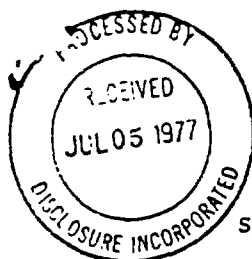


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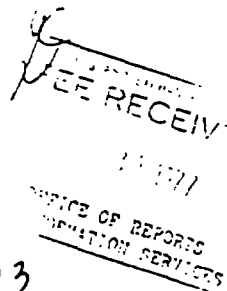
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FORM 20-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549



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ANNUAL REPORT PURSUANT TO SECTIONS 13 AND 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended 31 December 1976
Commission file number 2-53436

IMPERIAL CHEMICAL INDUSTRIES LIMITED

(Exact name of registrant as specified in its charter)

Imperial Chemical House, Millbank, London, SW1P 3JF

(Address of principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

None.

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:

None.

ITEM 1. CHANGES IN OWNERSHIP AND CONTROL

- (a) Describe briefly any material changes, not previously reported, in the ownership or control exercised by any person or government over the registrant.

None.

- (b) State the name of any person or government, not previously reported in this connection, which directly or indirectly owns or controls the registrant and describe briefly the nature of such control.

None.

ITEM 2. CHANGES IN CHARACTER OF BUSINESS

Describe briefly any material changes, not previously reported, in the general character of the business done by the registrant and its subsidiaries.

None.

ITEM 3. CHANGES IN PROPERTY

Describe briefly any significant and unusual additions, abandonments or retirements of, or any significant and unusual changes, not previously reported, in the general character and location of principal plants and other important units of the registrant and its subsidiaries.

None.

ITEM 4. MODIFICATION OF SECURITIES OF REGISTRANT

If any material modifications, not previously reported, have been made in any security, a description of which has been previously reported, or have been made in the indenture, charter, or other constituent instrument defining rights of the holders of such security, give the title of the issue and state briefly the general effect of such modifications.

None.

ITEM 5.

LIMITATIONS AFFECTING SECURITY HOLDERS

- (a) Outline briefly the provisions of any law or decree not previously reported, and any amendment not previously reported to any law or decree previously reported, determining the extent to which dividends or other payments upon any class of registered securities may be paid to foreign holders and the withholding of taxes from such payments.

None.

- (b) Outline briefly any limitations, not previously reported, imposed either by the law of the country in which the registrant was organized or the charter or other constituent documents of the registrant on the right of foreigners to hold or vote any class of registered securities.

None.

ITEM 6.

SECURITIES OF OTHER ISSUERS GUARANTEED BY REGISTRANT

If the registrant has guaranteed any class of securities of any other issuer, furnish the following information:

- (a) Outline briefly any material modifications, not previously reported, in any such contract of guarantee previously reported.

None.

- (b) As to guarantees not previously reported, state the name of the issuer and the title and amount of securities guaranteed and outline briefly the contract of guarantee.

<u>Date</u>	<u>Amount</u>	<u>Description of Transaction</u>
January 2, 1976	US\$9,500,000	Guarantee by ICI of 50% of indebtedness of Rubicon Chemicals, Inc., under Bank Loan Agreement.
January 22, 1976	80,000,000 Swiss Francs	Guarantee by ICI of public Bond issue of ICI Finance (Netherlands) N.V. underwritten by Swiss Credit Bank, Swiss Bank Corporation and Union Bank of Switzerland.

<u>Date</u>	<u>Amount</u>	<u>Description of Transaction</u>
March 31, 1976	137,500,000 Belgian Francs	Guarantee by ICI of indebtedness of Propafilm S.A. under Bank Loan Agreement.
June 25, 1976	23,400,000 Brazilian Cruzeiros	Guarantee by ICI of 30% of indebtedness of Polipropileno S.A. under Bank Loan Agreement.
July 1, 1976	100,000,000 Dutch Florins	Guarantee by ICI of loans to ICI Finance (Netherlands) N.V.
July 5, 1976	20,000,000 Swiss Francs	Guarantee by ICI of loan to ICI Finance (Netherlands) N.V.
August 10, 1976	US\$5,119,500	Guarantee by ICI of indebtedness of ICI Finance (Netherlands) N.V. under Loan Agreement.
October 22, 1976	US\$8,100,000	Guarantee by ICI of 45% of indebtedness of Ertisa S.A. under Bank Loan Agreement.
December 20, 1976	100,000,000 Deutsche Marks	Guarantee by ICI of bonds issued by ICI International Finance Ltd.

ITEM 7.

INCREASES AND DECREASES IN OUTSTANDING EQUITY SECURITIES

Give the following information as to all increases and decreases during the fiscal year in the amount of equity securities of the registrant outstanding:

- (a) The title of the class of securities involved;
- (b) The date of the transaction;
- (c) The amount of securities involved and whether an increase or a decrease;
- (d) A brief description of the transaction in which the increase or decrease occurred. If previously reported, the description may be incorporated by a specific reference to the previous filing.

(a)	(b)	(c)	(d)
Ordinary Stock	May 18 1976	Increases of	Incorporated by
	to		reference to Form 6-K
£1 units	June 18 1976	£61,758.105	filed for the month
			of May 1976.
Ordinary Stock	June 18 1976	£3,676,216	Incorporated by
			reference to Form 6-K
£1 units.			filed for the month of
			June 1976

- (e) If the transaction involved a sale of securities which were not registered under the Securities Act of 1933, an indication of the exemption claimed and the facts relied upon to make the exemption available. If previously reported, the information may be incorporated by a specific reference to the previous filing.

All such sales were exempt from the registration requirements of the Securities Act of 1933 as amended, as not involving a public offering or sale in the United States of America.

ITEM 8.

EXCHANGE CONTROL

Describe briefly any material changes, not previously reported, in existing foreign exchange controls or the adoption of new controls in the country under the laws of which the registrant was organized.

None.

ITEM 9.

DIRECTORS AND OFFICERS OF REGISTRANT

Furnish the following information as to all directors and officers of the registrant.

As of December 31, 1976 the directors and officers were:

<u>Name</u>	<u>Address</u>	<u>Position with Registrant</u>
Sir Rowland Wright	Imperial Chemical House, Millbank, London SW1P 3JP.	Chairman
M.A.E. Hodgson	Imperial Chemical House, Millbank, London SW1P 3JP.	Deputy Chairman
S.D. Lyon	Imperial Chemical House, Millbank, London SW1P 3JP.	Deputy Chairman
R.W. Pennock	Imperial Chemical House, Millbank, London SW1P 3JP.	Deputy Chairman
T.N. Beckett	Ford Motor Co. Ltd, Brentwood, Essex, CM13 1BW.	Director (Non-executive)
W.B.M. Duncan	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
Sir Arnold Hall	Hawker Siddeley Group Ltd, 19 St James's Square, London SW1Y 4LJ.	Director (Non-executive)
R. Haslam	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
P.J.K. Hillebrandt	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
J.R. Ibbs	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
A.A. Jarratt	Reed International Ltd, 82 Piccadilly, London W1A 1EJ.	Director, (Non-executive)
J.H. Harvey-Jones	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
J.A. Lofthouse	Imperial Chemical House, Millbank, London SW1P 3JP.	Director
R. Malpas	Imperial Chemical House, Millbank, London SW1P 3JP.	Director

<u>Name</u>	<u>Address</u>	<u>Position with Registrant</u>
Lord Polwarth	Bank of Scotland, 38 St Andrew Square, Edinburgh EH2 2YR.	Director (Non-Executive)
A. Robertson	Imperial Chemical House, Millbank, London SW1P 3JF.	Director
Sir Francis Sandilands	Commercial Union Assurance Co. Ltd, St Helen's, 1 Undershaft, London EC3P 3DQ.	Director (Non- executive).
A. Spinks	Imperial Chemical House, Millbank, London SW1P 3JF.	Director
J.D. Cousin	Imperial Chemical House, Millbank, London SW1P 3JF.	Secretary
A.W. Clements	Imperial Chemical House, Millbank, London SW1P 3JF.	Treasurer
B.J.W. Winterbotham	Imperial Chemical House, Millbank, London SW1P 3JF.	Solicitor
D.H. Henderson	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - Commercial
Sir Cyril Pitts	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - International Co-ordination.
J.A.G. Coates	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - International Personnel Co-ordination
A. Conlong	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - Investments
J.P.M. Bell	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - Personnel -(UK Operations)
J. Lister	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - Planning
D.S. Davies	Imperial Chemical House, Millbank, London SW1P 3JF.	General Manager - Research and Development.
G.S. Roberts	Agricultural Division, Billingham, Cleveland, TS23 1LR.	Agricultural Division Chairman
H.B. Smith	Fibres Division, 68 Knightsbridge, London SW1X 7LN	Fibres Division Chairman

<u>Name</u>	<u>Address</u>	<u>Position with Registrant</u>
P.G. Barvey	Mond Division, The Heath, Runcorn, Cheshire WA7 4QP	Mond Division - Chairman
J.D. Rigg	Organics Division, Hexagon House, Blackley, Manchester M9 3DA.	Organics Division - Chairman
C.W. Suckling	Paints Division, Wexham Road, Slough, Berks SL2 5DS.	Paints Division - Chairman
R.G.J. Telfer	Petrochemicals Division, Organic House, Billingham, Cleveland TS23 1JB.	Petrochemicals Division - Chairman
P.W. Curliffe	Pharmaceuticals Division, Alderley House, Alderley Park, Macclesfield, Cheshire SK10 4FP.	Pharmaceuticals Division - Chairman
C.H. Reece	Plant Protection Division Farnhurst, Haslemere, Surrey GU27 3JE	Plant Protection Division Chairman
C. Vowles	Plastics Division, Bessemer Road, Welwyn Garden City, Herts AL7 1HD.	Plastics Division - Chairman
N.M. Mins	Europa Division, Everslaan 45, B-3078 Everberg, Belgium.	Europa Division - Chairman

ITEM 10.

REMUNERATION OF DIRECTORS AND OFFICERS.

State the aggregate amount of remuneration paid by the Registrant and its subsidiaries to all directors and officers of the registrant as a group, without naming them, for services in all capacities during the registrant's last fiscal year.

The aggregate amount of remuneration paid to or accrued for all Directors and officers of the registrant as a group by the registrant and its subsidiaries for services in all capacities during the fiscal year ended December 31, 1976 was £1.7 million.

ITEM 11. AMOUNT SET ASIDE FOR PENSIONS, RETIREMENT AND SIMILAR BENEFITS.

State the aggregate amount set aside by the registrant and its subsidiaries during the registrant's last fiscal year to provide pension, retirement or similar benefits for directors and officers of the registrant.

The aggregate amount set aside to provide pension, retirement and similar benefits for Directors and officers of the registrant by the registrant and its subsidiaries during the fiscal year ended December 31, 1976 was \$28,029.

ITEM 12. OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES.

Purnish the following information as to all options to purchase securities from the registrant or any of its subsidiaries, which were outstanding as of the end of the last fiscal year:

(a) State

- (1) the title and total amount of securities called for by the options;
- (2) the purchase price of the securities called for; and
- (3) the expiration date of the options.

None.

