Registered number: 11-1300009

MERRILL LYNCH INTERNATIONAL & CO. C.V.

GENERAL PARTNER'S INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

MERRILL LYNCH INTERNATIONAL & CO. C.V.

PARTNERSHIP INFORMATION

General Partner	ML Cayman Holdings Inc.
Officers of the General Partner	Bruce Blanco Devin Crowe
Limited Partner	Merrill Lynch International Services Limited
Registration Number	11-1300009
Registered office	Kaya W.F.G (Jombi) Mensing 36 Curacao

MERRILL LYNCH INTERNATIONAL & CO. C.V.

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GENERAL PARTNER'S REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The General Partner presents its report together with the unaudited financial statements of (the "Partnership", "MLICO") for the period ended 30 June 2018.

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The General Partner is responsible for preparing the Interim Report and the financial statements in accordance with applicable law and regulations.

The Partnership requires the General Partner to prepare interim financial statements. The General Partner has prepared the Partnership financial statements in accordance with International Financial Reporting Standards ("IFRS"), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. The General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions, and disclose with reasonable accuracy at any time its financial position. It 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.

ELECTRONIC DISTRIBUTION

The General Partner is responsible for ensuring that the Partnership's financial statements are provided for inclusion on the website of its ultimate parent undertaking, Bank of America Corporation ("BAC").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

MLICO is a partnership established in Curacao. ML Cayman Holdings Inc. is the General Partner, and Merrill International Services Limited is the Limited Partner. The ultimate parent company and controlling party is BAC.

MLICO has one branch in Panama. The Partnership ceased its operations from the branch on 30 September 2014 with formal closure of the branch pending the resolution of ongoing litigation (see note 22). The Partnership's branch in Dubai formally closed in December 2017.

The principal activities of the Partnership are:

- The issuance of warrants and related financial instruments. The market risks associated with these warrants and related financial instruments are hedged with affiliated companies, with residual income or expense relating to this business recharged to affiliated companies under service agreements; and
- The distribution of managed funds to third parties on which the Partnership receives fee income, with residual income or expense relating to this business, recharged to affiliated companies under service agreements.

Loss for the period ended 30 June 2018 amounted to $1,751,000 (period ended 30 June 2017: profit of $2,326,000).

Revenue for the period ended 30 June 2018 amounted to $22,473,000 (period ended 30 June 2017: $20,134,000).

Administrative expenses for the period ended 30 June 2018 amounted to $71,083,000 (period ended 30 June 2017: $49,698,000).

RISK MANAGEMENT

The Partnership's risk management objectives and policies, as well as exposures in relation to the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks) are described in the notes to the financial statements (see note 17).

GOING CONCERN

The General Partner has a reasonable expectation that, based on current and anticipated future performance, the Partnership will continue in operational existence for the forseeable future. The financial statements of the Partnership have, therefore, been prepared on a going concern basis.

PARTNERS

The Partners who served during the year and up to the date of signing this report were as follows:

ML Cayman Holdings Inc. (General Partner)
Merrill Lynch International Services Limited (Limited Partner)

This report was approved by the General Partner and authorised for issue on 27 September 2018, and signed on its behalf by:

Devin Crowe
For and on behalf of ML Cayman Holdings Inc., as General Partner

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	**Period ended 30 June 2018 $000**	Period ended 30 June 2017 $000
Revenue	3	**22,473**	20,134
Administrative expenses		**(71,083)**	(49,698)
Operating loss	5	**(48,610)**	(29,564)
Interest income	6	**97,292**	50,148
Interest expense	7	**(50,433)**	(18,258)
(Loss)/profit before tax		**(1,751)**	2,326
Tax on (loss)/profit on ordinary activities	9	-	-
(Loss)/profit for the period before partner's (loss)/profit allocation		**(1,751)**	2,326
Movement in debit valuation adjustment		**2,089**	-
General Partner's (loss)/profit allocation		**(338)**	(2,326)
Total comprehensive income for the period after Partner's (loss)/profit allocation		**-**	-

The notes on pages 5 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 $000	31 December 2017 $000
CURRENT ASSETS			
Long inventory positions	10	**5,760,288**	5,935,623
Trade receivables	11	**11,969**	11,886
Other receivables and prepayments	12	**7,754,043**	8,516,649
Bank and cash balances	24	**3,683**	4,471
		13,529,983	14,468,629
CURRENT LIABILITIES			
Creditors: amounts falling due within one year			
Short inventory positions	13	**30,863**	6,698,552
Trade creditors	14	**6,903,593**	7,157,440
Other creditors	15	**5,982,713**	146
Partners' capital and income accounts	16	**612,814**	612,491
		13,529,983	14,468,629
NET CURRENT ASSETS		-	-
NET ASSETS		-	-

Partners' capital and income accounts are not classified as equity and therefore no separate statement of changes in equity has been presented. The movements in partners' capital and income accounts are disclosed in note 16.

The financial statements were approved and authorised for issue by the General Partner on 27 September 2018. They were signed on its behalf by:

For and on behalf of ML Cayman Holdings Inc., as General Partner

The notes on pages 5 to 33 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 100 ("FRS 100") - Application of Financial Reporting Requirements and Financial Reporting Standard 101 ("FRS 101") - 'Reduced Disclosure Framework'.

FRS 100 and FRS 101 set out the disclosure exemption for the individual financial statements of entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards that have been adopted in the European Union ("EU adopted IFRS"). References to accounting standards in these financial statements will accordingly relate to applicable International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS").

