great strength of the Group.

Imperial Chemical House
Millbank, London SW1P 3JF

2 March 1978

On behalf of the Board

J D COUSIN
Secretary

Directors' interests

The interests at 31 December 1977 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 1977, or, if appointed during 1977, at their date of appointment, are shown in brackets.

Directors (As at 31 December 1977)	Class of stock/share/debenture	**Holding at 31 December 1977 Beneficial interest		Other interest	
T N Beckett	ICI Ordinary Stock	£562	(£562)		
W B M Duncan	ICI Ordinary Stock	£3,800	(£3,800)	£630	(£732)
Sir Arnold Hall	ICI Ordinary Stock	£562	(£562)		
P G Harvey	ICI Ordinary Stock ICI 8 per cent Loan Stock	£2,518 £150	(£2,768) (£150)		
J H Harvey-Jones	ICI Ordinary Stock	£563	(£563)		
R Haslam	ICI Ordinary Stock	£2,477	(£2,477)		
F J K Hillebrandt	ICI Ordinary Stock	£3,201	(£3,201)		
M A E Hodgson	ICI Ordinary Stock	£2,426	(£2,426)		
J R Ibbs	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,049 £150	(£1,049) (£150)		
A A Jarratt	ICI Ordinary Stock	£562	(£562)	£118	(£118)
J A Lofthouse	ICI Ordinary Stock ICI 7¼ per cent Loan Stock	£3,013 £200	(£3,013) (£200)		
R. Malpas	ICI Ordinary Stock	£1,262	(£1,262)		
R W. Pennock	ICI Ordinary Stock	£3,195	(£3,195)		
Lord Polwarth	ICI Ordinary Stock	£2,125	(£2,125)	£1,178	(£1,178)
A. Robertson	ICI Ordinary Stock ICI 8 per cent Loan Stock	£1,011 £100	(£1,011) (£100)		
Sir Francis Sandilands	ICI Ordinary Stock	£562	(£562)	£4,777	(£4,777)
A Spinks	ICI Ordinary Stock ICI 7¼ per cent Loan Stock ICI 8 per cent Loan Stock	£2,723 £150 £100	(£2,723) (£150) (£100)		
Lord Thomson	ICI Ordinary Stock	£500			
Sir Rowland Wright	ICI Ordinary Stock ICI 7¼ per cent Loan Stock	£3,992 £150	(£3,992) (£150)		

*At 1 January 1977 Mr. F. J. K. Hillebrandt and Mr. M. A. E. Hodgson held respectively 1,000 and 8,310 Ordinary Shares of 25p each in Carrington Viyella Ltd, which ceased to be a subsidiary on 9 May 1977, and Mr. J. A. Lofthouse held 2,571 Ordinary Shares of 25p each in Imperial Metal Industries Ltd, which ceased to be a subsidiary on 8 November 1977.

**There were no changes in the period 1 January 1978 to 8 February 1978.

Financial calendar

Dividend and interest payments

A second interim dividend for the year 1977, which the Annual General Meeting will be asked to confirm as the final dividend for that year, is payable on 5 April 1978 to Ordinary Stockholders registered in the books of the Company on 23 February 1978.

Dividend and interest payments are normally made as follows —

First Ordinary Dividend: Second week of November
(Announced first Thursday in September)

Second 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
5¾ per cent	1 January, 1 July
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 1978 are expected to be announced as follows:—

First quarter	25 May 1978
Half year	7 September 1978
Nine months	23 November 1978
Whole year	22 February 1979

Taxation

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

Ordinary Stock (The adjusted value, for a stockholder who subscribed in full for his share of the 1976 rights issue, is 245p)	234⅜p
Preference Stock	72½p
5½ per cent Unsecured Loan Stock	87¼

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

Accounts for the year 1977

Accounting policies

The following paragraphs describe the main accounting policies of the Group. 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.

Deferred taxation

An adjustment is made each year so that the amount charged against profits for UK tax represents the figure which would have applied had there been no accelerated capital allowances. No account is taken of the difference between tax depreciation allowances, adjusted in this way, and the depreciation charged in the accounts. Adjustment is also made for stock appreciation relief and for taxation in respect of income and expenditure dealt with for taxation purposes in a different year from that in which it is included for accounting purposes. Adjustments of a similar nature are made in the accounts of certain overseas subsidiaries.

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 accounts. For the purpose of calculating depreciation in the inflation adjusted results shown on page 36, the Group believes that it is appropriate to use longer lives from within the range. These lives have been 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, and are, on average, approximately 50 per cent longer than those used in the historical accounts.

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

The cost of oil concessions is capitalised and written off over the expected period of exploration; expenditure on exploration is capitalised and written off immediately. Development expenditure is capitalised and depreciated on a production basis.

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 dates of the respective balance sheets. Differences arising from changes in exchange rates are taken to profits where they relate to items of a trading nature, and to reserve 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 associated with major acquisitions is capitalised and retained in the balance sheet unless it is determined that there is no continuing value, in which case the goodwill is written off to Group profit, as an extraordinary item. Immaterial amounts arising each year on acquisition of minor businesses are also written off as extraordinary items.

Government grants

Investment and regional development grants are credited to profit and loss account, as a deduction from taxation, over a period of ten years. The grants shown in the balance sheets include the total grants receivable to date less the amounts so far credited to profits.

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 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.

Group profit and loss account

For the year ended 31 December 1977

Composition of the Group

The Group accounts consolidate the accounts of the Company and its subsidiaries of which there were 351 at 31 December 1977. Owing to seasonal trade or local conditions and to avoid undue delay in the presentation of the Group accounts, 159 subsidiaries make up their accounts to dates earlier than 31 December, but not earlier than 30 September.

No significant subsidiaries have been acquired during the yea results of subsidiaries disposed of during the year, including Imperial Metal Industries Ltd (see Note 13), have been included up to the effective date of disposal.

The accounts of one operating division and certain subsidiary and associated companies, representing approximately 34 per cent of Group sales and 25 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

	Notes	1976 £million	1977 £million
Sales to external customers		[illegible]	4,663
Trading profit	(1)	519	552
Exchange gain (loss) on net current assets of overseas subsidiaries		[illegible]	(29)
Investment income	(2)		65
Interest payable	(3)		(107)
Employees' profit-sharing bonus			(29)
Share of profits less losses of principal associated companies			31
Profit before taxation and grants		540	483
Taxation less grants	(4)	[illegible]	(202)
Profit after taxation and grants		[illegible]	281
Applicable to minorities			(26)
Profit applicable to parent company before extraordinary items		[illegible]	255
Extraordinary items	(5)		(29)
Profit applicable to parent company after extraordinary items		[illegible]	226
Dividends	(6)		(93)
Profit retained for year		[illegible]	133
Earnings before extraordinary items per £1 Ordinary stock	(7)	[illegible]	45·4p

Reserves applicable to parent company

	Notes	1976 £million	1977 £million
At beginning of year			1,264
Profit retained for year			133
Amounts taken direct to reserves			(16)
At end of year	(8)	[illegible]	1,381

Balance sheets
At 31 December 1977

	Notes	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Assets employed					
Fixed assets	(9)	1,733	1,876	902	1,079
Goodwill	(10)	15	15	—	—
Interests in subsidiaries	(11)	—	—	947	880
Interests in subsidiaries not consolidated	(12)	59	—	—	—
Trade investments	(14)	306	345	88	83
Net current assets	(15)	1,406	1,444	89	152
		3,519	3,680	2,026	2,194
Financed by					
Capital and reserves					
Applicable to parent company:					
Issued capital	(16)	568	573	568	573
Reserves	(8)	1,264	1,381	786	888
		1,832	1,954	1,354	1,461
Applicable to minorities		234	189		
		2,066	2,143		
Government grants not yet credited to profit		35	89	82	86
Deferred liabilities	(17)	26	53	26	53
Deferred taxation	(18)	308	351	237	303
Loans	(19)	1,034	1,044	327	291
		3,519	3,680	2,026	2,194

Composition of net current assets

	Group 1977 £million	Company 1977 £million
Current assets		
Stocks	863	421
Debtors	915	107
Liquid resources	711	85
	2,489	613
Current liabilities		
Creditors	886	417
Short-term borrowings	159	44
	1,045	461
Net current assets (1976: Group 1,406; Company 89)	1,444	152

The amounts for Imperial Metal Industries Ltd included in the 1976 Group balance sheet are given in Note 13. The net current assets shown there of £119 million comprise stocks £112 million, debtors £87 million, liquid resources £21 million, creditors £81 million and short-term borrowings £20 million.

ROWLAND WRIGHT
F J K HILLEBRANDT } Directors

A W CLEMENTS, Treasurer

Statement of source and application of funds

For the year ended 31 December 1977

	Group 1976 £million	Group 1977 £million
Source of funds		
Profit after taxation and grants	326	281
Depreciation	205	221
Temporary use of amounts set aside for taxation	126	93
Miscellaneous items	18	4
Total generated from operations	675	599
Funds from other sources	354	236
Issues of ICI Ordinary stock	206	17
Issues of Loan stocks (less repayments)		
United Kingdom	(2)	(16)
Overseas	114	115
Deferred liabilities – advance payments for oil sales	26	27
Increased investment of minorities in subsidiaries	10	6
Disposal of subsidiaries and trade investments	—	87
Total funds obtained	1,029	835
Application of funds		
Dividends	97	107
Parent company	83	93
Subsidiaries to minority shareholders	14	14
Investment	659	645
New fixed assets	438	491
New investment in subsidiaries and trade investments	66	39
Additional working capital		
Stocks	159	78
Debtors	206	87
Creditors	(210)	(50)
Total funds applied	756	752
Increase in net liquid resources	273	83

Sales proceeds comprised £65 million in respect of subsidiaries (IMI £64 million) and £5 million in respect of trade investments (1976 sales were not material). The balance relates to the reduction of net short-term borrowings arising from the sale of subsidiaries.

