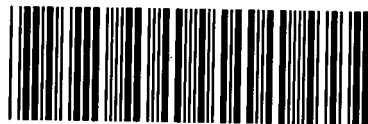


Defence Training Services Limited
Annual report and financial statements
for the year ended 31 March 2014

Registration number: 3838084

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Defence Training Services Limited

Annual report and financial statements for the year ended 31 March 2014

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Defence Training Services Limited

Directors and advisors

Directors M T Smith
 S P Hornby
 J S McCabe
 M A Donn

Company secretary Semperian Secretariat Services Limited

Registered office Third Floor
 Broad Quay House
 Prince Street
 Bristol
 BS1 4DJ

Independent auditors PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 31 Great George Street
 Bristol
 BS1 5QD

Defence Training Services Limited

Strategic report for the year ended 31 March 2014

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Results, principal activities and review of business

The company's principal activity is the design, build and provision of facilities management services at the Army Foundation College, Harrogate under a thirty year contract under the Private Finance Initiative.

In line with the current contractual circumstances of the company, a financial model covering the periods up to December 2029 has been produced. From a review of this model the directors are satisfied the company will generate positive cash flows and profits over the life of the contract.

The directors expect trading conditions in the coming year to be broadly similar to those in the year ended 31 March 2014. The directors consider that the committed funding available to the company is sufficient to meet all of the company's financial and contracted obligations.

The profit for the year is set out in the profit and loss account on page 7. The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

By order of the Board



.....
On behalf of Semperian Secretariat Services Limited
Company secretary

07 Aug 2014

Defence Training Services Limited

Registration number: 3838084 Directors' report for the year ended 31 March 2014

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Future developments

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

Dividends and transfers to reserves

A dividend of £858,370 (£1.02 per ordinary share) was paid during the year, (2013: £nil).

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The senior debt and subordinated debt interest has been fixed through the use of a fixed funding rates, plus a margin, as set out in note 10.

Inflation risk

The company has chosen to manage its exposure to inflation risk by way of a RPI swap. Details may be found on page 11.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company receives the majority of its revenue from The Ministry of Defence (MoD) and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Major maintenance replacement risk

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

Directors of the company

The directors of the company during the year, and up to the date of signing the financial statements, are set out below:

M T Smith

S P Hornby

A G Bremner (resigned 31 July 2013)

J S McCabe

M A Donn (appointed 1 August 2013)

Defence Training Services Limited

Directors' report for the year ended 31 March 2014 (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They 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.

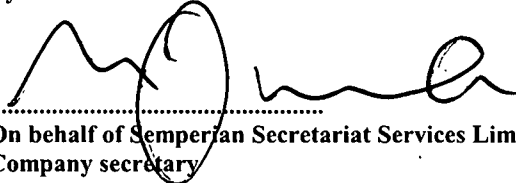
Statement of disclosure of information to auditors

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 PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has 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 PwC are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the Board



.....
On behalf of Semperjan Secretariat Services Limited
Company secretary

07 AUG 2014

Defence Training Services Limited

Independent auditors' report to the members of Defence Training Services Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Defence Training Services Limited comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account and cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of principal accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Defence Training Services Limited

Independent auditors' report to the members of Defence Training Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

21 August 2014

Defence Training Services Limited

Profit and loss account for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Turnover	1	15,419	15,374
Cost of sales		(14,244)	(14,326)
Gross profit		1,175	1,048
Administrative expenses		(266)	(249)
Operating profit	2	909	799
Interest receivable and similar income	3	6,067	6,240
Interest payable and similar charges	4	(4,995)	(5,205)
Profit on ordinary activities before taxation		1,981	1,834
Tax on profit on ordinary activities	5	(19)	(381)
Profit for the financial year	13	1,962	1,453

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There are no material differences between the profit for the period on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

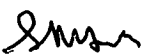
The movements on reserves are shown in note 13 to the financial statements.