The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value. The Partnership does not maintain historical cost information on items at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1. ACCOUNTING POLICIES (CONTINUED)

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE PARTNERSHIP

Below is a summary of standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2018, that have had a material impact on the Partnership.

IFRS 9 Financial Instruments

The Partnership has applied IFRS 9 Financial Instruments for the first time with a date of initial application of 1 January 2018. The Partnership did not early adopt any of IFRS 9 in previous periods. The requirements of IFRS 9 represent a significant change from IAS 39: Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes for the Partnership's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and liabilities

IFRS 9 replaces the existing IAS 39 categorisations for financial assets and replaces them with three principal categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). Classification is generally based on the business in which a financial asset is managed and its contractual cash flows. See note 1.11 for further information about how the Partnership applies the classification and measurement criteria under the new standard.

IFRS 9 largely retains the existing requirement in IAS 39 for the classification of financial liabilities, with the exception that for financial liabilities designated at fair value, changes in the credit risk of the liability are presented in Other Comprehensive Income ("OCI"). See note 1.13 for further information.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies primarily to the Partnership's trade and other receivables, which largely represent short-term receivables from affiliated companies. As such the application of the new impairment model has not had a material impact on the Partnership.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparative periods have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

Under the new classification and measurement requirements, all of the Partnership's financial assets and liabilities continue to be measured on the same bases as previously applied under IAS 39.

In addition following a review of accounting presentation, the Partnership's structured financial liabilities have been reclassified to within creditors, and designated as at fair value through profit or loss in order to provide more relevant information about the effect of these financial liabilities on the Partnership's financial position and performance under IFRS 9. These were previously presented as trading liabilities within short inventory. The change in presentation had no effect on the measurement of these liabilities, and has been reflected in the comparative period.

1. ACCOUNTING POLICIES (CONTINUED)

The total amount of liabilities impacted by the change in presentation is $6,753,171,000 (2017: $6,698,553,000).

On adoption of IFRS 9, the cumulative amount of changes in fair value due to changes in credit risk on the above financial liabilities was $3,298,000. No adjustments were made within equity for this change, as residual profit and other comprehensive income amounts are presented collectively within liabilities as partners' capital and income accounts (see note 16).

IFRS 15 Revenue from contracts with customers

The Partnership has applied IFRS 15 Revenue from contracts with customers for the first time with a date of initial application of 1 January 2018. IFRS 15 establishes a comprehensive framework for determining, how much and when revenue is recognised. It replaced existing accounting standards and interpretations in relation to revenue recognition, including IAS 18 Revenue.

The new standard does not impact the timing or measurement of the Partnership's revenue recognition as it is consistent with the Partnership's existing accounting for contracts within the scope of the standard. As such the adoption of IFRS 15 resulted in no change in assets, liabilities, or equity as at the date of initial application.

1.3 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The Partnership has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirement of IFRS 2 Share Based Payment, paragraph 45(b) and 46-52.

1.4 SEGMENTAL ANALYSIS

The Partnership operates two principal activities, comprising the issuance of warrants and related financial instruments, and the distribution of managed funds (see note 4). The Partners review and analyse performance of the Partnership based on these activities. Segmental performance is not analysed geographically as the Partnership operates globally under one management structure.

1.5 GOING CONCERN

The General Partner has a reasonable expectation that, based on current and anticipated future performance, the Partnership will continue in operational existence for the forseeable future. The financial statements of the Partnership have, therefore, been prepared on a going concern basis.

1. ACCOUNTING POLICIES (CONTINUED)

1.6 REVENUE

Revenue includes:

(a) Service fee income

Service fee income consists of charges made to affiliated undertakings to remunerate the Partnership for services provided or to reimburse the Partnership for expenditure incurred. Service fee income is recognised on an accruals basis when the transactions occur or as the service is provided.

(*b) Fee income*

Fees income represents income earned distributing Merrill Lynch and third party management funds for International Private Clients. The mutual fund fees are accrued as earned and presented net of distribution fee costs incurred as the Partnership is an agent for those services.

(*c) Principal trading and gains / losses from financial instruments designated as at fair value through profit or loss*

Realised and unrealised profits and losses on financial instruments held for trading are recognised in revenue in the period in which they arise. Gains or losses from financial instruments designated as at fair value through profit or loss are also recognized within revenue, with the exception of fair value changes in relation to changes in the credit risk of financial liabilities designated as at fair value through profit or loss which are recognised in other comprehensive income as detailed in note 1.13.

Positions held in financial instruments are hedged using derivatives with an affiliated company, and residual income or expense relating to this business is recharged to affiliated companies under service agreements.

1.7 INTEREST INCOME

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

1.8 PARTNERS' CAPITAL AND INCOME ACCOUNTS

Partner capital is credited to the relevant partner's account within Partners’ capital and income accounts. Capital contributions that meet the definition of debt under IAS 32 - Financial Instruments: Presentation are recorded as liabilities due to a finite life and contractual payment provisions to each of the partners within the Partnership.

Where applicable, interest on Partners’ capital is treated as dividends or interest depending on the classification of the contributions as set out above.

Partners’ rights and entitlements are described in note 16.

1. ACCOUNTING POLICIES (CONTINUED)

1.9 TRANSLATION OF FOREIGN CURRENCIES

The financial statements have been presented in US Dollars, which is also the functional currency of the Partnership.

Transactions in foreign currencies are translated into US Dollars at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the reporting date. Exchange gains and losses are recognised in the statement of comprehensive income.

