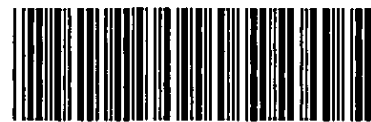


COMPANY REGISTRATION NUMBER 06562810

MERCHANT 66 (GP) LIMITED
FINANCIAL STATEMENTS
5 APRIL 2012

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COMPANIES HOUSE

THOMPSON TARAZ LLP

Chartered Accountants
35 Grosvenor Street
London
W1K 4QX

MERCHANT 66 (GP) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

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MERCHANT 66 (GP) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 5 APRIL 2012

The directors have pleasure in presenting their report and the unaudited financial statements of the company for the year ended 5 April 2012

PRINCIPAL ACTIVITIES

The principal activity of the company during the year is that of the general partner in Merchant Place Property Partnership 66

DIRECTORS

The directors who served the company during the year were as follows

A Taraz
MJ Chicken
MM Heffernan
AD Grieve
KD Gray
DE Suter
A M Cumming

A M Cumming retired as a director on 23 August 2011

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office
35 Grosvenor Street
Mayfair
London
W1K 4QX

Signed by order of the directors



PROPERTY SECRETARIES LIMITED
Company Secretary

Approved by the directors on 16 October 2012

MERCHANT 66 (GP) LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 5 APRIL 2012**

	Note	2012 £	2011 £
TURNOVER		—	—
Other operating income	2	(500)	(469)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>500</u>	<u>469</u>
Tax on profit on ordinary activities	4	100	52
PROFIT FOR THE FINANCIAL YEAR		<u>400</u>	<u>417</u>
Balance brought forward		893	476
Balance carried forward		<u>1,293</u>	<u>893</u>

The notes on pages 4 to 5 form part of these financial statements

MERCHANT 66 (GP) LIMITED

BALANCE SHEET

5 APRIL 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investments	5	1	1
CURRENT ASSETS			
Debtors	6	1,586	1,085
Cash in hand		2	2
		<u>1,588</u>	<u>1,087</u>
CREDITORS: Amounts falling due within one year	7	<u>294</u>	<u>193</u>
NET CURRENT ASSETS		<u>1,294</u>	<u>894</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,295</u>	<u>895</u>
CAPITAL AND RESERVES			
Called-up equity share capital	9	2	2
Profit and loss account		<u>1,293</u>	<u>893</u>
SHAREHOLDERS' FUNDS		<u>1,295</u>	<u>895</u>

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 2006 (the Act) relating to the audit of the financial statements for the year by virtue of section 477, and that no member or members have requested an audit pursuant to section 476 of the Act

The directors acknowledge their responsibilities for

- (i) ensuring that the company keeps adequate accounting records which comply with section 386 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 393, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the directors and authorised for issue on 16 October 2012, and are signed on their behalf by


A GRIEVE
Director

Company Registration Number 06562810

The notes on pages 4 to 5 form part of these financial statements.

MERCHANT 66 (GP) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2012

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or 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.

2. OTHER OPERATING INCOME

	2012	2011
	£	£
Other operating income	<u>500</u>	<u>469</u>

Other operating income represents the company's share of Merchant Place Property Partnership 66 income calculated in accordance with the limited partnership deed.

3. OPERATING PROFIT

Operating profit is stated after crediting

	2012	2011
	£	£
Directors' remuneration	<u>—</u>	<u>—</u>

4. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2012	2011
	£	£
Current tax		
UK Corporation tax based on the results for the year at 20% (2011 - 21%)	<u>100</u>	<u>52</u>
Total current tax	<u>100</u>	<u>52</u>

MERCHANT 66 (GP) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2012

5. INVESTMENTS

Investments

	£
COST	
At 6 April 2011 and 5 April 2012	<u>1</u>
NET BOOK VALUE	
At 5 April 2012 and 5 April 2011	<u>1</u>

The investment represents a capital contribution to the Merchant Place Property Partnership 66

