Registered number: 11-1300009

MERRILL LYNCH INTERNATIONAL & CO C.V.

GENERAL PARTNER'S INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2023

PARTNERSHIP INFORMATION

General Partner	ML Cayman Holdings Inc.
Officers of the General Partner	Mark Livingston Mary Ann Olson
Limited Partner	Merrill Lynch International Services Limited
Officer of the Limited Partner	Gaylen Duncan
Registration Number	11-1300009
Registered office	Kaya W.F.G (Jombi) Mensing 36 Curacao

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GENERAL PARTNER'S REPORT
FOR THE PERIOD ENDED 30 JUNE 2023

The General Partner presents its report together with the unaudited financial statements of Merrill Lynch International & Co C.V. (the "Partnership", "MLICO") for the period ended 30 June 2023.

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 international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union for the purpose of meeting the requirements of the Partnership agreement.

The Partnership agreement requires the General Partner to prepare interim financial statements.The general partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing the financial statements, the general partner is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing 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 safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The general partner is also 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 the financial position of the Partnership.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

MLICO is a limited partnership established in Curacao. ML Cayman Holdings Inc. is the General Partner, and Merrill Lynch International Services Limited is the Limited Partner. The ultimate parent company and controlling party is Bank of America Corporation ("BAC").

The principal activity of the Partnership is 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.

The Partnership ceased its activity of the distribution of managed funds to third parties on which the Partnership received fee income, with residual income or expense relating to this business recharged to affiliated companies under service agreements. During the prior year, contracts with the third-party clients were novated from the Partnership to an affiliated company.

Loss for the period ended 30 June 2023 amounted to $4,684,000 (period ended 30 June 2022: $1,608,000).

Net operating revenue for the period ended 30 June 2023 amounted to $34,914,000 (period ended 30 June 2022: $30,410,000).

Administrative expenses for the period ended 30 June 2023 amounted to $39,598,000 (period ended 30 June 2022: $32,018,000).

MARKET ENVIRONMENT

Geopolitical and macroeconomic factors

Volatility dominated global market conditions (both in markets and in politics) amidst growing concern over geopolitics, record inflation, and rising rates.

Geopolitical risks were heightened during the year, driven by conflict between Russia and Ukraine, tensions between China and Hong Kong/Taiwan, and tensions between the United States (“US”) and China. Due to the ongoing conflict between Russia and Ukraine there has been significant volatility in financial and commodities markets, and multiple jurisdictions have implemented various economic sanctions. The Partnership’s direct exposure to Russia remains immaterial.

Meanwhile, in response to consumer price increases over the past two years most central banks responded by tightening monetary policies and hiking interest rates to fight inflation which has led to an increased cost of borrowing.

As a result of these geopolitical risk factors, the Partnership's business, results of performance, financial position and/or operational model could be adversely affected.

MANAGEMENT OF CLIMATE CHANGE RISK

Climate-related risks are divided into two major categories: (1) risks related to the transition to a low-carbon economy, which may entail extensive policy, legal, technology and market changes, and (2) risks related to the physical impacts of climate change, driven by extreme weather events, such as hurricanes and floods, as well as chronic longer-term shifts, such as rising average global temperatures and sea level rise. These changes and events can have broad impacts on operations, supply chains, distribution networks, customers, and markets and are otherwise referred to, respectively, as transition risk and physical risk. These risks can impact both financial and non-financial risk types. No material climate-related risk variables impacting the financial position of the Partnership as at 30 June 2023 have been identified.

BAC’s Risk Framework (as adopted by MLICO) establishes clear ownership and accountability for managing risk across the three lines of defence: Front line units ("FLUs"), independent risk management and Corporate Audit. The same approach to ownership and accountability is followed for climate risk as for other risks facing BAC.

Further information about BAC’s approach to environmental, social and governance matters can be accessed via the ESRPF ("Environmental and Social Risk Policy Framework") at www.bankofamerica.com/ESRPF and BAC’s Task Force for Climate-related Financial Disclosures available at www.bankofamerica.com/TCFD.

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 16 Risk Management).

GOING CONCERN

The General Partner has a reasonable expectation, based on current and anticipated future performance, that the Partnership will continue in operational existence for a period of at least 12 months from the date of approval of the Interim report and financial statements. The financial statements of the Partnership have, therefore, been prepared on a going concern basis. Disclosures in respect of liquidity risk is set out in note 16.

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, BAC.

GENERAL PARTNER'S REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2023

PARTNERS

The Partners who served during the period 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)

DONATIONS

The Partnership made no political donations for the period ended 30 June 2023 (period ended 30 June 2022: $nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events affecting the Partnership since the period end which would have impacted the financial position of the Partnership if retrospectively applied.