1.10 CURRENT AND DEFERRED TAXATION

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

Current tax, including domestic corporation tax and foreign taxes, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and is measured at the average tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

1.11 FINANCIAL ASSETS

Policy applicable prior to 1 January 2018

The Partnership recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Partnership classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Partnership classifies its long inventory positions, comprising derivative assets, as held for trading and are measured at fair value through profit and loss. All remaining financial assets are classified as loans and receivables.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Partnership intends to sell immediately or in the short-term, which are classified as held for trading and those that the Partnership, upon initial recognition, designates as at fair value through profit or loss.

Loans and receivables are initially recognised at fair value plus direct and incremental transaction costs and are then carried at amortised cost using the effective interest method less an allowance for an impairment.

Interest calculated using the effective interest method is recognised in the income statement.

1. ACCOUNTING POLICIES (CONTINUED)

Policy applicable from 1 January 2018

The Partnership recognises financial assets in the statement of financial position when it becomes a party of the contractual provisions of the instrument.

The Partnership initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at FVPL, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Immediately after initial recognition, the Partnership calculates an expected credit loss allowance for financial assets measured at amortised cost.

The Partnership classifies its financial assets as measured at amortised cost or FVPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows: and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

Business model: the business model reflects how the Partnership manages the assets in order to generate cash flows. That is, whether the Partnership’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes, are held to maximise cash flows through sale, or are managed on a fair value basis), then the financial assets are classified as part of ‘other’ business model and are measured at FVPL. Factors considered by the Partnership in determining the business model for a group of assets include past experience on how the cash flows for the assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Partnership assesses whether the financial instruments’ cash flows represent solely payments of principal and interested (the ‘SPPI test’). In making this assessment, the Partnership considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Partnership’s long inventory positions are managed on a fair value basis and accordingly are classified as measured as at FVPL under IFRS 9. The remaining financial assets of the Partnership, largely relating to amounts due from affiliated companies, are classified as measured at amortised cost as these are held with the objective of collecting the contractual cash flows of the assets and are considered to meet the SPPI requirements of the IFRS 9 standard.

1. ACCOUNTING POLICIES (CONTINUED)

1.12 DERECOGNITION

The Partnership derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Partnership neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Partnership recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Partnership retains substantially all the risks and rewards of ownership of a transferred financial asset, the Partnership continues to recognise the financial asset and also recognises a secured borrowing for the cash proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received is recognised in profit or loss.

The Partnership derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification results in an expiry of the contractual rights and obligations of the original instrument.

1.13 FINANCIAL LIABILITIES

The Partnership recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Partnership classifies its derivative instruments as short inventory positions which are held for trading and are measured at fair value through profit and loss. Warrant instruments issued by the Partnership that do not meet the accounting definition of a derivative are classified as liabilities designated as at FVPL. Gains and losses are recognised through the income statement as they arise. All remaining financial liabilities are carried at amortised cost using the effective interest method.

From 1 January 2018, when the Partnership designates a financial liability as at FVPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a debit valuation adjustments reserve.

Amounts presented in the debit valuation adjustments reserve are not subsequently transferred to profit or loss.

1.14 OFFSETTING

Where the Partnership intends to settle (with any of its debtors or creditors) on a net basis, or intends to realise the asset and settle the liability simultaneously, and the Partnership has the legal right to do so, the balance included within the financial statements is the net balance due to or from the counterparty.

1.15 INTEREST EXPENSE

Interest expense comprises interest payable on balances with affiliated companies and appropriations payable to the Limited Partner, which are recognised on an accruals basis using the effective interest method.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS 101 requires the use of accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise judgement in the process of applying the Partnership's accounting policies. The estimates and assumptions that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

VALUATION OF FINANCIAL INSTRUMENTS

Fair value is defined under IFRS 13 – Fair value measurement as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Partnership's policy for valuation of financial instruments is included in note 19. The fair values of financial instruments that not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions.

3. REVENUE

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Service fee income	**21**	22
Fee income	**26,662**	26,503
Net principal trading	**(4,210)**	(6,391)
	22,473	20,134

4. SEGMENTAL ANALYSIS

For the period ended 30 June 2018	Warrant business $000	Managed funds $000	Total $000
Service fee income	21	-	21
Fee income	-	26,662	26,662
Net principal trading	(4,210)	-	(4,210)
Total operating (loss)/income	(4,189)	26,662	22,473
Administrative expense	(44,421)	(26,662)	(71,083)
Operating loss	(48,610)	-	(48,610)
Interest income	97,292	-	97,292
Interest expense	(50,433)	-	(50,433)
Loss from ordinary activities before taxation	**(1,751)**	**-**	**(1,751)**

For the year ended 30 June 2017	Warrant business $000	Managed funds $000	Total $000
Service fee income	22	-	22
Fee income	-	26,503	26,503
Net principal trading	(6,391)	-	(6,391)
Total operating (loss)/income	(6,369)	26,503	20,134
Administrative expense	(23,195)	(26,503)	(49,698)
Operating loss	(29,564)	-	(29,564)
Interest income	50,148	-	50,148
Interest expense	(18,258)	-	(18,258)
Profit from ordinary activities before taxation	2,326	-	2,326

The managed fund segment does not constitute a significant proportion of the Partnership's assets and liabilities. As such a breakdown of net assets by segment is not considered necessary.

5. OPERATING LOSS

The operating loss is stated after charging/(crediting) the following:

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Service fee expense	**71,165**	49,698
Staff costs (see note 8)	**(83)**	-
Gain on foreign exchange	**1**	-
	71,083	49,698

6. INTEREST INCOME

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Due from affiliated companies	**97,292**	50,148

7. INTEREST EXPENSE

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
To Limited Partner	**(15)**	14
Due to other affiliated companies	**50,448**	18,243
Other interest expense	**-**	1
	50,433	18,258

The distributions accruing to the Limited Partner are classified as interest expense in the statement of comprehensive income, and as liabilities in the statement of financial position. Note 16 provides more details on Partners' interest entitlements.

