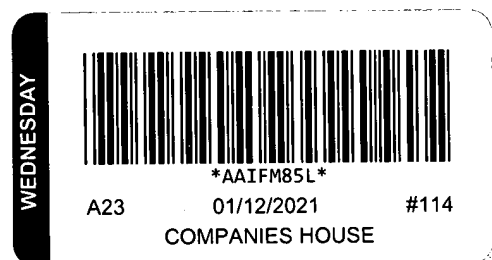


Limited Liability Partnership Registration No. OC425122 (England and Wales)

VALLEY RAIL PARTNERSHIP NO.2 LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



VALLEY RAIL PARTNERSHIP NO.2 LLP

LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members	Equitix V W&B Valley 2 Holdings LP Valley Rail Leasing No.2 Limited
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Limited liability partnership number	OC425122
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Registered office	3rd Floor (South) 200 Aldersgate Street London EC1A 4HD
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Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
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VALLEY RAIL PARTNERSHIP NO.2 LLP

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VALLEY RAIL PARTNERSHIP NO.2 LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The members present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the limited liability partnership continued to be that of manufacturing and maintenance of a fleet of rolling stock in Wales.

Members' drawings, contributions and repayments

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par".

Designated members

The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Equitix V W&B Valley 2 Holdings LP
Valley Rail Leasing No.2 Limited

Auditor

UHY Hacker Young were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

VALLEY RAIL PARTNERSHIP NO.2 LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Statement of members' responsibilities

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COVID-19

During the period from the date of the Balance Sheet to the date the financial statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The members' assessment of the impact of this event on the business have been further considered and disclosed within the going concern accounting policy.

Approved by the members on 28 September 2021 and signed on behalf by:



J C Smith
Director

Signed on behalf of Valley Rail Partnership No.2 LLP, in its capacity as General Partner

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VALLEY RAIL PARTNERSHIP NO.2 LLP

Opinion

We have audited the financial statements of Valley Rail Partnership No.2 Llp (the 'limited liability partnership') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2021 and of its profit 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in note 1.2 to the financial statements concerning the LLP's ability to continue as a going concern. The LLP has net liabilities of £356,073 (2020: £597,757). As discussed in note 1.2, the LLP has the support from the Parent Company Guarantee to continue in operational existence from the date of approval of the financial statements. These conditions along with the other matters explained in note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the LLP's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF VALLEY RAIL PARTNERSHIP NO.2 LLP

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF VALLEY RAIL PARTNERSHIP NO.2 LLP

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the entity and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the contractual arrangements entered into and non-compliance might have a material effect on the financial statements. We have also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement and disclosures to underlying supporting documentation, review of contracts and related correspondences, enquiries of management and testing of journals and evaluating whether there was evidence of bias by the Members that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters

The financial statements of Valley Rail Partnership No.2 LLP for the period ended 31 March 2020 were audited by another auditor, who gave an unqualified opinion on 27 August 2020.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF VALLEY RAIL PARTNERSHIP NO.2 LLP

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Marc Waterman (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

28 September 2021

Chartered Accountants
Statutory Auditor

VALLEY RAIL PARTNERSHIP NO.2 LLP**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

		2021	2020
	Notes	£	£
Administrative expenses		(157,348)	(85,600)
Interest receivable and similar income	5	2,332,445	1,477,882
Interest payable and similar expenses	6	(2,070,313)	(1,154,201)
		<hr/>	<hr/>
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		104,784	238,081
Other comprehensive income			
Cash flow hedges gain/(loss) arising in the year		136,900	(835,841)
		<hr/>	<hr/>
Total comprehensive income for the year		241,684	(597,760)
		<hr/> <hr/>	<hr/> <hr/>