6. DEBTORS

	2012	2011
	£	£
Other debtors	<u>1,586</u>	<u>1,085</u>

7. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Corporation tax	101	98
Other creditors	<u>193</u>	<u>95</u>
	<u>294</u>	<u>193</u>

8. RELATED PARTY TRANSACTIONS

Taxation costs of £94 (2010 nil) were paid during the year by Merchant Place Property Partnership 66, a partnership in which the company is a General Partner

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

The company is controlled by M J Chicken and A Taraz

9. SHARE CAPITAL

Authorised share capital:

	2012	2011
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

MERCHANT 66 (GP) LIMITED
MANAGEMENT INFORMATION
YEAR ENDED 5 APRIL 2012

The following pages do not form part of the statutory financial statements

MERCHANT 66 (GP) LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2012

	2012 £	2011 £
OVERHEADS	—	—
OTHER OPERATING INCOME		
Other operating income	500	469
PROFIT ON ORDINARY ACTIVITIES	<u>500</u>	<u>469</u>

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MERCHANT 66 (GP) LIMITED
NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 5 APRIL 2012

2012
£

2011
£

REGISTRATION NUMBER LP13296

**MERCHANT PLACE PROPERTY PARTNERSHIP 66
FINANCIAL STATEMENTS
YEAR ENDED 5 APRIL 2012**

MERCHANT PLACE PROPERTY PARTNERSHIP 66

FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

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MERCHANT PLACE PROPERTY PARTNERSHIP 66

OPERATOR AND PROFESSIONAL ADVISERS

Operator of Partnership

Thompson Taraz Managers Limited
35 Grosvenor Street
Mayfair
London
W1K 4QX

General Partner

Merchant 66 (GP) Limited
35 Grosvenor Street
Mayfair
London
W1K 4QX

Solicitors to the Partnership

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Solicitors - Property

Addleshaw Goddard
Alder Castle
10 Noble Street
London
EC2V 7JW

Valuer

DTZ
One Curzon Street
London
W1A 5PZ

Independent Auditors

Menzies LLP
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Bankers

Bank of Ireland
15-16 Park Row
Leeds

LS1 5HD

MERCHANT PLACE PROPERTY PARTNERSHIP 66

GENERAL PARTNER'S REPORT

YEAR ENDED 5 APRIL 2012

The General Partner has pleasure in presenting its report on the operations of the Partnership for the year ended 5 April 2012 together with the financial statements

PRINCIPAL ACTIVITIES, REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the Partnership is that of property investment

The Partnership holds a property that is a primary care facility in Rotherham, South Yorkshire

In accordance with the Partnership Agreement, the property will be professionally valued by external valuers at each period end

The intention, as referred to in the information memorandum, is to hold the property for a minimum of 5 years and then, from 3 December 2013, to take annual advice from the Partnership's Valuer on the potential market for the property

The General Partner considers the results for the period to reflect the current difficult economic climate which is likely to continue for some time

The principal risk and uncertainties facing the Partnership are set out in the Information Memorandum. These are not reproduced here, as this report is prepared under the provisions applicable to small entities

CONSTITUTION AND GOVERNANCE

The Partnership is a limited partnership, initially registered on 3 December 2008, which entered into a Limited Partnership Agreement on 27 November 2008 ("the Partnership Agreement") and is registered under the Limited Partnership Act 1907. The initial term of the Partnership is for 20 years.

The Registered Office of the General Partner and the principal place of business of the Partnership is 35 Grosvenor Street, London, W1K 4QX.

The Operator of the Partnership is Thompson Taraz Managers Limited.

RESULTS AND DISTRIBUTIONS

The Partnership's profit for the year was £333,288.

No distributions were made to the partners as all surplus income has been used to reduce bank borrowings.

THE PARTNERS

The General Partner is Merchant 66 (GP) Limited. The Limited Partner's contributions are as set out in the Limited Partners Contributions and Income Accounts note. Each limited partner's contribution in the Partnership is made up of a Capital Contribution and a Loan Contribution.