This report was approved by the General Partner and authorised for issue on 26 September 2023 and signed on its behalf by

Mary Ann Olson

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

	Note	**Period ended 30 June 2023 $000**	Period ended 30 June 2022 $000
Interest income	3	**106,822**	23,173
Interest expense	4	**(70,097)**	(12,020)
Net interest income		**36,725**	11,153
Other operating revenues	5	**—**	18,416
Net trading (loss)/profit	6	**(1,811)**	841
Net operating revenue		**34,914**	30,410
Administrative expenses	7	**(39,598)**	(32,018)
Loss before tax		**(4,684)**	(1,608)
Tax on loss	10	**—**	—
Loss for the period before Partners' remuneration and profit shares available for discretionary division among Partners		**(4,684)**	(1,608)
Other comprehensive income for the period			
Items that will not be reclassified to profit and loss:			
Movement in debit valuation reserve		**4,121**	1,574
Total comprehensive loss for the period before the General Partner's profit allocation		**(563)**	(34)

The notes on pages 7 to 35 form part of these financial statements.

The total comprehensive loss for the period is allocated to the General Partner (see note 15).

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	30 June 2023 $000	31 December 2022 $000
Current assets			
Debtors	11	**4,402,709**	3,929,916
Long inventory positions	12	**3,736,362**	3,145,462
Cash and cash equivalents	13	**902**	1,107
Total assets		**8,139,973**	7,076,485
Current liabilities			
Bank overdraft		**3**	1
Creditors	14	**7,512,596**	6,448,531
Total liabilities		**7,512,599**	6,448,532
Net assets attributable to partners		**627,374**	627,953
Partners' capital and income accounts	15	**627,374**	627,953

Partners' capital and income accounts are not classified as equity and therefore no separate statement of changes in equity has been presented. The movement in partners' capital and income accounts are disclosed in note 15.

The financial statements on pages 4 to 35 were approved and authorised for issue by the General Partner on 26 September 2023 and were signed on its behalf by

Mary Ann Olson

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

The notes on pages 7 to 35 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023

	Note	30 June 2023 $000	31 December 2022 $000
Cash flows used in operating activities			
Loss for the financial period		**(4,684)**	(890)
Adjustments for non-cash items:			
Interest income	3	**(106,822)**	(100,584)
Interest expense	4	**70,097**	60,553
Net trading (profit)/loss		**1,811**	(2,395)
Cash used in operations		**(39,598)**	(43,316)
Cash flows generated from operating activities:			
Repayment of corporate debt	12	**1,192,624**	5,520,652
Placement of corporate debt	12	**(1,829,300)**	(3,715,912)
Decrease in amounts owed by affiliated companies	11	**(365,971)**	3,140,524
Decrease in collateral amounts repayable to affiliated companies	14	**403,283**	(3,101,283)
Increase in amounts due to affiliated companies	14	**2,125**	4,397
Corporation tax (paid)/received	14	**—**	(306)
Proceeds from warrant issuances	14	**1,833,421**	3,716,633
Redemption of warrants	14	**(1,196,775)**	(5,521,322)
Cash flow generated from operating activities		**39,407**	43,383
Cash flows used in financing activities:			
Decrease in partners' capital accounts	15	**(16)**	(35)
Net cash used in financing activities		**(16)**	(35)
Net (decrease)/increase in cash and cash equivalents		**(207)**	32
Cash and cash equivalents at beginning of the period	13	**1,106**	1,074
Cash and cash equivalents at the end of the period		**899**	1,106
Cash at bank and in hand		**902**	1,107
Bank overdrafts		**(3)**	(1)
Cash and cash equivalents at the end of the period		**899**	1,106

The notes on pages 7 to 35 form part of these financial statements.

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the current and prior period, except where noted, are set out below.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with European Union ("EU") adopted International Financial Reporting Standards ("IFRS").

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 held at fair value as this is not relevant to the operation of the business.

The preparation of financial statements in conformity with IFRS 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.

1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE PARTNERSHIP

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework, also known as the 'Pillar Two' rules. On 23 May 2023, the International Accounting Standards Board ("IASB") published International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12. The standard introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, which was effective immediately. The Partnership has adopted the mandatory temporary exception. The standard also adds disclosure requirements to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes, which will be effective for periods beginning on or after 31 December 2023.

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period. None of these developments have significant impact on the Partnership's financial statements. The Partnership has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1.3 SEGMENTAL ANALYSIS

The Partnership's results are now wholly derived from a single class of business, being the issuance of warrants and related financial instruments. The Partnership ceased its activity of the distribution of managed funds (see note 8 Segmental Analysis). The Partners review and analyse performance of the Partnership based on these activities. Segmental performance is analysed geographically as the Partnership operates globally under one management structure.

1.4 GOING CONCERN

The General Partner has a reasonable expectation, based on current and anticipated future performance, that the Partnership will continue in operational existence for a period of 12 months from the date of approval of the Interim report and financial statements. The financial statements of the Partnership have, therefore, been prepared on a going concern basis. Disclosures in respect of liquidity risk is set out in note 16.