New investment, mainly for cash, of £39 million (1976 £66 million) comprised £2 million (1976 £28 million) in respect of subsidiaries and £37 million (1976 £38 million) in respect of trade investments.

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

[illegible] Trading profit

	1976 £million	1977 £million
The following amounts have been charged in arriving at trading profit:		
Depreciation	205	221
Pension fund contributions, pensions and gratuities (including redundancy payments)	90	105
Hire of plant	42	54
Audit fees and expenses (parent company £0·3 million – 1976, £0·3 million)	2·2	2·3

2 Investment income

	1976 £million	1977 £million
Dividends and interest from:		
Subsidiaries not consolidated	3	—
Trade investments – quoted	2	3
– unquoted	22	24
Other quoted investments	2	6
Short-term deposits and sundry loans	38	49
	67	82
Less: dividends from principal associated companies	14	17
	53	65

3 Interest payable

	1976 £million	1977 £million
Loans – wholly repayable within 5 years	12	15
– not wholly repayable within 5 years	63	70
Bank overdrafts	10	13
Other	8	9
	93	107

4 Taxation less grants

	1977 £million
ICI Group	
United Kingdom	
Corporation tax	108
Double taxation relief	(20)
Deferred taxation adjustment	68
	156
Less: Government grants	(22)
	134
Overseas	
Overseas taxes	51
Deferred taxation adjustment	1
Total ICI Group	186
Principal associated companies	16
	202

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*

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

	1977 £million
Difference between proceeds of sale of Imperial Metal Industries Ltd and Group share of net assets (see Note 13)	(27)
Provision for restructuring the fibres business in UK and Continental Western Europe	—
Goodwill written off	(1)
Other	(1)
	(29)

*Net of minority interests.

6 Dividends

	1976 £million	1977 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (dividends for both years were £0·3 million)	—	—
Ordinary stock: Interim 9·0p (1976 8·0p) per £1 unit	45	51
Second interim 7·51587p (1976 6·78035p) per £1 unit	38	42
	83	93

The interim dividend was paid on 11 November 1977 and the second interim dividend, to be confirmed as final, is payable on 5 April 1978.

7 Earnings per £1 Ordinary stock

	1976	1977
Earnings for Ordinary stockholders, before extraordinary items	291	255
Average Ordinary stock in issue during year, weighted on a time basis and adjusted, in 1976, to give effect to the bonus element in the rights issue made in that year	535	562
Earnings before extraordinary items per £1 Ordinary stock	54·4p	45·4p

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 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
At beginning of year	[illegible]	1,264	[illegible]	786
Profit retained for year –				
By parent company	[illegible]	129	[illegible]	129
By subsidiaries	[illegible]	3		—
In principal associated companies	[illegible]	1		—
Amounts taken direct to reserves –				
Share premiums, less expenses	141	12	[illegible]	12
Exchange adjustments –				
Book value of overseas subsidiaries	[illegible]	—	[illegible]	(37)
Fixed assets	[illegible]	(51)		(1)
Loans	[illegible]	42		3
Investments and other items	[illegible]	(21)	[illegible]	(5)
Other movements	[illegible]	2	[illegible]	1
At end of year	[illegible]	1,381	[illegible]	888

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 £270 million (1976 £258 million). Group reserves included £107 million (£117 million) in respect of principal associated companies, comprising post-acquisition retained profits and reserves attributable to the ICI Group.

[illegible]

	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	711	257	454	2,765	1,486	1,279	1,733
Exchange adjustments	(29)	(10)	(19)	(63)	(31)	(32)	(51)
Capital expenditure	63	—	63	428	—	428	491
Disposals and other movements	(41)	(20)	(21)	(187)	(132)	(55)	(76)
Depreciation for year	—	30	(30)	—	191	(191)	(221)
At end of year	704	257	447	2,943	1,514	1,429	1,876
Company							
At beginning of year	220	112	108	1,670	876	794	902
Capital expenditure	19	—	19	283	—	253	302
Disposals and transfers	(1)	(1)	—	(39)	(35)	(4)	(4)
Depreciation for year	—	9	(9)	—	112	(112)	(121)
At end of year	238	120	118	1,914	953	961	1,079

At 31 December 1977 the net book value of oil concessions and development expenditure, included in the Group figures shown above, was £159 million (1976 £98 million).

The Company revalued most of its assets in 1958 and there have also been revaluations by certain subsidiaries at various dates. At the end of the year the net book value of assets so revalued was:

Land and buildings	£84 million (1976 £99 million)
Plant and equipment	£21 million (1976 £26 million)

Land and buildings comprised the following:	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Freeholds	625	636	210	227
Long leases (over 50 years unexpired)	26	24	9	9
Short leases	47	44	1	2
	711	704	220	238

10 Goodwill

The item of £15 million in the Group balance sheet is the goodwill which arose on the acquisition of Atlas Chemical Industries Inc. in 1971.

11 Interests in subsidiaries

	1977 £million
Shares at cost less amounts provided	418
Scrip issues capitalised	25
Book value of shares*	443
Amounts owed by subsidiaries	991
Amounts owed to subsidiaries*	(554)
	880

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

Information relating to the principal subsidiaries is given on page 32

12 Carrington Viyella Ltd group

As a result of an issue of shares by Carrington Viyella Ltd on 9 May 1977, the Company's holding was reduced from 63 per cent to 49 per cent. In the 1976 Group accounts, Carrington Viyella was classified as an unconsolidated subsidiary, but in consequence of the change in shareholding it has been treated as a principal associated company in the 1977 Group accounts. Since the audited results of the Carrington Viyella group are not published in time for inclusion in the ICI Group results, the Group's share of profits is being accounted for six months in arrear; these accounts therefore include the Group's share of profits for the six months ended 30 June 1977 only.

13 Imperial Metal Industries Ltd (IMI)

The Company's 63 per cent shareholding in IMI was sold on 8 November 1977. The proceeds of sale, net of expenses, amounted to £64 million, payable in two instalments. The amount unpaid at 31 December 1977 of £33 million, subsequently received, is included in Debtors. The proceeds of sale exceeded the book value of the investment in the Company's accounts (£61 million) but were less than the share of the consolidated net assets of IMI attributable, at the date of sale, to ICI Ordinary stockholders (£91 million). The difference between the net proceeds and the latter figure has been included in extraordinary items (see Note 5).

The results of IMI, as adjusted for inclusion in the ICI Group profit and loss account for the years 1976 and 1977, are set out below. The 1977 results cover a period of ten months up to the date of disposal, and are based on IMI's published unaudited results for the first six months of 1977 and an estimate by ICI for the four months July to October 1977.

	1976 £million	1977 £million
Sales outside ICI Group	394	380
Profit before taxation	30	27
Profit after taxation	15	16
Profit after extraordinary items applicable to ICI	9	10

Intra-group sales to IMI were £12 million in 1977 (1976 £12 million).

The ICI Group balance sheet at 31 December 1976 included the following amounts in respect of IMI:

	£million
Fixed assets	67
Trade investments	22
Net current assets	119
Deferred taxation	(27)
Loans	(40)
Minority interests	(9)
	132
Applicable to IMI Ordinary stockholders	83
Applicable to ICI Ordinary stockholders (63 per cent)	

14 Trade investments

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Principal associated companies				
Shares and advances at cost less amounts provided	99	148	[illegible]	40
Group share of post-acquisition retained profits and reserves (excluding amounts capitalised)	109	96	—	—
Scrip issues capitalised	15	14	1	1
	223	258	[illegible]	41
Information relating to the principal associated companies is given on page 33.				
Other trade investments				
Shares and advances at cost less amounts provided	80	83	[illegible]	39
Scrip issues capitalised	3	4	3	3
	83	87	[illegible]	42
Total	306	345	[illegible]	83
The division of the above as between quoted and unquoted investments is as follows:				
Quoted shares	28	89	[illegible]	15
Unquoted equity shares	237	219	[illegible]	68
Advances	41	37	[illegible]	—
	306	345	[illegible]	83
Market value of quoted shares	25	64	[illegible]	9
The following information is given in respect of the investments in unquoted equity shares:				
Amount included in ICI profit before taxation	[illegible]	23	[illegible]	11
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	[illegible]	49	[illegible]	24
After taxation	[illegible]	27	[illegible]	10
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	[illegible]	84	[illegible]	49
Aggregate amounts provided by ICI in respect of losses since acquisition	[illegible]	37	[illegible]	31

15 Net current assets

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Stocks				
Finished goods	495	491	202	222
Raw materials and other stocks	413	372	185	199
	908	863	387	421

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 £287 million (1976 £273 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 £101,000 (1976 £53,000) made to officers of the Company. These loans were made in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Liquid resources				
Quoted investments, at cost	81	77	65	43
Short-term deposits	443	566	—	40
Cash	100	68	2	2
	624	711	67	85

The market value of the quoted investments at balance sheet dates was £86 million in the Group (1976 £83 million) and £48 million in the Company (£66 million).