VALLEY RAIL PARTNERSHIP NO.2 LLP**BALANCE SHEET****AS AT 31 MARCH 2021**

	Notes	2021 £	£	2020 £	£
Current assets					
Debtors	8	75,961,614		54,468,356	
Cash at bank and in hand		16,755,529		26,773,419	
		<u>92,717,143</u>		<u>81,241,775</u>	
Creditors: amounts falling due within one year	10	(466,317)		(23,953,051)	
Net current assets			92,250,826		57,288,724
Creditors: amounts falling due after more than one year	11		(92,606,899)		(57,886,481)
Net liabilities attributable to members			<u>(356,073)</u>		<u>(597,757)</u>
Represented by:					
Members' other interests	13				
Members' capital classified as equity			2		2
Other reserves classified as equity			(356,075)		(597,759)
			<u>(356,073)</u>		<u>(597,757)</u>

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnerships regime.

The financial statements were approved by the members and authorised for issue on 28 September 2021 and are signed on their behalf by:



J C Smith
Director

Signed on behalf of Valley Rail Partnership No.2 LLP, in its capacity as General Partner

Limited Liability Partnership Registration No. OC425122

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Limited liability partnership information

Valley Rail Partnership No.2 Llp is a limited liability partnership incorporated in England and Wales. The registered office is 3rd Floor (South), 200 Aldersgate Street, London, EC1A 4HD.

The limited liability partnership's principal activities are disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in December 2018, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The LLP has net liabilities of £356,073 (2020: £597,757) which includes the negative fair value of the interest rate swaps of £698,941 (2020: £835,841) within liabilities and net current assets of £92,250,826 (2020: £57,288,724) including cash of £16,755,529 (2020: £26,773,419).

The Members have reviewed the future liquidity requirements and have considered the cash flow forecasts of the LLP. The LLP produces long-term financial forecasts which show the LLP is able to operate and meet its financial obligations as they fall due, including compliance with all loan covenants. Based on this review and the future business prospects of the LLP, the Members believe the LLP will be able to meet its liabilities as they fall due.

In the annual review of the LLP's going concern, the Members have considered the long term impact of the Covid-19 pandemic. The LLP is financed by secured loans that are repayable after more than one year and has entered into long-term contracts with its main customer and key sub-contractors, where the cash flows are contractually fixed and which includes a requirement for the third party to provide a Parent Company Guarantee ("PCG"). After careful review of the contracts and PCGs, the Members are confident that the LLP can operate as normal for the next at least twelve months from the date of approval of these financial statements. The Members have committed to carrying out regular reviews of the LLP's cash flows to monitor the ongoing situation.

Having regard to the above, the Members have a reasonable expectation that the LLP has adequate resources and support from the PCGs in place to continue in operational existence for the foreseeable future which is considered to be at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.3 Reporting period

The LLP presents its financial statements for 12 months to 31 March 2021. The comparative period represents 6 months to 31 March 2020 due to a change in its accounting reference date.

1.4 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest is applied to the finance lease debtor using an implicit rate of 3.6% (2020: 3.6%). This rate has been derived by a comprehensive financial model which sets out all future cash flows in relation to the lease.

1.5 Members' participating interests

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

Once an unavoidable obligation has been created in favour of members through allocation of profits or other means, any undrawn profits remaining at the reporting date are shown as 'Loans and other debts due to members' to the extent they exceed debts due from a specific member.

1.6 Borrowing costs related to fixed assets

Upfront finance costs of procuring senior debt facilities are capitalised during construction and subsequently amortised over the life of the relevant loans and charged to the profit or loss account. Arrangement fees for these facilities have been capitalised against the cost of the loan.

Finance costs that are directly attributable to the cost of construction of the fixed assets are charged to the profit or loss account with the exception of commitment fees, which are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditure for the assets are being incurred and activities that are necessary to get the assets ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the assets ready for use are complete.

In the event of any breaks in construction, the commitment fees would not be capitalised.

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

The limited liability partnership has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the limited liability partnership's statement of financial position when the limited liability partnership becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited liability partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the limited liability partnership after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the limited liability partnership's obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the limited liability partnership are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the limited liability partnership.