1.5 INCORPORATION AND DOMICILE INFORMATION

The Partnership is a Limited Partnership domiciled in Curacao.

1.6 OPERATING REVENUES

The Partnership has disclosed operating revenues instead of turnover as this more accurately reflects the results and nature of the Partnership's activities.

Other operating revenue includes:

(a) Fee income
Fee income in the prior year represented income earned distributing third party management funds for International Private Clients and was based on a fixed price per unit or as a percentage of the total transaction amount. The Partnership ceased its activity of the distribution of managed funds.See note 8 Segmental Analysis.

(b) Net trading revenue
Realised and unrealised trading profits and losses on financial instruments are recognised in revenue in the period in which they arise. Gains or losses from financial instruments designated at fair value through profit or loss are also recognised within revenue, with the exception of fair value changes in relation to changes in the credit risk of financial liabilities designated at fair value through profit or loss which are recognised in other comprehensive income as detailed in note 1.12.

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 AND EXPENSE

Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Partnership estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Partnership that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

Calculation of interest income and expense

Interest income and expense for all financial instruments measured at amortised cost are recognised on an accruals basis using the effective interest method.

The effective interest rate is applied to the gross carrying amount of the financial asset (for non- credit impaired assets) or to the amortised cost of the liability. As the Partnership has no credit impaired assets, the effective interest rate is applied to the gross carrying amount of the financial asset or to the amortised cost of the liability.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 INTEREST INCOME AND EXPENSE (CONTINUED)

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on balances with affiliated companies are recognised using the contractual interest rate in net interest income.

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

Partners’ rights and entitlements are described in note 15.

1.9 TRANSLATION OF FOREIGN CURRENCIES

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on monetary assets and liabilities are recognised in the statement of comprehensive income.

1.10 CURRENT TAXATION

Curacao introduced a territorial tax system effective from 1 January 2020 under which only income from Curacao source is subject to corporate tax (also referred to as profit tax). All the revenues generated by the Partnership are reported as exempted revenue as having been generated with foreign (non-Curacao) oriented services. Therefore, neither the Partnership or the General Partner is subject to corporate / profit tax in Curacao. No deferred tax has been recognised for the same reason.

For Curacao profit tax purposes, the tax base is the interests allocated to the Limited Partner’s capital account, which is taxed at the standard tax rate. Please refer to the tax calculations detailed in note 10, and the Limited Partner’s capital account and interest allocation are described in note 15.

1. ACCOUNTING POLICIES (CONTINUED)

1.11 FINANCIAL ASSETS

The Partnership recognises financial assets in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Management determines the classification of the Partnership's financial assets at initial recognition. The Partnership classifies its financial assets as measured at: amortised cost or Fair Value Through Profit or Loss ("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:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Partnership's cash and debtors that are not considered to be managed on a fair value basis, meet the requirements to be measured at amortised cost. All other financial assets, including long inventory positions, are classified as measured at FVPL. Long inventory positions are the principle instruments measured at FVPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Partnership changes its business model for managing those financial assets.

1.12 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 financial liabilities in the following categories: amortised cost or FVPL.

A financial liability is classified at FVPL when it is held for trading. A liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial liabilities are designated at FVPL to significantly reduce measurement inconsistencies that would arise if related instruments were measured at FVPL and the underlying financial liabilities were carried at amortised cost, or when doing so is consistent with the Partnership's risk management strategy. Structured liabilities are the principle instruments designated at FVPL.

Short inventory positions are measured at FVPL and warrant instruments issued by the Partnership that do not meet the accounting definition of a derivative and are presented as creditors are designated 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.

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 other comprehensive income ("OCI") as a debit valuation adjustments reserve. Amounts presented in the debit valuation adjustments reserve are not subsequently transferred to profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

1.13 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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.

1.14 IMPAIRMENT

The Partnership calculates a probability-weighted loss allowance for expected credit loss ("ECL") on its financial assets that are debt instruments, financial guarantees, and commitments that are not measured at FVPL. The Partnership's credit exposures are generally assessed as having no significant increase in credit risk since initial recognition. As a result, ECL is calculated on a 12 month basis. In the event that credit risk has increased significantly since initial recognition but not considered to be credit-impaired, and where significant financial difficulty or default of a counterparty indicates that an asset is credit-impaired, the ECL allowance is assessed on a lifetime basis, taking into account ECL that result from all possible default events over the expected life of the financial instrument.

Debtor balances are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Partnership determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Partnership’s procedures for recovery of amounts due.

1.15 OFFSETTING

Where the Partnership has the legal right to net settle and intends to do so (with any of its debtors or creditors) on a net basis, or to realise the asset and settle the liability simultaneously, the balance included within the financial statements is the net balance due to or from the counterparty. Counterparties are assessed to identify if net settlement criteria are met. Where this is achieved, assets and liabilities facing the counterparty are offset (see note 19 Offsetting).