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Creditors				
Trade and other creditors	727	699	290	326
Dividends to Ordinary stockholders	38	42	38	42
Current taxation	131	145	45	49
	896	886	373	417

Current taxation includes advance corporation tax amounting to £23 million (1976 £25 million) in the Group and £22 million (1976 £20 million) in the Company attributable to dividends payable in 1978 out of 1977 profits. The whole of this is expected to be recovered and forms part of the amount carried forward as a debtor under the heading of deferred taxation (see Note 18).

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Short-term borrowings				
Bank borrowings – secured	15	13	—	—
– unsecured	110	127	48	43
Other short-term borrowings	30	19	—	1
	155	159	48	44

16 Capital of parent company

	Authorised £million	Issued 1976 £million	Issued 1977 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	564	[illegible]	564
Unclassified shares (£1 each)	77	-	—
	650	[illegible]	573

The authorised capital was increased by £75 million on 14 April 1977.

	Issued 1976 £million	Issued 1977 £million
Ordinary stock was issued during the year in respect of		
Rights issue	62	—
Employees' Profit-Sharing Scheme	3	4
Acquisition of shares in Chafers Ltd		1
	65	5

17 Deferred liabilities
The Company has an approximate 18 per cent interest in the Ninian oilfield which is currently being developed at an estimated cost to it of around £250 million. Of this £141 million has been spent up to 31 December 1977 (1976 £73 million) and a further £109 million (£138 million), of which £39 million has been contracted (1976 £60 million), is included in capital commitments, reported in Note 20. Financing for up to £75 million has been arranged from banks as advance payments for a portion of the Company's share of the oil to be extracted. Repayment by way of deliveries of oil (to be re-purchased by the Company) will be made over a period of not more than five years from the start of production, and in any event not later than 1983. Should the oil sales proceeds be insufficient to meet the Company's obligations under the arrangements, deficiencies will be payable in cash. The advance payments, totalling £53 million at 31 December 1977 (1976 £26 million), are shown as deferred liabilities in the Company and Group balance sheets. Further similar financing for up to £52 million, which had been arranged at 31 December 1976, has been cancelled by the Company and will be replaced by other forms of finance.

18 Deferred taxation

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
UK Corporation tax payable 1 January 1979	12	11	2	8
Deferments due to				
Accelerated capital allowances	231	282	134	252
Stock relief	122	111	92	95
Other timing differences	(28)	(30)	(31)	(30)
Advance corporation tax recoverable (see Note 15)	(29)	(23)	[illegible]	(22)
	308	351	[illegible]	303

The amounts shown above for deferments due to accelerated capital allowances and stock relief are, in the case of the Company, the sums of the adjustments made each year at the UK tax rates applicable to those years; the amounts shown for the Group include the sums of the overseas adjustments.

19 Loans

	Repayment Dates	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Secured loans					
United Kingdom	1978/2001	1	1	—	—
Overseas					
Australia (6¼ to 13¼ per cent)	1978/2006	76	81	—	—
Others (6¾ to 16 per cent)	1978/96	23	20	—	—
Total secured loans		100	102	—	—
Unsecured loans					
United Kingdom					
6¾ per cent stock	Repaid	13	—	13	—
7¼ to 8 per cent stocks	1986/93	141	119	119	119
10¾ per cent stock	1991/96	43	43	43	43
5½ per cent stock	1994/2004	26	26	26	26
Others	1978/2006	18	7	6	1
		241	195	207	139
Overseas					
8 per cent Sterling/Deutsche Mark bonds	1978/86	29	26	—	—
4¼ to 7¼ per cent Swiss Franc Loans	1978/91	100	84	55	42
6½ to 8½ per cent Deutsche Mark bonds	1978/92	123	152	—	—
6¼ to 8¼ per cent Euro-dollar bonds	1978/92	45	88	18	16
9.05 per cent US Dollar bonds	1983/95	59	52	—	—
6¾ per cent Convertible US Dollar bonds*	1997	—	52	—	—
Australia (6½ to 13 per cent)	1978/84	11	12	—	—
Canada (5⅝ to 10⅝ per cent)	1978/96	55	38	—	—
Holland (5¼ to 9¼ per cent)	1978/91	64	58	—	—
USA (5⅜ to 9¼ per cent)	1978/96	105	91	—	—
Others (5¼ to 11 per cent)	1978/89	102	94	47	44
		693	747	120	102
Total unsecured loans		934	942	327	291
Total loans		1,034	1,044	327	291

19 Loans (continued)

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Total loans comprise:				
Wholly repayable within five years	155	169	[illegible]	81
Not wholly repayable within five years	879	875	[illegible]	210
	1,034	1,044	[illegible]	291
Loans or instalments repayable:				
Within one year from balance sheet date	65	24	[illegible]	6
From one to five years from balance sheet date	189	251	[illegible]	82
Over five years from balance sheet date	780	769	[illegible]	203
	1,034	1,044	[illegible]	291

*Unless previously redeemed these bonds are convertible from 1 May 1978 to 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).

20 Commitments and contingent liabilities

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	192	292	[illegible]	200
Expenditure sanctioned but not yet contracted	483	714	[illegible]	372
	675	1,006	[illegible]	572

Group and Company commitments at 31 December 1977 for acquisition of share and loan capital include £17 million in respect of Corpus Christi Petrochemical Co, which forms the major part of the Corpus Christi project, a joint venture in the United States of America in which the Group has a 37·5 per cent interest. The projected capital requirements of the project are £339 million, of which 75 per cent is expected to be arranged as loan finance during 1978. The ICI Group's share of the remaining 25 per cent to be financed by equity capital is £32 million, of which £15 million had been subscribed at 31 December 1977. The proposed arrangements for loan finance will involve guarantees by the Group and the Company for £80 million.

Contingent liabilities existed at 31 December 1977 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £42 million (1976 £67 million) for the Group and £675 million (£587 million) for the Company, (b) guarantees relating to Pension Funds, including guarantees of the solvency of Pension Funds, (c) possible exchange losses (which could be profits depending on movements in exchange rates) under medium-term currency exchange arrangements totalling £161 million (1976 £10 million), and (d) other guarantees and contingencies arising in the ordinary course of business.

21 Emoluments of directors and senior employees

The total emoluments of the directors of the Company for the year comprised fees £28,000 (1976 £26,000) and other emoluments £894,000 (£831,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £1,451,000 (£1,391,000).

The emoluments of the Chairman were £95,363 (1976 £93,508).

The tables which follow show the number of directors and senior 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 1977/78 at the higher end of each band over £10,000 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.

Directors

Emoluments £	Tax £	Take-home pay £	1976	1977
Up to 2,500			2	1
2,501 – 5,000			1	1
5,001 – 7,500			3	2
7,501 – 10,000			1	2
15,001 – 17,500	7,900	9,600	2	1
37,501 – 40,000	26,200	13,800	2	–
45,001 – 47,500	32,400	15,100	2	–
52,501 – 55,000	38,600	16,400	1	–
55,001 – 57,500	40,700	16,800	–	3
57,501 – 60,000	42,800	17,200	–	2
60,001 – 62,500	44,800	17,700	3	3
62,501 – 65,000	46,900	18,100	1	–
65,001 – 67,500	49,000	18,500	–	1
75,001 – 77,500	57,300	20,200	3	2
77,501 – 80,000	59,400	20,600	–	1
92,501 – 95,000	71,800	23,200	1	–
95,001 – 97,500	73,900	23,600	–	1

Two of the directors whose emoluments are shown above were directors for part of the year only (7 in 1976).

21 Emoluments of directors and senior employees (continued)

Employees

Emoluments £	Tax £	Take-home pay £	1976	1977
10,001 – 12,500	4,600	7,900	[illegible]	1,448
12,501 – 15,000	6,100	8,900	434	529
15,001 – 17,500	7,900	9,600	167	213
17,501 – 20,000	9,700	10,300	[illegible]	127
20,001 – 22,500	11,600	10,900	47	65
22,501 – 25,000	13,700	11,300	[illegible]	48
25,001 – 27,500	15,800	11,700	18	18
27,501 – 30,000	17,900	12,100	[illegible]	13
30,001 – 32,500	19,900	12,600	10	10
32,501 – 35,000	22,000	13,000	[illegible]	7
35,001 – 37,500	24,100	13,400	[illegible]	6
37,501 – 40,000	26,200	13,800	2	5
40,001 – 42,500	28,200	14,300	4	2
42,501 – 45,000	30,300	14,700	1	4
45,001 – 47,500	32,400	15,100	1	–

Principal subsidiary companies

31 December 1977

Company	Country of principal operations and registration or incorporation	Class of capital	Percentage held by ICI	Percentage held by Subsidiaries	Principal activities
Europe					
Deutsche ICI GmbH	West Germany	Ordinary	93	7	Manufacture of nylon and polyester fibres, paints and pharmaceuticals; 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
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	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, paints and plastics, directly and through holdings in 31 subsidiary companies
Duperial SAIC	Argentina	Ordinary	100	—	Manufacture of chemicals, dyes, plastics, sporting ammunition and paints; merchanting of ICI and other products
ICI Americas Inc	United States of America	Common	—	100	Manufacture of pharmaceuticals, dyes, plastics and speciality chemicals; merchanting of other ICI products; co-ordination of ICI's interests in North and South America
Other countries					
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 and plastics, directly and through holdings in 46 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	9	Manufacture of chemicals, paints, polyethylene and rubber chemicals

