

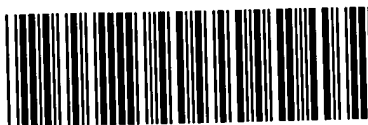
**Mortar Investments International
Limited**

Annual Report and Financial Statements

31 December 2017

Registered number 2767051

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Strategic Report

The directors present their Strategic Report and the audited Financial Statements for the year ended 31 December 2017.

Business Review

The Company made a profit after tax of £84,165,000 (2016: £81,010,000) during the financial year and has net assets of £2,987,148,000 (2016: £2,902,983,000) as at 31 December 2017.

Principal Activities

The Company acts as an investment holding company owning shares in several trading companies within the UK part of the AkzoNobel Group.

Key Performance Indicators

As the Company is an investment holding company and not a trading business, key performance indicators are not a relevant benchmark for the Company's performance during the year.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to minimal risks. The key business risks, both external and internal, are fully discussed in the context of the Akzo Nobel N.V. group as a whole, on pages 31 to 35 of the Group's Annual Report which does not form part of this report.

On behalf of the Board



F. O'Shea
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

09 August 2018

Directors' Report

The directors present their Directors' Report and the audited Financial Statements for the year ended 31 December 2017.

Dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

F. O'Shea
S. Ray
M. Smalley

Political contributions

The Company made no political contributions during the current or previous financial year.

Financial Risk Management

Financial risk includes price risk, credit risk, liquidity risk and cash flow risk. These are addressed and managed at a group level as disclosed in the AkzoNobel Annual Report 2017, pages 31 to 35 and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

An overall risk management program seeks to identify, assess and if necessary, mitigate these financial risks in order to minimise potential adverse effects on financial performance.

Future developments

The directors are of the opinion that the Company is in a position to continue its principal activities during 2018.

Directors' Report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have been appointed as the Company's auditor, holding office until to the end of the next period for appointing auditors in accordance with section 485(4c) of the Companies Act 2006.

By order of the Board



M. Smalley
Director

The AkzoNobel Building
Wexham Road
Slough
United Kingdom
SL2 5DS

09 August 2018

Independent auditors' report to the members of Mortar Investments International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Mortar Investments International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017, the Statement of Comprehensive Income for the year ended, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Mortar Investments International Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the Financial Statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
13 August 2018

Statement of Comprehensive Income
for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Income from shares in group undertakings	6	3,965	2,545
Interest receivable and similar income	7	99,319	98,101
Interest payable and similar expenses	8	-	(20)
Profit before taxation		103,284	100,626
Tax on profit	9	(19,119)	(19,616)
Profit for the financial year		84,165	81,010
Total comprehensive income for the year		84,165	81,010

Balance sheet
at 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Fixed assets			
Investments	<i>10</i>	11,446	11,446
Current assets			
Debtors (including £2,970,000 (2016: £2,795,000) due after more than one year)	<i>11</i>	3,014,447	2,941,336
Creditors: amounts falling due within one year	<i>12</i>	(38,745)	(49,799)
Net current assets		<u>2,975,702</u>	<u>2,891,537</u>
Net assets		<u>2,987,148</u>	<u>2,902,983</u>
Capital and reserves			
Called up share capital	<i>13</i>	1,933,604	1,933,604
Share premium account		2,997	2,997
Retained earnings		1,050,547	966,382
Total shareholders' funds		<u>2,987,148</u>	<u>2,902,983</u>

The notes on pages 9 to 16 are an integral part of these financial statements.

These financial statements on pages 6 to 16 were authorised for issue by the board of directors on 09 August 2018 and were signed on its behalf by:



M. Smalley
Director

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital £000	Share Premium account £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 January 2016	1,933,604	2,997	885,372	2,821,973
Profit for the financial year	-	-	81,010	81,010
Total comprehensive income for the year	-	-	81,010	81,010
Balance at 31 December 2016	1,933,604	2,997	966,382	2,902,983

	Called up share capital £000	Share Premium account £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 January 2017	1,933,604	2,997	966,382	2,902,983
Profit for the financial year	-	-	84,165	84,165
Total comprehensive income for the year	-	-	84,165	84,165
Balance at 31 December 2017	1,933,604	2,997	1,050,547	2,987,148

Notes to the Financial Statements

1 General information

Mortar Investments International Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the UK. The Company registration number is 2767051 and the registered office address is The AkzoNobel Building, Wexham Road, Slough, United Kingdom, SL2 5DS.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

2.1 Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under historical cost convention in pounds sterling. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are prepared on the historical cost basis.

The Company's ultimate parent undertaking, Akzo Nobel N.V includes the Company in its consolidated financial statements. The consolidated financial statements of Akzo Nobel N.V are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Compliance with IFRS;
- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions entered in to between two or more wholly owned members of a group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Akzo Nobel N.V. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

Notes to the Financial Statements *(continued)*

2 Accounting policies *(continued)*

2.2 Going concern

The directors have made the necessary enquiries and assessed the Company's financial position and have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. The directors therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017, have had a material impact on the Company.