1.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand, demand deposits and short term time deposits which are readily convertible to known amounts of cash.

1.17 STATEMENT OF CASH FLOW

The statement of cash flows is prepared according to the indirect method. The statement of cash flows shows the Company's cash flows for the period, divided into cash flows from operating activities and financing activities, and how the cash flows have affected the Company's cash balances. Transactions related to the issuance of warrants are classified as operating activities.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions concerning the future. The resulting accounting estimates are managements best estimate of values. 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.

Estimates

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 18 Valuation Adjustments. The fair values of financial instruments that are 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. INTEREST INCOME

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Due from affiliated companies	**106,822**	23,173

All interest income is recognised on an effective interest rate basis.

4. INTEREST EXPENSE

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Due to affiliated companies	**70,113**	12,038
Interest expense using effective interest rate method	**70,113**	12,038
Limited partner loss allocation	**(16)**	(18)
	70,097	12,020

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 15 provides more details on Partners' interest entitlements.

5. OTHER OPERATING REVENUES

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Fee income	**—**	18,416

During prior years, the Partnership novated all its third-party contracts for the distribution of the managed funds business to an affiliated company.

6. NET TRADING (LOSS)/PROFIT

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Net loss on financial instruments mandatorily at fair value through profit or loss	**(46,141)**	(1,204,249)
Net gain on financial instruments designated at fair value through profit or loss	**44,330**	1,205,090
	(1,811)	841

The Partnership has presented the breakdown of net trading revenues above to better disaggregate between 'net loss on financial instruments mandatorily at fair value through profit or loss' and 'net gains on financial instruments designated at fair value through profit or loss'. Comparative amounts have been re-presented accordingly above.

7. ADMINISTRATIVE EXPENSES

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Service fee expense	**39,600**	32,018
Foreign exchange gain	**(2)**	—
	39,598	32,018

The service fee expense relates to service fees charged by other affiliated companies.

8. SEGMENTAL ANALYSIS

	Warrant business	**Managed funds**	**Total**
	$000	**$000**	**$000**
For the period ended 30 June 2023			
Interest income	**106,822**	**—**	**106,822**
Interest expense	**(70,097)**	**—**	**(70,097)**
Net trading losses	**(1,811)**	**—**	**(1,811)**
Net operating revenue	**34,914**	**—**	**34,914**
Administrative expense	**(39,598)**	**—**	**(39,598)**
Loss before tax	**(4,684)**	**—**	**(4,684)**

	Warrant business	Managed funds	Total
	$000	$000	$000
For the period ended 30 June 2022			
Interest income	23,173	—	23,173
Interest expense	(12,020)	—	(12,020)
Fee income	—	18,416	18,416
Net trading profit	841	—	841
Net operating revenue	11,994	18,416	30,410
Administrative expense	(13,602)	(18,416)	(32,018)
Loss before tax	(1,608)	—	(1,608)

8. SEGMENTAL ANALYSIS (CONTINUED)

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

During prior years, the Partnership novated all its third-party contracts for the distribution of the managed funds business to an affiliated company.

The Partnership operates in three geographic regions, being Europe, Middle East and Africa ("EMEA"), the Americas and Asia Pacific ("APAC"). The methodology for allocating revenue to geographic regions is dependent on estimates and management judgement.

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Americas	**21,679**	23,221
EMEA	**9,315**	3,315
APAC	**3,920**	3,874
Total net operating revenue	**34,914**	30,410

9. AUDITORS' REMUNERATION

The following amounts are due to the Partnership's auditors in respect of the audit of the financial statements and for other services provided to the Partnership. The costs are borne by an affiliated company.

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
Fees payable to the Partnership's auditors and its associates for the audit of the Partnership's annual financial statements	**83**	83
Fees payable to the Partnership's auditors for audit related assurance services	**12**	12

10. TAX ON LOSS

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
CORPORATION TAX		
Current tax on other comprehensive income for the period	**—**	—
Adjustments to tax charge in respect of prior years	**—**	—
TOTAL TAX CHARGE FOR THE PERIOD	**—**	—

10. TAX ON LOSS (CONTINUED)

	Period ended 30 June 2023	Period ended 30 June 2022
	$000	$000
FACTORS AFFECTING THE TAX CHARGE FOR THE PERIOD		
Loss before tax	**(4,684)**	(1,608)
Loss before tax multiplied by rate of tax in Curacao of 22% (2022: 22%)	**(1,030)**	(353)
EFFECTS OF:		
Expense not taxable	**1,030**	353
Adjustments to tax charge in respect of previous periods	**—**	—
TOTAL TAX CHARGE FOR THE PERIOD	**—**	—

The profit is not subject to tax in Curacao because the Partnership does not have a permanent establishment in Curacao. The profit/interest attributable to the Limited Partner is subject to profit tax in Curacao at local tax rate of 22%.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework, also known as the 'Pillar 2' rules. The OECD released additional administrative guidance on the operation of the Pillar 2 global minimum tax rules on 2 February 2023, the new guidance within the document will be incorporated into the commentary previously released in March 2022, with a revised synthesised version to be released later this year. On 23 May 2023, the IASB published International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The standard introduced a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar 2 model rules and adds disclosure requirements to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes. With the exception of the requirement to disclose the application of the mandatory temporary exception immediately upon enactment, the requirements will be effective for periods beginning on or after 31 December 2023.