MERCHANT PLACE PROPERTY PARTNERSHIP 66

GENERAL PARTNER'S REPORT

YEAR ENDED 5 APRIL 2012

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES

The Partnership Agreement requires that the General Partner prepares financial statements for each financial year that give a true and fair view of the Partnership's state of affairs at the end of the financial year and of the surplus or deficiency of the Partnership for that year then ended. In preparing those financial statements, the General Partner is required to

- select suitable accounting policies, as described on pages 8 - 9, and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 Partnership will continue in business.

The General Partner confirms that the financial statements comply with the above requirements. The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and in accordance with the terms and conditions of the Limited Partnership Agreement. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO AUDITORS

- a) So far as the General Partner is aware, there is no relevant audit information of which the partnership's auditors are unaware.
- b) It has taken all steps that it ought to have taken as a General Partner in order to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

AUDITORS

Menzies LLP were re-appointed as auditors during the year and have expressed their willingness to continue in office.



Director
For and on behalf of Merchant 66 (GP) Limited
30 May 2012

MERCHANT PLACE PROPERTY PARTNERSHIP 66

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF MERCHANT PLACE PROPERTY PARTNERSHIP 66

YEAR ENDED 5 APRIL 2012

We have audited the financial statements of Merchant Place Property Partnership 66 for the year ended 5 April 2012 which comprise of the income and expenditure account, the statement of recognised gains and losses, the balance sheet and related notes. These accounts have been prepared on the basis of the accounting policies set out herein.

This report is made solely to the Partners, as a body, in accordance with the Limited Partnership Agreement. Our audit work has been undertaken so that we might state to the Partners those matters we are required to state to them in an auditors' 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE GENERAL PARTNER AND AUDITORS

As described in the statement of General Partner's responsibilities, the General Partner is responsible for the preparation of the financial statements in accordance with United Kingdom accounting standards ("United Kingdom Generally Accepted Accounting Practice") and applicable law.

Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Limited Partnership Agreement. We also report to you whether in our opinion the information given in the General Partner's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Partnership has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partners Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

MERCHANT PLACE PROPERTY PARTNERSHIP 66
INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF
MERCHANT PLACE PROPERTY PARTNERSHIP 66
YEAR ENDED 5 APRIL 2012

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the Partnership Agreement,
- the financial statements give a true and fair view of the state of the Partnership's affairs as at 5 April 2012 and of its profit for the year then ended, and
- the information given in the General Partner's report is consistent with the financial statements



MENZIES LLP
Chartered Accountants & Registered Auditors
London

30 May 2012

MERCHANT PLACE PROPERTY PARTNERSHIP 66
PROFIT AND LOSS STATEMENT AND STATEMENT OF TOTAL
RECOGNISED GAINS AND LOSSES
YEAR ENDED 5 APRIL 2012

	Note	2012 £	2011 £
PROFIT AND LOSS STATEMENT			
INCOME	2	776,000	776,000
OTHER OPERATING INCOME	3	<u>12,120</u>	<u>11,705</u>
		788,120	787,705
OPERATING COSTS			
OTHER OPERATING CHARGES		<u>(33,666)</u>	<u>(33,283)</u>
OPERATING SURPLUS	4	754,454	754,422
Interest receivable	6	3,747	2,502
Interest payable and similar charges	7	<u>(424,913)</u>	<u>(444,291)</u>
SURPLUS ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR BEFORE AND AFTER TAXATION		333,288	312,633
SURPLUS FOR THE FINANCIAL YEAR		333,288	312,633
Balance brought forward		723,375	410,742
Balance carried forward		<u>1,056,663</u>	<u>723,375</u>

All of the activities of the Partnership are classed as continuing

There is no difference between the income on ordinary activities and net income for the period stated above and their historical cost equivalent

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	2011 £
Net profit for the year	333,288	312,633
Deficit/Surplus arising on valuation of investment property	(110,000)	330,000
Total gains and losses since the last annual report	<u>223,288</u>	<u>642,633</u>

The notes on pages 8 - 13 form part of these financial statements.

