

The Union-Castle Mail Steamship Company Limited

Annual report and financial statements

Year ended 31 March 2018



The Union-Castle Mail Steamship Company Limited

CONTENTS	Page
Report of the directors	1
Directors' responsibilities	2
Independent auditor's report to the members of The Union-Castle Mail Steamship Company Limited	3 – 4
Statement of comprehensive income	5
Statement of financial position	6
Statement of cash flows	7
Statement of changes in equity	8
Notes to financial statements	9 - 14

The Union-Castle Mail Steamship Company Limited

Directors

G P Denison
P M Whiteley

Secretary and registered office

G P Denison
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2018. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Directors

The directors of The Union-Castle Mail Steamship Company Limited (the 'company') who served during the year and up to the date of this report are listed above.

Principal activities

The company is non-trading. Previously, the principal activity was that of investing in options and spreads on FTSE indices to hedge the UK market price risk relating to its ultimate parent company's investment portfolio. All options were closed out in the year ended 31 March 2010.

Directors' indemnity

Each of the directors has the benefit, under the company's articles of association, of an indemnity to the extent permitted by the Companies Act 2006, against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future having received confirmation from Caledonia Investments plc that it will provide financial support as is necessary to meet any outstanding obligations as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditor

The company elected to dispense with the requirement to appoint auditors annually in accordance with section 386 of the Companies Act 1985 prior to 1 October 2007. In the absence of a notice proposing that the appointment be terminated, KPMG LLP will be deemed to be re-appointed for the next financial year, in accordance with section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this annual report confirms that, so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.



Signed on behalf of the board
G P Denison

Secretary

20 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNION-CASTLE MAIL STEAMSHIP COMPANY LIMITED

Opinion

We have audited the financial statements of The Union-Castle Mail Steamship Company Limited ("the company") for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of financial position, statement of change in equity, statement of cash flow, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNION-CASTLE MAIL STEAMSHIP COMPANY LIMITED (CONTINUED)

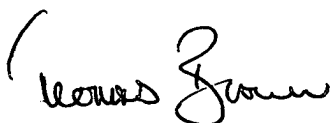
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 September 2018

The Union-Castle Mail Steamship Company Limited

Statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 £	2017 £
Administrative expenses		(9,443)	(84,393)
Finance income	4	–	1
Finance expense	5	–	(1,576,802)
Loss before tax		(9,443)	(1,661,194)
Taxation	6	(313,567)	(8,246,526)
Loss for the year		(323,010)	(9,907,720)

Loss for the year is attributable to equity holders and comprised continuing operations.

There was no other comprehensive income for the years ended 31 March 2018 and 2017.

The notes on pages 9 to 14 form part of these financial statements.


The Union-Castle Mail Steamship Company Limited

Statement of financial position

at 31 March 2018

	Note	2018 £	2017 £
Current assets			
Current tax assets		35,550	332,239
Cash and cash equivalents		16,701	82,544
Total assets		52,251	414,783
Current liabilities			
Interest bearing loans and borrowings	7	(9,100,000)	(9,100,000)
Trade and other payables	8	(13,855)	(53,377)
Current tax liabilities		(731)	(731)
Total liabilities		(9,114,586)	(9,154,108)
Net (liabilities)/assets		(9,062,335)	(8,739,325)
Equity			
Share capital	9	5,522	5,522
Share premium		144,480	144,480
Retained earnings		(9,212,337)	(8,889,327)
Total equity		(9,062,335)	(8,739,325)

The financial statements of The Union-Castle Mail Steamship Company Limited, registered number 02444991, were approved by the board of directors and authorised for issue on 20 September 2018, signed on their behalf by;



Approved by the board
P M Whiteley
Director

The notes on pages 9 to 14 form part of these financial statements.