*Quoted

Principal associated companies

31 December 1977

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 (Quoted)	35	7	42	31 December 76	30 June 77	Manufacture of textiles
		Preference	10	—	—			
		Loan	33	—	—			
Cleveland Potash Ltd	England	Ordinary	7	50	—	31 December 76	31 December 77	Potash mining
		Preference	23	50	—			
		Loan	29	13	—			
Nurel SA	Spain	Ordinary	18	50	—	31 December 76	30 June 77	Manufacture of man-made fibres
		Loan	16	—	11			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 76	30 September 77	Oil refining
SA Solvic	France	Ordinary	3	25	—	31 December 76	30 June 77	Manufacture of synthetic resins
		Loan	8	—	—			
Tioxide Group Ltd	England	Ordinary	21	13	31*	31 December 76	30 June 77	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	21	—	—			
The Americas								
Blair Insurances Ltd	Bermuda	Ordinary	2	—	50	30 June 77	30 June 77	Insurance
Fiber Industries, Inc	United States of America	Ordinary	43	37	—	31 December 77	31 December 77	Manufacture of man-made fibres
		Loan	51	—	—			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary (Quoted)	83	—	40†	31 December 76	30 June 77	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	4	—	—			
		Loan	116	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	28	—	38	30 September 77	30 September 77	Manufacture of fertilizers
		Shareholders' Subordinated Loan	10	—	35			
		Loan	18	—	—			
C.S.R. Chemicals Ltd	Australia	Ordinary	7	—	50	31 March 77	30 September 77	Manufacture of chemicals
		Loan	3	—	—			

**Subsequently increased to 37 per cent.*
†Includes 29 per cent held through Afex Holdings (Pty) Ltd in which Group interest is 50 per cent.

Auditors' report

To the Members of Imperial Chemical Industries Limited

We have examined the accounts set out on pages 21 to 33 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 1977 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.

THOMSON McLINTOCK & CO
PRICE WATERHOUSE & CO

London 2 March 1978

Group financial record

For the years ended 31 December

		1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
		£million									
Assets employed	Fixed assets	972	1,016	1,076	1,157	1,160	1,185	1,233	1,425	1,733	1,876
	Goodwill	39	39	39	16	15	15	15	15	15	15
	Trade investments and interests in subsidiaries not consolidated	111	118	192	202	208	244	258	302	365	345
	Net current assets	365	384	368	399	486	699	906	1,006	1,406	1,444
	Total assets employed	1,487	1,557	1,675	1,774	1,869	2,143	2,412	2,748	3,519	3,680
Financed by	Ordinary capital of ICI	446	448	469	474	478	480	486	494	559	564
	Group reserves applicable to ICI Ordinary stockholders	372	413	482	449	463	630	821	949	1,264	1,381
	ICI Ordinary stockholders' interest	818	861	951	923	941	1,110	1,307	1,443	1,823	1,945
	Minority interests and preference capital of ICI	140	122	125	123	133	165	187	203	243	198
	Government grants and deferred liabilities	155	162	157	153	178	196	251	292	419	493
	Loans	374	412	442	575	617	672	667	810	1,034	1,044
	Total funds invested	1,487	1,557	1,675	1,774	1,869	2,143	2,412	2,748	3,519	2,680
Sales, profits and reserves	Sales (external) — UK	616	652	693	704	776	942	1,199	1,314	1,616	1,868
	— Overseas	621	703	769	820	918	1,224	1,756	1,815	2,519	2,795
	— **Total**	1,237	1,355	1,462	1,524	1,694	2,166	2,955	3,129	4,135	4,663
	Trading profit (after depreciation)	175	190	159	145	163	309	463	319	519	552
	Depreciation	105	107	114	129	148	157	169	182	205	221
	Exchange gain (loss) on net current assets of overseas subsidiaries	—	—	—	—	6	20	(6)	29	58	(29)
	Share of profits less losses of principal associated companies	—	—	16	22	18	34	43	24	30	31
	Profit before loan interest, taxation and grants	177	193	172	166	185	360	505	378	615	508
	Profit before taxation and grants	153	167	144	130	141	311	455	321	540	483
	Taxation less grants	59	60	42	32	39	126	197	125	214	202
	Profit after taxation and grants	94	107	102	98	102	185	258	196	326	281
	Profit applicable to ICI before extraordinary items	86	96	92	85	85	161	238	172	291	255
	Extraordinary items	—	—	—	—	—	15	(5)	(1)	(46)	(29)
	Profit applicable to ICI after extraordinary items	86	96	92	85	85	176	233	171	245	226
	Net dividends	35	37	38	40	41	50	54	59	83	93
	Income tax on dividends	25	26	27	25	26	—	—	—	—	—
	Profit retained transferred to reserves	26	33	27	20	18	126	179	112	162	133
	Amounts credited (charged) direct to reserves	4	8	42	(53)	(4)	41	12	16	153	(16)
	Earnings and dividends (in pence) per £1 Ordinary stock (see Note below)										
	Earnings, before extraordinary items	18·6	21·0	19·6	17·8	17·6	33·0	48·2	34·5	54·4	45·4
	Dividends	12·7	13·5	13·5	13·5	13·8	10·1	10·9	11·6	14·8	16·5
	Dividends grossed up for imputed tax credit	—	—	—	—	—	14·5	16·3	17·9	22·7	25·0
	Profit before loan interest, taxation and grants, as a percentage of average assets employed	12·4	12·7	10·6	9·6	10·2	18·0	22·2	14·7	19·6	15·8

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

Inflation Accounting on Current Cost Accounting (CCA) Basis

Group results – unaudited

	1976 £million	1976 £million	1977 £million	1977 £million
Trading Profit as per historical accounts		519		552
Adjustments to trading profit				
Additional depreciation (Note 2)		(128)		(182)
Cost of sales adjustment for stocks (Note 3)		(67)		(57)
Erosion of trade debtors less creditors (Note 4)		(49)		(12)
Trading profit – CCA basis		275		301
Investment income		53		65
Interest payable		(93)		(107)
Employees' profit-sharing bonus		(27)		(29)
Share of profits less losses of principal associated companies		30		31
Profit before taxation and grants		238		261
Taxation less grants (Note 5)		(113)		(142)
Profit after taxation and grants		125		119
Gearing adjustment (Note 6)	126		59	
Exchange gains (losses) on financial items	(94)	32	27	86
		157		205
Applicable to minorities		(18)		(15)
Profit applicable to parent company before extraordinary items (Note 7)		139		190
Earnings (before extraordinary items) per £1 Ordinary stock – CCA basis		26·0p		33·8p
Dividend per £1 Ordinary stock		14·8p		16·5p
Average assets employed – CCA basis		5,450		6,185
Profit before loan interest, taxation and grants as a percentage of average assets employed – CCA basis		5·7%		5·6%

Notes

1 Specific inflation adjustments have been calculated for approximately 90% of the Group and estimates made for the remainder. No adjustments have been made to the share of profits of principal associated companies nor have these and other investments been revalued.

2 The additional depreciation has been based on:
(1) In general, indices of the cost of chemical plants, and
(2) Asset lives which are longer than those applied in the historical cost accounts as described in the accounting policy note on page 21.
Total inflation-adjusted depreciation is estimated at £333 million in 1976 and £403 million in 1977.

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

4 ICI believes that the erosion by inflation of trade debtors less trade creditors, based on movements in prices of sales and purchases, should be charged to trading profit in the Group's management accounts, in addition to the depreciation and cost of sales adjustments. The same adjustment has been made in this statement and the method used differs in this respect from the simple approach suggested by the Accounting Standards Committee for use by companies which have not developed their own methods.

5 The taxation charge has been calculated on the basis of the proposals contained in Exposure Draft 19 issued by the Accounting Standards Committee.

6 The gearing adjustment represents the total holding gains less losses for the year on assets effectively financed by net non-trading monetary liabilities (mainly borrowings less cash). The exchange gains or losses on the non-sterling part of these liabilities are then added to or deducted from the adjustment. Again, this method differs from the approach suggested by the Accounting Standards Committee for use by companies which have not developed their own methods.

7 The statement does not deal with extraordinary items, the CCA treatment of which is still under review.

8 Profit after taxation and grants of £125 million for 1976 differs from the figure of £210 million indicated in the 1976 Directors' Report, principally because of the charge for erosion of trade debtors less creditors and a change in the basis for adjusting taxation less grants.

Notice of Meeting

Notice is hereby given that the fifty-first Annual General Meeting of Imperial Chemical Industries Limited will be held at The Dorchester, Park Lane, London W1, on Wednesday, 19 April 1978 at 11.00 a.m., for the following purposes:

To consider the Company's Accounts and the Reports of the Directors and Auditors for the year ended 31 December 1977, and to confirm dividends.

To elect Directors in place of those retiring.

To appoint Auditors, and to authorize the Directors to fix the remuneration of the Auditors.

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

'That the Directors of the Company be and are hereby authorized, for the purposes set out on page 19 of the Report of the Directors for the year ended 31 December 1977:

(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'.

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 Dorchester, Park Lane, London W1, 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 560,000 copies of this Report are despatched to stockholders. To facilitate delivery of this very large number of copies, posting of the Report will be phased over a period

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

8 March 1978

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.

