Registered number 11705 (0)

MERRILL LYNCH INTERNATIONAL & CO. C.V.

GENERAL PARTNER'S ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2012

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GENERAL PARTNER'S ANNUAL REPORT
For the year ended 31 December 2012

The General Partner presents its non-statutory annual report and the audited financial statements of Merrill Lynch International & Co. C.V. ("the Partnership") for the year ended 31 December 2012.

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES

The General Partner is responsible for the preparation of the General Partner's report and the Partnership financial statements in accordance with applicable United Kingdom Accounting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the Partnership at 31 December 2012 and of the profit or loss of the Partnership for the year then ended. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and which enables it to prepare financial statements that comply with applicable United Kingdom Accounting Standards. 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 an affiliate company; and
- the distribution of Merrill Lynch managed funds and other managed fund products to third parties on which the Partnership receives fee income.

The head office of the Partnership is in Curacao with branches in Dubai and Panama. There have been no changes in the principal activities of the Partnership during the year and the General Partner is satisfied with the Partnership's level of business for the year and the financial position at year end.

Effective 30th November 2012 the Partners agreed to cancel the Preferred Partnership Interest and the Series B Preferred Partnership Interest, at cancellation the Partnership paid $788,467,000 to ML Cayman Holdings Inc. for full Redemption of Preferred Partner's capital and income account (see note 15).

The loss for the year, after taxation, amounted to $45,239,000 (2011 – loss $15,445,000).
The turnover for the year amounted to $226,479,000 (2011 - $247,217,000), decrease driven by reduction in fee income (see note 2).
The administrative expenses for the year amounted to $227,598,000 (2011 - $217,155,000), increase primarily driven by increase in service fee expense.

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 18).

PARTNERSHIP'S POLICY FOR PAYMENT OF CREDITORS

The current policy is to pay creditors and other suppliers in accordance with the terms of payment agreed at the time the contract is made.

GENERAL PARTNER'S ANNUAL REPORT
For the year ended 31 December 2012

GOING CONCERN

The Partnership currently has sufficient capital to maintain its operations. Based on the above, the Partnership continues to adopt the going concern basis in preparing the financial statements.

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 and Preferred Partner)

Merrill Lynch International Services Limited (Limited Partner)

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

The General Partner at the date of approval of this report confirms that:

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

This report was approved by the General Partner and authorised for issue on 17 May 2013 and signed on its behalf by:

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

INDEPENDENT AUDITORS' REPORT TO THE GENERAL PARTNER OF MERRILL LYNCH INTERNATIONAL & CO. C.V.

We have audited the non-statutory financial statements of Merrill Lynch International & Co. C.V. for the year ended 31 December 2012 which comprise the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of General Partner and auditors
As explained more fully in the General Partner's Responsibilities Statement set out on page 1, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Partners as a body in accordance with the Limited Partnership Agreement and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the limited partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the General Partner; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the General Partner's Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the limited partnership's affairs as at 31 December 2012 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the provisions of the Limited Partnership Agreement.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
7 More London Riverside, London, SE1 2RT
~~17~~ 21 *May 2013*

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Note	2012 $000	2011 $000
TURNOVER	2	**226,479**	247,217
Administrative expenses		**(227,598)**	(217,155)
OPERATING (LOSS)/PROFIT	3	**(1,119)**	30,062
Interest receivable and similar income	4	**3,319**	3,117
Interest payable and similar charges	5	**(47,413)**	(48,509)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(45,213)**	(15,330)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	**(26)**	(115)
LOSS FOR THE FINANCIAL YEAR BEFORE PARTNER'S LOSS ALLOCATION		**(45,239)**	(15,445)
GENERAL PARTNER'S LOSS ALLOCATION	15	**45,239**	15,445
RESULT FOR THE FINANCIAL YEAR AFTER PARTNER'S LOSS ALLOCATION		-	-

Turnover and operating (loss)/profit derived wholly from continuing operations.

There were no recognised gains and losses for the current or preceding financial year other than those included in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been prepared.