8. STAFF COSTS

Staff costs were as follows:

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Salaries and benefits	**(83)**	-

Staff costs comprise amounts charged or credited to the income statement in relation to outstanding incentive compensation plans, see note 21. The Partnership did not have any employees during the period (2017: nil)

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
Current tax	**-**	-

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is lower than the standard rate of corporation tax in Curacao of 3% (2017:3%). The differences are explained below:

	Period ended 30 June 2018 $000	Period ended 30 June 2017 $000
(Loss)/profit on ordinary activities before tax	**(1,751)**	2,326
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 3% (2017 - 3%)	**(53)**	70
Effect of:		
Utilisation of tax loss	**53**	(70)
Total tax charge for the period	**-**	-

Management is of the opinion that it is uncertain that the Partnership will be able to generate sufficient future taxable income within the period of reliable forecasting to recover the deferred tax asset. The Partnership has unrecognised deferred tax assets totalling $53,000 (31 December 2017: $nil).

10. LONG INVENTORY POSITIONS

	30 June 2018 $000	31 December 2017 $000
Contractual agreements:		
Options and swaps	**5,760,288**	5,935,623

11. TRADE RECEIVABLES

	30 June 2018 $000	31 December 2017 $000
Amounts owed by affiliated companies	**11,969**	11,886

Amounts owed by affiliated companies comprise both interest-bearing and non-interest-bearing amounts arising on principal activities and are due on demand or within one year.

12. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 $000	31 December 2017 $000
Amounts owed by affiliated companies	**7,754,043**	8,516,644
Prepayments	**-**	5
	7,754,043	8,516,649

Amounts owed by affiliated companies comprise both interest-bearing and non-interest-bearing amounts and are due on demand or within one year.

13. SHORT INVENTORY POSITIONS

	30 June 2018 $000	31 December 2017 $000
Issued warrants, options and swaps	**30,863**	6,698,552

14. TRADE CREDITORS

	30 June 2018 $000	31 December 2017 $000
Owed to affiliated companies:		
Collateral amounts repayable	**5,977,010**	6,008,290
Other borrowings	**926,583**	1,149,150
	6,903,593	7,157,440

Amount owed to affiliated companies comprises both interest-bearing and non-interest bearing amounts arising on principal activities and are due on demand or within one year.

15. OTHER CREDITORS

	30 June 2018 $000	31 December 2017 $000
Other creditors and accruals	**-**	146
Borrowings	**5,982,713**	-
	5,982,713	146

Other creditors and accrual amounts are non-interest bearing.

16. PARTNERS' CAPITAL AND INCOME ACCOUNTS

	General Partner $000	Limited Partner $000	Total $000
At 1 January 2018	**612,187**	**304**	**612,491**
Interest on Partners' capital (note 7)	**-**	**(15)**	**(15)**
Profit for six months to 30 June 2018	**338**	**-**	**338**
At 30 June 2018	**612,525**	**289**	**612,814**

The rights and entitlements of the Partners in relation to allocations of profits shall be divided into the General Partner and the Limited Partner.

The Limited Partner's interest entitles the holder to no voting rights in the Partnership and net profits or losses up to the value of 10% of the average amount in their capital account. Payment of this amount is non-discretionary under the terms of the Partnership agreement.

The General Partner's interest entitles the holder to voting rights in the Partnership and 100% of net profit/loss after the allocation of net profit/loss due to the Limited Partner. Payment of this appropriation is at the discretion of the Partnership as per the terms of the Partnership agreement.

Any Partner may withdraw from the Partnership at the end of any accounting period provided written notice is received by 1 November of any accounting period or on any other date approved by the General Partner. In accordance with IAS 32 the General and Limited Partnership Interests meet the definition of debt. Accordingly, Partners' capital and Partners' income are recorded within liabilities.

17. RISK MANAGEMENT

17.1. LEGAL ENTITY GOVERNANCE

BAC has established a risk governance framework (the “Risk Framework”) which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries (including MLICO). The Risk Framework applies to all employees. It provides an understanding of the Partnership’s approach to risk management and each employee’s responsibilities for managing risk. All BAC employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Partnership.

The risk management approach has five components

- Culture of managing risk well;
- Risk appetite and risk limits;
- Risk management processes;
- Risk data management, aggregation and reporting; and
- Risk governance.

The seven key types of risk faced by BAC Businesses as defined in the Risk Framework are market, credit, operational, liquidity, reputational, strategic and compliance risks.

Set out below is a summary of the Partnership's approach to each of the risk types.

17.2. MARKET RISK

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities or otherwise negatively impact earnings.

Trading positions within the Partnership are subject to various changes in market based risk factors. The majority of this risk is generated by the activities in the interest rate, foreign exchange, and equities markets. In addition, the values of assets and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility. The Partnership seeks to manage these risk exposures by using a variety of techniques that encompass a broad range of financial instruments.

Value at Risk (“VaR”) is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. A single model is used consistently across the trading portfolios, and it uses a historical simulation approach based on a three-year window of historical data.

The primary VaR statistic is equivalent to a 99 percent confidence level. This means that for a VaR with a one day holding period, there should not be losses in excess of VaR, on average, 99 out of 100 trading days.