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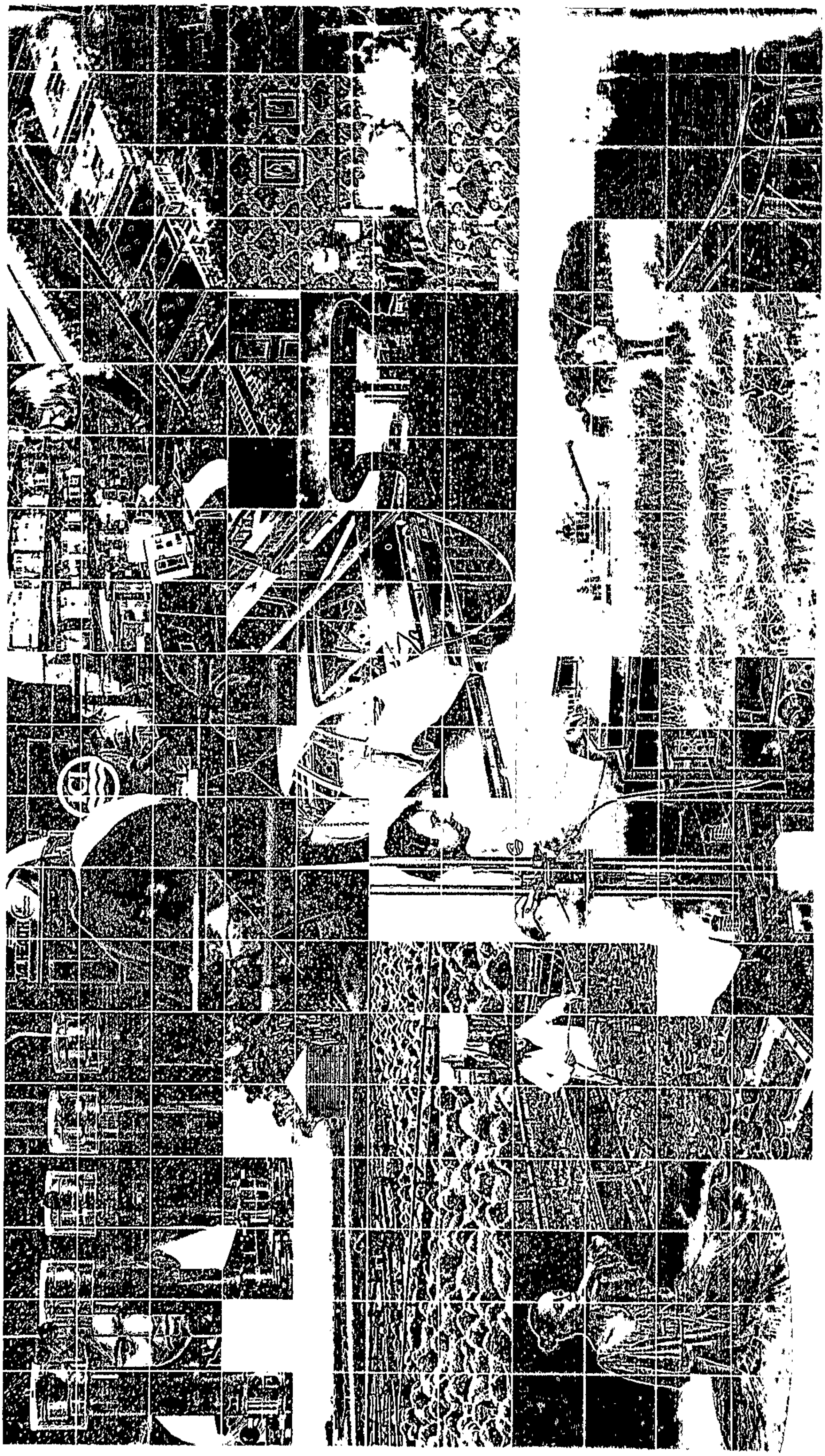

Accounts for the year 1977

2/8019/777.

Accounting policies

The following paragraphs describe the main accounting policies of the Group. 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.

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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.

Deferred taxation

An adjustment is made each year so that the amount charged against profits for UK tax represents the figure which would have applied had there been no accelerated capital allowances. No account is taken of the difference between tax depreciation allowances, adjusted in this way, and the depreciation charged in the accounts. Adjustment is also made for stock appreciation relief and for taxation in respect of income and expenditure dealt with for taxation purposes in a different year from that in which it is included for accounting purposes. Adjustments of a similar nature are made in the accounts of certain overseas subsidiaries.

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 accounts. For the purpose of calculating depreciation in the inflation adjusted results shown on page 36, the Group believes that it is appropriate to use longer lives from within the range. These lives have been 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, and are, on average, approximately 50 per cent longer than those used in the historical accounts.

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

The cost of oil concessions is capitalised and written off over the expected period of exploration; expenditure on exploration is capitalised and written off immediately. Development expenditure is capitalised and depreciated on a production basis.

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 dates of the respective balance sheets. Differences arising from changes in exchange rates are taken to profits where they relate to items of a trading nature, and to reserve 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 associated with major acquisitions is capitalised and retained in the balance sheet unless it is determined that there is no continuing value, in which case the goodwill is written off to Group profit, as an extraordinary item. Immaterial amounts arising each year on acquisition of minor businesses are also written off as extraordinary items.

Government grants

Investment and regional development grants are credited to profit and loss account, as a deduction from taxation, over a period of ten years. The grants shown in the balance sheets include the total grants receivable to date less the amounts so far credited to profits.

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 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.

Group profit and loss account

For the year ended 31 December 1977

Composition of the Group

The Group accounts consolidate the accounts of the Company and its subsidiaries of which there were 351 at 31 December 1977. Owing to seasonal trade or local conditions and to avoid undue delay in the presentation of the Group accounts, 159 subsidiaries make up their accounts to dates earlier than 31 December, but not earlier than 30 September.

No significant subsidiaries have been acquired during the year; results of subsidiaries disposed of during the year, including Imperial Metal Industries Ltd (see Note 13), have been included up to the effective date of disposal.

The accounts of one operating division and certain subsidiary and associated companies, representing approximately 34 per cent of Group sales and 25 per cent of Group net assets, have been audited by firms other than the Group joint auditors.

	Notes	1976 £million	1977 £million
Sales to external customers		4,135	4,663
Trading profit	(1)	519	552
Exchange gain (loss) on net current assets of overseas subsidiaries		58	(29)
Investment income	(2)	53	65
Interest payable	(3)	(93)	(107)
Employees' profit-sharing bonus		(27)	(29)
Share of profits less losses of principal associated companies		30	31
Profit before taxation and grants		540	483
Taxation less grants	(4)	(214)	(202)
Profit after taxation and grants		326	281
Applicable to minorities		(35)	(26)
Profit applicable to parent company before extraordinary items		291	255
Extraordinary items	(5)	(46)	(29)
Profit applicable to parent company after extraordinary items		245	226
Dividends	(6)	(83)	(93)
Profit retained for year		162	133
Earnings before extraordinary items per £1 Ordinary stock	(7)	54·4p	45·4p

Reserves applicable to parent company

	Notes	1976 £million	1977 £million
At beginning of year		949	1,264
Profit retained for year		162	133
Amounts taken direct to reserves		153	(16)
At end of year	(8)	1,264	1,381

Balance sheets
At 31 December 1977

	Notes	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Assets employed					
Fixed assets	(9)	1,733	1,876	902	1,079
Goodwill	(10)	15	15	—	—
Interests in subsidiaries	(11)	—	—	947	880
Interests in subsidiaries not consolidated	(12)	59	—	—	—
Trade investments	(14)	306	345	88	83
Net current assets	(15)	1,406	1,444	89	152
		3,519	3,680	2,026	2,194
Financed by					
Capital and reserves					
Applicable to parent company:					
Issued capital	(16)	568	573	568	573
Reserves	(8)	1,264	1,381	786	888
		1,332	1,954	1,354	1,461
Applicable to minorities		234	189		
		2,066	2,143		
Government grants not yet credited to profit		85	89	82	86
Deferred liabilities	(17)	26	53	26	53
Deferred taxation	(18)	308	351	237	303
Loans	(19)	1,034	1,044	327	291
		3,519	3,680	2,026	2,194

Composition of net current assets

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Current assets				
Stocks	908	863	387	421
Debtors	925	915	56	107
Liquid resources	624	711	67	85
	2,457	2,489	510	613
Current liabilities				
Creditors	896	886	373	417
Short-term borrowings	155	159	48	44
	1,051	1,045	421	461
Net current assets	1,406	1,444	89	152

The amounts for Imperial Metal Industries Ltd included in the 1976 Group balance sheet are given in Note 13. The net current assets shown there of £119 million comprise stocks £112 million, debtors £87 million, liquid resources £21 million, creditors £81 million and short-term borrowings £20 million.