Excluding the effects of fair value accounting under FRS 26, 'Financial instruments: Recognition and measurement', which are not required to be included in this reconciliation, there is no material difference between the results for the year stated above and their historical cost equivalents.

The notes on pages 7 to 21 form part of these financial statements.

BALANCE SHEET
As at 31 December 2012

Registered number 11705 (0)

	Note	**2012** **$000**	**2012** **$000**	2011 $000	2011 $000
FIXED ASSETS					
Tangible fixed assets	8		**873**		969
			873		969
CURRENT ASSETS					
Long inventory positions	9	**2,080,740**		2,199,421	
Trade debtors	10	**1,060,751**		1,878,249	
Other debtors and prepayments	11	**1,495,809**		1,326,693	
Cash at bank and in hand		**2,169**		1,522	
		4,639,469		5,405,885	
CREDITORS: amounts falling due within one year					
Short inventory positions	12	**3,804,595**		4,010,240	
Trade creditors	13	**264,155**		34,254	
Other creditors including taxation and social security	14	**7,399**		11,874	
Partners' capital and income accounts	15	**564,193**		1,350,486	
		4,640,342		5,406,854	
NET CURRENT LIABILITIES			**(873)**		(969)
TOTAL ASSETS LESS CURRENT LIABILITIES			**-**		-
NET ASSETS			**-**		-

The financial statements were approved and authorised for issue by the General Partner on 17 May 2013. They were signed on its behalf by:

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

The notes on pages 7 to 21 form part of these financial statements

CASH FLOW STATEMENT
For the year ended 31 December 2012

	Note	2012 $000	2011 $000
Reconciliation of operating profit to net cash inflow from operating cash flows			
Operating (loss)/profit		**(1,119)**	30,062
Depreciation	8	**183**	229
Decrease in long inventory		**118,681**	6,483,646
Decrease in trade debtors		**817,498**	109,856
(Increase)/decrease in other debtors and prepayments	17	**(165,797)**	1,097,592
Decrease in short inventory		**(205,645)**	(7,733,899)
Increase in trade creditors		**229,901**	12,601
Decrease in other creditors		**(4,457)**	(91)
Net cash inflow/(outflow) from operating activities		**789,245**	(4)
Decrease in partners' capital and income accounts	17	**(788,467)**	
Capital expenditure	17	**(87)**	-
Taxation	17	**(44)**	(354)
(Increase)/decrease in cash	17	**647**	(358)
Cash at beginning of year		**1,522**	1,880
Cash at year end		**2,169**	1,522

The notes on pages 7 to 21 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of accounting

These non statutory financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The going concern assumption has been used in the preparation of the financial statements as detailed in the General Partner's Report. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

1.2 Accounting convention

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

1.3 Turnover

Turnover includes:

Service fee income
Charges made to affiliated undertakings to remunerate the Partnership for services provided or reimburse expenditure incurred by the Partnership are recognised on an accruals basis.

Fees
Mutual fund distribution fees are recognised on an accruals basis.

Principal trading

Realised and unrealised profits and losses on financial instruments held for trading, including dividend income on cash equities, are recognised within turnover. As positions held in financial instruments are fully hedged, using derivatives with an affiliated company, there is a net zero impact on the profit and loss account.

1.4 Segmental reporting

The Partnership's activities are the issuance of warrants and related financial instruments, and the distribution of Merrill Lynch managed funds and other managed fund products, which represents two separate classes of business. All turnover and administrative expenditure relates to the managed funds business. The Partnership does not meet the additional disclosure requirements of SSAP 25, 'Segmental Reporting' and has therefore chosen not to present any additional segmental analysis.

1.5 Translation of foreign currencies

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

Revenues and expenses arising from transactions to be settled in foreign currencies are translated into U.S. Dollars at average monthly market rates of exchange. Monetary assets and liabilities are translated into U.S. Dollars at the market rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of foreign currencies are reflected in the profit and loss account (refer to note 3).