- (b) State the total amount of securities called for by all such options held by directors and officers of the registrant as a group, without naming them.

None.

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Statement of income retained and other reserves for the years ended December 31, 1975 and 1976		
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Schedules not listed above are omitted because of the absence of the conditions under which they are required or because the substance of the required information is shown in the financial statements.

Separate financial statements of Carrington Viyella Ltd (a non-consolidated subsidiary) and of principal associated companies are not included herein since summarized financial information of all of the afore-said companies is included in Notes O and P of Notes to Financial Statements.

(b) Exhibit: None

Financial statements included in this annual report expressed in US dollars (and US dollar amounts included in the Notes to Financial Statements) have been presented solely for convenience at a rate of £1 = \$1.70, the approximate demand selling rate for freely convertible pounds sterling in New York City on December 31, 1976, the date of the most recent balance sheet of the ICI Group contained herein. Such presentation should not be construed as a

representation that the pound sterling has been, could have been or could be converted into US dollars at this or any other rate. On June 17, 1977 the corresponding rate in New York City was £1 = \$1.72 representing a variation of approximately 1% from the rate used for translation herein.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the Undersigned thereunto duly authorized.

Imperial Chemical Industries Limited
(Registrant)

By J D Cousin
Secretary

London, England
June 22, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

To the Members of Imperial
Chemical Industries Limited

We have examined the financial statements expressed in pounds sterling, as listed in the accompanying index, of Imperial Chemical Industries Limited and Imperial Chemical Industries Limited and its subsidiaries. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not examine the financial statements of one operating division, certain consolidated subsidiaries and one principal associated company which reflect net assets constituting approximately 20 per cent of consolidated net assets at December 31, 1976 and December 31, 1975 and sales constituting approximately 30 per cent of the related consolidated sales for each of the two years ended December 31, 1976. These statements were examined by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such division, subsidiaries and principal associated company, is based solely upon the reports of the other independent accountants.

In our opinion, based on our examinations and the aforementioned reports of other independent accountants, the financial statements referred to in the first paragraph, which have been prepared under the historical cost convention as modified by the revaluation of certain assets, present fairly under that convention, the financial position of Imperial Chemical Industries Limited and of Imperial Chemical Industries Limited and its subsidiaries at December 31, 1976 and December 31, 1975 and the results of their operations and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United Kingdom which have been consistently applied, after restatement for the change with which we concur, described in Note B of Notes to Financial Statements.

Such principles vary in certain respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income for the two years ended December 31, 1976 to the extent indicated in Note B of Notes to Financial Statements, and would have affected the determination of the consolidated financial position at December 31, 1976 and at December 31, 1975 to the extent summarized in Note U of Notes to Financial Statements.

PRICE WATERHOUSE & CO

THOMSON McLINTOCK & Co

London, England
March 3, 1977, except as
in note O, which is at June 13, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

MOND DIVISION

IMPERIAL CHEMICAL INDUSTRIES LIMITED

We have examined the balance sheet of the Mond Division of Imperial Chemical Industries Limited at December 31st, 1976 and 1975 and the related statements of income for the years then ended, all expressed in pounds sterling, which statements are not separately presented in this Form 20-K. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Adjustments relating to the overprovisions or underprovisions for employees profit sharing bonus and for taxation equalisation to take account of deferred taxation arising from accelerated capital allowances have been made centrally in preparing the balance sheet and statements of income of Imperial Chemical Industries Limited of which Mond Division forms a part.

In our opinion the aforementioned financial statements expressed in pounds sterling and prepared under the historical cost convention, present fairly the financial position of the Mond Division at December 31st, 1976 and 1975 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the UK consistently applied during such two years.

TOUCHE ROSS & CO.

Liverpool, England
February 15, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors,
Imperial Metal Industries Limited,

We have examined the Consolidated Balance Sheet of Imperial Metal Industries Limited (a 62.8 per cent subsidiary of Imperial Chemical Industries Limited) and its subsidiaries at December 31st, 1976 and 1975 and the related statements of income for the years then ended, which statements are not separately presented in this Form 20-K. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not examine the financial statements for the aforementioned two years for the following consolidated subsidiary companies, IMI Refinery Holdings Limited, IMI Refiners Limited and Wolverhampton Metal Limited, which statements were examined by other independent accountants, whose reports thereon have been furnished to us. Our opinion, expressed on the consolidated statements in so far as it relates to the amounts included for such subsidiaries, is based solely upon such reports.

In our opinion, based upon our examination and the aforementioned reports of the other independent accountants, the aforementioned consolidated financial statements present fairly the financial position of Imperial Metal Industries Limited and its subsidiaries at December 31st, 1976 and 1975 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United Kingdom consistently applied during such two years.

PEAT, MARWICK, MITCHELL & CO.

Birmingham, England
February 18, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Supervisory Directors,
ICI HOLLAND B.V.
ROTTERDAM

We have examined the balance sheet of ICI Holland B.V. a wholly owned subsidiary of Imperial Chemical Industries Limited, at December 31st, 1976 and 1975 and the related statements of income for the year ended December 31st, 1976 and the fifteen months ended December 31st, 1975 which statements are not separately presented in this Form 20-K.

Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the financial statements referred to above present fairly the financial position of ICI Holland B.V. at December 31st, 1976 and 1975 and the results of its operations for the periods then ended in conformity with accounting principles generally accepted in the UK consistently applied during such period.

MORET & LIMPERG
Chartered Accountants

February 15, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors,
Canadian Industries Limited.

We have examined the consolidated balance sheet of Canadian Industries Limited and its subsidiaries, a 73.36 per cent owned subsidiary of Imperial Chemical Industries Limited, at December 31st, 1976 and 1975 and the related consolidated statements of income for the years then ended, which statements are not separately presented in this Form 20-K. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of Canadian Industries Limited and its subsidiaries at December 31st, 1976 and 1975 and the results of operations for the years then ended in conformity with accounting principles generally accepted in the United Kingdom consistently applied.

TOUCHE ROSS & CO.
Chartered Accountants

Montreal, Canada
February 16, 1977

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders
Fiber Industries, Inc.:

We have examined the consolidated balance sheets of Fiber Industries, Inc. (62-1/2% owned by Celanese Corporation and 37-1/2% owned by Imperial Chemical Industries Limited) as of December 31, 1976 and 1975 and the related consolidated statements of income and retained income and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements (not separately presented in this Form 20-K) present fairly the financial position of Fibre Industries, Inc. at December 31, 1976 and 1975 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Charlotte, North Carolina
January 18, 1977

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31	
	1975	1975
	(£ million, except per share amounts)	
Sales	3,129	4,135
Cost of Sales, exclusive of depreciation	2,087	2,662
Depreciation	182	205
Selling, general and administrative expenses	574	787
Gain on foreign currency translation	(29)	(58)
Royalty income	(14)	(13)
Other income (net)	(19)	(25)
	<u>2,781</u>	<u>3,558</u>
Trading Profit	348	577
Investment income (Note C)	39	53
Interest expense (Note D)	(73)	(93)
Employees' profit-sharing bonus (Note E)	(17)	(27)
	<u>297</u>	<u>510</u>
Equity in earnings of principal associated companies before taxes	24	30
Income before taxes, minority interests and extraordinary items	<u>321</u>	<u>540</u>
Taxes on income less grants (Note F)	125	214
Income before minority interests and extraordinary items	<u>196</u>	<u>326</u>
Minority interests	24	35
Income before extraordinary items	<u>172</u>	<u>291</u>
Extraordinary items (Note G)	(1)	(46)
Net income (Note B)	<u>171</u>	<u>245</u>
Per £1 Ordinary Stock outstanding (Notes B and J) :		
Income before extraordinary items	34.5p	54.4 p
Extraordinary items	(.2p)	(8.6)p
Net Income	<u>34.3p</u>	<u>45.8 p</u>
Dividends (Note H)	<u>11.6p</u>	<u>14.8p</u>
Average Ordinary Stock units outstanding (millions) adjusted to give effect to the bonus element in the rights issue made in 1976	<u>498</u>	<u>535</u>

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(expressed in US dollars)

	Year ended December 31	
	1975	1976
	(\$ million except per share amounts)	
Sales	5,319	7,029
Cost of Sales, exclusive of depreciation	3,548	4,525
Depreciation	309	349
Selling, general and administrative expenses	975	1,338
Gain on foreign currency translation	(49)	(99)
Royalty Income	(24)	(32)
Other income (net)	(32)	(43)
	<u>4,727</u>	<u>6,048</u>
Trading Profit	592	981
Investment Income (Note C)	66	90
Interest Expense (Note D)	(124)	(158)
Employees' profit-sharing bonus (Note E)	(29)	(46)
	<u>505</u>	<u>867</u>
Equity in earnings of principal associated companies before taxes	41	51
	<u>546</u>	<u>918</u>
Income before taxes, minority interests and extraordinary items	546	918
Taxes on income less grants (Note F)	213	364
	<u>333</u>	<u>554</u>
Income before minority interests and extraordinary items	333	554
Minority interests	41	60
	<u>292</u>	<u>494</u>
Income before extraordinary items	292	494
Extraordinary items (Note G)	(2)	(78)
	<u>290</u>	<u>416</u>
Net income (Note B)	290	416
Per \$1 Ordinary Stock outstanding (Notes B and J):		
Income before extraordinary items	\$.59	\$.93
Extraordinary items	-	(\$.15)
	<u>\$.59</u>	<u>\$.78</u>
Net income	\$.59	\$.78
Dividend (Note H)	\$.20	\$.25
Average Ordinary Stock units outstanding (millions) adjusted to give effect to the bonus element in the rights issue made in 1976	<u>498</u>	<u>535</u>

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At December 31	
	1975	1976
	(£ million)	
Current Assets:		
Cash	51	100
Time deposits	256	443
Short-term Investments, at cost which approximates market	29	81
Receivables (Note K)	711	925
Inventories (Note L)	743	908
Total Current Assets	1,800	2,457
Current Liabilities:		
Payable to Banks (Note M)	108	125
Other Short-term Borrowings (Note M)	42	30
Accounts Payable and Accrued Expenses (Note N)	523	727
Taxes Payable (Note P)	97	131
Dividends Payable	24	38
Total Current Liabilities	794	1,051
Net Current Assets	1,006	1,406
Other Assets:		
Interest in Subsidiary not consolidated (Note O)	57	59
Other Non-current Investments (Note P and Schedule III)	245	306
Goodwill (Note A (5))	15	13
Property, Plant and Equipment (Note Q and Schedules V and VI) (less accumulated depreciation of £1,459m (1975) and £1,743m (1976))	1,425	1,733
Assets Employed	2,748	3,519
Financed by:		
Long-term Debt (Note R)	810	1,034
Deferred Taxes (Note P)	212	308
Deferred Liabilities (Note Y)	-	26
Grants Deferred	80	85
Equity of Minority Shareholders in Subsidiaries	194	234
	1,296	1,687
Capital and Reserves:		
Preference Stock	9	9
Ordinary Stock	494	559
Premiums in Excess of Par Value of Ordinary Stock	117	258
Income Retained and Other Reserves	832	1,006
	1,452	1,832
	2,748	3,519
Commitments and Contingent Liabilities (Notes S and T)		