Rowland Wright
J. S. Hiddebrand } Directors

A W Clements, Treasurer

Statement of source and application of funds

For the year ended 31 December 1977

	Group 1976 £million	Group 1977 £million
Source of funds		
Profit after taxation and grants	326	281
Depreciation	205	221
Temporary use of amounts set aside for taxation	126	93
Miscellaneous items	18	4
Total generated from operations	675	599
Funds from other sources	354	236
Issues of ICI Ordinary stock	206	17
Issues of Loan stocks (less repayments)		
United Kingdom	(2)	(16)
Overseas	114	115
Deferred liabilities — advance payments for oil sales	26	27
Increased investment of minorities in subsidiaries	10	6
Disposal of subsidiaries and trade investments	—	87
Total funds obtained	1,029	835
Application of funds		
Dividends	97	107
Parent company	83	93
Subsidiaries to minority shareholders	14	14
Investment	659	645
New fixed assets	438	491
New investment in subsidiaries and trade investments	66	39
Additional working capital		
Stocks	159	78
Debtors	206	87
Creditors	(210)	(50)
Total funds applied	756	752
Increase in net liquid resources	273	83

Sales proceeds comprised £65 million in respect of subsidiaries (IMI £64 million) and £5 million in respect of trade investments (1976 sales were not material). The balance relates to the reduction of net short-term borrowings arising from the sale of subsidiaries.

New investment, mainly for cash, of £39 million (1976 £66 million) comprised £2 million (1976 £28 million) in respect of subsidiaries and £37 million (1976 £38 million) in respect of trade investments.

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

1 Trading profit

The following amounts have been charged in arriving at trading profit:

	1976 £million	1977 £million
Depreciation	205	221
Pension fund contributions, pensions and gratuities (including redundancy payments)	90	105
Hire of plant	42	54
Audit fees and expenses (parent company £0·3 million — 1976, £0·3 million)	2·2	2·3

2 Investment income

	1976 £million	1977 £million
Dividends and interest from:		
Subsidiaries not consolidated	3	—
Trade investments — quoted	2	3
— unquoted	22	24
Other quoted investments	2	6
Short-term deposits and sundry loans	38	49
	67	82
Less: dividends from principal associated companies	14	17
	53	65

3 Interest payable

	1976 £million	1977 £million
Loans — wholly repayable within 5 years	12	15
— not wholly repayable within 5 years	63	70
Bank overdrafts	10	13
Other	8	9
	93	107

4 Taxation less grants

	1976 £million	1977 £million
ICI Group		
United Kingdom		
Corporation tax	93	108
Double taxation relief	(25)	(20)
Deferred taxation adjustment	102	68
	170	156
Less: Government grants	(22)	(22)
	148	134
Overseas		
Overseas taxes	48	51
Deferred taxation adjustment	5	1
Total ICI Group	201	186
Principal associated companies	13	16
	214	202

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*

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

	1976 £million	1977 £million
Difference between proceeds of sale of Imperial Metal Industries Ltd and Group share of net assets (see Note 13)	—	(27)
Provision for restructuring the fibres business in UK and Continental Western Europe	(36)	—
Goodwill written off	(5)	(1)
Other	(5)	(1)
	(46)	(29)

*Net of minority interests.

6 Dividends

	1976 £million	1977 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (dividends for both years were £0·3 million)	—	—
Ordinary stock: Interim 9·0p (1976 8·0p) per £1 unit	45	51
Second interim 7·51587p (1976 6·78035p) per £1 unit	38	42
	83	93

The interim dividend was paid on 11 November 1977 and the second interim dividend, to be confirmed as final, is payable on 5 April 1978.

7 Earnings per £1 Ordinary stock

	1976 £million	1977 £million
Earnings for Ordinary stockholders, before extraordinary items	291	255
Average Ordinary stock in issue during year, weighted on a time basis and adjusted, in 1976, to give effect to the bonus element in the rights issue made in that year	535	562
Earnings before extraordinary items per £1 Ordinary stock	54·4p	45·4p

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 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
At beginning of year	949	1,264	590	786
Profit retained for year –				
By parent company	24	129	24	129
By subsidiaries	126	3	—	—
In principal associated companies	12	1	—	—
Amounts taken direct to reserves –				
Share premiums, less expenses	141	12	141	12
Exchange adjustments –				
Book value of overseas subsidiaries	—	—	49	(37)
Fixed assets	101	(51)	1	(1)
Loans	(110)	42	(27)	3
Investments and other items	20	(21)	6	(5)
Other movements	1	2	2	1
At end of year	1,264	1,381	786	888

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 £270 million (1976 £258 million). Group reserves included £107 million (£117 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	711	257	454	2,765	1,486	1,279	1,733
Exchange adjustments	(29)	(10)	(19)	(63)	(31)	(32)	(51)
Capital expenditure	63	—	63	428	—	428	491
Disposals and other movements	(41)	(20)	(21)	(187)	(132)	(55)	(76)
Depreciation for year	—	30	(30)	—	191	(191)	(221)
At end of year	704	257	447	2,943	1,514	1,429	1,876
Company							
At beginning of year	220	112	108	1,670	876	794	902
Capital expenditure	19	—	19	283	—	283	302
Disposals and transfers	(1)	(1)	—	(39)	(35)	(4)	(4)
Depreciation for year	—	9	(9)	—	112	(112)	(121)
At end of year	238	120	118	1,914	953	961	1,079

At 31 December 1977 the net book value of oil concessions and development expenditure, included in the Group figures shown above, was £159 million (1976 £98 million).

The Company revalued most of its assets in 1958 and there have also been revaluations by certain subsidiaries at various dates. At the end of the year the net book value of assets so revalued was:

Land and buildings	£84 million (1976 £99 million)
Plant and equipment	£21 million (1976 £26 million)

Land and buildings comprised the following:	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Freeholds	638	636	210	227
Long leases (over 50 years unexpired)	26	24	9	9
Short leases	47	44	1	2
	711	704	220	238

10 Goodwill

The item of £15 million in the Group balance sheet is the goodwill which arose on the acquisition of Atlas Chemical Industries Inc. in 1971.

11 Interests in subsidiaries

	1976 £million	1977 £million
Shares at cost less amounts provided	449	418
Scrip issues capitalised	25	25
Book value of shares*	474	443
Amounts owed by subsidiaries	907	991
Amounts owed to subsidiaries*	(434)	(554)
	947	880

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

Information relating to the principal subsidiaries is given on page 32.

12 Carrington Viyella Ltd group

As a result of an issue of shares by Carrington Viyella Ltd on 9 May 1977, the Company's holding was reduced from 63 per cent to 49 per cent. In the 1976 Group accounts, Carrington Viyella was classified as an unconsolidated subsidiary, but in consequence of the change in shareholding it has been treated as a principal associated company in the 1977 Group accounts. Since the audited results of the Carrington Viyella group are not published in time for inclusion in the ICI Group results, the Group's share of profits is being accounted for six months in arrear; these accounts therefore include the Group's share of profits for the six months ended 30 June 1977 only.

13 Imperial Metal Industries Ltd (IMI)

The Company's 63 per cent shareholding in IMI was sold on 8 November 1977. The proceeds of sale, net of expenses, amounted to £64 million, payable in two instalments. The amount unpaid at 31 December 1977 of £33 million, subsequently received, is included in Debtors. The proceeds of sale exceeded the book value of the investment in the Company's accounts (£61 million) but were less than the share of the consolidated net assets of IMI attributable, at the date of sale, to ICI Ordinary stockholders (£91 million). The difference between the net proceeds and the latter figure has been included in extraordinary items (see Note 5).

The results of IMI, as adjusted for inclusion in the ICI Group profit and loss account for the years 1976 and 1977, are set out below. The 1977 results cover a period of ten months up to the date of disposal, and are based on IMI's published unaudited results for the first six months of 1977 and an estimate by ICI for the four months July to October 1977.

	1976 £million	1977 £million
Sales outside ICI Group	394	380
Profit before taxation	30	27
Profit after taxation	15	16
Profit after extraordinary items applicable to ICI	9	10

Intra-group sales to IMI were £12 million in 1977 (1976 £12 million).

The ICI Group balance sheet at 31 December 1976 included the following amounts in respect of IMI:

	£million
Fixed assets	67
Trade investments	22
Net current assets	119
Deferred taxation	(27)
Loans	(40)
Minority interests	(9)
Applicable to IMI Ordinary stockholders	132
Applicable to ICI Ordinary stockholders (63 per cent)	83

14 Trade investments

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Principal associated companies				
Shares and advances at cost less amounts provided	99	148	38	40
Group share of post-acquisition retained profits and reserves (excluding amounts capitalised)	109	96	—	—
Scrip issues capitalised	15	14	1	1
	223	258	39	41

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

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Other trade investments				
Shares and advances at cost less amounts provided	80	83	46	39
Scrip issues capitalised	3	4	3	3
	83	87	49	42
Total	306	345	88	83

The division of the above as between quoted and unquoted investments is as follows:

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Quoted shares	28	89	9	15
Unquoted equity shares	237	219	74	68
Advances	41	37	5	—
	306	345	88	83
Market value of quoted shares	25	64	8	9

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

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Amount included in ICI profit before taxation	20	23	10	11
ICI share of profits less losses for period of latest audited accounts received				
Before taxation	36	49	14	24
After taxation	19	27	5	10
ICI share of aggregate undistributed profits less losses since acquisition (including amounts capitalised)	101	84	54	49
Aggregate amounts provided by ICI in respect of losses since acquisition	23	37	14	31

15 Net current assets

Stocks

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Finished goods	495	491	202	222
Raw materials and other stocks	413	372	185	199
	908	863	387	421

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 £287 million (1976 £273 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 £101,000 (1976 £53,000) made to officers of the Company. These loans were made in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

Liquid resources

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Quoted investments, at cost	81	77	65	43
Short-term deposits	443	566	—	40
Cash	100	68	2	2
	624	711	67	85

The market value of the quoted investments at balance sheet dates was £86 million in the Group (1976 £83 million) and £48 million in the Company (£66 million).