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less provisions for impairment, and are written down to their estimated residual value on a straight-line basis over their expected useful lives, as shown below

Short-term leasehold improvements are depreciated on a straight-line basis over the shorter of the remaining period of the lease or ten years.

The office equipment is depreciated between two and five years.

1. ACCOUNTING POLICIES (continued)

1.7 Financial assets

The Partnership recognises financial assets in the balance sheet 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 long inventory as held for trading and 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: (a) those that the entity upon initial recognition designates as at fair value through profit or loss; or (b) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are carried at amortised cost using the effective interest rate method less an allowance for any impairment. Interest calculated using the effective interest rate method is recognised in the profit and loss account.

1.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value through the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, except for where the Partnership has the legal right, and intends to settle on a net basis (see note 1.12).

1.9 Financial liabilities

The Partnership recognises financial liabilities in the balance sheet when it becomes a party to the contractual provisions of the instrument. The Partnership classifies issued warrants as short inventory positions which are classified as held for trading and are measured at fair value through profit and loss. Gains and losses are recognised through the profit and loss account as they arise. All remaining financial liabilities are classified as loans and payables and are carried at amortised cost using the effective interest rate method.

1.10 Impairment of financial assets held at amortised cost

The Partnership assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

1. ACCOUNTING POLICIES (continued)

1.11 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised as a liability or an asset if, prior to the balance sheet date, the Partnership has entered into transactions or events have occurred that give rise to timing differences giving the Partnership an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

1.12 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.

1.13 Derecognition of financial assets

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 entity. 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 proceeds received.

1.14 Interest receivable and similar income

Interest receivable and similar income comprise interest received on balances with affiliated companies and is recognised on an accruals basis using the effective interest rate method.

1.15 Interest payable and similar charges

Interest payable and similar charges comprise interest payable on balances with affiliated companies and appropriations payable to the Limited and Preferred Partner, which are recognised on an accruals basis using the effective interest rate method.

1.16 Leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

1.17 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 Financial Reporting Standard 25, 'Financial instruments: Presentation' ("FRS 25") 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 15.

2. TURNOVER

	2012 $'000	2011 $'000
Service fee income	**8,070**	9,296
Fees	**218,392**	237,921
Other revenue	**17**	-
	226,479	247,217

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	2012 $000	2011 $000
Charges under operating leases on land and buildings	**503**	510
Depreciation of tangible fixed assets (see note 8)	**183**	229
Employee costs (see note 6)	**5,000**	7,534
Loss on foreign exchange	**70**	89
Service fee expense	**220,677**	206,522
Auditors' remuneration (see below)	**40**	40
Other operating expenses	**1,125**	2,231

The Service fee expense primarily relates to distribution fees paid to Merrill Lynch Pierce Fenner & Smith Inc and service fees recharged by affiliated companies.

Analysis of auditors' remuneration is as follows:

	2012 $000	2011 $000
Total audit fees:		
Fees payable to the Partnership's auditors for the audit of the Partnership's financial statements	**40**	40

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 $000	2011 $000
Interest receivable and similar income:		
- From affiliated companies	**3,319**	3,117

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 $000	2011 $000
Interest payable and similar charges:		
- To Preferred Partner	**47,482**	48,484
- To Limited Partner	**(69)**	23
- To other affiliated companies	**-**	2
	47,413	48,509

Under FRS 25 the appropriations paid to the Limited and Preferred Partners are classified as liabilities and distributions accruing to them are classified as interest payable and similar charges.