Defence Training Services Limited

Balance sheet as at 31 March 2014

	Note	31 March 2014 £ '000	31 March 2013 £ '000
Current assets			
Debtors: amounts falling due within one year	7	3,500	3,170
Debtors: amounts falling due after more than one year	8	76,686	78,289
Cash at bank and in hand		7,596	8,830
		87,782	90,289
Creditors: amounts falling due within one year	9	(6,622)	(6,933)
Total assets less current liabilities		81,160	83,356
Creditors: amounts falling due after more than one year	10	(71,791)	(75,110)
Provisions for liabilities	11	(3,773)	(3,754)
Net assets		5,596	4,492
Capital and reserves			
Called up share capital	12	842	842
Profit and loss account	13	4,754	3,650
Total shareholders' funds	13	5,596	4,492

The financial statements on pages 7 to 21 were approved by the Board on 31 July 2014 and signed on its behalf by:


.....
S P Hornby
Director

Defence Training Services Limited

Cash Flow Statement for the Year Ended 31 March 2014

		31 March 2014 £ '000	31 March 2013 £ '000
Net cash inflow from operating activities	16(a)	793	1,957
<i>Returns on investments and servicing of finance</i>			
Interest paid		(5,008)	(5,138)
Interest recieved		6,067	6,240
Net cash inflow from returns on investments		1,059	1,102
Equity dividends paid to shareholders		(858)	-
Net cash flow before liquid resources and financing		994	3,059
<i>Financing</i>			
Repayment of loans	16(b)	(2,228)	(2,014)
Net cash outflow from financing activities		(2,228)	(2,014)
Increase/(decrease) in cash during the year	16(c)	(1,234)	1,045

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014

1 Principal accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, is set out below:

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting and financial reporting standards in the United Kingdom.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

Finance debtor and interest receivable

In accordance with Financial Reporting Standard (FRS) 5 - Application Note F, the costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within the application note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Major maintenance replacement

As noted in the directors' report, the company is responsible for the major maintenance replacement risk associated with its principal activity. Where appropriate, income is deferred to future periods, based on a forecast of the future major maintenance expenditure, in order to match that element of income with the costs to which it relates. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

Debt issue costs

Debt issue costs directly incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

RPI swaps

RPI swaps are used to hedge the company's exposure to movements on the rate of inflation. Amounts payable and receivable on such swaps are included in turnover. RPI swaps are valued using market value, for disclosure purposes.

Capital instruments

Capital instruments are accounted for and classified as equity share capital or debt, according to their substance.

2 Operating profit

The company had no employees, other than the directors, during the year (2013: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £nil (2013: £nil) to the company in respect of these services.

The audit fee in respect of the company was £7,300 for the year (2013: £7,000).

A proportion of the contract revenue has been fixed using an RPI swap, which converts the actual increase in RPI to a fixed increase of 2.61%. The fair value of this class of derivative financial instruments at 31 March 2014 is a liability of £8,257,528 (31 March 2013: liability of £11,263,373).

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

3 Interest receivable and similar income

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Imputed interest receivable on finance debtor	6,029	6,112
Interest receivable on bank deposits	38	90
Other interest receivable	-	38
	6,067	6,240

4 Interest payable and similar charges

Interest payable includes £524,593 (2013 - £524,493) payable on loans from group companies.

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Interest payable on senior debt	4,410	4,582
Interest payable on subordinated debt	525	524
Other bank charges and similar fees	20	19
Amortisation of debt issue costs	40	42
Other interest payable	-	38
	4,995	5,205

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

5 Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Current tax:		
Total current tax	-	-
Deferred tax (note 11)		
Origination and reversal of timing differences	585	544
Impact of tax rate adjustment	(566)	(163)
Tax charge on profit on ordinary activities	19	381

(b) Factors affecting current tax charge

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Profit on ordinary activities before taxation	1,981	1,834
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	456	440
Effects of:		
Permanent differences	129	104
Movement in accelerated capital allowances	67	(52)
(Decrease)/increase in unutilised tax losses carried forward	(617)	(432)
Other short term timing differences	(35)	(60)
Current tax (credit)/charge for the year (note 5(a))	-	-

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

5 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge.

Finance 2013 included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The deferred tax liability at 31 March 2014 has been re-measured accordingly.