11. DEBTORS

	30 June 2023	31 December 2022
	$000	$000
Trade debtors		
Amounts owed by affiliated companies	**8,047**	8,044
Other receivables	**—**	21
Other debtors		
Amounts owed by affiliated companies	**4,394,662**	3,921,851
	4,402,709	3,929,916

Amounts owed by affiliated companies comprise of interest-bearing amounts arising on principal activities.

12. LONG INVENTORY POSITIONS

	30 June 2023	31 December 2022
	$000	$000
Derivative assets	**1**	1
Corporate debt	**3,736,361**	3,145,461
	3,736,362	3,145,462

The Partnership issues warrants and related financial instruments and hedges market risks associated with these warrants and related financial instruments through fully funded over-the-counter ("OTC") derivative contracts with Merrill Lynch International ("MLI"). These fully funded OTC derivative contracts that do not meet the definition of a derivative are presented as corporate debt and are measured at FVPL.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are deposits held with affiliated companies which the Partnership uses in its operations and are available on demand. Balance for the period ended 30 June 2023 amounted to $902,000 (31 December 2022: $1,107,000).

14. CREDITORS

	30 June 2023	31 December 2022
	$000	$000
Trade creditors		
Collateral amounts repayable to affiliated companies	**3,769,990**	3,296,610
Other creditors		
Structured liabilities	**3,729,107**	3,140,547
Amounts due to affiliated companies	**13,315**	11,190
Corporation tax payable	**184**	184
	3,742,606	3,151,921
	7,512,596	6,448,531

Amounts due to affiliated companies comprise both interest-bearing and non-interest-bearing amounts arising on principal activities. The Partnership manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows. Amounts owed to affiliated companies are due on demand or within one year.

Structured liabilities are designated at FVPL. The amount contractually required to pay at maturity to the holder of these obligations was $3,725,972,958 (2022: $3,199,721,989).

15. PARTNERS' CAPITAL AND INCOME ACCOUNTS

	General Partner $000	Limited Partner $000	Total $000
At 1 January 2022	**627,805**	**352**	**628,157**
Interest on Partners' capital	**—**	**(35)**	**(35)**
Loss for the period	**(890)**	**—**	**(890)**
Other comprehensive income	**721**	**—**	**721**
At 31 December 2022 and 1 January 2023	**627,636**	**317**	**627,953**
Interest on Partners' capital (note 4 Interest expense)	**—**	**(16)**	**(16)**
Loss for the period	**(4,684)**	**—**	**(4,684)**
Other comprehensive income	**4,121**	**—**	**4,121**
At 30 June 2023	**627,073**	**301**	**627,374**

The rights and entitlements of the Partners in relation to allocations of profits (or losses) shall be divided by 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 is recorded within liabilities.

16. RISK MANAGEMENT

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 BAC 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.

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 entity are subject to various changes in market based risk factors. The majority of this risk is generated by the activities in interest rate, foreign exchange, equities, commodities and credit markets. In addition, the values of asset and liabilities could change due to market liquidity, correlations across markets and expectations of market volatility.

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 at 30 June 2023 and 31 December 2022. Additionally, high and low VaR is presented independently for each risk category and overall.

Interest rate risk

Interest rate risk is the risk to the current or projected financial condition and resilience arising from movements in interest rates. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows (re-pricing risk), from changing rate relationships among different yield curves affecting bank activities (basis risk), from changing rate relationships across the spectrum of maturities (yield curve risk), and from interest-related options embedded in bank products (options risk).

16. RISK MANAGEMENT (CONTINUED)

	30 June 2023	High 2023	Daily average 2023	Low 2023
	$000	**$000**	**$000**	**$000**
3 year 99% Daily VAR				
Total	**6**	**948**	**24**	**3**
Interest rate risk	**—**	**34**	**1**	**—**
Currency risk	**6**	**15**	**4**	**1**
Equity price risk	**1**	**944**	**22**	**1**
Credit risk	**—**	**—**	**—**	**—**
Commodity risk	**—**	**—**	**—**	**—**

	31 December 2022	High 2022	Daily average 2022	Low 2022
	$000	$000	$000	$000
3 year 99% Daily VAR				
Total	7	246	67	5
Interest rate risk	—	13	5	—
Currency risk	2	108	3	—
Equity price risk	7	247	66	5
Credit risk	—	—	—	—
Commodity risk	—	—	—	—

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 Partnership's credit risk activities, thus providing senior management the information required to guide or redirect strategic plans, if necessary.