6. EMPLOYEES

Employee costs were as follows:

	2012 $000	2011 $000
Salaries and benefits	**4,694**	7,034
Social security and other costs	**306**	500
	5,000	7,534

The average number of persons employed by the Partnership during the year was:

	2012 No.	2011 No.
By activity:		
Trading, sales and advisory	**14**	15
Support, operations and technology	**18**	28
	32	43

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 $000	2011 $000
The tax for the year is made up as follows:		
Current tax:		
Tax on profits of the year	**-**	-
Foreign tax	**39**	38
Adjustments in respect of prior year	**(13)**	77
Total current tax	**26**	115

Factors affecting tax charge for year

The tax assessed for the year is higher (2011: higher) than the standard rate of corporation tax in the Curacao applicable to the Partnership 3% (2011: 3%). The differences are explained below:

	2012 $000	2011 $000
Loss on ordinary activities before tax	**(45,213)**	(15,330)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the Curacao of 3% (2011: 3%)	**(1,356)**	(460)
Effects of:		
Impact of foreign taxes	**39**	38
Impact of losses	**1,356**	460
Adjustments in respect of prior year	**(13)**	77
Current tax charge for year	**26**	115

The Partnership is subject to taxes on income earned both within and outside Curacao. Branches of the Partnership operating outside Curacao are subject to income taxes at rates applicable in those countries. Tax expense represents management's calculation of taxes due on earnings and the effect of changes in estimates for the prior year.

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 $1,816,000 (2011: $460,000).

8. TANGIBLE FIXED ASSETS

	Leasehold improvements $000	Office equipment $000	Total $000
Cost			
At 1 January 2012	2,344	978	3,322
Additions	-	87	87
At 31 December 2012	2,344	1,065	3,409
Accumulated depreciation			
At 1 January 2012	1,419	934	2,353
Charge for the year	147	36	183
At 31 December 2012	1,566	970	2,536
Net book value			
At 31 December 2012	778	95	873
At 31 December 2011	925	44	969

9. LONG INVENTORY POSITIONS

	2012 $000	2011 $000
Contractual agreements:		
Options and swaps	2,080,740	2,199,421

Long inventory positions are classified as "held for trading" and therefore measured at fair value through profit and loss.

The Partnership is only exposed to credit risk with other affiliated companies (see also trade debtors), which represents its maximum credit exposure.

10. TRADE DEBTORS

	2012 $000	2011 $000
Amounts owed by affiliated companies	1,060,751	1,878,249

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

11. OTHER DEBTORS AND PREPAYMENTS

	2012 $000	2011 $000
Amounts owed by affiliated companies	1,495,579	1,326,408
Other debtors and prepayments	230	285
	1,495,809	1,326,693

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

12. SHORT INVENTORY POSITIONS

	2012 $000	2011 $000
Issued warrants	**3,804,595**	4,010,240

Short inventory positions are classified as "held for trading" and therefore measured at fair value through profit and loss.

13. TRADE CREDITORS

	2012 $000	2011 $000
Amounts owed to affiliated companies	**264,155**	34,254

Amounts owed to affiliated companies comprise both interest-bearing and non interest-bearing amounts arising on principal activities and are due on demand.

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2012 $000	2011 $000
Amounts owed to affiliated companies	**5,669**	9,485
Other creditors and accruals	**1,655**	2,321
Social security	**73**	48
Taxation	**2**	20
	7,399	11,874

Amounts owed to affiliated companies comprise both interest-bearing and non interest-bearing amounts and are due on demand.

15. PARTNERS' CAPITAL AND INCOME ACCOUNTS

	General Partner $000	Preferred Partner $000	Limited Partner $000	Total $000
At beginning of year	609,245	740,985	256	1,350,486
Interest on partner's capital (note 5)	-	47,482	(69)	47,413
Redemption	-	(788,467)	-	(788,467)
Loss for the year	(45,239)	-	-	(45,239)
At end of year	564,006	-	187	564,193

The rights and entitlements of the Partners in relation to allocations of Earnings and Profits shall be divided into General Partner, the Limited Partner and Preferred Partner.

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 and the Preferred Partner.

The Preferred Partner's interest entitles the holder to no voting rights in the Partnership and net profits up to the value of 7% of the Preferred Partner's preferred partnership contribution. Effective 30th November 2012 the Partnership redeemed this in full.

The Limited Partner's interest entitles the holder to no voting rights in the Partnership and net profits / losses up to the value of 10% of the average amount in their capital account.