6 Dividends

	Year ended 31 March 2014 £ '000	Year ended 31 March 2013 £ '000
Dividends paid - £1.02 per share (2013: £nil per share)	858	-

7 Debtors: amounts falling due within one year

	31 March 2014 £ '000	31 March 2013 £ '000
Trade debtors	8	-
Finance debtor	1,604	1,278
Prepayments and accrued income	1,888	1,892
	3,500	3,170

8 Debtors: amounts falling due after more than one year

	31 March 2014 £ '000	31 March 2013 £ '000
Finance debtor	76,686	78,289

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

9 Creditors: amounts falling due within one year

	31 March 2014 £ '000	31 March 2013 £ '000
Senior debt	2,437	2,188
Trade creditors	1,839	2,528
Accruals and deferred income	1,805	1,722
VAT payable	541	495
	6,622	6,933

10 Creditors: amounts falling due after more than one year

(a) Debt

	31 March 2014 £ '000	31 March 2013 £ '000
Senior debt	60,293	62,521
Subordinated debt	4,814	4,814
Preference shares	4,161	4,161
Less: included in creditors falling due within one year	(2,437)	(2,188)
Less: unamortised issue costs	(380)	(420)
	66,451	68,888
Accruals and deferred income	5,340	6,222
	71,791	75,110

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

10 Creditors: amounts falling due after more than one year (continued)

(b) Maturity of debt

	31 March 2014 £ '000	31 March 2013 £ '000
Less than one year	2,476	2,228
Between one and two years	3,114	2,476
Between two and five years	11,117	10,010
In more than five years	52,561	56,782
	69,268	71,496
Less: included in creditors falling due within one year	(2,437)	(2,188)
Less: unamortised issue costs	(380)	(420)
	66,451	68,888

Senior debt

The senior debt is repayable in monthly instalments which commenced on 31 July 2003 and interest has been fixed through a fixed funding rate, plus a margin.

From	To	Interest rate per annum
First drawdown rate	Construction completion (achieved on 29 November 2002)	7.45%
Construction completion	60 months post construction completion	7.05%
60 months post construction completion	120 months post construction completion	7.15%
120 months post construction completion	31 December 2029	7.25%

The senior debt is secured by way of an unlimited first fixed charge over the company's interest in the finance debtor asset. Furthermore, the terms of the finance agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so, other than those incurred for reasons of timing or other short term factors.

Unsecured subordinated debt

The unsecured subordinated debt is repayable by 31 December 2029 with principal repayments due to have commenced on 31 December 2003. The interest rate has been fixed through a fixed funding rate, plus a margin, to give a combined fixed rate of 10.89% per annum.

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

10 Creditors: amounts falling due after more than one year (continued)

B preference shares

On 31 March 2011, 4,161,000 £1 zero dividend B preference shares were issued at par value to PFI Investments Limited, with BoS Infrastructure Investments (No.3) Ltd having waived pre-emption rights. The B preference shares carry no voting rights, are entitled to an annual dividend of £1.00 and have a fixed date of redemption of 31 March 2029.

11 Provisions for liabilities

	31 March 2014 £ '000	31 March 2013 £ '000
Deferred taxation	3,773	3,754

The movements in deferred taxation during the year are as follows:

	31 March 2014 £ '000	31 March 2013 £ '000
At beginning of year	3,754	3,373
Charge to the profit and loss account (note 5(a))	19	381
At end of year	3,773	3,754

The deferred tax liability consists of:

Accelerated capital allowances	2,799	3,575
Other timing differences	3,077	3,503
Tax losses recognised	(2,103)	(3,324)
	3,773	3,754

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

12 Called up share capital

	31 March 2014 £	31 March 2013 £
Allotted and fully paid		
420,800 Ordinary A shares of £1 each	420,800	420,800
420,800 Ordinary B shares of £1 each	420,800	420,800
1 Special Share of £1 each	1	1
1 Special B Share of £1 each	1	1
	841,602	841,602

A and B Ordinary shares rank pari passu in all respects.

The Special Share has no right to income and capital and also has no voting rights.

The Special B Share has no voting right or any right to capital. It is entitled to a maximum annual dividend of £1.00.