The primary credit risks of the Partnership relate to its derivatives trading activities with affiliates. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. There were no credit exposures that were past due at 30 June 2023 or 31 December 2022.

16. RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

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); AA/F1+(Fitch) as at 30 June 2023 (31 December 2022: A+/A-1(S&P); AA/F1+(Fitch)). Residual exposures are mainly to other subsidiaries of BAC. BAC's credit rating is A- / A-2 (S&P); AA-/F1+ (Fitch) as at 30 June 2023 (31 December 2022: A- / A-2 (S&P); AA-/F1+ (Fitch)).

Additionally, the Partnership grants intercompany loans and places deposits with affiliates. None of the loans to affiliate companies are past due or considered to be credit-impaired and the probability of default is such that the resulting ECL is not significant to the Partnership.

Exposure as at 30 June 2023 to MLI is $8,131,023,000 (31 December 2022: $7,067,311,000) and to other BAC entities is $8,047,000 (31 December 2022: $8,066,000).

Derivatives trading

The Partnership has entered into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements with MLI. 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 it is permitted by documentation such as repurchase agreements or Credit Support Annex to an 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 it to terminate or reset the terms of its derivative contracts under certain defined conditions.

COMPLIANCE AND OPERATIONAL RISK

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Partnership arising from the failure to comply with the requirements of applicable laws, rules and regulations and internal policies and procedures. The Partnership is committed to the highest level of compliance, has no appetite for violations of legislative or regulatory requirements and seeks to anticipate and assess compliance risks to the core businesses and respond to these risks effectively should they materialise. While the Partnership strives to prevent compliance violations in everything it does, it cannot fully eliminate compliance risk, but manage it by establishing permissible thresholds to reduce exposure to financial loss, reputational harm or regulatory sanctions.

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. The Partnership manages operational risk by establishing permissible thresholds to reduce exposure to financial loss, reputational harm or regulatory sanctions.

16. RISK MANAGEMENT (CONTINUED)

COMPLIANCE AND OPERATIONAL RISK (CONTINUED)

Front Line Units ("FLUs") and Control Functions, including Enterprise Areas of Coverage are first and foremost responsible for managing all aspects of their businesses, including their compliance and operational risk. Focus areas include (but are not limited to) Global Information Security ("GIS") and Outsourcing (both third party and internal risks) in additional to Anti-Money Laundering / Countering the Financing of Terrorism ("AML/CTF") and Model Risks.

FLUs and Control Functions are required to 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. FLUs and Control Functions must also adhere to Compliance and Operational Risk Appetite Limits to meet strategic, capital and financial planning objectives. Finally, FLUs and Control Functions are responsible for the proactive identification, management and escalation of compliance and operational risks across the Partnership.

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 Corporate Treasury to achieve liquidity risk management objectives.

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

The Partnership presents its structured liabilities as current liabilities as although in general it is not contractually obliged to do so, in certain circumstances it may choose to terminate such liabilities following a request by a client. The Partnership considers it unlikely that, in any given period, all of the liabilities will unwind in the short term. The Partnership manages liquidity for these instruments by actively unwinding asset positions to ensure appropriately balanced cash flows.

REPUTATIONAL RISK

Reputational risk is the risk that negative perceptions of BAC may adversely impact its profitability or operations. Reputational risk can stem from many of BAC's activities, including those related to the management of the strategic, operational, compliance, credit, or other risks. As a result, BAC evaluates the potential impact to its reputation within all risk categories and throughout the risk management process.

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.

Reputational risk items relating to MLICO are considered as part of the EMEA Reputational Risk Committee (the “Reputational Risk Committee”), whose mandate includes consideration of Reputational Risk issues (including matters related to Environmental, Social, and Governance (“ESG”) factors) and provision of 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.

For the EMEA region there is a dedicated committee, the EMEA Reputational Risk Committee, whose mandate includes consideration of reputational risk issues (including matters related to Environmental, Social, and

16. RISK MANAGEMENT (CONTINUED)

REPUTATIONAL RISK (CONTINUED)

Governance factors) 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 to define its associated Risk appetite. Through proactive risk management, BAC seeks to minimise both the frequency and impact of reputational events.

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

The Reputational Risk Committee is a sub-committee of 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 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 Reputational Risk Committee. Items presented to the EMEA Reputational Risk Committee are maintained through a reporting protocol, which includes description of the reputational risk issue, geographical jurisdiction, reason for escalation and decision reached.

STRATEGIC RISK

Strategic risk is the risk to current or projected financial condition arising from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environment.

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.

The Partnership's strategic execution and risk management processes are aligned to the overall BAC strategic plans.

17. FAIR VALUE DISCLOSURES

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.