15. PARTNERS' CAPITAL AND INCOME ACCOUNTS (continued)

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 dated approved by the General Partner.

Under FRS 25 the General, Limited and Preferred Partnership Interests meet the definition of debt. Accordingly, Partners' capital and Partners' income is recorded within liabilities.

16. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Partnership had annual commitments in respect of leases of land and buildings as follows:

	2012	2011
	$000	$000
Expiry date:		
Within 1 year	**143**	168
After five years	**171**	163
	314	331

17. CASH FLOW

	2012	2011
Gross cash flows	**$000**	$000
Capital receipts/(expenditure)		
Purchase of tangible fixed assets	**(87)**	-
Taxation		
Taxation paid	**(44)**	(354)

Analysis and reconciliation of net funds	**As at 1 January 2012**	**Cash flows**	**Other changes**	**As at 31 December 2012**
	$000	**$000**	**$000**	**$000**
Cash at bank and in hand	1,522	647	-	2,169
Debt due within one year	(1,396,614)	-	560,867	(835,747)
Liquid resources	1,326,693	-	169,116	1,495,809
Net funds	**(68,399)**	**647**	**729,983**	**662,231**

Reconciliation of net cash flow to movement in net funds	**2012**
	$000
Increase in cash during the year	**647**
Decrease in amounts owed by affiliated companies	**560,867**
Increase in liquid resources	**169,116**
Change in net funds	**730,630**
Net funds as at 31 December 2011	**(68,399)**
Net funds as at 31 December 2012	**662,231**

17. CASH FLOW (continued)

Adjustment to Partners' capital and income account

	2012 $000	2011 $000
Increase in Partners' capital and income account	**2,174**	33,062
Redemption of Preferred Partner's capital and income account	**(788,467)**	-
Loss for the year transferred to Partners' capital	**45,239**	15,445
Unsettled interest payable to Partners	**(47,413)**	(48,507)
Decrease to Partners' capital	**(788,467)**	-
Total movement in other debtors and prepayments	**(169,116)**	1,094,475
Net unsettled interest receivable from affiliated companies	**3,319**	3,117
(Increase)/decrease in other debtors and prepayments	**(165,797)**	1,097,592

18. RISK MANAGEMENT

The Bank of America Corporation ("BAC") takes a comprehensive approach to risk management by fully integrating risk management with strategic, financial and customer/client planning so that goals and responsibilities align across BAC. BAC's risk appetite and risk exposures are aligned.

The risk management approach has five components:
- Risk culture;
- Risk philosophy and appetite;
- Risk governance and organisation;
- Risk transparency and reporting; and,
- Risk management processes, including the Identify, Mitigate, Monitor and Report ("IMMR") process which consists of Identify and measure, Mitigate and control, Monitor and test, and Report and review. IMMR underpins all day-to-day risk management activities and is embedded in each part of our risk management approach.

Focusing on the five components allows us to effectively manage risks across the seven key risk types (market, credit, operational, liquidity, reputational, strategic and compliance risks).

Market risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity prices or credit spreads. The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded.

The Partnership seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price, and spread movements of trading inventories and related financing and hedging activities. The Partnership uses derivatives entered into with an affiliate company to hedge its market risk exposures. The following discussion describes the types of market risk faced by the Partnership.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Interest rate swap agreements, securities and interest rate futures are common interest rate risk management tools used by the Partnership. The decision to manage interest rate risk using for example, futures or swap contracts, as opposed buying or selling short U.S. Treasury or other sovereign securities, depends on current market conditions and funding considerations.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Partnership's trading assets and liabilities include both cash instruments denominated in and derivatives linked to multiple currencies, including Euros, Indian Rupee and Canadian Dollars. Currency forwards and options are commonly used by the Partnership to manage the currency risk associated with financial instruments.

Equity price risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. Instruments typically used by the Partnership to manage equity price risk include equity futures, equity options, equity warrants and baskets of equity securities.