Hedge accounting

The LLP uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its variable rate external debt. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

Gains and losses on the hedging instruments and the hedged items are recognised in other comprehensive income (OCI) for the period to the extent that the hedge is deemed to be effective. Any ineffective element of the hedge is recognised through the profit or loss. A asset or liability is recognised on the balance sheet to reflect the cumulative fair value gain or loss across the life of the hedging instrument.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period are as follows:

Finance lease income interest rate

Interest income recognised on the finance lease receivable is calculated using an implicit rate of interest, being 3.6%. The Members consider this rate to be appropriate as an acceptable financial model has derived the rate using accurate assumption around future cash flows relating to the lease.

Capitalisation of costs

During the period of construction, all costs incurred as a direct result of financing, manufacturing and constructing the rolling stock fleet, have been capitalised with the exception of senior debt interest which has been charged to profit or loss account. The Designated Members consider this to be appropriate since the risks and rewards of ownership rest with the LLP.

Fair value of interest rate swaps

The fair value of interest rate swaps is determined by reference to mark-to-market valuations provided by the interest rate swap providers.

3 Auditor's remuneration

Auditor's remuneration of £9,000 (2020: £7,650) is borne by the LLP for the period.

4 Employees

The entity has no employees (2020: none).

There was no remuneration for services provided by members in the period (2020: none).

5 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Finance lease interest receivable	2,332,445	1,477,882
	<u> </u>	<u> </u>

6 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Bank interest payable	2,070,313	1,154,201
	<u> </u>	<u> </u>

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

7 Financial instruments

	2021	2020
	£	£
Measured at fair value through profit or loss		
- Interest rate swap	698,941	835,841

Financial assets measured at amortised cost comprise finance lease receivable, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and loans.

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The instrument was used to hedge the variable rate of the equity bridge loan. The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded. The fair value of the swap at the year end is £698,941 (2020: £835,841).

8 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Other debtors	2,644	11,546
Prepayments and accrued income	19,947	-
	<u>22,591</u>	<u>11,546</u>
	<u>2021</u>	<u>2020</u>
	<u>£</u>	<u>£</u>
Amounts falling due after more than one year:		
Finance lease receivable	75,939,023	54,456,810
	<u>75,961,614</u>	<u>54,468,356</u>
Total debtors		

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

9 Finance lease receivable

	2021	2020
	£	£
Within two and five years	34,750,936	14,479,556
In over five years	249,048,370	269,319,749
	<u>283,799,306</u>	<u>283,799,305</u>
Unearned finance income	(109,523,140)	(122,094,019)
	<u>174,276,166</u>	<u>161,705,286</u>
Present value of minimum lease payments receivable	<u>174,276,166</u>	<u>161,705,286</u>
The present value is receivable as follows:		
Within two and five years	30,207,991	11,904,353
In over five years	144,068,175	149,800,933
	<u>174,276,166</u>	<u>161,705,286</u>

The LLP has entered into a finance lease arrangement for the use of rolling stock. The term of the finance lease is 29 years.

There are no unguaranteed residual values accruing to the LLP.

The LLP did not recognise contingent rentals during the period.

The LLP has not accumulated any allowance for uncollectable minimum lease payments receivable during the period.

During the year the LLP incurred total costs of £19,149,769 (2020: £52,978,938) directly associated with the finance lease receivable, and this amount is included within the debtor.