MERCHANT PLACE PROPERTY PARTNERSHIP 66

BALANCE SHEET

5 APRIL 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible Fixed Assets	8	<u>12,980,000</u>	<u>13,090,000</u>
CURRENT ASSETS			
Debtors	9	64,476	204,096
Cash at bank		<u>341,872</u>	<u>319,634</u>
		406,348	523,730
CREDITORS: Amounts falling due within one year	10	<u>(573,740)</u>	<u>(633,779)</u>
NET CURRENT LIABILITIES		<u>(167,392)</u>	<u>(110,049)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,812,608</u>	<u>12,979,951</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(8,009,335)</u>	<u>(8,399,966)</u>
NET ASSETS		<u>4,803,273</u>	<u>4,579,985</u>
FUNDED BY:			
Partners' capital contribution account	14	3,653	3,653
Partners' loan contribution account	14	3,261,407	3,261,407
Partners' capital appreciation account	14	481,550	591,550
Partners' income account	14	<u>1,056,663</u>	<u>723,375</u>
		<u>4,803,273</u>	<u>4,579,985</u>

These financial statements have been prepared in accordance with the special provisions for small entities in accordance with Generally Accepted Accounting Practice in the United Kingdom

The financial statements were approved by the General Partner and authorised for issue on 30 May 2012

A.D. Cramer

Director
For and on behalf of Merchant 66 (GP) Limited
30 May 2012

Registration Number LP13296

The notes on pages 8 - 13 form part of these financial statements

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property. The financial statements have been prepared on a going concern basis in accordance with Generally Accepted Accounting Practices in the United Kingdom and in accordance with the terms of the Partnership Agreement, which have been applied consistently.

The net current liabilities shown at the balance sheet date arise due to the repayment installments of the bank loan occurring over the subsequent year. These are scheduled to coincide with the rental stream from the Partnership's property which is let to Rotherham Primary Health Care Trust on a 20 year lease. The Partners have reviewed the Partnership's projected cash flows and are confident that the Partnership will be able to meet its debts as they fall due. Consequently it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The partnership has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small entity.

Turnover

Rental income is accounted for on an accruals basis and is stated net of VAT.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19 ("SAAP 19") investment properties are revalued annually to open market value and no depreciation is provided. The partners consider that this accounting policy results in the financial statements giving a true and fair view.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Acquisitions and disposals

Properties are recognised as acquired or disposed of on the date that the risks and rewards of ownership are transferred from the vendor or to the purchaser respectively.

Issue costs

Issue costs with respect to Partners' Loans received are set off against the Partners' Loan Contribution balance.

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

1. ACCOUNTING POLICIES *(continued)*

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

The Partnership is carrying on the business of property investment and should have no tax liability in respect of income and gains distinct from that incurred by the partners. Income and gains generated by the Partnership are attributed to the partners for tax purposes pro rata to their investment as set out in the Partnership Agreement.

The taxable income is reduced by the deduction of the interest cost incurred on the loan used to purchase the property and by utilising capital allowances.

Distributions

The Partnership has a full distribution policy of all net positive cash flows to all partners, subject to a small cash provision being maintained to cover any administration or management costs, also subject to payment of interest and repayment of bank indebtedness.

2. TURNOVER

Turnover represents amounts receivable, exclusive of VAT and similar taxes, arising from the rental of properties within the United Kingdom.

3. OTHER OPERATING INCOME

	2012	2011
	£	£
Insurance Income	<u>12,120</u>	<u>11,705</u>

4. OPERATING SURPLUS

Operating surplus is stated after charging

	2012	2011
	£	£
Auditors' remuneration	<u>2,275</u>	<u>2,280</u>

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

5. EMPLOYEES

The partners received no remuneration from the Partnership. The Partnership does not have any employees.