VaR Disclosure

To evaluate risk in BAC's trading activities, the focus is on the actual and potential volatility of individual positions as well as portfolios. Value at risk ('VAR') is a key statistic used to measure market risk. In order to manage day-to-day risks, VAR is subject to trading limits both for the BAC's overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VAR model simulates the value of a portfolio under a range of scenarios in order to generate a distribution of potential gains and losses. The VAR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence. VAR depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VAR model, there are significant and numerous assumptions that will differ from partnership to partnership. In addition, the accuracy of a VAR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VAR model may require additional modelling assumptions for new products which do not have extensive historical price data, or for illiquid positions for which accurate daily prices are not consistently available.

For management purposes, the Partnership's VAR model uses a historical simulation approach based on three years of historical data, a one day holding period and an expected shortfall methodology equivalent to a 99 percent confidence level (average of worst 19 days in the three year's P&L simulation). Statistically, this means that losses will exceed VAR, on average, one out of 100 trading days, or two to three times each year.

A VAR model is an effective tool in estimating ranges of potential gains and losses on the Partnership's trading portfolios. There are however many limitations inherent in a VAR model as it utilises historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VAR model. To ensure that the VAR model reflects current market conditions, the historical data underlying the Partnership's VAR model is updated on a bi-weekly basis, and the assumptions underlying the model are regularly reviewed.

The table that follows presents VAR analysis independently for each risk category for 2012 and 2011:

Market Risk including Equity Specific Price and Equity Specific Volatility Surface Risk

99% Daily VAR	Year end 2012 $000's	High 2012 $000's	Daily average 2012 $000's	Low 2012 $000's
Total	**142**	**751**	**217**	**127**
Interest rate risk	88	734	154	61
Currency risk	113	198	115	92
Equity price risk	15	223	33	8

18. RISK MANAGEMENT (continued)

Market risk (continued)

99% Daily VAR	Year end 2011 $000's	High 2011 $000's	Daily average 2011 $000's	Low 2011 $000's
Total	**194**	**1,523**	**469**	**124**
Interest rate risk	162	770	364	36
Currency risk	119	539	150	109
Equity price risk	17	1,162	151	17

In addition to VAR measures, Market Risk utilise a range of other risk measures including sensitivity analysis and stress testing to monitor exposures and manage them using a robust set of limits.

Credit Risk

The Partnership's trading positions are only exposed to credit risk with other affiliated companies. Residual credit risk remains on other debtor balances with third parties, which are settled in accordance with standard settlement terms, normally within 90 days. There were no credit exposures that were past due but not impaired at 31 December 2012 (2011: $nil).

Operational risk

The Partnership defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Under the Basel II requirement, an operational loss event is an event that results in undesired or unintended financial consequences and is associated with the following seven operational loss event categories: internal fraud; external fraud; employment practices; clients, products and business practices; damage to physical assets; business disruption and systems failures; and execution, delivery and process management. The potential for reputational risk can stem from operational risk. As a result, the Partnership evaluates potential impacts to its reputation within all of the risk categories and throughout the risk management process.

Operational risk is managed through independent functions consisting of: Corporate Operational Risk; Independent Line of Business ("LOB") Risk; Enterprise Control Functions ("ECF"); and the LOB. Each has distinct roles and responsibilities, and together they form the foundation for the business environment internal control factors used to manage operational risk.

The operational risk management program is executed through a suite of policies supporting a variety of tools that align to the Enterprise Identify, Mitigate, Monitor, Report ("IMMR") model.