The table that follows presents VaR analysis independently for each risk category for the period ended 30 June 2018 and 2017. Additionally, high and low VaR is presented independently for each risk category and overall.

17. RISK MANAGEMENT (continued)

3 year 99% Daily VAR	**30 June 2018 $000**	**High 2018 $000**	**Daily average 2018 $000**	**Low 2018 $000**
Total	**76**	**392**	**83**	**55**
Interest rate risk	**18**	**31**	**25**	**18**
Currency risk	**13**	**34**	**18**	**9**
Equity price risk	**65**	**388**	**69**	**45**

3 year 99% Daily VAR	31 December 2017 $000	High 2017 $000	Daily average 2017 $000	Low 2017 $000
Total	63	90	40	23
Interest rate risk	22	26	18	12
Currency risk	27	28	18	9
Equity price risk	47	87	30	16

In addition to VaR measures, the market risk department utilise a range of other risk measures including sensitivity analysis and stress testing to monitor exposures and to manage them using a robust set of limits.

17. RISK MANAGEMENT (continued)

17.3. CREDIT RISK

The Partnership defines credit risk as the loss arising from the inability or failure of a borrower or counterparty to meet its obligations. The Partnership defines the credit exposure to a borrower or a counterparty as the loss potential arising from loans, leases, derivatives and other extensions of credit.

Credit risk to a borrower or counterparty is managed based on the risk profile, which includes assessing repayment sources, underlying collateral (if any), and the expected impacts of the current and forward looking economic environment on these borrowers or counterparties. Underwriting, credit management and credit risk limits are proactively reassessed as a borrower's or counterparty's risk profile changes.

Credit management includes the following processes:

- Credit origination;
- Portfolio management; and
- Loss mitigation activities.

These processes create a comprehensive consolidated view of the enterprise wide credit risk activities, thus providing executive management the information required to guide or redirect strategic plans.

The primary credit risks of the Partnership relate to its derivatives trading activities with affiliates and fee income due from third party and affiliate companies for fund services.

The Partnership's trading positions are only exposed to credit risk with other affiliated companies. The Partnership is primarily exposed to Merrill Lynch International ("MLI"), a UK investment firm regulated by the Prudential Regulation Authority. MLI's credit rating is A+ / A 1 (S&P); A / F1 (Fitch) as at 30 June 2018 Residual exposures are mainly to other subsidiaries of BAC. BAC's credit rating is A /A 2 (S&P); A / F1 (Fitch) as at 30 June 2018.

Derivatives trading

The Partnership enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with the major derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. Agreements are negotiated bilaterally and can require complex terms.

While the Partnership makes every effort to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject the Partnership to additional risk. The enforceability of master netting agreements under bankruptcy laws in certain countries is not free from doubt, and receivables and payables with counterparties in these countries are accordingly recorded on a gross basis for risk assessment purposes.

In addition, to reduce the risk of loss, the Partnership usually requires collateral that is permitted by documentation such as repurchase agreements or Credit Support Annex to an International Swap Dealers Association Master Agreement ("ISDA"). From an economic standpoint, the Partnership evaluates risk exposures net of related collateral that meets specified standards. The Partnership also attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable us to terminate or reset the terms of our derivative contracts under certain defined conditions.

17. RISK MANAGEMENT (continued)

17.4. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk includes legal risk, which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the Partnership to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Partnership's business. Although operational risk excludes strategic and reputational risks, operational risk may impact or be impacted by these risks.

Operational risk exists in all business activities conducted by the Partnership. The Partnership is committed to maintaining strong operational risk management practices across all front line units and control functions.

Front line units and control functions are first and foremost responsible for managing all aspects of their businesses, including their operational risk. Therefore, front line units and control functions must understand their business processes and related risks and controls, including the related regulatory requirements, and monitor and report on the effectiveness of the control environment. In order to actively monitor and assess the performance of their processes and controls, they must conduct comprehensive quality assurance activities and identify issues and risks to remediate control gaps and weaknesses. Front line units and control functions must also adhere to operational risk appetite limits to meet strategic, capital and financial planning objectives.

17.5. LIQUIDITY RISK

Liquidity risk is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers under a range of economic conditions.

The Partners are ultimately responsible for the Partnership's liquidity risk management – delegating additional oversight to the lines of business. The businesses are the first lines of defence in liquidity risk management, partnering with Global Liquidity Management ("GLM") and Corporate Treasury, to achieve liquidity risk management objectives.

The approach to managing the Partnership's liquidity risk has been established by the Partners, aligned to BAC processes, but tailored to meet the Partnership's business mix, strategy, activity profile, and regulatory requirements.

Amounts owed to affiliated companies are due on demand or within one year, see note 14.

17.6. REPUTATIONAL RISK

Reputational risk is the potential risk that negative perceptions of BAC's conduct or business practices will adversely affect its profitability or operations through an inability to establish new or maintain existing customer / client relationships or otherwise impact relationships with key stakeholders, such as investors, regulators, employees and the community.

Reputational risk can stem from many of BAC's activities, including those related to the management of the strategic, operational or other risks, as well as the overall financial position. As a result, BAC evaluates the potential impact to its reputation within all risk categories and throughout the risk management process.

17. RISK MANAGEMENT (continued)

BAC manages reputational risk through established policies and controls in the business and risk management processes to mitigate reputational risks in a timely manner and through proactive monitoring and identification of potential reputational risk events.

For the Europe, the Middle East and Africa ("EMEA") region there is a dedicated committee, the EMEA Reputational Risk Committee, whose mandate includes consideration of reputational risk issues and to provide guidance and approvals for activities that represent specific reputational risks which have been referred for discussion by other current control frameworks or lines of business. Reputational risk items relating to MLICO are considered as part of the EMEA Reputational Risk Committee.