The Union-Castle Mail Steamship Company Limited

Statement of cash flows

For the year ended 31 March 2018

	2018 £	2017 £
Cash flows from: Operating activities		
Cash paid to suppliers	(48,965)	(73,458)
Net cash used in operating activities	(48,965)	(73,458)
Investing activities		
Income tax group relief received	–	7,606
Income tax paid	(16,878)	(7,159,905)
Interest received	–	7
Interest paid	–	(1,576,802)
Net cash used in investing activities	(16,878)	(8,729,094)
Financing activities		
Proceeds from group borrowings	–	9,150,000
Repayment of group borrowings	–	(300,000)
Net cash from financing activities	–	8,850,000
Net increase/(decrease) in cash and cash equivalents	(65,843)	47,448
Cash and cash equivalents at year start	82,544	35,096
Cash and cash equivalents at year end	16,701	82,544

The notes on pages 9 to 14 form part of these financial statements.

The Union-Castle Mail Steamship Company Limited

Statement of changes in equity

for the year ended 31 March 2018

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 April 2016	5,522	144,480	1,018,393	1,168,395
Loss for the year	—	—	(9,907,720)	(9,907,720)
Balance at 31 March 2017	5,522	144,480	(8,889,327)	(8,739,325)
Loss for the year	—	—	(323,010)	(323,010)
Balance at 31 March 2018	5,522	144,480	(9,212,337)	(9,062,335)

The notes on pages 9 to 14 form part of these financial statements.

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements

1 General Information

The Union-Castle Mail Steamship Company Limited (the 'company') is a company incorporated in England.

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

Adopted IFRSs and IFRSs not yet applied

In the current year, the company has not adopted any new standards or interpretations.

- IFRS 9 Financial instruments revises the approach to financial instruments framework replacing IAS 39 Financial Instruments: Recognition and Measurement. The classification and measurement of the company's financial instruments are not anticipated to be impacted upon adoption of IFRS 9. The company will continue to apply fair value to investment assets as either the cash flows are not 'solely payments of principal and interest' or the business model is to manage them on a fair value basis. The new standard will be applied in the financial statements for the year ended 31 March 2019.
- IFRS 15 Revenue from Contracts with Customers revises the approach to revenue recognition from contracts with customers and replaces IAS 11 Accounting for construction contracts. The majority of the company's income is received from financial instruments which are excluded from the scope of IFRS 15. The new standard will be applied in the financial statements for the year ended 31 March 2019.
- IFRS 16 Leases provides a new approach to lease accounting replacing IAS 17 Leases. The company is required to recognise lease contracts as a lessee on the balance sheet as a right of use asset with a corresponding lease liability with the exception of short-term or low value leases. Due to immaterial lease obligations, the standard is not expected to impact on the financial position of the company. The standard is not being early adopted and will be applied in the financial statements for the year ended 31 March 2020.

The directors anticipate that the adoption of these standards in future periods in their issued form will have no material impact on the financial statements.

2 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future having received confirmation from Caledonia Investments plc that it will provide financial support as is necessary to meet any outstanding obligations as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Measurement convention

The financial statements are prepared on the historical cost basis.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements (*continued*)

2 Accounting policies (*continued*)

Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Trade and receivables are classified as 'Loans and receivables' under IAS 39 'Financial Instruments: Recognition and Measurement'.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. Cash and cash equivalents are classified as 'Loans and receivables' under IAS 39 'Financial Instruments: Recognition and Measurement'.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at proceeds received less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate basis. Interest-bearing borrowings are classified as 'Liabilities held at cost' under IAS 39 'Financial Instruments: Recognition and Measurement'.

Expenses

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested, that are recognised in the statement of comprehensive income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2018	2017
	£	£
Fees for the audit of the company's accounts	4,105	3,985

4 Finance income

	2018	2017
	£	£
<i>Interest income:</i>		
Interest receivable from group companies	—	1

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements (continued)

5 Finance expense

	2018 £	2017 £
<i>Interest expense:</i>		
Other interest payable	–	1,576,802

6 Taxation

Recognised in the statement of comprehensive income	2018 £	2017 £
<i>Current tax expense/(income):</i>		
Current year	(1,794)	(332,239)
Adjustment for prior years	315,361	8,578,765
	313,567	8,246,526

Reconciliation of effective tax expense	2018 £	2017 £
Loss before tax	(9,443)	(1,661,194)
Implied tax credit at 19/20%	(1,794)	(332,239)
Adjustment for prior years	315,361	8,578,765
Total tax in statement of comprehensive income	313,567	8,246,526

7 Interest bearing loans and borrowings

	2018 £	2017 £
<i>Non-current</i>		
Loan facility from group company	9,100,000	9,100,000

Group loans are interest free.