10 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	101,198	23,766,445
Accruals and deferred income	365,119	186,606
	<u>466,317</u>	<u>23,953,051</u>

VALLEY RAIL PARTNERSHIP NO.2 LLP**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2021****11 Creditors: amounts falling due after more than one year**

	Notes	2021 £	2020 £
Bank loans and overdrafts	12	91,907,958	57,050,640
Derivative financial instruments	6	698,941	835,841
		<u>92,606,899</u>	<u>57,886,481</u>

12 Loans and overdrafts

	2021 £	2020 £
Bank loans	<u>91,907,958</u>	<u>57,050,640</u>
Payable after one year	<u>91,907,958</u>	<u>57,050,640</u>

Secured loans

The LLP has four tranches of external loan including:

£79,992,000, 3.42% Facility A loan repayable by 5th June 2048

£51,558,000, 2.63% Facility B1 loan repayable by 5th September 2033

£33,359,000, 3.39% Facility B2 loan repayable by 5th June 2048

£23,925,000, 0.80% plus LIBOR Equity Bridge loan repayable by 5th December 2023

All loans are repayable under a fixed repayment schedule, maturing on the dates provided above. The loans are secured on the assets of the LLP. The loans are drawn under a fixed utilisation schedule. As at 31 March 2021, the following amounts had been drawn:

Facility A - £33,148,250

Facility B1 - £21,650,620

Facility B2 - £14,026,081

Equity Bridge - Fully drawn

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Reconciliation of Members' Interests

	EQUITY		TOTAL
	Members' other interests		MEMBERS' INTERESTS
	Members' capital	Other reserves	Total 2021
	£	£	£
Members' interests at 1 April 2020	2	(597,759)	(597,757)
Profit for the financial year available for discretionary division among members	-	104,784	104,784
Members' interests after profit for the year	2	(492,975)	(492,973)
Gains and losses on cash flow hedges	-	136,900	136,900
Members' interests at 31 March 2021	2	(356,075)	(356,073)

14 Loans and other debts due to members

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors.

15 Capital commitments

2021
£

2020
£

At 31 March 2021 the limited liability partnership had capital commitments as follows:

Contracted for but not provided in the financial statements:

Associated with finance lease receivable

94,801,300 110,616,155

VALLEY RAIL PARTNERSHIP NO.2 LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

16 Related party transactions

The following entities are considered to be related parties to the LLP during the period:

- Valley Rail Leasing No.2 Limited
- Equitix V W&B Valley 2 Holdings LP
- SMBC UK Leasing Ltd
- Sumito Mitsui Banking Corporation, Brussels Branch

During the period, the LLP incurred £104,673 (2020: £116,431) in commitment fees from Valley Rail Leasing No.2 Limited, a member of the LLP.

During the period, the LLP incurred £104,673 (2020: £116,431) in commitment fees, £nil (2020: £179,440) in member's loan arrangement fees and £256,001 (2020: £234,960) in Letter of Credit fee from Equitix V W&B Valley 2 Holdings LP, a member of the LLP.

During the period, the LLP incurred £40,338 (2020: £1,545,821) in lease arrangement fees, £nil (2020: £84,860) in lease management costs and £nil (2020: £179,440) of member's loan arrangement fee from SMBC UK Leasing Ltd, an entity within same wider group as Valley Rail Leasing No.2 Limited, a member.

During the period, the LLP incurred £244,253 (2020: £417,909) of Equity Bridge loan interest, incurred £nil (2020: £1,724) of VAT facility loan interest, incurred £21,031 (2020: £24,842) in VAT facility commitment fees and paid £nil (2020: £584,544) of VAT facility loan to Sumito Mitsui Banking Corporation (SMBC), Brussels Branch, an entity of the same wider group as Valley Rail Leasing No.2 Limited, a member. During the period, the LLP also received £nil (2020: £23,925,357) in Equity Bridge loan and £nil (2020: £584,544) in VAT facility loan.

An Equity Bridge Loan amounted to £25,000,000 is payable to SMBC. Loan interest on this loan in the year was £235,840 (2020: £378,267). Swap Interest on the Equity Bridge Loan in the year was £275,068 (2020: £133,939).

17 Ultimate controlling party

In the opinion of the Members, there is no ultimate parent company as the controlling parties are jointly both members by way of voting rights.