Ultimately, to ensure that reputational risk is mitigated through regular business activity, awareness of reputational risk is integrated into the overall governance process, as well as incorporated into the roles and responsibilities for employees.

Given the nature of reputational risk, BAC does not set quantitative limits for the level of acceptable risk. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

Through the EMEA Regional Risk Committee and the EMEA Reputational Risk Committee, BAC has an appropriate organisational and governance structure in place to ensure strong oversight at the entity business level.

The EMEA Reputational Risk Committee is a sub-committee of both the EMEA Regional Risk Committee and the Global Reputational Risk Committee and is applicable to all key legal operating entities in the region.

Items requiring increased attention may be escalated from the EMEA Reputational Risk Committee to the Global Reputational Risk Committee as appropriate.

Reporting of reputational risk issues is captured as part of management routines for the EMEA Reputational Risk Committee. Items presented to the EMEA Reputational Risk Committee are maintained through reporting which includes description of the reputational risk issue, geographical jurisdiction, reason for escalation and decision reached. A summary report of issues discussed at the EMEA Reputational Risk Committee is provided to the EMEA Regional Risk Committee on a quarterly basis.

17.7. STRATEGIC RISK

Strategic risk is the risk that results from incorrect assumptions about external and/or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic, and competitive environments

Strategic risk is managed through the assessment of effective delivery of strategy and business performance is monitored by the executive management team to assess strategic risk and find early warning signals so that risks can be proactively managed.

MLICO strategic execution and risk management processes are aligned to the overall BAC strategic plans through a formal planning and approval process and are set within the context of overall risk appetite. During the planning process, the BAC Board provides credible challenge to management’s assumptions and recommendations, and approves the strategic plans after a comprehensive assessment of the risks.

17. RISK MANAGEMENT (continued)

The BAC Board is responsible for overseeing the strategic planning process and management's implementation of the resulting strategic plan. BAC's strategic plan is reviewed and approved annually by the BAC Board.

Strategic planning at BAC level is representative of more detailed planning undertaken at the business unit, regional and MLICO level. Any strategic decisions relating to MLICO are presented and discussed at MLICO Partners' meetings.

The executive management team provides the BAC Board with progress reports on the strategic plan, including timelines and objectives and recommendation of any additional or alternative actions to be implemented.

Front line units provide updates to the Partners on their business performance and management of strategic risk. Updates take into account analyses of performance relative to the strategic plan, financial operating plan, risk appetite and performance relative to peers.

17.8. COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of BAC arising from the failure of BAC to comply with requirements of applicable laws, rules and regulations and related self regulatory organisations' standards and codes of conduct.

Front line units are responsible for the proactive identification, management and escalation of compliance risks across BAC. Global Compliance is responsible for setting BAC wide policies and standards and provides independent challenge and oversight to the front line units. BAC's approach to the management of compliance risk is further described in the Global Compliance Policy, which outlines the requirements of BAC's global compliance program and defines roles and responsibilities related to the implementation, execution and management of the global compliance risk management program by Global Compliance.

Global Compliance is a separate function with governance routines and executive reporting distinct from those of the front line units and other control functions. Global Compliance also collaborates with other control functions to provide additional support for specific remediation efforts and shares responsibility with the front line units, Global Risk Management and other control functions for mitigating reputational risk.

18. FAIR VALUE INFORMATION

18.1. FAIR VALUE HIERARCHY

In accordance with IFRS 13 - Fair Value Measurement, financial instruments carried at fair value have been categorised into a three-level fair value hierarchy based on the priority of the input to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial instruments are considered Level 1 when their valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

18.2. VALUATION TECHNIQUES

The following outlines the valuation methodologies for the Partnership’s material categories of assets and liabilities:

(a) Listed derivative contracts

Listed derivatives that are actively traded are valued based on quoted prices from the exchange and are categorised in Level 1 of the fair value hierarchy. Listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivatives; they are generally categorised in Level 2 of the fair value hierarchy.

(b) OTC derivative contracts

OTC derivative contracts include swap and option contracts related to equity prices. Depending on the product and the terms of the transaction, the fair value of OTC derivative products can be either observed or modelled using a series of techniques, and model inputs from comparable benchmarks, including closed-form analytic formulas, such as the Black-Scholes option-pricing model, and simulation models or a combination thereof. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgement, and the pricing inputs are observed from actively quoted markets, as is the case for certain option contracts.

In the case of more established derivative products, the pricing models used by the Partnership are widely accepted by the financial services industry. A substantial majority of OTC derivative products valued by the Partnership using pricing models fall into this category and are categorised in Level 2 of the fair value hierarchy.

Other derivative products, including complex products that have become illiquid, require more judgement in the implementation of the valuation technique applied due to the complexity of the valuation assumptions and the reduced observability of inputs. This includes certain types of derivatives with both volatility and correlation exposure where direct trading activity or quotes are unobservable. These instruments involve significant unobservable inputs and are categorised in Level 3 of the fair value hierarchy.

The Partnership trades various derivative structures with equity underlyings. Depending on the type of structure, the model inputs generally include interest rate yield curves, equity underlier price curves, implied volatility of the underlying equities and, in some cases, the implied correlation between these

18. FAIR VALUE INFORMATION (continued)

inputs. The fair value of these products is determined using executed trades and broker and consensus data to provide values for the aforementioned inputs. Where these inputs are unobservable, relationships to observable equities and data points, based on historic and/or implied observations, are employed as a technique to estimate the model input values. Equity derivatives are generally categorised in Level 2 of the fair value hierarchy; in instances where significant inputs are unobservable, they are categorised in Level 3 of the fair value hierarchy.