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in US dollars)

	At December 31	
	1975	1976
	(\$ million)	
Current Assets:		
Cash	87	170
Time Deposits	452	753
Short-term Investments, at cost which approximates market	49	138
Receivables (Note X)	1,209	1,572
Inventories (Note L)	1,263	1,544
Total Current Assets	3,060	4,177
Current Liabilities:		
Payable to Banks (Note M)	184	212
Other Short-term Borrowings (Note M)	71	51
Accounts Payable and Accrued Expenses (Note N)	889	1,336
Taxes Payable (Note F)	165	223
Dividends Payable	41	65
Total Current Liabilities	1,350	1,787
Net Current Assets	1,710	2,390
Other Assets:		
Interest in Subsidiary not consolidated (Note O)	97	103
Other Non-current Investments (Note P and Schedule III)	417	520
Goodwill (Note A (5))	26	26
Property, Plant and Equipment (Note Q and Schedule V and VI) (less accumulated depreciation of \$2,480m (1975) and \$2,963m (1976))	2,422	2,946
Assets Employed	4,672	5,982
Financed by:		
Long-term Debt (Note R)	1,377	1,758
Deferred Taxes (Note F)	360	524
Deferred Liabilities (Note Y)	-	44
Grants Deferred	136	144
Equity of Minority Shareholders in Subsidiaries	330	398
	2,203	2,868
Capital and Reserves:		
Preference Stock	15	15
Ordinary Stock	840	950
Premiums in Excess of Par Value of Ordinary Stock	199	439
Income Retained and Other Reserves	1,415	1,710
	2,469	3,114
	4,672	5,982
Commitments and Contingent Liabilities (Notes S and T)		

IMPERIAL CHEMICAL INDUSTRIES LIMITED
STATEMENT OF FINANCIAL POSITION - PARENT COMPANY

	At December 31	
	1975	1976
	(£ million)	
Current Assets:		
Cash	2	2
Short-term Investments, at cost which approximates market	22	65
Receivables (Note K)	51	56
Inventories (Note L)	314	387
Total Current Assets	389	510
Current Liabilities:		
Payable to Banks (Note M)	49	48
Accounts Payable and Accrued Expenses (Note N)	218	290
Taxes Payable (Note P)	38	45
Dividends Payable	24	38
Total Current Liabilities	329	421
Net Current Assets	60	89
Other Assets:		
Interests in Subsidiaries (Note O)	725	947
Other Non-current Investments (Note P and Schedule III)	73	88
Property, Plant and Equipment (Note Q and Schedules V and VI) (less accumulated depreciation of £904m (1975) and £988m (1976))	779	902
Assets Employed	1,637	2,026
Financed by:		
Long-term Debt (Note R)	304	327
Deferred Taxes (Note F)	164	237
Deferred Liabilities (Note Y)	-	26
Grants Deferred	76	82
	544	672
Capital and Reserves:		
Preference Stock	9	9
Ordinary Stock	494	559
Premiums in Excess of Par value of Ordinary Stock	117	258
Income Retained and Other Reserves	473	528
	1,093	1,354
	1,637	2,026
Commitments and Contingent Liabilities (Notes S and T)		

IMPERIAL CHEMICAL INDUSTRIES LIMITED
STATEMENT OF FINANCIAL POSITION - PARENT COMPANY
(Expressed in US Dollars)

	At December 31	
	1975	1976
	(\$ million)	
Current Assets:		
Cash	3	3
Short-term Investments, at cost which approximates market	37	111
Receivables (Note K)	87	95
Inventories (Note L)	534	658
Total Current Assets	661	867
Current Liabilities:		
Payable to Banks (Note M)	83	82
Accounts Payable and Accrued Expenses (Note N)	371	493
Taxes Payable (Note F)	64	76
Dividends Payable	41	65
Total Current Liabilities	559	716
Net Current Assets	102	151
Other Assets:		
Interests in Subsidiaries (Note O)	1,233	1,610
Other Non-current Investments (Note P and Schedule III)	124	150
Property, Plant and Equipment (Note Q and Schedules V and VI) (less accumulated depreciation of \$1,537m (1975) and \$1,680m (1976))	1,324	1,533
Assets Employed	2,783	3,444
Financed by:		
Long-term Debt (Note R)	517	556
Deferred Taxes (Note F)	279	403
Deferred Liabilities (Note Y)	-	44
Grants Deferred	129	159
	925	1,142
Capital and Reserves:		
Preference Stock	15	15
Ordinary Stock	840	950
Premiums in Excess of Par Value of Ordinary Stock	199	439
Income Retained and Other Reserves	804	898
	1,858	2,302
	2,783	3,444
Commitments and Contingent Liabilities (Notes S and T)		

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1975	1976
	(£ million)	
Source of funds:		
Income before extraordinary items	172	291
Add/(Deduct) - Items not affecting funds:		
Amount applicable to minority interests	24	35
Depreciation charged	182	205
Current and deferred tax movements	7	126
Government grant movements	3	5
Equity in undistributed earnings of principal associated companies	(9)	(4)
Other	8	13
Total funds provided by operations	387	671
Funds provided by extraordinary items	9	-
Issues of Ordinary Stock	15	206
Long-term debt issued	125	124
Increase in minority interests in subsidiaries	-	10
Deferred liabilities	-	26
	536	1,037
Application of funds:		
Dividends:		
ICI shareholders	59	83
Minority Shareholders	11	14
Additions to property, plant and equipment	332	438
Repayments of long-term debt	26	12
Other investments, including amounts applicable to purchased subsidiaries	38	62
	466	609
Increase in Working Capital	70	428
Composition of increase in Working Capital:		
Net liquid resources:		
Cash	2	49
Time deposits	17	177
Short-term investments	11	52
Short-term borrowings	(31)	(5)
	(1)	273
Inventories	67	159
Receivables	58	206
Payables	(54)	(210)
	70	428

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(Expressed in US dollars)

	Year ended December 31	
	1975	1976
	(\$ million)	
Source of funds:		
Income before extraordinary items	252	495
Add/(Deduct) - Items not affecting funds:		
Amount applicable to minority interests	41	60
Depreciation charged	309	349
Current and deferred tax movements	12	214
Government grant movements	5	8
Equity in undistributed earnings of principal associated companies	(15)	(7)
Other	14	22
Total funds provided by operations	658	1,141
Funds provided by extraordinary items	15	-
Issues of Ordinary Stock	26	350
Long-term debt issued	212	211
Increase in minority interests in subsidiaries	-	17
Deferred liabilities	-	44
	<u>911</u>	<u>1,762</u>
Application of funds:		
Dividends:		
ICI shareholders	100	141
Minority shareholders	19	24
Additions to property, plant and equipment	564	745
Repayments of long-term debt	44	20
Other investments, including amounts applicable to purchased subsidiaries	65	105
	<u>792</u>	<u>1,035</u>
Increase in Working Capital	<u>119</u>	<u>728</u>
Composition of increase in Working Capital:		
Net liquid resources:		
Cash	3	83
Time deposits	29	301
Short-term investments	19	88
Short-term borrowings	(53)	(8)
	<u>(2)</u>	<u>464</u>
Inventories	114	271
Receivables	99	350
Payables	(92)	(357)
	<u>119</u>	<u>728</u>

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME RETAINED AND OTHER RESERVES

	Year ended December 31		Year ended December 31	
	1975 (£ million)	1976	1975 (\$ million)	1976
Balance at beginning of year	711	832	1,209	1,414
Net income	171	245	290	416
Less dividends - Ordinary stock	59	83	100	141
- Preference stock	-	-	-	-
Income retained *	112	162	190	275
Revaluation of fixed assets	2	1	4	2
Exchange adjustments - net	7	11	12	19
Balance at end of year	832	1,006	1,415	1,710
* Income retained:				
by parent company	64	24	109	41
by subsidiaries	40	126	68	214
in principal associated companies	8	12	13	20
	112	162	190	275

IMPERIAL CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN CAPITAL STOCK AND PREMIUMS IN EXCESS OF PAR VALUE

Authorised Share Capital of ICI at December 31, 1974 was £522 million (£887 million). Effective April 2, 1975, it was increased to £575 million (£978 million). It consisted of issued Ordinary and Preference Stock (£1 units) as set out below, the unissued balance at any time being unclassified.

	Share Premium	Issued Capital Ordinary Stock	Preference Stock 5% (now 3.5% plus tax credit) cumulative
		(£ million)	
Issued Stock:			
Balance at December 31, 1974	110	486	9
Issuance of Ordinary Stock in connection with:			
Employees' Profit-Sharing Plan	7	8	-
Balance at December 31, 1975	117	494	9
Issuance of Ordinary Stock in connection with:			
Rights Issue of £1 Stock unit for every eight units held	135	62	-
Employees' Profit-Sharing Plan	6	3	-
Balance at December 31, 1976	258	559	9
		(£ million)	
Issued Stock:			
Balance at December 31, 1974	187	826	15
Issuance of Ordinary Stock in connection with:			
Employees' Profit-Sharing Plan	12	14	-
Balance at December 31, 1975	199	840	15
Issuance of Ordinary Stock in connection with:			
Rights Issue of £1 Stock unit for every eight units held	230	105	-
Employees' Profit-Sharing Plan	10	5	-
Balance at December 31, 1976	439	950	15

There are no options, warrants or rights outstanding in respect of unissued shares. In the event of liquidation, the Preference Stock is repayable at par plus unpaid dividends accrued.

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NOTES TO FINANCIAL STATEMENTS

As used in the Financial Statements and related Notes, the terms "ICI" and "Parent Company" refer to Imperial Chemical Industries Limited; the term "Group" refers to ICI and its Consolidated Subsidiaries but not to associated companies (see Note A(1)) or to Carrington Viyella Limited, a subsidiary company which is not included in the consolidated financial statements (see Note O).

Note A - Accounting Policies

The following paragraphs describe the significant accounting policies used in preparing the financial statements. Legislation or local usage precludes some overseas subsidiaries from conforming with certain of these policies and therefore, where appropriate, adjustments have been made on consolidation in order that the Group accounts are presented on a consistent basis.

(1) Associated Companies and 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 earnings of the principal associated companies is included in the Consolidated Statement of Income. The earnings so included relate to periods ending not earlier than June 30 and are calculated from the latest available audited accounts adjusted, where the accounting dates are before June 30, by reference to the unaudited results for more recent periods. Earnings of other companies in which the Group has trade investments, including the smaller associated companies, are included only to the extent of dividends received.

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

The Group's share of the post-acquisition retained earnings and reserves of the principal associated companies is included in the book values of the investments in the Group balance sheet. The retained earnings of other companies in which the Group has trade investments are included in the book values only to the extent of certain of the amounts of post-acquisition retained earnings capitalized by such companies; such amounts are credited to income retained and other reserves.

(2) Composition of the Group

The Group accounts consolidate the accounts of ICI and 517 subsidiaries. The only significant exclusions are Carrington Viyella Ltd and its subsidiaries (see Note 0). Owing to seasonal trade or local conditions and to avoid undue delay in the presentation of the Group accounts, the accounts of many subsidiaries (229 in 1976) are consolidated as of dates earlier than December 31, but not earlier than September 30.