Creditors

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Trade and other creditors	727	699	290	326
Dividends to Ordinary stockholders	38	42	38	42
Current taxation	131	145	45	49
	896	886	373	417

Current taxation includes advance corporation tax amounting to £23 million (1976 £25 million) in the Group and £22 million (1976 £20 million) in the Company attributable to dividends payable in 1978 out of 1977 profits. The whole of this is expected to be recovered and forms part of the amount carried forward as a debtor under the heading of deferred taxation (see Note 18).

Short-term borrowings

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Bank borrowings – secured	15	13	—	—
– unsecured	110	127	48	43
Other short-term borrowings	30	19	—	1
	155	159	48	44

16 Capital of parent company

	Authorised £million	Issued 1976 £million	Issued 1977 £million
5 per cent (now 3·5 per cent plus tax credit) Cumulative Preference stock (£1 units)	9	9	9
Ordinary stock (£1 units)	564	559	564
Unclassified shares (£1 each)	77	—	—
	650	568	573

The authorised capital was increased by £75 million on 14 April 1977.

Ordinary stock was issued during the year in respect of	Issued 1976 £million	Issued 1977 £million
Rights issue	62	—
Employees' Profit-Sharing Scheme	3	4
Acquisition of shares in Chafers Ltd	—	1
	65	5

17 Deferred liabilities

The Company has an approximate 18 per cent interest in the Ninian oilfield which is currently being developed at an estimated cost to it of around £250 million. Of this £141 million has been spent up to 31 December 1977 (1976 £73 million) and a further £109 million (£138 million), of which £39 million has been contracted (1976 £60 million), is included in capital commitments, reported in Note 20. Financing for up to £75 million has been arranged from banks as advance payments for a portion of the Company's share of the oil to be extracted. Repayment by way of deliveries of oil (to be re-purchased by the Company) will be made over a period of not more than five years from the start of production, and in any event not later than 1983. Should the oil sales proceeds be insufficient to meet the Company's obligations under the arrangements, deficiencies will be payable in cash. The advance payments, totalling £53 million at 31 December 1977 (1976 £26 million), are shown as deferred liabilities in the Company and Group balance sheets. Further similar financing for up to £52 million, which had been arranged at 31 December 1976, has been cancelled by the Company and will be replaced by other forms of finance.

18 Deferred taxation

	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
UK Corporation tax payable 1 January 1979	12	11	2	8
Deferments due to				
Accelerated capital allowances	231	282	194	252
Stock relief	122	111	92	95
Other timing differences	(28)	(30)	(31)	(30)
Advance corporation tax recoverable (see Note 15)	(29)	(23)	(20)	(22)
	308	351	237	303

The amounts shown above for deferments due to accelerated capital allowances and stock relief are, in the case of the Company, the sums of the adjustments made each year at the UK tax rates applicable to those years; the amounts shown for the Group include the sums of the overseas adjustments.

19 Loans	Repayment Dates	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Secured loans					
United Kingdom	1978/2001	1	1	—	—
Overseas					
Australia (6½ to 13½ per cent)	1978/2006	76	81	—	—
Others (6⅜ to 16 per cent)	1978/96	23	20	—	—
		100	102	—	—
Total secured loans					
Unsecured loans					
United Kingdom					
6¾ per cent stock	Repaid	13	—	13	—
7¼ to 8 per cent stocks	1986/93	141	119	119	119
10¾ per cent stock	1991/96	43	43	43	43
5½ per cent stock	1994/2004	26	26	26	26
Others	1978/2006	18	7	6	1
		241	195	207	189
Overseas					
8 per cent Sterling/Deutsche Mark bonds	1978/86	29	26	—	—
4¼ to 7¼ per cent Swiss Franc Loans	1978/91	100	84	55	42
6½ to 8½ per cent Deutsche Mark bonds	1978/92	123	152	—	—
6¼ to 8¼ per cent Euro-dollar bonds	1978/92	45	88	18	16
9·05 per cent US Dollar bonds	1983/95	59	52	—	—
6¾ per cent Convertible US Dollar bonds*	1997	—	52	—	—
Australia (6½ to 13 per cent)	1978/84	11	12	—	—
Canada (5⅝ to 10⅝ per cent)	1978/96	55	38	—	—
Holland (5¼ to 9½ per cent)	1978/91	64	58	—	—
USA (5⅜ to 9¼ per cent)	1978/96	105	91	—	—
Others (5¼ to 11 per cent)	1978/89	102	94	47	44
		693	747	120	102
Total unsecured loans		934	942	327	291
Total loans		1,034	1,044	327	291

19 Loans (continued)	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Total loans comprise:				
Wholly repayable within five years	155	169	86	81
Not wholly repayable within five years	879	875	241	210
	1,034	1,044	327	291
Loans or instalments repayable:				
Within one year from balance sheet date	65	24	34	6
From one to five years from balance sheet date	189	251	54	82
Over five years from balance sheet date	780	769	239	203
	1,034	1,044	327	291

*Unless previously redeemed these bonds are convertible from 1 May 1978 to 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).

20 Commitments and contingent liabilities	Group 1976 £million	Group 1977 £million	Company 1976 £million	Company 1977 £million
Contracts placed for future capital expenditure (including acquisition of share and loan capital in subsidiary and other companies)	192	292	144	200
Expenditure sanctioned but not yet contracted	483	714	289	372
	675	1,006	433	572

Group and Company commitments at 31 December 1977 for acquisition of share and loan capital include £17 million in respect of Corpus Christi Petrochemical Co, which forms the major part of the Corpus Christi project, a joint venture in the United States of America in which the Group has a 37·5 per cent interest. The projected capital requirements of the project are £339 million, of which 75 per cent is expected to be arranged as loan finance during 1978. The ICI Group's share of the remaining 25 per cent to be financed by equity capital is £32 million, of which £15 million had been subscribed at 31 December 1977. The proposed arrangements for loan finance will involve guarantees by the Group and the Company for £80 million.

Contingent liabilities existed at 31 December 1977 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which would be £42 million (1976 £67 million) for the Group and £675 million (£587 million) for the Company, (b) guarantees relating to Pension Funds, including guarantees of the solvency of Pension Funds, (c) possible exchange losses (which could be profits depending on movements in exchange rates) under medium-term currency exchange arrangements totalling £161 million (1976 £10 million), and (d) other guarantees and contingencies arising in the ordinary course of business.

21 Emoluments of directors and senior employees

The total emoluments of the directors of the Company for the year comprised fees £28,000 (1976 £26,000) and other emoluments £894,000 (£831,000). Pensions, commutations of pensions and gratuities in respect of executive service of former directors amounted to £1,451,000 (£1,391,000).

The emoluments of the Chairman were £95,363 (1976 £93,508).

The tables which follow show the number of directors and senior 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 1977/78 at the higher end of each band over £10,000 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.

Directors

Emoluments £	Tax £	Take-home pay £	1976	1977
Up to 2,500			2	1
2,501 – 5,000			1	1
5,001 – 7,500			3	2
7,501 – 10,000			1	2
15,001 – 17,500	7,900	9,600	2	1
37,501 – 40,000	26,200	13,800	2	–
45,001 – 47,500	32,400	15,100	2	–
52,501 – 55,000	38,600	16,400	1	–
55,001 – 57,500	40,700	16,800	–	3
57,501 – 60,000	42,800	17,200	–	2
60,001 – 62,500	44,800	17,700	3	3
62,501 – 65,000	46,900	18,100	1	–
65,001 – 67,500	49,000	18,500	–	1
75,001 – 77,500	57,300	20,200	3	2
77,501 – 80,000	59,400	20,600	–	1
92,501 – 95,000	71,800	23,200	1	–
95,001 – 97,500	73,900	23,600	–	1

Two of the directors whose emoluments are shown above were directors for part of the year only (7 in 1976).