18.3. FAIR VALUE

The following tables present the Partnership's fair value hierarchy for those assets and liabilities measured at fair value as of 30 June 2018 and 31 December 2017.

30 June 2018 Fair Value Measurement

	Level 2 $000	**Level 3 $000**	**Total $000**
Long inventory positions			
Contractual agreements:			
Options and swaps	**5,622,306**	**137,982**	**5,760,288**
Other creditors			
Borrowings	**(5,845,057)**	**(137,656)**	**(5,982,713)**

31 December 2017 Fair Value Measurement

	Level 2	Level 3	Total
Long inventory positions			
Contractual agreements:			
Options and swaps	5,796,583	139,040	5,935,623
Short inventory positions			
Issued warrants, options and swaps	(6,559,644)	(138,908)	(6,698,552)

The following tables provide a summary of the changes in the fair value of the Partnership's Level 3 financial assets and liabilities for the period ended 30 June 2018 and year ended 31 December 2017.

18. FAIR VALUE INFORMATION (continued)

	Long inventory positions: Options and swaps $000	**Other creditors: Borrowings $000**
At 1 January 2018	**139,040**	**(138,908)**
Total gain/(loss) recognised in the income statement	**(14,144)**	**14,339**
New issuances	**(57,292)**	**57,292**
Settlements	**23,065**	**(23,065)**
Transfers out	**(19,841)**	**19,841**
Transfers in	**67,155**	**(67,155)**
At 30 June 2018	**137,983**	**(137,656)**

	Long inventory positions: Options and swaps $000	Short inventory positions: Issued warrants, options and swaps $000
At 1 January 2017	147,293	(147,038)
Total gains/(loss) recognised in the income statement	9,661	(9,784)
New issuances	14,562	(14,562)
Settlements	(126,602)	126,602
Transfers out	(82,464)	82,464
Transfers in	176,590	(176,590)
At 31 December 2017	139,040	(138,908)

18.4. TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

Transfers between Level 2 and Level 3 occur on a regular basis for these instruments primarily due to changes in the impact of unobservable inputs on the value of options, swaps and related issued warrants.

18. FAIR VALUE INFORMATION (continued)

18.5. VALUATION OF LEVEL 3 FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR ON A RECURRING BASIS

The tables below provide information on the valuation techniques, significant unobservable inputs and their ranges and averages for each major category of assets and liabilities measured at fair value on a recurring basis with a significant Level 3 balance.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm's inventory.

The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs:

For the year ended 30 June 2018

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Derivative assets $'000s					
Options and swaps	$137,983	Industry standard derivative pricing[1]	Equity correlation	11.4% to 100%	62.12%
			Long-dated equity volatilities	4.03% to 74.9%	23.55%

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Derivative liabilities $'000s					
Issued warrants, options and swaps	($137,656)	Industry standard derivative pricing[1]	Equity correlation	11.4% to 100%	62.12%
			Long-dated equity volatilities	4.03% to 74.9%	23.55%

[1] Includes models such as Monte Carlo simulation and Black-Scholes.

18. FAIR VALUE INFORMATION (continued)

For the year ended 31 December 2017

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Derivative assets $'000s					
Options and swaps	$139,040	Industry standard derivative pricing[1]	Equity correlation	15% to 100%	62.70%
			Long-dated equity volatilities	4.28% to 83.72%	22.19%

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Derivative liabilities $'000s					
Issued warrants, options and swaps	($138,908)	Industry standard derivative pricing[1]	Equity correlation	15% to 100%	62.70%
			Long-dated equity volatilities	4.25% to 83.72%	22.19%

[1] Includes models such as Monte Carlo simulation and Black-Scholes.

For equity derivatives a significant change in long-dated rates, volatilities and correlation inputs (e.g. the degree of correlation between an equity security and an index, between two different interest rates) would result in a significant impact to the fair value; however, the magnitude and direction of the impact depends on whether the Partnership is long or short the exposure.

The following provides a description of significant unobservable inputs included in the table above for all major categories of assets and liabilities:

(a) Correlation

A pricing input where the payoff is driven by more than one underlying risk. Correlation is a measure of the relationship between the movements of two variables (i.e., how the change in one variable influences a change in the other variable). The correlation ranges may be wide since any two underlying inputs may be highly correlated (either positively or negatively) or weakly correlated.

(b) Volatility

The measure of the variability in possible returns for an instrument given how much that instrument changes in value over time. Volatility is a pricing input for options and, generally, the lower the volatility, the less risky the option. The level of volatility used in the valuation of a particular option depends on a number of factors, including the nature of the risk underlying that option (e.g., the volatility of a particular underlying equity security may be significantly different from that of a particular underlying commodity index), the tenor and the strike price of the option.

18. FAIR VALUE INFORMATION (continued)

18.6. SENSITIVITY OF FAIR VALUE TO CHANGING SIGNIFICANT ASSUMPTIONS TO REASONABLY POSSIBLE ALTERNATIVES

All financial instruments are valued in accordance with the techniques outlined in the fair value hierarchy. Some of these techniques, such as those used to value instruments categorised in Level 3 of the fair value hierarchy, are dependent on unobservable parameters and the fair value for these financial instruments has been determined using parameters appropriate for the valuation methodology based on prevailing market evidence. It is recognised that the unobservable parameters could have a range of reasonably possible alternative values.