8 Trade and other payables

	2018 £	2017 £
Accruals	13,855	53,377

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements (*continued*)

9 Share capital

	2018	2017
	£	£
In issue at 31 March - fully paid ordinary shares of £1 each	502	502
In issue at 31 March - fully paid A shares of £1 each	5,020	5,020
	<u>5,522</u>	<u>5,522</u>

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.

The holders of the A shares were entitled to receive a dividend equal to 95% of the cash proceeds arising on the close-out of any FTSE 250 put options, put spreads, and the FTSE 100 put option held on the date of the A shares bonus issue.

10 Financial instruments

The company's financial instruments comprise cash balances, borrowings and receivables and payables that arise from its operations.

The company's activities expose it to credit risk.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. The company has credit policies in place and exposure to credit risk is monitored on an ongoing basis. At 31 March, the financial assets exposed to credit risk were as follows:

	2018	2017
	£	£
Cash and cash equivalents	16,701	82,544

Credit risk arising on trade and other receivables is mitigated by management involvement in the group companies. Credit risk on financial instruments and cash and cash equivalents is mitigated by transacting or depositing funds with banks with a credit rating of 'AA3' or 'AA-' or better as determined by rating agencies, Moody's and Fitch respectively.

Fair value

Most of the company's financial instruments are carried at amortised cost and the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements (continued)

10 Financial instruments (continued)

Capital management policies and procedures

The company's capital management objectives are:

- to ensure that it will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The company's total capital at 31 March 2018 was £37,665 (2017: £360,675) comprising equity share capital and reserves of -£9,062,335 (2017: -£8,739,325) and group borrowings of £9,100,000 (2017: £9,100,000).

The directors monitor and review the broad structure of the company's capital on an ongoing basis. This review includes:

- The utilisation of surplus cash to repay group borrowings, and
- The utilisation of surplus cash to pay dividends.

The company is not subject to externally imposed capital requirements.

11 Contingencies

In the year ended 31 March 2009 the company entered into transactions which gave rise to a tax treatment which has been disclosed to the UK tax authorities. HMRC have received a ruling in July 2016 in relation to the tax treatment and the company settled the tax liability during the prior year. The directors are appealing the decision.

The company has entered into cross guarantees with other group undertakings in respect of the group treasury management facilities. It is not anticipated that any material liabilities will arise from these group contingent liabilities.

12 Related parties

Identity of related parties

The company has a related party relationship with its parent, fellow subsidiaries and with its key management personnel, being its directors. The directors have no entitlement to fees, therefore no emoluments were receivable by the directors from the company during the year (2017: £nil).

The following transactions, were carried out with related parties:

	Transaction amount 2018 £	Balance at period end 2018 £	Transaction amount 2017 £	Balance at period end 2017 £
Transactions with parent				
<i>Statement of financial position items:</i>				
Income taxes group relief received	16,878	-	7,599	-
Borrowing received	-	(9,100,000)	(9,100,000)	(9,100,000)
Transactions with fellow subsidiaries:				
<i>Statement of comprehensive income items:</i>				
Interest receivable	-	-	1	-
<i>Statement of financial position items:</i>				
Income taxes group relief received	-	-	7	-
Borrowing received	-	-	250,000	-

The Union-Castle Mail Steamship Company Limited

Notes to the financial statements *(continued)*

13 Ultimate parent company

The ultimate parent undertaking and controlling party as defined by IAS24 is Caledonia Investments plc, a company incorporated in England.

14 Critical accounting judgements and key sources of estimation uncertainty

There were no critical accounting judgements or sources of estimation uncertainty affecting the financial statements.