17. FAIR VALUE DISCLOSURES (CONTINUED)

VALUATION TECHNIQUES

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

(a) Structured liabilities

The fair values of structured liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair values of structured liabilities. In less liquid markets, market price quotes may not be readily available. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying assets. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

(b) OTC derivative contracts

OTC derivative contracts include swap and option contracts related to equity and commodity 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 and commodity underlyings. Depending on the type of structure, the model inputs generally include interest rate yield curves, equity and commodity underlier price curves, implied volatility of the underlying equities and, in some cases, the implied correlation between these 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 and commodity 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. These OTC derivative contracts are fully funded and therefore do not meet the definition of a derivative and are presented as corporate debt and are measured at FVPL.

17. FAIR VALUE DISCLOSURES (CONTINUED)

The following tables present the Partnership's fair value hierarchy for those assets and liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

30 June 2023 Fair Value Measurement

	Level 2	**Level 3**	**Total**
	$000	**$000**	**$000**
Assets			
Long inventory	**3,735,198**	**1,164**	**3,736,362**

	Level 2	**Level 3**	**Total**
	$000	**$000**	**$000**
Liabilities			
Other creditors	**(3,727,944)**	**(1,163)**	**(3,729,107)**

31 December 2022 Fair Value Measurement

	Level 2	Level 3	Total
	$000	$000	$000
Assets			
Long inventory	3,138,160	7,302	3,145,462

	Level 2	Level 3	Total
	$000	$000	$000
Liabilities			
Other creditors	(3,133,246)	(7,301)	(3,140,547)

17. FAIR VALUE DISCLOSURES (CONTINUED)

FAIR VALUE OF LEVEL 3 ASSETS AND LIABILITIES

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 2023 and 31 December 2022.

	Assets: Long inventory $000	**Liabilities: Other creditors $000**
At 1 January 2023	**7,302**	**(7,301)**
Total (loss)/gain recognised in the income statement	**(1,613)**	**1,613**
New issuances	**2,721**	**(2,721)**
Settlements	**(292)**	**292**
Transfers out	**(6,954)**	**6,954**
Transfers in	**—**	**—**
At 30 June 2023	**1,164**	**(1,163)**
Unrealised gain/(loss)	**1,519**	**(1,519)**

	Assets: Long inventory $000	Liabilities: Other creditors $000
At 1 January 2022	6,806	(6,805)
Total gain/(loss) recognised in the income statement	1,439	(1,439)
New issuances	1,550	(1,550)
Settlements	(136)	136
Transfers out	(12,506)	12,506
Transfers in	10,149	(10,149)
At 31 December 2022	7,302	(7,301)
Unrealised gain/(loss)	558	(558)

Unrealised gains/(losses) relate to profit or loss from positions still held at year end.

17. FAIR VALUE DISCLOSURES (CONTINUED)

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

Transfers between levels of the fair value hierarchy are assessed on a quarterly basis and the policy for determining a transfer amount is consistent for transfers in and transfers out. The 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.

VALUATION OF LEVEL 3 FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE 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 period ended 30 June 2023;

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Assets $'000					
Long inventory	$1,164	Industry standard derivative pricing	Equity correlation	0% to 100%	68%
			Long-dated equity volatilities	2% to 122%	38%
Liabilities $'000					
Other creditors	$1,163	Industry standard derivative pricing	Equity correlation	0% to 100%	68%
			Long-dated equity volatilities	2% to 122%	38%

17. FAIR VALUE DISCLOSURES (CONTINUED)

For the year ended 31 December 2022;

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Assets $'000					
Long inventory	$7,302	Industry standard derivative pricing	Equity correlation	0% to 100%	73%
			Long-dated equity volatilities	4% to 101%	44%
Liabilities $'000					
Other creditors	$7,301	Industry standard derivative pricing	Equity correlation	0% to 100%	73%
			Long-dated equity volatilities	4% to 101%	44%

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.

17. FAIR VALUE DISCLOSURES (CONTINUED)

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, then at the period end, it could have increased fair value by as much a $439,000 (2022: $249,000) or decreased fair value by as much as $439,000 (2022: $249,000) and therefore the sensitivity is likely to be greater than the actual uncertainty relating to the financial instruments with the potential effect impacting profit and loss rather than reserves.

This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable inputs and is not predictive or indicative of future movements in fair value. Furthermore, it is unlikely in practice that all unobservable parameters would be simultaneously, at the extremes of their ranges of reasonable possible alternatives.

FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The below summarises the fair value of the Partnership's financial assets and liabilities which are carried at amortised cost.

All debtors and creditors in the statement of financial position are classified as level 2. The carrying amounts are a reasonable approximation of their fair value, due to the short term nature of these instruments.

18. 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.

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 (2021: $nil), as a result of collateral posted by the counterparty.

The Partnership records a debit valuation adjustment ("DVA") to properly reflect the Partnership's own credit risk exposure as part of the fair value of its warrants, options and swaps in issue.