In estimating the change in fair value, to provide information about the variability of the fair value measurement, the unobservable parameters were varied to the extremes of the ranges of reasonably possible alternatives using statistical techniques, such as dispersion in comparable observable external inputs for similar asset classes, historic data or judgement if a statistical technique is not appropriate.

Where a financial instrument has more than one unobservable parameter, the sensitivity analysis reflects the greatest reasonably possible increase or decrease to fair value by varying the assumptions individually. It is unlikely that all unobservable parameters would be concurrently at the extreme range of possible alternative assumptions and therefore the sensitivity shown below is likely to be greater than the actual uncertainty relating to the financial instruments.

The following tables present the sensitivity of the fair value of Level 3 financial assets and financial liabilities to reasonably possible alternative assumptions, providing quantitative information on the potential variability of the fair value measurement.

19. VALUATION ADJUSTMENTS

The Partnership records credit risk valuation adjustments on financial instruments held at fair value in order to properly reflect the credit quality of the counterparties and its own credit quality. The Partnership calculates valuation adjustments on these instruments based on a modelled expected exposure that incorporates current market risk factors. The exposure also takes into consideration credit mitigants such as enforceable master netting agreements and collateral. Credit default swap (“CDS”) spread data is used to estimate the default probabilities and severities that are applied to the exposures. Where no observable credit default data is available for counterparties, the Partnership uses proxies and other market data to estimate default probabilities and severity.

Valuation adjustments on financial instruments are affected by changes in market spreads, non-credit related market factors such as interest rate and currency changes that affect the expected exposure, and other factors like changes in collateral arrangements and partial payments. Credit spreads and non-credit factors can move independently. For example, for an interest rate swap, changes in interest rates may increase the expected exposure, which would increase the counterparty credit valuation adjustment (“CVA”). Independently, counterparty credit spreads may tighten, which would result in an offsetting decrease to CVA.

The amount of CVA recorded by the Partnership on its long inventory positions was $nil (30 June 2017: $nil), as a result of collateral posted by the counterparty.

As at 30 June 2018, the accumulated amount of the change in fair value attributable to changes in own credit risk on the Partnership’s short inventory positions was a gain of $5,386,00 (31 December 2017: gain of $3,297,000). For the period ended 30 June 2018, the change in fair value attributable to changes in credit risk on financial liabilities designated as at FVPL was gain of $2,089,000 (31 December 2017: loss of $5,006,000).

20. OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset and intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Partner has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of a contract.

The table below presents the financial assets that are subject to offsetting, enforceable master netting agreements and similar agreements

As at 30 June 2018

	Gross amounts recognised $000	**Gross amounts set off in the SOFP $000**	**Net amounts presented in the SOFP $000**	**Cash collateral $000**	**Net amounts $000**
Assets					
Options and swaps	**6,131,589**	**(371,301)**	**5,760,288**	**(5,760,288)**	**-**
Liabilities					
Borrowings	**6,355,733**	**(373,020)**	**5,982,713**	**-**	**5,982,713**

As at 31 December 2017

	Gross amounts of recognised $000	Gross amounts set off in the SOFP $000	Net amounts presented in the SOFP $000	Cash collateral $000	Net amounts $000
Assets					
Options and swaps	6,187,621	(251,998)	5,935,623	(5,935,623)	-
Liabilities					
Issued warrants, options and swaps	6,959,264	(260,712)	6,698,552	-	6,698,552

Cash Collateral

Cash collateral relates to collateral received and pledged against derivatives agreements which have not been offset in the statement of financial position.

21. SHARED BASED PAYMENTS

BAC administers a number of equity compensation plans, with awards being granted predominantly from the BAC Key Employee Equity Plan ("KEEP"). Under the KEEP, BAC grants stock-based awards, including stock options, restricted stock and restricted stock units ("RSUs").

For most awards, expense is generally recognized proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, BAC accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting period, BAC recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

Certain awards contain claw back provisions which permit the BAC to cancel all or a portion of the award under specified circumstances.

The total pre-tax compensation credit recognised in profit and loss for share-based compensation plans for the period to 30 June 2018 is a credit $83,000 (30 June 2017: $nil).

Restricted stock units

An RSU is deemed equivalent in fair market value to one share of BAC common stock.

In 2018 the RSUs are authorised to settle predominantly in shares of common stock of BAC which generally vest in three equal annual instalments beginning one year from the grant date. Awards granted in prior years were predominantly cash settled.

Recipients of RSU awards may receive cash payments equivalent to dividends.

22. CONTINGENT LIABILITIES

The Partnership is involved in ongoing litigation in Panama, the outcome of which remains uncertain. Therefore, the potential liability has not been provided for and no additional disclosure has been included within these financial statements. Within cash and cash equivalents is an amount of $3,600,000 (31 December 2017: $3,600,000), which the Partnership is not able to freely access or use in its operations pending the resolution of the litigation in Panama.

23. RELATED PARTY TRANSACTIONS

As detailed in note 1.3, the Partnership has taken advantage of the exemption available under FRS 101 for the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

There were no related party transactions other than those with affiliated undertakings covered by the exemption noted above.

24. CONTROLLING PARTIES

The General Partner of the Partnership is ML Cayman Holdings Inc., and the ultimate parent Company and controlling party is BAC, which is organised and existing under the laws of the State of Delaware in the United States of America ("U.S.A").

The parent company of the largest, and smallest, group into which the Partnership financial statements are consolidated is BAC. Copies of BAC's financial statements can be obtained from either of the following website locations:http://investor.bankofamerica.com or www.sec.gov/.