Enterprise operational risk policies applicable to the Partnership are:

- Business Environment and Internal Control Factors ("BEICF") Policy governing:
    - I. Operational Risk Appetite
    - II. Risk and Control Self Assessment
    - III. Key Risk Indicators
- Operational Loss Event Data Policy
- Scenario Analysis Policy
- Issues and Emerging Risk Management Policy
- Reputational Risk Policy

Liquidity risk

The Partnership's liquidity objective is to meet contractual and contingent financial obligations, on- or off-balance sheet, through market cycles and periods of liquidity stress, while maintaining compliance with all applicable regulatory requirements. Liquidity risk includes both the potential inability to raise funding with appropriate maturity, currency and interest rate characteristics, and the inability to liquidate

18. RISK MANAGEMENT (continued)

Liquidity risk (continued)

assets in a timely manner at a reasonable price. The partnership manages this risk by holding cash and unencumbered assets, which can be readily realised for cash, by maintaining committed credit facilities, and by appropriately matching the liquidity profile of its assets and liabilities. All financial liabilities are payable on demand.

Reputational Risk

Reputational risk is the potential that negative publicity regarding an organisation's conduct or business practices will adversely affect its profitability, operations or customer base or require costly litigation or other measures. The Partnership manages reputational risk through adoption of group established policies and controls in business and risk management processes, programs and approaches.

BAC expects employees to protect its reputation by always acting ethically, legally and in compliance with policies and standards, including those governing conflicts of interest, as outlined in BAC's Code of Ethics. Furthermore, employees may not engage in activities that will harm BAC's franchise value.

BAC has an appropriate organisational and governance structure in place to ensure strong oversight at both the enterprise and business levels. At the enterprise level, reputational risk is reviewed by the Enterprise Risk Committee and the Compliance and Operational Risk Committee, which provide primary oversight of reputational risk. Additionally, the CRO Emerging and Reputational Risk Forum meets to discuss emerging and reputational risks that the businesses, Risk, Enterprise Control Functions ("ECF") and Compliance have escalated for discussion. Each business and ECF has a committee whose charter includes consideration of reputational risk issues and providing guidance and approvals for activities that present reputational risks that are not addressed by the current control framework. Public disclosures of information, transactions, products, services, business initiatives, business practices, customer segments and clients that present elevated levels of reputational risk are escalated to the business-level committees for review and approval.

Strategic Risk

Strategic risk is embedded in every line of business and is one of the major risk categories along with credit, market, liquidity, compliance, operational and reputational risks. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution and/ or other inherent risks of the business including reputational risk. In the financial services industry, strategic risk is high due to changing customer, competitive and regulatory environments. The appetite for strategic risk is assessed within the context of the Enterprise strategic plan, with strategic risks selectively and carefully considered in the context of the evolving marketplace. Enterprise strategic risk is managed in the context of overall financial condition and assessed, managed and acted on by the Chief Executive Officer and executive management team. Significant strategic actions, such as material acquisitions or capital actions are reviewed and approved by the Bank of America Board.

The primary focus at the Enterprise level is on maintaining relevance and value to customers, associates and shareholders by maintaining a strong and flexible financial position that will allow it to successfully weather challenging economic times and take advantage of growth opportunities. Accordingly, Enterprise targets are established for adequate earnings, capital, and liquidity. These targets are further refined and translated into strategic initiatives, financial plans, and line of business targets.

Compliance risk arises from the failure to adhere to laws, rules, regulations, internal policies and procedures. This can also include the risk of engaging in business activities that do not have clear guidance from regulatory authorities. Compliance risk can expose BAC to fines, civil money penalties or payment of damages and can lead to diminished business opportunities and restrict the ability to expand key operations.

18. RISK MANAGEMENT (continued)

Compliance Risk

Compliance is at the core of BAC's cultural values and is a key component of risk management discipline. There is the expectation that each associate is responsible for protecting BAC's reputation by always acting ethically, legally, and in compliance with all policies and standards, including those governing conflicts of interest, as outlined in the Code of Ethics. To ensure that associates keep this responsibility at the forefront of their behaviour, each individual must acknowledge the Code of Ethics on an annual basis as a condition of employment.

To manage compliance risk, BAC has an independent and centralized Global Compliance organization led by the Global Compliance Executive who reports to the Global head of Legal, Compliance and Regulatory Relations. Global Compliance is responsible for driving a culture of compliance, establishing compliance programme standards and policies, executing compliance monitoring and testing, compliance risk reporting, and ensuring the identification, escalation, and timely mitigation of compliance risks.