Comparative income statement figures for 1975 have been restated to include, on a calendar year basis, the results of those subsidiaries whose accounting date changed in 1975 from 30 September to 31 December. Income before extraordinary items and the charge for extraordinary items have each been reduced by £3 million; net income is not affected.

The accounts of subsidiaries acquired during any year are included in Group figures from the effective dates of acquisition.

All material inter-company transactions are eliminated on consolidation.

(3) Deferred Taxes

Deferred taxes are provided for the difference between tax depreciation calculated at normal rates and actual tax depreciation claimed, the latter including amounts calculated on accelerated bases.

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NOTES TO FINANCIAL STATEMENTS (continued)

Thus, an adjustment is made each year so that the amount charged in the accounts for UK tax represents the figure which would have applied had there been no accelerated tax depreciation deductions. No deferred taxes are provided in respect of the difference between normal tax depreciation and depreciation charged in the accounts. Adjustment is also made for taxes 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, including relief for the increased value of inventories (see Note F). Adjustments of a similar nature are made in the accounts of certain overseas subsidiaries.

(4) Depreciation

The Group's policy is to write off the book value of each fixed asset evenly over its estimated remaining useful life; annual reviews are made of the residual lives of all productive assets, taking account of commercial and technical obsolescence as well as normal wear and tear. The preliminary results of the review of the residual lives of assets, which is in progress as part of the Company's consideration of the current cost basis of accounting, indicate that such lives may be longer than those at present adopted in the historical cost accounts (see Note X).

Depreciation on assets qualifying for investment grants or regional development grants is calculated on their full cost. Gains and losses on disposal of fixed assets are recognized in income. The cost of oil concessions is capitalized and written off over the expected period of exploration; expenditure on exploration is capitalized and written off immediately. Development expenditure is capitalized and depreciated over the productive life of the field.

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NOTES TO FINANCIAL STATEMENTS (continued)

(5) 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. Immaterial amounts arising each year on acquisition of minor businesses are written off. Goodwill associated with major acquisitions is capitalized and retained in the statement of financial position unless it is determined that there is no continuing value, in which case the goodwill is written off. Except for that which arose on the acquisition of Atlas Chemical Industries Inc. in 1971 all goodwill arising in the parent company accounts and on consolidation has been written off.

(6) Inventory Valuation

In general, finished goods are stated at the lower of average cost or net realizable value, raw materials and other inventories at the lower of cost or replacement price. In determining cost for valuation purposes, selling expenses and certain overhead expenses (principally central administrative costs) are excluded. In accordance with Statement of Standard Accounting Practice No 9 issued by the UK accountancy bodies depreciation has been included for the first time and certain overhead expenses previously taken into inventory values have now been excluded. The overall effect of this change is not significant.

(7) Investment Grants

A system of cash grants was introduced by the UK Government in 1966 to replace, as an incentive to invest in new plant and equipment in development and other areas, the investment and certain other taxation allowances available prior to 1966.

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

For tax purposes, depreciation is calculated on the cost of eligible assets less related investment grants. Investment grants with respect to each year's qualifying capital expenditure were deferred and are being credited to income as a deduction from the charge for taxes over a period of ten years, the estimated average life of the relevant fixed assets. The grants shown in the balance sheets include the total investment grants received to date less the amounts so far credited to income. Investment grants were withdrawn as from October 26, 1970 except for qualifying capital expenditure incurred after that date under contracts already placed.

(8) Maintenance and Repairs

Maintenance and repairs are expensed in the year incurred. Major replacements and betterments are capitalized.

(9) Pensions

The Group has a number of pension plans covering the majority of employees. The Group's policy with respect to the principal plans is to fund pension cost accrued. Prior service costs have been fully amortized and funded for the principal UK plans. The principal overseas plans are being funded on varying bases dependent on local conditions; neither the unfunded past service costs nor the excess of vested benefits over assets in those funds at the latest actuarial valuation dates was material in relation to the Group.

(10) Regional Development Grants

The regional development grant, introduced in 1972 by the UK Government to stimulate industrial investment, represents a cash grant with respect to qualifying capital expenditure in certain areas of the UK. In contrast to investment grants these grants do not affect depreciation allowable for tax purposes. The accounting treatment is the same as that described in (7) above for investment grants.

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

(11) Research and Development

Research and Development expenditure is in general expensed in the year in which it is incurred although small amounts are capitalized as part of the cost of new plant.

(12) Translation of Foreign Currencies

Income statements in foreign currencies are translated into sterling at the average rates applicable to the respective accounting periods. Assets and liabilities are translated into sterling at the rates of exchange in effect at the dates of the respective balance sheets. Differences arising from changes in exchange rates are included in income where they relate to current assets and liabilities; net differences arising on translation of long term assets and liabilities, including, in the parent company balance sheet, adjustments to the book values of overseas subsidiaries, are taken directly to income retained and other reserves.

Note B - Net Income: UK and US Accounting Principles

The financial statements included in this report are prepared in accordance with accounting principles generally accepted in the United Kingdom. However, in preparing such financial statements for the purpose of this report, certain changes in presentation have been made to the accounts previously presented to Shareholders. There are some differences between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States. The application of U.S. accounting standards would not have materially affected net income, except for the foreign currency translation method established in Statement Number 8 of the (U.S.) Financial Accounting Standards Board. Adoption of this method would have reduced 1976 income before extraordinary items by £85 million (£145 million), extraordinary items by £11 million (£19 million), and net income by £74 million (£126 million). The reduction to net income in 1975 was £23 million (£48 million). (See also Note G for treatment of extraordinary items and Note U for the principal effects on consolidated capital and reserves).

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NOTES TO FINANCIAL STATEMENTS (continued)

In the financial statements submitted to the Securities and Exchange Commission in respect of the year ended December 31, 1975, re-statement of net income previously reported to shareholders was necessary to give effect to the United Kingdom accounting standard relating to the treatment of regional development grants. In the financial statements now submitted for the two years ended December 31, 1976, no such restatement has been made as the above-mentioned accounting standard has been complied with in arriving at net income reported to shareholders.

Note C - Investment Income

Investment income comprises:

	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)	(£ million)	(\$ million)	(\$ million)
Interest, principally on short-term investments	30	42	51	71
Dividends, including amounts from Carrington Viyella Ltd (see Note O)	9	11	15	19
	<u>39</u>	<u>53</u>	<u>66</u>	<u>90</u>

Note D - Interest Expense

Interest expenses is as follows:

	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)	(£ million)	(\$ million)	(\$ million)
Long-term debt	57	75	97	127
Short-term borrowing	16	18	27	31
	<u>73</u>	<u>93</u>	<u>124</u>	<u>158</u>

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

Note E - Employees' Profit-Sharing Bonus

The employees of ICI and certain UK subsidiaries are covered by profit-sharing plans under which they may receive an annual bonus. The bonus, which is at the discretion of the Board or Directors, is declared as a percentage of each employee's earnings for the year. Employees receive their bonuses largely in the form of Ordinary Stock of ICI, the amount of stock issued being determined on the basis of the average market price.

The rate of bonus under the main plan was 5% for 1975 and 7% for 1976.

Note F - Income Taxes

Taxes on income, less grants, charged to earnings were as follows:

	1975 (£ million)	1976 (£ million)	1975 (\$ million)	1976 (\$ million)
United Kingdom:				
Corporation tax	45	93	77	158
Foreign tax credits	(14)	(25)	(24)	(43)
Deferred taxes due to:				
Accelerated tax depreciation	50	60	85	102
Relief for inventories	9	51	15	87
Other timing differences	11	(9)	19	(15)
	101	170	172	239
Overseas:				
Overseas taxes	35	48	59	82
Deferred taxes	6	5	10	8
	142	223	241	379
Principal associated companies	6	13	10	22
	148	236	251	401
Taxes before UK grants				
Less: UK grants				
Investment grants	(18)	(14)	(30)	(24)
Regional development grants	(5)	(8)	(8)	(13)
	125	214	213	364

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

UK and overseas taxation has been provided on the profits earned for the periods covered by the accounts. UK corporation tax is provided each year at estimated rates, the provision being adjusted in the following year in the light of the actual rate payable which normally is set by the UK Government subsequent to the time the Group accounts are closed.

The table below relates the current UK corporation tax rate of 52% to the effective rates obtained by computing the tax charge as a percentage of income before taxes. For the purpose of this reconciliation, grants have been included in income before tax and excluded from income tax expense.

	<u>1975</u>	<u>1976</u>
UK corporation tax rate	52.0%	52.0%
Excess of tax depreciation over book depreciation	(6.2)	(4.4)
Losses not yet relieved	3.1	.2
Difference in tax rates of overseas companies	(1.5)	(.3)
Gains on foreign currency translation not taxable	(4.3)	(5.2)
Under/(Over)-provision of prior years	-	(.5)
Other	-	.2
Tax charged as percentage of income before taxes after adjusting for grants	<u>43.1%</u>	<u>42.0%</u>

Under the UK Finance Act of 1972, advance corporation tax, which is paid to the Inland Revenue in respect of dividends (see Note B), can be credited against future tax liabilities. Accordingly, in the statement of financial position, advance corporation tax on dividends payable is included as an addition to current taxes payable and as a reduction of deferred taxes.

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NOTES TO FINANCIAL STATEMENTS (continued)

The following tables summarize the deferred taxes included in the statements of financial position:

	December 31, 1975			
	Group (£ million)	ICI (\$ million)	Group (\$ million)	ICI (\$ million)
UK corporation tax payable January 1, 1977	12	1	20	2
Deferments due to:				
Accelerated tax depreciation	159	136	270	231
Relief for inventories	70	54	119	92
Other timing differences	(7)	(14)	(12)	(24)
Advance corporation tax recoverable	(22)	(13)	(37)	(22)
	<u>212</u>	<u>164</u>	<u>360</u>	<u>279</u>
	December 31, 1976			
	Group (£ million)	ICI (\$ million)	Group (\$ million)	ICI (\$ million)
UK corporation tax payable January 1, 1978	12	2	20	3
Deferments due to:				
Accelerated tax depreciation	231	194	393	330
Relief for inventories	122	92	208	157
Other timing differences	(28)	(31)	(48)	(53)
Advance corporation tax recoverable	(29)	(20)	(49)	(34)
	<u>308</u>	<u>237</u>	<u>524</u>	<u>403</u>

The amount shown in each year above for deferments due to accelerated tax depreciation is, in the case of ICI, the sum of the UK adjustments made each year at the tax rates applicable to those years; the amount shown for the Group includes the sum of the overseas adjustments.

Part of the liability for UK Corporation Tax on 1975 and 1976 income is treated as deferred under the provisions of the 1976 Finance Act which granted relief in respect of the increased value of inventories as a result of inflation. The relief is based on the increase in the value of inventories during the period, reduced by 15% of taxable trading income (after deduction of capital allowances).