13 Reconciliation of movements in total shareholders' funds and reserves

	Share capital £ '000	Profit and loss account £ '000	Total Shareholders' funds £ '000
At 1 April 2012	842	2,197	3,039
Profit for the financial year	-	1,453	1,453
At 1 April 2013	842	3,650	4,492
Profit for the financial year	-	1,962	1,962
Dividends paid (note 6)	-	(858)	(858)
At 31 March 2014	842	4,754	5,596

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

14 Ultimate parent undertaking and controlling party

At 31 March 2014, the share capital of the company was owned by PFI Investments Limited, a company owned and controlled by Semperian PPP Investment Partners Holdings Limited and BoS Infrastructure Investments (No.3) Ltd which is wholly owned by Bank of Scotland Infrastructure Partners LP Inc. Both of these companies owned 50% of the issued share capital of, and exercised joint control over, the company.

In the directors' opinion, the company has no ultimate controlling party.

15 Related party transactions

Other related party transactions

The following information is provided in accordance with Financial Reporting Standard No. 8 - 'Related Party Disclosures' as being transactions with related parties for the year.

During the year the company made the following related party transactions:

**Year ended 31 March
2014**

Name of related party	Relationship	Type of transaction	Transactions in the year	Balance due (to)/from
PFI Investments Limited	Owner of 50% of company's share capital	Interest on subordinated loan notes	262	-
		Subordinated loan notes	-	(2,407)
		B preference shares	-	(4,161)
BoS Infrastructure Limited	Associated company of BoS Infrastructure Investments (No.3) Ltd	Interest on subordinated loan notes	262	-
		Subordinated loan notes	-	(2,407)
Bank of Scotland Plc	Associated company of BoS Infrastructure Investments (No.3) Ltd	Bank fees	64	-
		Professional fees	-	-
		Bank interest received	(38)	-
Semperian Asset Management Limited	Associated company	Management fee	199	-
Semperian Capital Management Limited	Associated company	Professional Fees	5	-

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15 Related party transactions (continued)

Year ended 31 March
2014

Name of related party	Relationship	Type of transaction	Transactions in the year	Balance due (to)/from
Semperian Senior Funding plc	Associated company	Interest on senior loan	4,410	-
		Senior loan	-	(60,293)

Year ended 31 March
2013

Name of related party	Relationship	Type of transaction	Transactions in the year	Balance due (to)/from
PFI Investments Limited	Owner of 50% of company's share capital	Interest on subordinated loan notes	262	-
		Subordinated loan notes	-	(2,407)
		B preference shares	-	(4,161)
BoS Infrastructure Limited	Associated company of BoS Infrastructure Investments (No.3) Ltd	Interest on subordinated loan notes	262	-
		Subordinated loan notes	-	(2,407)
Bank of Scotland Plc	Associated company of BoS Infrastructure Investments (No.3) Ltd	Bank fees	61	-
		Professional fees	8	-
		Bank interest received	(90)	-
Semperian Asset Management Limited	Associated company	Management fee	199	-
Semperian Senior Funding plc	Associated company	Interest on senior loan	4,582	-
		Senior loan	-	(62,521)

Defence Training Services Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

16 Notes to the statement of cash flows

(a) Reconciliation of operating result to net cash inflow from operating activities

	31 March 2014 £ '000	31 March 2013 £ '000
Operating profit	909	799
Decrease in debtors	1,273	1,089
Increase/(decrease) in creditors	(1,389)	69
Net cash inflow from operating activities	793	1,957

(b) Analysis of changes in net debt

	At 31 March 2013 £'000	Cashflow £'000	Other non- cash changes £'000	At 31 March 2014 £'000
Cash at bank	8,830	(1,234)	-	7,596
Loans due within one year	(2,188)	2,228	(2,477)	(2,437)
Loans due after one year	(64,727)	-	2,437	(62,290)
'B' Preference shares	(4,161)	-	-	(4,161)
Total	(62,246)	994	(40)	(61,292)

Non cash movements represent changes in the classification of between less than and greater than one year, and amortisation of debt issue costs.

(c) Reconciliation of net cash flow to movement in net debt

	31 March 2014 £ '000	31 March 2013 £ '000
Increase / (decrease) in cash during the year	(1,234)	1,045
Cash outflow from movement in loans	2,228	2,014
Non cash movements	(40)	(41)
Movement in net debt	954	3,018
Net debt at 31 March 2013	(62,246)	(65,264)
Net debt at 31 March 2014	(61,292)	(62,246)