21 Emoluments of directors and senior employees (continued)

Employees

Emoluments £	Tax £	Take-home pay £	1976	1977
10,001 – 12,500	4,600	7,900	1,052	1,448
12,501 – 15,000	6,100	8,900	434	529
15,001 – 17,500	7,900	9,600	187	213
17,501 – 20,000	9,700	10,300	135	127
20,001 – 22,500	11,600	10,900	47	65
22,501 – 25,000	13,700	11,300	40	48
25,001 – 27,500	15,800	11,700	18	18
27,501 – 30,000	17,900	12,100	12	13
30,001 – 32,500	19,900	12,600	10	10
32,501 – 35,000	22,000	13,000	8	7
35,001 – 37,500	24,100	13,400	5	6
37,501 – 40,000	26,200	13,800	2	5
40,001 – 42,500	28,200	14,300	4	2
42,501 – 45,000	30,300	14,700	1	4
45,001 – 47,500	32,400	15,100	1	–

Principal subsidiary companies
31 December 1977

Company	Country of principal operations and registration or incorporation	Class of capital	Percentage held by ICI	Percentage held by Subsidiaries	Principal activities
Europe					
Deutsche ICI GmbH	West Germany	Ordinary	93	7	Manufacture of nylon and polyester fibres, paints and pharmaceuticals; 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
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	Canada	Common*	—	73	Manufacture of chemicals, fertilizers, industrial explosives, paints and plastics, directly and through holdings in 31 subsidiary companies
Duperial SAIC	Argentina	Ordinary	100	—	Manufacture of chemicals, dyes, plastics, sporting ammunition and paints; merchanting of ICI and other products
ICI Americas Inc	United States of America	Common	—	100	Manufacture of pharmaceuticals, dyes, plastics and speciality chemicals; merchanting of other ICI products; co-ordination of ICI s interests in North and South America
Other countries					
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 and plastics, directly and through holdings in 46 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 [illegible] 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	9	Manufacture of chemicals, paints polyethylene and rubber chemicals

*Quoted

Principal associated companies

31 December 1977

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	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 (Quoted)	35	7	42	31 December 76	30 June 77	Manufacture of textiles
		Preference	10	—	—			
		Loan	33	—	—			
Cleveland Potash Ltd	England	Ordinary	7	50	—	31 December 76	31 December 77	Potash mining
		Preference	23	50	—			
		Loan	29	13	—			
Nurel SA	Spain	Ordinary	18	50	—	31 December 76	30 June 77	Manufacture of man-made fibres
		Loan	16	—	11			
Phillips-Imperial Petroleum Ltd	England	Ordinary	—	50	—	31 December 76	30 September 77	Oil refining
SA Solvic	France	Ordinary	3	25	—	31 December 76	30 June 77	Manufacture of synthetic resins
		Loan	8	—	—			
Tioxide Group Ltd	England	Ordinary	21	13	31*	31 December 76	30 June 77	Manufacture of titanium pigments
		Preference	1	—	—			
		Loan	21	—	—			
The Americas								
Blair Insurances Ltd	Bermuda	Ordinary	2	—	50	30 June 77	30 June 77	Insurance
Fiber Industries, Inc	United States of America	Ordinary	43	37	—	31 December 77	31 December 77	Manufacture of man-made fibres
		Loan	51	—	—			
Other countries								
AECI Ltd	Republic of South Africa	Ordinary (Quoted)	83	—	40‡	31 December 76	30 June 77	Manufacture of chemicals, fertilizers, fibres, industrial explosives, paints and plastics
		Preference	4	—	—			
		Loan	116	—	—			
Consolidated Fertilizers Ltd	Australia	Ordinary	28	—	38	30 September 77	30 September 77	Manufacture of fertilizers
		Shareholders' Subordinated Loan	10	—	35			
		Loan	18	—	—			
C.S.R. Chemicals Ltd	Australia	Ordinary	7	—	50	31 March 77	30 September 77	Manufacture of chemicals
		Loan	3	—	—			

*Subsequently increased to 37 per cent.
‡Includes 29 per cent held through Afex Holdings (Pty) Ltd in which Group interest is 50 per cent.

Auditors' report

To the Members of Imperial Chemical Industries Limited

We have examined the accounts set out on pages 21 to 33 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 1977 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 2 March 1978

Thomson McLintock & Co.
Price Waterhouse & Co.

Group financial record

For the years ended 31 December

		1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
							£million				
Assets employed	Fixed assets	972	1,016	1,076	1,157	1,160	1,185	1,233	1,425	1,733	1,876
	Goodwill	39	39	39	16	15	15	15	15	15	15
	Trade investments and interests in subsidiaries not consolidated	111	118	192	202	208	244	258	302	365	345
	Net current assets	365	384	368	399	486	699	906	1,006	1,405	1,444
	Total assets employed	1,487	1,557	1,675	1,774	1,869	2,143	2,412	2,746	3,519	3,680
Financed by	Ordinary capital of ICI	446	448	469	474	478	480	486	494	559	564
	Group reserves applicable to ICI Ordinary stockholders	372	413	482	449	463	630	821	949	1,264	1,381
	ICI Ordinary stockholders' interest	818	861	951	923	941	1,110	1,307	1,443	1,823	1,945
	Minority interests and preference capital of ICI	140	122	125	123	133	165	187	203	243	198
	Government grants and deferred liabilities	155	162	157	153	178	196	251	292	419	493
	Loans	374	412	442	575	617	672	667	810	1,034	1,044
	Total funds invested	1,487	1,557	1,675	1,774	1,869	2,143	2,412	2,748	3,519	3,680
Sales, profits and reserves	Sales (external) — UK	616	652	693	704	776	942	1,199	1,314	1,616	1,868
	— Overseas	621	703	769	820	918	1,224	1,756	1,815	2,519	2,795
	— Total	1,237	1,355	1,462	1,524	1,694	2,166	2,955	3,129	4,135	4,663
	Trading profit (after depreciation)	175	190	159	145	163	309	463	319	619	552
	Depreciation	105	107	114	129	148	157	169	182	205	221
	Exchange gain (loss) on net current assets of overseas subsidiaries	—	—	—	—	6	20	(6)	29	58	(29)
	Share of profits less losses of principal associated companies	—	—	16	22	18	34	43	24	30	31
	Profit before loan interest, taxation and grants	177	193	172	166	185	360	505	378	615	508
	Profit before taxation and grants	153	167	144	130	141	311	455	321	540	483
	Taxation less grants	59	60	42	32	39	126	197	125	214	202
	Profit after taxation and grants	94	107	102	98	102	185	258	196	326	281
	Profit applicable to ICI before extraordinary items	86	96	92	85	85	161	238	172	291	255
	Extraordinary items	—	—	—	—	—	15	(5)	(1)	(46)	(29)
	Profit applicable to ICI after extraordinary items	86	96	92	85	85	176	233	171	245	226
	Net dividends	35	37	38	40	41	50	54	59	83	93
	Income tax on dividends	25	26	27	25	26	—	—	—	—	—
	Profit retained transferred to reserves	26	33	27	20	18	126	179	112	162	133
	Amounts credited (charged) direct to reserves	4	8	42	(53)	(4)	41	12	16	153	(16)
	Earnings and dividends (in pence) per £1 Ordinary stock (see Note below)										
	Earnings, before extraordinary items	18·6	21·0	19·6	17·8	17·6	33·0	48·2	34·5	54·4	45·4
	Dividends	12·7	13·5	13·5	13·5	13·8	10·1	10·9	11·6	14·8	16·5
	Dividends grossed up for imputed tax credit	—	—	—	—	—	14·5	16·3	17·9	22·7	25·0
	Profit before loan interest, taxation and grants, as a percentage of average assets employed	12·4	12·7	10·6	9·6	10·2	18·0	22·2	14·7	19·8	15·8

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

Inflation Accounting on Current Cost Accounting (CCA) Basis

Group results – unaudited

	1976 £million	1976 £million	1977 £million	1977 £million
Trading Profit as per historical accounts		519		552
Adjustments to trading profit				
Additional depreciation (Note 2)		(128)		(182)
Cost of sales adjustment for stocks (Note 3)		(67)		(57)
Erosion of trade debtors less creditors (Note 4)		(49)		(12)
Trading profit – CCA basis		275		301
Investment income		53		65
Interest payable		(93)		(107)
Employees' profit-sharing bonus		(27)		(29)
Share of profits less losses of principal associated companies		30		31
Profit before taxation and grants		238		261
Taxation less grants (Note 5)		(113)		(142)
Profit after taxation and grants		125		119
Gearing adjustment (Note 6)	126		59	
Exchange gains (losses) on financial items	(94)	32	27	86
		157		205
Applicable to minorities		(18)		(15)
Profit applicable to parent company before extraordinary items (Note 7)		139		190
Earnings (before extraordinary items) per £1 Ordinary stock – CCA basis		26·0p		33·8p
Dividend per £1 Ordinary stock		14·8p		16·5p
Average assets employed – CCA basis		5,450		6,185
Profit before loan interest, taxation and grants as a percentage of average assets employed – CCA basis		5·7%		5·6%

Notes

1 Specific inflation adjustments have been calculated for approximately 90% of the Group and estimates made for the remainder. No adjustments have been made to the share of profits of principal associated companies nor have these and other investments been revalued.

2 The additional depreciation has been based on:

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

(2) Asset lives which are longer than those applied in the historical cost accounts as described in the accounting policy note on page 21.

Total inflation-adjusted depreciation is estimated at £333 million in 1976 and £403 million in 1977.

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

4 ICI believes that the erosion by inflation of trade debtors less trade creditors, based on movements in prices of sales and purchases, should be charged to trading profit in the Group's management accounts, in addition to the depreciation and cost of sales adjustments. The same adjustment has been made in this statement and the method used differs in this respect from the simple approach suggested by the Accounting Standards Committee for use by companies which have not developed their own methods.

5 The taxation charge has been calculated on the basis of the proposals contained in Exposure Draft 19 issued by the Accounting Standards Committee.

6 The gearing adjustment represents the total holding gains less losses for the year on assets effectively financed by net non-trading monetary liabilities (mainly borrowings less cash). The exchange gains or losses on the non-sterling part of these liabilities are then added to or deducted from the adjustment. Again, this method differs from the approach suggested by the Accounting Standards Committee for use by companies which have not developed their own methods.

7 The statement does not deal with extraordinary items, the CCA treatment of which is still under review.

8 Profit after taxation and grants of £125 million for 1976 differs from the figure of £210 million indicated in the 1976 Directors' Report, principally because of the charge for erosion of trade debtors less creditors and a change in the basis for adjusting taxation less grants.