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NOTES TO FINANCIAL STATEMENTS (continued)

Note K - Receivables

Receivables at December 31, 1975 and 1976 are summarized as follows:-

	Group		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Trade accounts	596	787	10*	4*
Less: Amounts set aside for doubtful accounts	(22)	(29)	-	-
	574	758	10	4
Loans to employees	2	2	-	-
Prepaid expenses	14	19	6	8
Other receivables	102	128	30	37
	692	907	46	49
Due from principal associated companies	19	18	5	7
	711	925	51	56
	=====	=====	=====	=====
	Group		ICI	
	1975	1976	1975	1976
	(\$ million)		(\$ million)	
Trade accounts	1,013	1,338	17*	7*
Less: Amounts set aside for doubtful accounts	(37)	(49)	-	-
	976	1,289	17	7
Loans to employees	3	3	-	-
Prepaid expenses	24	32	10	13
Other receivables	173	218	51	63
	1,176	1,542	78	83
Due from principal associated companies	33	30	9	12
	1,209	1,572	87	95
	=====	=====	=====	=====

Included in the Group 1976 column above are trade and other accounts maturing more than one year after December 31, 1976 which amounted to £33 million (\$56 million). Corresponding figures at December 31, 1975 were £16 million (\$27 million).

- * As the result of a factoring agreement entered into with a wholly-owned consolidated UK subsidiary by the parent company and certain other wholly-owned consolidated UK subsidiaries, trade accounts of £207 million (\$352 million) at December 31, 1975 and £273 million (\$464 million) at December 31, 1976, which have been transferred to that subsidiary are included with "Interest in Subsidiaries" in the parent company statement of financial position.

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To the extent that dividends from overseas subsidiaries and principal associated companies are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for unremitted earnings since such amounts are considered permanently re-invested by subsidiaries and in the case of principal associated companies the taxes would not be material. Cumulative unremitted earnings of overseas subsidiaries, totalled approximately £385 million (\$655 million) at December 31, 1976; the remittance of these amounts would incur tax at substantially lower than normal rates after giving effect to foreign tax credits.

NOTE G - Extraordinary Items

The amounts shown in the table below have been classified as extraordinary items. Under US generally accepted accounting principles the items so classified would have been included in income before extraordinary items.

	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)		(\$ million)	
Goodwill written off new subsidiaries	(8)	(5)	(14)	(8)
Provisions against investments	(1)	(5)	(2)	(8)
Provisions for restructuring of Fibres business in UK and Continental Western Europe	-	(36)	-	(62)
Profit on disposal of properties	5	-	9	-
Profit after taxation of certain subsidiaries, mainly in Europe and USA, for the three months to December 31, 1974, dealt with as an extraordinary item following change in accounting date	4	-	7	-
Other	(1)	-	(2)	-
	<u>(1)</u>	<u>(46)</u>	<u>(2)</u>	<u>(78)</u>

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Note H - Dividends

As a result of the United Kingdom Finance Act of 1972, income tax has not been withheld from dividends paid after April 5, 1973. However, the shareholder, when receiving a dividend, receives an imputed tax credit against his personal tax liability. The equivalent gross rates of ICI's Ordinary dividends were 18.1912p (31c) in 1975 and 22.739p (39c) in 1976. Dividends have been and continue to be subject to limitation under UK counter-inflation legislation.

Note I - Pension Expense

Pension expense (charged in arriving at trading profit) for the years ended December 31, 1975 and 1976 was £70 million (\$119 million) and £77 million (\$131 million) respectively, including a contribution of £10 million (\$17 million) in 1975 to a pension fund for senior employees which was set up in 1973.

Note J - Earnings per £1 Ordinary stock

Net income and extraordinary items per £1 unit of Ordinary stock have been calculated by dividing amounts applicable to Ordinary shareholders (after deducting dividends on Preference stock of £.3 million (\$.5 million)) by the weighted average number of Ordinary stock units outstanding for each year adjusted to give effect to the bonus element, arising from the fact that the issue price was less than the market price, in the rights issue made in 1976.

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Note L - Inventories

Inventories at December 31, 1975 and 1976 were as follows:

	Group		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Finished goods	409	495	166	202
Raw materials and others	334	413	148	185
	<u>743</u>	<u>908</u>	<u>314</u>	<u>387</u>
	(\$ million)		(\$ million)	
Finished goods	695	842	282	343
Raw materials and others	568	702	252	315
	<u>1,263</u>	<u>1,544</u>	<u>534</u>	<u>658</u>

Certain inventories previously classified as finished goods are now reclassified as raw materials and other inventories. The value of these inventories was £29 million at December 31, 1975, and comparative figures have been amended accordingly.

Inventories used in computation of cost of sales in the Consolidated Statement of Income were as follows:

	(£ million)	(\$ million)
December 31, 1974	676	1,149
December 31, 1975	743	1,263
December 31, 1976	908	1,544

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Note M - Short-term Borrowings

Of the £125 million (\$212 million) payable to banks at December 31, 1976, £15 million (\$26 million) was secured by property and plant (see Note R). Secured borrowings payable to banks at December 31, 1975 were £12 million (\$20 million) out of £108 million (\$184 million).

The average interest rates at December 31, 1975 and 1976 on short-term borrowings were as follows:

	<u>Group</u>		<u>ICI</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
Banks	11.5%	14.1%	11.8%	15.0%
Other	6.9%	11.4%	-	-

The maximum amount of short-term borrowings outstanding during 1976 was £211 million (\$359 million) (Group) and £60 million (\$102 million) (ICI); the average aggregate, based on month-end figures, was £168 million (\$286 million) (Group) and £47 million (\$80 million) (ICI) at a weighted average interest rate of 12.2% (Group) and 12.7% (ICI). In 1975 the maximum outstanding was £179 million (\$304 million) (Group) and £51 million (\$87 million) (ICI); the average aggregate was £155 million (\$264 million) (Group) and £39 million (\$66 million) (ICI) at a weighted average interest rate of 11.5% (Group) and 11.0% (ICI).

Unused lines of credit at December 31, 1976 amounted to approximately £357 million (\$607 million) (Group) and £5 million (\$9 million) (ICI). Corresponding figures at December 31, 1975 were £369 million (\$627 million) (Group) and £5 million (\$9 million) (ICI).

Commitment fees ranging from $\frac{1}{4}\%$ to $1\frac{1}{2}\%$ were payable on about 7% of lines outstanding at December 31, 1976.

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Note N - Accounts payable and accrued expenses

At December 31, 1975 and 1976, accounts payable and accrued expenses were comprised as follows:

	<u>Group</u>		<u>ICI</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	<u>(£ million)</u>		<u>(£ million)</u>	
Trade accounts	309	403	131	168
Accrued salaries and wages	33	43	16	15
Accrued interest	21	29	8	9
Other	154	246	58	96
	<u>517</u>	<u>721</u>	<u>213</u>	<u>288</u>
Due to principal associated companies	6	6	5	2
	<u>523</u>	<u>727</u>	<u>218</u>	<u>290</u>
	<u>(\$ million)</u>		<u>(\$ Million)</u>	
Trade accounts	525	685	223	286
Accrued salaries and wages	56	73	27	26
Accrued interest	36	49	14	15
Other	262	419	98	163
	<u>879</u>	<u>1,226</u>	<u>362</u>	<u>490</u>
Due to principal associated companies	10	10	9	3
	<u>889</u>	<u>1,236</u>	<u>371</u>	<u>493</u>

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Note 9 - Interest in Subsidiaries

Subsidiary not consolidated - Carrington Viyella Ltd.
In view of an undertaking given by ICI to the UK Government in 1970 that it would not exercise more votes in Carrington Viyella Ltd than it would if its holding were 35 per cent (holding at December 31, 1976 was 63%, subsequently reduced to 49% on May 9, 1977), the accounts of Carrington Viyella Ltd and its subsidiaries have not been consolidated in the Group accounts of ICI. The Group's interest in Carrington Viyella Ltd at December 31, 1976 amounted to £59 million (\$100 million), comprising cost of shares £56 million (\$95 million) and net indebtedness £3 million (\$5 million). The net tangible assets attributable to such shareholding amounted to approximately £41 million (\$70 million) at December 31, 1976 and the market value of the shares based on Stock Exchange quotation in London at the same date was £19 million (\$32 million). Corresponding figures at December 31, 1975 were Group interest £57 million (\$97 million) comprising cost of shares £55 million (\$94 million), and net indebtedness £2 million (\$3 million), net tangible assets approximately £33 million (\$56 million) and market value £27 million (\$46 million).

Summarized financial information relating to Carrington Viyella Ltd and its subsidiaries is as follows:

	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)		(\$ million)	
Sales	233	278	396	473
Net income	2	5	3	8
Group's equity in net income	1	3	2	5
Dividends received by Group	1	2	2	3

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	December 31		December 31	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Net current assets	60	69	102	116
Property, plant and equipment	58	69	90	117
Long-term debt	(36)	(39)	(6)	(66)
Deferred taxes and grants	(18)	(22)	(31)	(33)
	64	76	109	129
Less: Minority interest	(2)	(3)	(3)	(5)
Preference shares (none held by ICI Group)	(10)	(10)	(17)	(17)
Net tangible assets applicable to holders of Ordinary stock	52	63	89	107
ICI Group's equity therein	33	41	56	70

Interests in subsidiaries - Parent Company

In ICI's accounts investments in Subsidiaries are carried at cost (adjusted for exchange rate movements) less allowance for losses where appropriate and comprise:

	1975	1976	1975	1976
	(£ million)		(£ million)	
Shares at adjusted cost less allowances	294	449	500	763
Capitalized post-acquisition retained earnings recognized in ICI's accounts	18	25	31	47
Book value of shares	312	474	531	806
Amounts owed by subsidiaries	679	907	1,154	1,542
Amounts owed to subsidiaries	(266)	(434)	(452)	(738)
Total book value of investments per ICI balance sheet	725	947	1,233	1,616

Note P - Other Non-current Investments

Included in other non-current investments are:

	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Principal associated companies	162	223	32	39
Other investments	83	83	41	49
	245	306	73	88

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	GROUP		ICI	
	1975	1976	1975	1976
	(\$ million)		(\$ million)	
Principal associated companies	276	379	54	66
Other investments	141	141	70	84
	<u>417</u>	<u>520</u>	<u>124</u>	<u>150</u>

Summarised combined financial information relating to the principal associated companies, which are accounted for on the equity method, is given below; this is based on the latest available information which in most cases is as of dates earlier than December 31.

	1975	1976	1975	1976
	(\$ million)		(\$ million)	
Sales	935	1,172	1,589	1,992
Income before taxes	60	78	102	133
Group's equity in income before taxes	24	30	41	51
Net income	45	44	77	75
Group's equity in net income	18	17	31	29
Dividends received by Group	8	14	14	24

	December 31		December 31	
	1975	1976	1975	1976
	(\$ million)		(\$ million)	
Net current assets	219	226	372	384
Property, plant and equipment	489	566	831	962
Other assets	52	49	89	83
Long-term debt	(236)	(256)	(401)	(435)
Other long-term liabilities	(81)	(103)	(138)	(175)
Net assets	<u>443</u>	<u>482</u>	<u>753</u>	<u>819</u>
Group's equity in net assets	<u>176</u>	<u>192</u>	<u>299</u>	<u>326</u>

At December 31, 1976 income retained and other reserves of the Group included £117million (\$199 million) applicable to principal associated companies; the corresponding figure at December 31, 1975 was £90 million (\$153 million).