6. INTEREST RECEIVABLE

	2012	2011
	£	£
Interest receivable	<u>3,747</u>	<u>2,502</u>
Bank interest	1,140	944
Interest from client account	61	–
Interest receivable from Merchant Place Property Partnership 66 Unit Trust	<u>2,546</u>	<u>1,558</u>
	<u>3,747</u>	<u>2,502</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Interest payable on bank borrowings	418,204	437,581
Finance charges	<u>6,709</u>	<u>6,710</u>
	<u>424,913</u>	<u>444,291</u>

8. TANGIBLE FIXED ASSETS

	Freehold Property £
COST OR VALUATION	
At 6 April 2011	13,090,000
Revaluations	<u>(110,000)</u>
At 5 April 2012	<u>12,980,000</u>
NET BOOK VALUE	
At 5 April 2012	<u>12,980,000</u>

The historical cost of the property at 5 April 2012 is £12,498,450 (2011: £12,498,450).

The investment property as at 5 April 2012 was valued by DTZ, Property Advisers, on an open market value basis in line with the Royal Institution of Chartered Surveyors rules.

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

9 DEBTORS

	2012	2011
	£	£
Trust debtor	64,381	43,325
Other debtors	95	160,771
	<u>64,476</u>	<u>204,096</u>

10 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	3,456	94,357
Bank loans and overdrafts (secured see note 11)	318,839	298,045
HM Revenue and Customs	37,474	27,852
Income received in advance	168,418	168,418
Accruals	45,553	45,107
	<u>573,740</u>	<u>633,779</u>

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Bank Loans	<u>8,009,335</u>	<u>8,399,966</u>
Bank loan		
Due between 1-2 years	364,426	321,078
Due between 2-5 years	7,662,585	8,103,193
Due after more than 5 years	—	—
Less deferred borrowing costs to be amortised	(17,676)	(24,305)
	<u>8,009,335</u>	<u>8,399,966</u>

The bank loan is secured against the investment property of the Partnership. Interest is fixed for 5 years at a rate of approximately 4.92% by means of a hedging contract. The loan agreement requires that the rent net of costs is used to pay interest and the excess is used towards capital repayment.

On 5 December 2008 the partnership entered into an interest rate swap for 5 years. The swap effectively fixes the future interest payments on the bank loan. The Partnership acquired the property with a view to holding it for 5 years and thereafter to take advice from the Valuer on whether to consider a sale.

If the property was sold and the bank loan repaid before the expiry of the interest rate swap there would be a cost or a surplus arising from the early termination of the swap instrument depending on the interest rates then prevailing. The mark-to-market value of the swap at 5 April 2012 was a liability of £642,650 (5 April 2011: £455,000). This liability may vary significantly from day to day.

12. RELATED PARTY TRANSACTIONS

The Royal Bank of Canada Trust Corporation Limited acts as Trustee for Merchant Place Property Partnership 66 Unit Trust and is a Limited Partner in the Partnership.

Interest, as disclosed in note 6, is charged at a rate of 4.94% (being the rate of interest charged on the bank loan) on advances to the Trust.

13. DISTRIBUTION TO PARTNERS

As all surplus income has been used to reduce bank borrowings there will be no distribution to partners in respect of the current period. This is expected to be the case in every year until such time as the investment property is sold, or until the bank loans are repaid.

MERCHANT PLACE PROPERTY PARTNERSHIP 66

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 2012

14 LIMITED PARTNERS CONTRIBUTIONS AND INCOME ACCOUNTS

	Loan Contribution £	Capital Contribution £	Net Income £	Valuation Reserve £
Balance brought forward	3,261,407	3,653	723,375	591,550
Profit for the year	-	-	333,288	-
Reduction in base market value	-	-	-	(110,000)
	<u>3,261,407</u>	<u>3,653</u>	<u>1,056,663</u>	<u>481,550</u>

15. CONTINGENT LIABILITY

Last year it was reported that a canal bank adjacent to the building collapsed and that settlement was reached with the developer to carry out remedial works to the canal wall and to reimburse costs incurred to date. The remedial work was completed in March 2012 and all known costs reimbursed.