The amount of the change in fair value attributable to changes in own credit risk on the Partnership's structured liabilities which is recorded in other comprehensive income for the year was as follows:

	Period ended 30 June 2023	**Period ended 30 June 2022**
	$000	**$000**
Movement in debit valuation reserve	**4,121**	1,574

19. OFFSETTING

Financial assets and liabilities are offset and the net amount reported in the statement of financial position ("SOFP") where the Partnership currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Partnership has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2023 and 31 December 2022. The column 'net amount' shows the impact on the Partnership's SOFP if all set-off rights were exercised.

As at 30 June 2023

	Gross amounts recognised	**Gross amounts set off in the SOFP**	**Net amounts presented in the SOFP**	**Cash collateral**	**Net amounts**
	$000	**$000**	**$000**	**$000**	**$000**
Assets					
Long inventory	**3,784,636**	**(48,274)**	**3,736,362**	**(3,736,362)**	**—**
Liabilities					
Other creditors	**3,777,381**	**(48,274)**	**3,729,107**	**—**	**3,729,107**

As at 31 December 2022

	Gross amounts recognised	Gross amounts set off in the SOFP	Net amounts presented in the SOFP	Cash collateral	Net amounts
	$000	$000	$000	$000	$000
Assets					
Long inventory	3,305,206	(159,744)	3,145,462	(3,145,462)	—
Liabilities					
Other creditors	3,300,291	(159,744)	3,140,547	—	3,140,547

19. OFFSETTING (CONTINUED)

Financial instruments

The Partnership can undertake a number of financial instrument transactions with a single counterparty and may enter into a master netting agreement with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract. These agreements are commonly used to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

The Partnership enters into ISDA master agreements or their equivalent (“master netting agreements”) with the Partnership’s major derivative counterparties.

Where there is not an intention to settle on a net basis in the normal course of business, the balances have not been offset in the SOFP and have been presented separately in the table on the previous page.

Cash collateral

Cash collateral relates to collateral received and pledged against derivatives which has not been offset in the SOFP.

20. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Partnership, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Partnership.

The Partnership's related parties include;

The General Partner, ML Cayman Holdings Inc.;
The Limited Partner, Merrill Lynch International Services Limited;
Officers of the General Partner;
Officers of the Limited Partner;
The Partnership's ultimate parent company, BAC; and
Other BAC affiliates

Transactions with related parties for the period ended 30 June 2023:

	Interest income	Interest expense	Service fee expense
	Period ended 30 June 2023	Period ended 30 June 2023	Period ended 30 June 2023
	$000	$000	$000
Merrill Lynch International Services Limited	—	(16)	—
Other BAC affiliated entities	106,822	70,113	39,600
	106,822	70,097	39,600

Balances outstanding for the period ended 30 June 2023:

	Corporate debt	Amounts owed by affiliated companies	Collateral amounts repayable to affiliated companies	Amounts due to affiliated companies	Partners' capital account
	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023
	$000	$000	$000	$000	$000
ML Cayman Holdings Inc.	—	—	—	—	627,073
Merrill Lynch International Services Limited	—	—	—	—	301
Other BAC affiliated entities	3,736,361	4,402,709	3,769,990	13,315	—
	3,736,361	4,402,709	3,769,990	13,315	627,374

20. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties for the period ended 30 June 2022:

	Interest income	Interest expense	Service fee expense
	Period ended 30 June 2022	Period ended 30 June 2022	Period ended 30 June 2022
	$000	$000	$000
Merrill Lynch International Services Limited	—	(18)	—
Other BAC affiliated entities	23,173	12,038	32,018
	23,173	12,020	32,018

Balances outstanding as at 31 December 2022

	Corporate debt	Amounts owed by affiliated Companies	Collateral amounts repayable to affiliated companies	Amounts due to affiliated companies	Partners' capital account
	31 December 2022	31 December 2022	31 December 2022	31 December 2022	31 December 2022
	$000	$000	$000	$000	$000
ML Cayman Holdings Inc.	—	—	—	—	627,636
Merrill Lynch International Services Limited	—	—	—	—	317
Other BAC affiliated entities	3,145,461	315,119	3,296,610	11,190	—
	3,145,461	315,119	3,296,610	11,190	627,953

Transactions with other BAC affiliates are primarily with Merrill Lynch International ("MLI") and Merrill Lynch Pierce Fenner & Smith Inc. ("MLPFS"). The partnership hedges its warrants and related financial instruments through fully funded OTC derivative contracts with MLI. Transactions with MLPFS primarily represents service fee expense as part of the managed funds business. The Partnership also grants intercompany loans and places deposits with affiliated companies, as disclosed in the table above.

21. EVENTS AFTER THE REPORTING PERIOD

The partners are of the opinion that there are no significant events that have occurred since 30 June 2023 to the date of this report which need to be disclosed or would impact the financial position of the Partnership if retrospectively applied since the year end.

22. 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 exists 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/.