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Note Q - Property, plant and equipment

	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
The major classifications of property, plant and equipment are as follows:				
Land	94	137	9	9
Buildings	474	574	200	211
Plant and equipment	2,316	2,765	1,474	1,670
At cost or as revalued	2,884	3,475	1,683	1,890
Less: Accumulated depreciation:				
Buildings	(198)	(257)	(103)	(112)
Plant and equipment	(1,261)	(1,486)	(801)	(876)
Net book value	1,425	1,733	779	902
	(\$ million)		(\$ million)	
Land	160	233	15	15
Buildings	806	976	340	359
Plant and equipment	3,937	4,700	2,506	2,839
At cost or as revalued	4,903	5,909	2,861	3,213
Less: Accumulated depreciation:				
Buildings	(337)	(437)	(175)	(191)
Plant and Equipment	(2,144)	(2,526)	(1,362)	(1,489)
Net book value	2,422	2,946	1,324	1,533

Assets are stated at cost or where appropriate at revalued amounts. ICI revalued the major part of its assets in 1958. The basis of that revaluation was an estimate of what it would then have cost to erect the plants or otherwise replace their productive capacity. This gross value was then reduced to take into account the expired lives of the assets and their estimated future working lives, due allowance being given to the technical and commercial factors likely to influence future use of the assets. There have also been from time to time revaluations by various subsidiaries, including in 1974 an upward valuation by some of ICI's Australian subsidiaries of approximately £40 million (\$68 million). At December 31, 1976 the net book value of assets so revalued was as follows:

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	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Land and Buildings	92	99	12	10
Plant and Equipment	26	26	12	11
	(£ million)		(£ million)	
Land and Buildings	156	168	20	17
Plant and Equipment	44	44	20	19

The cost or as revalued totals for Land and Buildings at December 31 comprised the following:

	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Freeholds (i.e. owned in fee)	530	638	199	210
Purchased leaseholds	38	73	10	10
	568	711	209	220
	=====	=====	=====	=====

	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Freeholds	901	1,065	338	357
Purchased leaseholds	65	124	17	17
	966	1,209	355	374
	=====	=====	=====	=====

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Intangible assets such as patents and trade marks are included in plant and equipment at net book value and are not material in amount.

Note R - Long-term Debt

Long-term debt including current maturities was as follows at December 31, 1975 and 1976:

Interest Rate	Description	Maturities	GFC: P		ICI	
			1975	1976	1975	1976
			(\$ million)	(\$ million)	(\$ million)	(\$ million)
Secured Loans						
2 1/2% to 11 1/2%	United Kingdom	1977/2001	1	1	-	-
6% to 13 1/2%	Australia	1977/2006	16	76	-	-
5% to 10%	Other countries	1977/1992	19	23	-	-
	Total Secured Loans		86	100	-	-
Unsecured Loans						
United Kingdom						
6 1/2%	Loan Stock	1977	12	12	12	12
7 1/2%	Loan Stocks	1991	71	71	59	59
7 1/2%	Loan Stock	1992	10	10	-	-
8%	Loan Stock	1993	60	60	60	60
10 1/2%	Loan Stock	1996	13	43	43	43
5 1/2%	Loan Stock	2001	26	26	26	26
5% to 14%	Other Loans	1977/2006	20	18	6	6
			212	241	207	207
Overseas						
6 1/2%	Euro-dollar bonds	1978/1982	15	18	15	18
8 1/2%	Deutsche Mark bonds	1979/1982	19	25	-	-
9 1/2%	Deutsche Mark bonds	1977/1983	19	24	-	-
8%	Sterling/Deutsche Mark bonds	1977/1986	24	29	-	-
8%	Deutsche Mark bonds	1977/1986	19	25	-	-
7 1/2%	Deutsche Mark bonds	1981/1986	-	25	-	-
4 1/2% to 10%	Swiss Franc loans	1976/1988	60	100	43	55
6 1/2%	Deutsche Mark bonds	1978/1992	19	24	-	-
7 1/2%	Euro-dollar bonds	1978/1992	25	27	-	-
9.05%	US Dollar bonds	1977/1993	49	59	-	-
6 1/2% to 12 1/2%	Australia	1977/1984	10	11	-	-
5 1/2% to 7%	Canada	1977/1993	25	55	-	-
5 1/2% to 7%	Holland	1977/1988	29	64	-	-
5 1/2% to 9 1/2%	USA	1977/1996	90	105	-	-
2% to 15 1/2%	Others	1977/1989	78	102	39	47
			481	693	97	120
	Total Unsecured Loans		724	934	304	327
	Total Long-term Debt		810	1,034	304	327

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Summary of table above, expressed in U.S. dollars

	<u>GROUP</u>		<u>ICI</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	<u>(£ million)</u>		<u>(\$ million)</u>	
Secured Loans				
United Kingdom	2	2	-	-
Overseas	144	168	-	-
Total Secured Loans	<u>146</u>	<u>170</u>	<u>-</u>	<u>-</u>
Unsecured Loans				
United Kingdom	413	410	352	352
Overseas	818	1,178	165	204
Total Unsecured Loans	<u>1,231</u>	<u>1,588</u>	<u>517</u>	<u>556</u>
Total Long-term Debt	<u>1,777</u>	<u>1,758</u>	<u>517</u>	<u>556</u>

These debts and the secured short-term borrowings referred to in Note M were secured by buildings, plant, etc., with a net book value at December 31, 1976 of £559 million (\$950 million) and at December 31, 1975 of £483 million (\$821 million).

The maturities to 1980 and thereafter are as follows:

	<u>GROUP</u>		<u>ICI</u>	
	<u>(£ million)</u>		<u>(\$ million)</u>	
1977	65	34	111	58
1978	30	2	51	3
1979	41	3	70	5
1980	36	2	61	3
1981	82	47	139	80
Thereafter	780	239	1,326	407
	<u>1,034</u>	<u>327</u>	<u>1,758</u>	<u>556</u>

Note S - Leases

Lease payments for the years ended 31 December 1975 and 1976 were £41 million (\$70 million) and £51 million (\$87 million) respectively.

At December 31, 1976 the Group was committed to various non-cancellable leases of buildings, plant and equipment, including transportation equipment, which require aggregate rental payments as follows:-

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Years ending December 31	Non- Capitalized Financing	Other	Total	Non- Capitalized Financing	Other	Total
	<u>Leases</u>	<u>Leases</u>		<u>Leases</u>	<u>Leases</u>	
	(£ million)			(\$ million)		
1977	14	11	25	24	19	43
1978	10	9	19	17	15	32
1979	10	6	16	17	10	27
1980	6	5	11	10	8	18
1981	6	4	10	10	7	17
1982 - 1986	26	8	34	44	14	58
1987 - 1991	17	4	21	29	7	36
1992 - 1996	12	3	15	20	5	25
remainder	45	4	49	77	7	84

Substantially all of the above relates to ICI

The impact on net income of treating non-capitalized financing leases as investments in fixed assets and debt would be less than 3% of the average net income for the three years ended December 31, 1976.

Note T - Commitments and Contingent Liabilities

	GROUP		ICI	
	1975	1976	1975	1976
	(£ million)		(£ million)	
Contracts placed for future capital expenditure on fixed assets	202	190	160	140
Commitments to acquire share and loan capital in subsidiary and other companies	25	2	23	4
	<u>227</u>	<u>192</u>	<u>183</u>	<u>144</u>
	(\$ million)		(\$ million)	
Contracts placed for future capital expenditure on fixed assets	343	323	272	238
Commitments to acquire share and loan capital in subsidiary and other companies	43	3	39	7
	<u>386</u>	<u>326</u>	<u>311</u>	<u>245</u>

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In addition to the above commitments, future capital expenditures had been authorized at December 31, 1976 in amounts of £483 million (\$ 821 million) (Group) and £289 million (\$491 million) (ICI) for which contracts had not been signed. Corresponding figures at December 31, 1975 were £393 million (\$668 million) (Group) and £272 million (\$462 million) (ICI).

Contingent liabilities existed at December 31, 1975 and 1976 in connection with (a) guarantees and uncalled capital relating to subsidiary and other companies, the maximum liability in respect of which at December 31, 1976 would be £67 million (\$114 million) for the Group and £587 million (\$998 million) for ICI (of which £525 million (\$893 million) relates to borrowings by subsidiaries). At December 31, 1975 corresponding figures were £31 million (\$53 million) for the Group and £419 million (\$712 million) for ICI (of which £398 million (\$677 million) related to borrowings by subsidiaries), (b) guarantees relating to the solvency of Pension Funds and (c) other guarantees and contingencies arising in the ordinary course of business.

Note U - Differences between UK and US Accounting Principles

Further to Note B above, the following are the principal effects on consolidated capital and reserves at December 31, 1975 and 1976 of the application of accounting principles generally accepted in the US.

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	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£million)		(\$million)	
As presented in this report	1,452	1,832	2,469	3,114
<u>Deferred taxes</u>				
To give effect to full deferred tax accounting (partial basis is adopted by ICI, see Note A(3))	(130)	(146)	(221)	(248)
<u>Revaluation of fixed assets</u>				
To eliminate the effect of revaluations of fixed assets (the credit for which has been taken direct to reserves by ICI)	(36)	(38)	(61)	(65)
<u>Translation of fixed assets, non-current investments and inventories</u>				
To apply historic rates of exchange to fixed assets, investments and inventories (year-end rates are applied and net differences taken direct to reserves by ICI in the case of fixed assets and investments, and to income in the case of inventories)	(118)	(253)	(201)	(430)
<u>Marketable investments</u>				
To carry marketable non-current investments, which are not accounted for on the equity basis, at market value (such investments are carried at cost by ICI)	(31)	(39)	(53)	(66)
Consolidated capital and reserves after giving effect to the above adjustments	<u>1,137</u>	<u>1,356</u>	<u>1,933</u>	<u>2,305</u>

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Note V - Supplementary Income Statement Information

The following amounts were charged to costs and expenses in the Consolidated Statement of Income:

	<u>Year ended</u>		<u>Year ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)		(\$ million)	
Maintenance and repairs	207	248	352	422
Research and development costs	111	137	189	233
Taxes, other than income taxes	78	104	133	171

Depreciation and amortisation of intangible assets, advertising costs and royalty expense were each less than 1% of total sales.

Note W - Parent Company Statements of Income,
Income Retained and Other Reserves,
and Source and Application of Funds

STATEMENT OF INCOME - PARENT COMPANY

	<u>Year ended</u>		<u>Year ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	(£ million)		(\$ million)	
Sales	1,529	2,012	2,599	3,421
Cost of sales, exclusive of depreciation	970	1,254	1,649	2,132
Depreciation	108	107	184	182
Selling, general and administrative expenses	338	437	574	743
Royalty income	(15)	(21)	(26)	(36)
Other income (net)	(10)	(13)	(17)	(22)
	<u>1,391</u>	<u>1,764</u>	<u>2,364</u>	<u>2,999</u>
Trading profit	138	248	235	422
Investment income	75	103	127	175
Interest expense	(22)	(27)	(37)	(46)
Employees' profit-sharing bonus	(15)	(24)	(26)	(41)
Income before taxes on income and extraordinary items	176	300	299	510
Taxes on income, less grants	47	100	80	170
Income before extraordinary items	129	200	219	340
Extraordinary items	(6)	(93)	(10)	(158)
Net income	<u>123</u>	<u>107</u>	<u>209</u>	<u>182</u>

Investment income consists principally of dividends and interest from consolidated subsidiaries. The low effective tax rate results principally from investment grants and regional development grants being reflected as a reduction of the charge for taxes on income.