Global Compliance Risk is responsible for ensuring timely and sustainable compliance risk remediation by the LoB and ECF.

19. FAIR VALUE INFORMATION

Fair value hierarchy

In accordance with FRS 29, 'Financial Instruments: Disclosures', the Partnership has categorised its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

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 assets and liabilities recorded on the balance sheet are categorised based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Partnership has the ability to access (an example of which is certain Government securities).
Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (examples include Corporate bonds);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate bonds, which can trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter ("OTC") derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include OTC derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs, principally correlation in respect of the level 3 inventory held by the Partnership, that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's view about the assumptions a market participant would use in pricing the asset or liability (examples include long-dated or complex derivatives).

19. FAIR VALUE INFORMATION (continued)

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorised within the Level 3 reconciliations below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

Valuation techniques

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

Listed derivative contracts

Listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivative. They are generally classified as Level 2 in the fair value hierarchy.

OTC derivative contracts

OTC derivative contracts include swaps and options related to equity underlyings. The majority of OTC derivative contracts are classified as Level 2 in the fair value hierarchy. OTC derivative contracts that do not have readily observable marked based pricing parameters are classified as Level 3 in the fair value hierarchy.

Fair value

The following tables present the Partnership's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of 31 December 2012.

	31 December 2012 Fair Value Measurement		
	Level 2 $'000	Level 3 $'000	Total $'000
Long inventory positions			
Contractual agreements:			
- Options and swaps	1,900,352	180,388	2,080,740
Short inventory positions			
Issued warrants	3,624,207	180,388	3,804,595

	31 December 2011 Fair Value Measurement		
	Level 2 $'000	Level 3 $'000	Total $'000
Long inventory positions			
Contractual agreements:			
- Options and swaps	1,547,500	651,921	2,199,421
Short inventory positions			
Issued warrants	3,358,319	651,921	4,010,240

19. FAIR VALUE INFORMATION (continued)

The following tables provide a summary of the changes in fair value of the Partnership's Level 3 financial assets and liabilities for the year ended 31 December 2012:

	Long inventory positions Options and swaps **$'000**	**Short inventory positions** Issued warrants **$'000**
At 1 January 2012	651,921	(651,921)
Total gains/(losses) recognised in the profit and loss account	35,154	(35,154)
Purchases	(32,039)	32,039
New issuances	58,687	(58,687)
Sales	-	-
Settlements	(199,078)	199,078
Transfers out	(627,727)	627,727
Transfers in	293,470	(293,470)
At 31 December 2012	180,388	(180,388)

	Long inventory positions Options and swaps **$'000**	**Short inventory positions** Issued warrants **$'000**
At 1 January 2011	433,985	(433,985)
ISDA netting*	(286,422)	286,422
Total gains/(losses) recognised in the profit and loss account	212,585	(212,585)
Purchases	(36,386)	36,386
New issuances	223,824	(223,824)
Sales	(17,917)	17,917
Settlements	(138,897)	138,897
Transfers out	(94,192)	94,192
Transfers in	355,341	(355,341)
At 31 December 2011	651,921	(651,921)

20. RELATED PARTY TRANSACTIONS

The Partnership has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard 8, 'Related Party Disclosures', as it is a wholly owned subsidiary undertaking and the consolidated financial statements of the ultimate parent company are publicly available as noted below.

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

21. PARENT UNDERTAKINGS

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 group that includes the Partnership and for which group financial statements are prepared is BAC. Copies of BAC's financial statements can be obtained from the Corporate Secretary's office, 214 North Tryon Street, Charlotte, North Carolina, 28255, U.S.A. The parent undertaking of the smallest group, including the Partnership, which prepares group financial statements is ML & Co, a company incorporated in United States. Copies of the group financial statements of ML & Co are available from the Corporate Secretary's office, 100 North Tryon Street, Charlotte, North Carolina, 28222, U.S.A.