2.4 Debtors

Amounts receivable are amounts due from group companies for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.5 Creditors

Amounts payable are amounts due to group companies for services that have been acquired in the ordinary course of business.

Amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.7 Investments in subsidiaries and associated undertakings

Investments in subsidiaries, associates and joint ventures are held at cost less accumulated impairment losses. Investments are annually reviewed and considered for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

2.9 Interest receivable

Interest income is recognised using the effective interest method.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

2.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

(b) Impairment of non-financial assets

When assessing impairment of non-financial assets, management considers factors including the net asset value, nature of the entity, historical experience (such as political environment) and future cash flows. Future cash flows are estimated and inherently uncertain.

Notes to the Financial Statements *(continued)*

4 Directors and employees

The directors received no remuneration for their services to the Company in either year as their services to the Company are incidental to their services to the group. The present directors are employed by, and receive remuneration for services from, a wholly owned subsidiary of the ultimate parent company.

No individuals were employed by the Company in either year.

5 Auditors' remuneration

There is no charge for the remuneration of auditors' in the financial statements of the Company as the auditors' fee of £13,000 (2016: £13,000) in relation to the audit of this Company was borne by another group company and is not recharged.

6 Income from shares in group undertakings

	2017 £000	2016 £000
Dividend income from group undertakings	3,965	2,545

7 Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group undertakings	99,319	98,101

8 Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable to group undertakings	-	(20)

Notes to the Financial Statements *(continued)*

9 Tax on profit

Recognised in the statement of comprehensive income

Analysis of charge in year

	2017	2016
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	(19,119)	(19,616)
Total charge on profit	<u>(19,119)</u>	<u>(19,616)</u>

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit before taxation	103,284	100,626
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(19,882)	(20,125)
Income not taxable: dividend income	763	509
Total tax charge	<u>(19,119)</u>	<u>(19,616)</u>

Factors that may affect future current and total tax charges

In the Summer 2015 Budget Statement this rate was reduced from 20% to 19% effective 1 April 2017, with a further reduction to 18% effective 1 April 2020, and In the March 2016 Budget Statement it was announced this rate would reduce from 18% to 17% effective 1 April 2020. All of these changes have been substantively enacted at the balance sheet date.

As a result of these changes, the effective current tax rate applicable for 2016 was 20% and the rate applicable for 2017 was 19.25%. The rate applied to deferred tax balances is 17% as these balances are not expected to be utilised until after this rate takes effect.

Notes to the Financial Statements *(continued)*

10 Investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	11,556
Additions	-
Provisions	
At beginning and end of year	(110)
Net book value	
At 31 December 2017	11,446
At 31 December 2016	11,446

The directors have reviewed the carrying amount of the Company's investments and have confirmed that the net book value at the balance sheet date does not exceed the estimated recoverable amount of the shares in group undertakings.

The Company's interest at the balance sheet date is more than 20% in the following company:

Subsidiary undertakings	Country of Incorporation	Class of shares held	Ownership	
			2017	2016
Metlac S.p.A	Italy	Ordinary	44.44%	44.44%

Subsidiary undertakings	Registered Office Address	Limited shares guarantee Shares	by Registration or number	Public or private
Metlac S.p.A	Strada Statale 35 Bis dei Giovi Bosco Marengo 53-15062 Italy		01264360064	Private

Notes to the Financial Statements *(continued)*

11 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	3,014,447	2,941,336
Due within one year	44,447	146,336
Due after more than one year	2,970,000	2,795,000
	3,014,447	2,941,336

Amounts owed by group undertakings include a balance of £6,098,230 (2016: £109,350,419) that is repayable on demand. Interest is charged monthly based on 1 month LIBOR plus a spread of -10 basis points

Amounts owed by group undertakings include an intercompany loan of £175,000,000 (2016: nil). The loan matures on 15 August 2025. Interest is fixed at 2.06%.

Amounts owed by group undertakings include an intercompany loan of £2,795,000,000 (2016: £2,795,000,000). The loan matures on 15 August 2025. Interest is fixed at 3.5%.

The remaining amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	(10)	(10)
Group relief payable	(38,735)	(49,789)
	(38,745)	(49,799)

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Equivalent consideration will be paid to fellow group companies to settle group relief balances.

Notes to the Financial Statements *(continued)*

13 Called up share capital

	2017	2016
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
1,933,603,812 (2016: 1,933,603,812) ordinary shares of £1 each	1,933,604	1,933,604

All share capital is classified as shareholders' funds. There has been no movement in the number of shares in the current year. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary company of Ergon Investments UK Limited, a company incorporated in England and Wales.

The only group in which the results of the Company are consolidated is that headed by the ultimate parent company, Akzo Nobel N.V., incorporated in the Netherlands.

Copies of the Akzo Nobel N.V. Annual Report and Financial Statements are available to the public and may be obtained from Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.