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Extraordinary items comprised the following:

	<u>Year ended</u> <u>December 31</u>		<u>Year ended</u> <u>December 31</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	<u>(£ million)</u>		<u>(\$ million)</u>	
Provisions against investments including subsidiaries	(6)	(86)	(10)	(146)
Other provisions	-	(7)	-	(12)
	<u>(6)</u>	<u>(93)</u>	<u>(10)</u>	<u>(158)</u>

STATEMENT OF INCOME RETAINED AND OTHER RESERVES - PARENT COMPANY

	<u>Year ended</u> <u>December 31</u>		<u>Year ended</u> <u>December 31</u>	
	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
	<u>(£ million)</u>		<u>(\$ million)</u>	
Balance at beginning of year	395	473	671	804
Net income	123	107	209	182
Less dividends	59	83	100	141
Income retained	64	24	109	41
Exchange adjustments - net	13	29	22	49
Other movements	1	2	2	4
Balance at end of year	<u>473</u>	<u>528</u>	<u>804</u>	<u>398</u>

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS - PARENT COMPANY

	Year ended December 31		Year ended December 31	
	1975	1976	1975	1976
	(£ million)		(\$ million)	
Source of funds:				
Income before extraordinary items	129	200	219	340
Add/(deduct) items not affecting funds:				
Depreciation charged	183	107	184	132
Current and deferred tax movements	56	80	95	136
Government grant movements	3	6	5	10
Others	(2)	9	(3)	16
Total funds provided by operations	294	402	500	684
Issues of Ordinary stock	15	206	26	350
Long-term debt issued	25	-	42	-
Deferred liabilities	-	26	-	44
	334	634	568	1,078
Application of funds:				
Dividends	55	83	100	141
Additions to property, plant and equipment	219	247	373	420
Repayment of long-term debt	1	-	2	-
Other investments, including investments in subsidiaries	(4)	266	(7)	452
	275	596	468	1,013
Increase in working capital	59	33	100	65
Composition of increase in working capital:				
Net liquid resources				
Cash	(2)	-	(4)	-
Time deposits	(6)	-	(10)	-
Short-term investments	7	43	12	73
Short-term borrowings	(17)	1	(29)	2
	(18)	44	(31)	75
Inventories	30	75	51	128
Receivables	(6)	5	(10)	8
Payables	53	(86)	90	(146)
	59	38	100	65

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

Note X - Replacement Cost Data (Unaudited)

The replacement cost information contained in this note is provided in compliance with the rules of the Securities and Exchange Commission. The information covers the worldwide interests of Imperial Chemical Industries Limited and its consolidated subsidiaries. Depreciation expense and cost of sales in foreign currencies are translated into sterling at the average rates applicable to the respective accounting periods. Assets are translated into sterling at the rates of exchange in effect at the dates of the respective balance sheets.

1. Buildings, Plant and Equipment The table below shows a comparison between the gross book value of Buildings, Plant and Equipment all as contained in the balance sheet of the Company and its consolidated subsidiaries at December 31, 1976, and the approximate cost of replacing these assets at the prices existing at this date. Construction in process has been indexed from the respective dates of expenditure. Also shown is the related accumulated depreciation provided on the book value of the assets compared with the accumulated depreciation that would have been provided had it been based on such replacement costs. Accumulated depreciation on a replacement cost basis was estimated for the purpose of this disclosure by determining the percentage of historical cost accumulated depreciation to historical cost gross values. This percentage was applied to the gross values, on a replacement cost basis, at December 31, 1976.

	Historical Cost (£ million)	Replacement Cost (£ million)
<u>Gross values as at</u> December 31, 1976		
Buildings	574	1,500
Plant and Equipment	2,765	6,000
	3,339	7,700
Less: Accumulated depreciation	1,738	4,000
<u>Net values as at</u> December 31, 1976	1,601	3,700
<u>Gross values as at</u> December 31, 1976	(\$ million)	(\$ million)
Buildings	976	2,550
Plant and Equipment	4,700	10,540
	5,676	13,040
Less: Accumulated depreciation	2,954	6,800
<u>Net values as at December 31, 1976</u>	2,722	6,290

The replacement costs shown above have been estimated on the following basis:

Buildings. Buildings which, due to location and construction have a readily ascertainable open market value, have been shown on this basis. Buildings on works sites, special purpose buildings, and other buildings which do not have a readily ascertainable market value have been treated on the same basis as plant (see below).

Plant and Equipment. Replacement costs have been estimated on the basis of replacing plant and equipment to serve the same purpose or

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NOTES TO FINANCIAL STATEMENTS (continued)

give the same output. Replacement costs include allowances for changes in technology and some rationalisation of plants and sites. The technology adopted is proven and meets with current environmental and safety requirements. Any rationalisation assumed is practicable, realisable, economic and in accord with the approved policy of the Company or subsidiary, as the case may be. Certain minor assets which the Group does not intend to replace have been included at net realizable values.

2. Depreciation expense

The following figures compare the depreciation expense as shown in the income statement of the Company and its consolidated subsidiaries for the year ended December 31, 1976, with the depreciation expense computed on the replacement costs shown in 1 above. Depreciation expense on a replacement cost basis was estimated for the purpose of this disclosure by determining the percentage of historical cost depreciation to historical cost gross values. This percentage was applied to the average of the gross values, on a replacement cost basis, at the beginning and end of the year.

	<u>Historical Cost</u>		<u>Replacement Cost</u>	
	(£ million)	(\$ million)	(£ million)	(\$ million)
Depreciation expense				
- for year ended				
December 31, 1976	205	348	425	722

3. Asset lives For the purpose of an exposure draft for a UK accounting standard published on November 30, 1976 the total and remaining lives of all assets are being re-assessed taking into account technical and commercial obsolescence and physical condition. Normal maintenance is being assumed and consideration given to raw materials, market safety and the environment. The preliminary results of this re-assessment indicate that the lives may be longer than those currently adopted in the historical cost accounts, but it is considered that it would be premature at this stage for these longer lives to be used for the purpose of accumulated depreciation and annual depreciation expense in the above replacement cost disclosures. The management has not yet examined the results in detail, but preliminary estimates given to shareholders in the report for the year ended December 31, 1976 showed that, if the extended asset lives indicated by the re-assessment referred to above were applied to the replacement cost shown in 1 above, the net values at December 31, 1976 on a replacement cost basis would be approximately £4,000 million (\$6,800 million) and depreciation expense for the year ended December 31, 1976 on a replacement cost basis would be approximately £335 million (\$570 million).

4. Inventories

The replacement cost of inventories as at December 31, 1976, has been calculated on the basis of costs and prices existing at the end of the accounting period. Replacement cost depreciation has been included where appropriate. In the case of finished goods, net realizable value has been included in the inventory where this value is lower than replacement cost.

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

	Historical Cost		Replacement Cost	
	(£ million)	(\$ million)	(£ million)	(\$ million)
Inventories				
- as at December 31, 1976	908	1,544	960	1,632
5. <u>Cost of sales</u>				

The cost of sales (excluding depreciation), as appearing in the consolidated statement of income, has been recalculated to show the replacement cost at the time of sale. For the majority of items in the inventory, the calculation to convert cost of sales to a replacement cost basis recognizes specific price movements. Minor items are converted using prices indices.

	Historical Cost		Replacement Cost	
	(£ million)	(\$ million)	(£ million)	(\$ million)
Cost of sales (excluding depreciation)				
- for the year ended December 31, 1976	2,662	4,525	2,730	4,641

6. General

This note in no way implies that the Group has present plans to replace the assets for which replacement costs have been presented or that future replacement would take place in the form and manner assumed in these estimates. Replacement can only take place over a period of years at prices then ruling; these could be significantly different from the prices embodied in these estimates.

Differences between the historical costs and the replacement costs of assets indicate the additional capital that would have to be invested if the assets in question were to be replaced at December 31, 1976: they must not be taken as representing an increment to the value of the Company's Ordinary stock.

The replacement cost information presented in this document is confined to inventories, buildings, plant and equipment. It is not required to reflect all the effects of inflation and other economic factors on the current costs of operating the business. This information cannot therefore be used alone to impute the total effect of inflation on net income as reported. It should also be noted that the effect on net income of any operating savings arising from the utilisation of the most up-to-date technology in plant design and operation and the rationalisation in location assumed in the fixed asset replacements have not been assessed.

The following table reconciles the historical cost amounts for which replacement costs are provided with the related totals shown in the consolidated financial statements.

IMPERIAL CHEMICAL INDUSTRIES LIMITED
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NOTES TO FINANCIAL STATEMENTS (continued)

<u>At December 31, 1976</u>	<u>Buildings Plant and Equipment</u> (£ million)	<u>Accumulated Depreciation</u> (£ million)	<u>Inventories</u> (£ million)
Amounts for which replacement costs are provided	3,339	1,738	978
Land	137	5	
Totals per consolidated financial statements	<u>3,476</u>	<u>1,743</u>	<u>908</u>

<u>At December 31, 1976</u>	<u>Buildings Plant and Equipment</u> (£ million)	<u>Accumulated Depreciation</u> (£ million)	<u>Inventories</u> (£ million)
Amounts for which replacement costs are provided	5,676	2,955	1,544
Land	233	8	
Totals per consolidated financial statements	<u>5,909</u>	<u>2,963</u>	<u>1,544</u>

Note Y - Deferred Liabilities

The Company has an approximate 18 per cent interest in the Ninian oilfield in the North Sea which is currently being developed at an estimated cost to it of about £235 million. Of this £73 million has been spent up to 31 December 1976 and a further £138 million has been formally sanctioned and is included in capital commitments, reported in Note T. Financing for approximately 57 per cent of the Company's estimated development costs has been arranged from banks as advance payments for a portion of its share of the oil to be extracted. Repayments by way of deliveries of oil (to be repurchased 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 £26 million at 31 December 1976, are shown as deferred liabilities in the Parent Company and Group statements of financial position.

Schedule II

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES

Schedule II - AMOUNTS RECEIVABLE FROM EMPLOYEES
(£ thousand)

				<u>Deductions</u>	<u>Balance at</u>		
	<u>Rates</u>	<u>Inter-</u>	<u>Balance</u>	<u>Addi-</u>	<u>Amounts</u>	<u>Written</u>	<u>Non-</u>
	<u>est</u>	<u>January 1</u>	<u>tions</u>	<u>Collected</u>	<u>off</u>	<u>Current</u>	<u>Current</u>
1976 Parent Company							
D.G.Owen	NIL	52	3	52	3	-	-
D.B.Hindson	NIL	8	9	-	-	-	17
Subsidiaries							
P.Schmitt	2%	18	-	2	-	-	16
G.W.Senior	2%	20	-	4	-	-	16
L.Bonnizoni	NIL	33	-	33	-	-	-
		<u>131</u>	<u>12</u>	<u>91</u>	<u>3</u>	<u>-</u>	<u>49</u>
1975 Parent Company							
D.G.Owen	NIL	32	20	-	-	-	52
B.W.Ritchie	NIL	24	-	24	-	-	-
Subsidiaries							
G.W.Senior	2%	-	15	-	-	-	15
J.Lason	NIL	10	-	3	-	7	-
L.Bonnizoni	NIL	-	33	-	-	-	33
P.Schmitt	2%	15	-	1	-	-	14
		<u>81</u>	<u>68</u>	<u>28</u>	<u>-</u>	<u>7</u>	<u>114</u>

* includes Adjustments due to changes in exchange rates.

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES AND OTHER PERSONS
(In million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Balance at beginning of period	Balance at end of period	Additions	Reductions	Balance at end of period	
		(1)	(2)	(3)	
Number of shares or units	Equity taken up in earnings (losses) of affiliate and other persons for the period	Distribution of earnings by persons in which earnings (losses) were taken up	Other	Number of shares or units	Dividends received during the period from investments not accounted for by the equity method
Principal amount of bonds and notes	Amount	Other		Principal amount of bonds and notes	Amount
Name of issuer and description of investment					
Interests in Subsidiaries					
Not Consolidated					
Carrollton-Vigette Ltd	638	2	-	No change from B(1)	2
Rs. 633,653 shares of 25p	57	-	-		-
Interests in Other Non-Current Investments					
	03	20	-	-	9
		Transfer from Principal Associated Company	16		
		Exchange	7		
		New Investment	11		
		Others	3		
			20		
Interests in Principal Associated Companies					
	162	69	14	-	233
	30	8	-		
	Transfer from Other Investments	23	Tax on share of Profit		
	Advances	31	Transfer to Other Investments		
	Additional Investment	21	Provisions		
	Exchange	3	Reserve Movements		
	Revaluation of Assets	1			
	Share Premium	69			

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Schedule III

IMPERIAL CHEMICAL INDUSTRIES LIMITED - U.S. INCORPORATED

1974 - 1975

SCHEDULE III - INVESTMENTS IN, AND OTHER FINANCIAL INTERESTS IN, SECURITIES OF OTHER ENTITIES

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G			
Name of issuer and description of investments	Principal amount of investment and other	Amount	Other	Other	Balance at end of year		Total received from investments accounted for by the company		
					(1)	(2)			
					(3)	(4)			
Interest in U.S. companies									
ICI Finance Ltd	100% 1,000,000 shares of £1	137	Advance	278	-	No change from B(1)	735	20	
ICI International Finance Ltd	100% 11,000 shares of US\$1	(157)	-	Advance	18	No change from B(1)	(225)	-	
Imperial Metal Industries Ltd	61.79% 101,771,008 shares of 25p	50	Advance	2	-	62.74% 130,852,007 shares of 25p	63	6	
ICI Holdings Ltd	100% 3,150 shares of £10	54	-	-	-	No change from B(1)	54	3	
Deutsche ICI GmbH	91.96% DM27,500,000 of stocks	110	Advance	8	Revaluation	46	93.01% DM299,500,000 of stocks	81	-
ICI Holland BV	100% 75,000 shares of Guilders 1,000	37	Currency revalu- ation	4	-	No change from B(1)	47	-	
ICI Australian Ltd	62.39% 61,835,692 shares of of A\$1	61	Currency revalu- ation	2	-	No change from B(1)	63	5	
ICI North America Ltd	100% 100 shares of \$4 £1	84	-	Advance	89	No change from B(1)	(5)	-	
ICI Americas Inc	-	-	147	Advance	9	100% 445 Common stock of US\$1	138	-	
			Transfer from ICI North America Ltd	82					
			Additional Equity	48					
			Currency revalu- ation	17					
				147					
Others	-	19		51		88	12	22	
			Additional Equity	17	Provisions	7			
			Stock Dividend	7	Advances	59			
			Capitalized	7	Intercompany				
			Loan Capitalized	2	Inventories Pro- vision	22			
			Transfer from other subsidia- ries	6		88			
			Currency revalu- ation	6					
			Advances	13					
				51					
		725		522		300	947	56	
Interest in Other Non Current Investments		73		27	Provisions	12	88	10	
			Additional Equity	19					
			Currency revalu- ation	7					
			Other	1					
				27					

NOTE:

Columns C(1) and D(1), the answers to which are 'NONE', have been omitted

IMPERIAL CHEMICAL INDUSTRIES LIMITED - PARENT COMPANY

1975 Schedule III

SCHEDULE III-INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES AND OTHER PERSONS
(\$ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance at beginning of period	Additions	Deductions	Balance at end of period	
	(1)	(2)	(2)	(1)	(2)
Name of issuer and description of investments	Number of shares or units Principal amount of bonds and notes	Amount	Other	Number of shares or units Principal amount of bonds and notes	Amount
<u>Interest in Subsidiaries</u>					
ICI Finance Ltd	100% 1,000,000 shares of £1	437	Advance	20	-
				No change from B(1)	437
ICI International Finance Ltd	100% 12,000 shares of US\$1	(135)	-	Advance	22
				No change from B(1)	(157)
Imperial Metal Industries Ltd	60.81% 68,562,897 shares of 25p	51	Additional Equity	Advance	2
				62.79% 101,773,808 shares of 25p	50
ICI Holdings Ltd	100% 3,150 shares of £10	52	Advance	2	-
				No change from B(1)	54
Deutsche ICI GmbH	90.51% DM 214,500,000 of stock	89	Loan Capitalized Advance Currency revaluation	8 11 3	Provision
				22	110
ICI Holland BV	100% 75,000 shares of Guilders 11.00	38	Currency revaluation	Advance	2
				No change from B(1)	37
ICI Australia	54.56% 39,040,300 shares of A\$1	52	Additional Equity Advance Currency revaluation	3 1 5	62.39% 61,838,642 shares of A\$1
				9	61
ICI North America Ltd	100% 100 shares of £1	75	Advance	9	-
				No change from B(1)	84
Others	-	35		63	-
			Transfer from subsidiaries Currency revaluation Additional Equity New Subsidiaries Stock Dividends Capitalized Loan Capitalized	6 4 3 9 1 1 4	60 2 1 63 - - 27
				91	90
Interest in Other Non Current Investments	64		Currency revaluation Stock Dividend Capitalized Additional Equity Transfer from subsidiaries Advances	11 5 1 1 2 2	Provisions
				11	2
				90	72
				72	6

NOTE:

Columns C(1) and D(1) the answers to which are 'NONE', have been omitted

Schedule V

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

(£ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance January 1	Additions at cost	Retire- ments	Other Changes(a)	Balance December 31
1976					
Land	94	33	2	8	137
Buildings	474	44	10	46	574
Plant and Equipment	2,316	361	(45)	133	2,765
TOTAL	2,884	438	(33)	187	3,476
1975					
Land	81	5	(2)	7	94
Buildings	424	14	(8)	24	474
Plant and Equipment	1,997	293	(45)	71	2,316
TOTAL	2,505	332	(55)	102	2,884

IMPERIAL CHEMICAL INDUSTRIES LIMITED - PARENT COMPANY

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

(£ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance January 1	Additions at cost	Retire- ments	Other Changes(a)	Balance December 31
1976					
Land	10	-	-	(1)	9
Buildings	199	14	(2)	-	211
Plant and Equipment	1,474	233	(38)	1	1,670
TOTAL	1,683	247	(40)	-	1,890
1975					
Land	9	1	-	-	10
Buildings	185	13	1	-	199
Plant and Equipment	1,291	204	(21)	-	1,474
TOTAL	1,485	218	(20)	-	1,683

(a) Other changes represent exchange movements

Schedule VI

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
 SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
 AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(£ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance January 1	Additions charged to costs and Retire- expenses ments		Other Changes	Balance December 31
1976					
Buildings	198	30	2	27	257
Plant and Equipment	1,261	175	(36)	86	1,486
TOTAL	1,459	205	(34)	113 (a)	1,743
1975					
Buildings	172	22	(4)	8	198
Plant and Equipment	1,100	160	(34)	35	1,261
TOTAL	1,272	182	(38)	43 (b)	1,459

IMPERIAL CHEMICAL INDUSTRIES LIMITED - PARENT COMPANY
 SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND
 AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(£ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance January 1	Additions charged to costs and Retire- expenses ments		Other Changes	Balance December 31
1976					
Buildings	103	11	(2)	-	112
Plant and Equipment	801	96	(25)	4	876
TOTAL	904	107	(27)	4 (c)	988
1975					
Buildings	95	8	-	-	103
Plant and Equipment	724	100	(23)	-	801
TOTAL	819	106	(23)	-	904

(a) Includes £27 million charged as an extraordinary item and 86 million for exchange movements.

(b) Includes £5 million charged as an extraordinary item due to the change in accounting dates. The balance of £38 million represents exchange movements.

(c) Includes £4 million charged as an extraordinary item.

Schedule XI

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES
SCHEDULE XI - GUARANTIES OF SECURITIES OF OTHER ISSUERS ETC

December 31, 1976

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
Name of issuer of securities guaranteed by person for which statement is filed	Title of issue of securities guaranteed	Total amount guaranteed and outstanding in million	Amount owned by persons for which statement is filed	Amount in treasury of issuer of securities guaranteed	Nature of guarantee	Nature of any default by issuer of securities guaranteed in principal interest, sinking fund or redemption provisions or payment of dividends
Cleveland Potash Ltd	Loan	11	None	None	Principal and interest	None
Zollia Agraria S.A.	"	1	"	"	"	"
Katenco Corporation	Bank borrowings	1	"	"	Interest	"
Hubicon Chemicals Inc	"	6	"	"	"	"
Solvay & Cie S.A. France	"	1	"	"	"	"
Solvay & Cie S.A. Belgium	"	1	"	"	"	"
Teijin Agrochemicals Ltd	"	2	"	"	"	"
Polipropileno S.A.	"	2	"	"	"	"
Ertian S.A.	"	2	"	"	"	"
Cleveland Potash Ltd	Lending finance	3	"	"	"	"
TOTAL		30				

SCHEDULE XII

IMPERIAL CHEMICAL INDUSTRIES LIMITED

and

IMPERIAL CHEMICAL INDUSTRIES LIMITED AND SUBSIDIARIES

SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(£ million)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	Additions charged to			
	Balance at January 1	Cost and Expenses	Other Accounts Deductions	Balance at December 31
1946				
ICI Limited				
Allowance for doubtful accounts	-	-	-	-
Allowance for losses (deducted from invest- ments)	49	93	-	142
	49	93	-	142
ICI Limited and Subsidiaries				
Allowance for doubtful accounts	22	7	-	28
Allowance for losses (deducted from invest- ments)	17	47	-	64
	39	54	-	92
1945				
ICI Limited				
Allowance for doubtful accounts	1	-	-	-
Allowance for losses (deducted from invest- ments)	42	7	-	49
	43	7	-	49
ICI Limited and Subsidiaries				
Allowance for doubtful accounts	18	7	-	22
Allowance for losses (deducted from invest- ments)	13	4	-	17
	31	11	-	39

END