

**BRECKENRIDGE INVESTMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
26 December 2008**

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## **BRECKENRIDGE INVESTMENTS LIMITED**

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**DIRECTORS' REPORT – (Continued)**  
**For the year ended 26 December 2008**

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The directors present their report and the audited financial statements of Breckenridge Investments Limited (the "Company") for the year ended 26 December 2008.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**BUSINESS REVIEW**

The principal activity of the Company is to hold investments in a liquidity portfolio.

There have been no changes in the principal activities of the Company during the year.

The loss for the year, after taxation, amounted to \$57,730,000 (2007 – loss \$34,449,000).

The directors are of the opinion that analysis using any other key performance indicator is not necessary for an understanding of the development, performance or position of the business of the Company.

The directors do not recommend the payment of a dividend for the year ended 26 December 2008 (2007 - \$nil).

**POST BALANCE SHEET EVENTS**

On 1 January 2009, Bank of America Corporation ("BAC") completed its all-stock acquisition of Merrill Lynch & Co., Inc. ("ML & Co").

On 22 October 2009, the Company issued an additional 1,000 ordinary shares at \$1, for consideration of \$20,000,000.

## **BRECKENRIDGE INVESTMENTS LIMITED**

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### **DIRECTORS' REPORT – (Continued)** **For the year ended 26 December 2008**

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#### **GOING CONCERN**

The Company relies upon its ultimate parent ML & Co (with effect from 1 January 2009, BAC) to provide capital and liquidity to support its business operations.

Whilst the Company has received no guarantees, the directors have a reasonable expectation, based on experience to date, of continued and sufficient access to funding and capital facilities from its ultimate parent and that the Company will continue in operational existence for the foreseeable future. The financial statements of the company have, therefore, been prepared on a going concern basis.

#### **RISK MANAGEMENT**

The Company's exposure to, and management of, the principal risks of credit risk and interest rate risk are described in notes 9, 10, 12, 13 and 17.

#### **DIRECTORS**

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

B. J. Gately (resigned 4 March 2008)  
A. S. Gazitua (resigned 9 February 2008)  
M. G. Koyanagi (appointed 5 February 2008)  
J. A. Lyne (resigned 25 June 2008)  
T. C. Martin (appointed 12 May 2008)  
R. Shah (appointed 1 May 2008)  
R. Strudwick (resigned 5 February 2008)

#### **AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Pursuant to s386 Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. This election was in force immediately before 1 October 2008. Therefore, Deloitte LLP are deemed to continue as auditors.

This report was approved by the Board on 23 October 2009 and signed on its behalf.



Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRECKENRIDGE INVESTMENTS LIMITED**

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We have audited the financial statements of Breckenridge Investments Limited (the "Company") for the year ended 26 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

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

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

**BRECKENRIDGE INVESTMENTS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRECKENRIDGE INVESTMENTS LIMITED**  
**– (Continued)**

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**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 26 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte LLP**

Chartered Accountants and Registered Auditors  
London, United Kingdom

Date: 28<sup>th</sup> October 2009

**BRECKENRIDGE INVESTMENTS LIMITED**

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**PROFIT AND LOSS ACCOUNT****For the year ended 26 December 2008**

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	<b>Note</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
Administrative expenses		<u>(4)</u>	<u>-</u>
<b>OPERATING LOSS</b>		<b>(4)</b>	
Profit/(loss) on disposal of investments		<b>10</b>	(9,931)
Write-downs of current asset investments	5	<b>(50,911)</b>	(26,980)
Other interest receivable and similar income	6	<b>81,048</b>	171,078
Interest payable and similar charges	7	<u><b>(87,873)</b></u>	<u>(168,616)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(57,730)</b>	(34,449)
<b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>	8	<u><b>-</b></u>	<u>-</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><b>(57,730)</b></u>	<u>(34,449)</u>

Loss derives wholly from continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the profit and loss account.

The notes on pages 7 to 14 form part of these financial statements.

**BRECKENRIDGE INVESTMENTS LIMITED****BALANCE SHEET**  
**As at 26 December 2008**

	Note	\$000	2008 \$000	\$000	2007 \$000
<b>CURRENT ASSETS</b>					
Debtors	9	2,316		2,177,412	
Investments	10	1,566,580		1,910,127	
		<u>1,568,896</u>		<u>4,087,539</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
Trade creditors	11	(1,500,010)		(1,867,945)	
Other creditors	12	(14,223)		(2,843)	
		<u>(1,514,233)</u>		<u>(1,870,788)</u>	
<b>NET CURRENT ASSETS</b>					
			<u>54,663</u>		<u>2,216,751</u>
<b>CREDITORS: Amounts falling due after more than one year</b>					
	13		(71,291)		(2,175,649)
<b>NET (LIABILITIES) / ASSETS</b>					
			<u>(16,628)</u>		<u>41,102</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		70,501		70,501
Share premium account	15		1,099		1,099
Profit and loss account	15		(88,228)		(30,498)
<b>SHAREHOLDERS' (DEFICIT) / FUNDS</b>	16		<u>(16,628)</u>		<u>41,102</u>

The financial statements were approved by the Board and authorised for issue on 23 October 2009.

They were signed on its behalf by:



Director

The notes on pages 7 to 14 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of accounting**

The financial statements have been prepared in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the going concern assumption has been used in the preparation of the financial statements as detailed in the Directors' Report.

**1.2 Accounting period**

The Company's financial year consisted of a fifty-two (2007: fifty-two) week period ending on the last Friday in December (2007: 28 December).

**1.3 Accounting convention**

The financial statements have been prepared under the historical cost convention.

Under Financial Reporting Standard No. 25 - Financial Instruments: Disclosure and Presentation ("FRS 25"), the redeemable preference shares (see note 14) are compound instruments. In accordance with FRS 25 the liability component has been classified as creditors: amounts falling due after more than one year.

**1.4 Cash flow**

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised 1996) - Cash Flow Statements, as a consolidated cash flow statement is included in the publicly available consolidated financial statements of the ultimate parent company, ML & Co.

**1.5 Other interest receivable and similar income**

Other interest receivable and similar income comprises interest receivable on securities held as current asset investments, interest receivable on interest rate swaps accounted for on an accruals basis and interest receivable on balances with affiliated companies recognised on an accruals basis.

**1.6 Interest payable and similar charges**

Interest payable and similar charges comprises interest payable on interest rate swaps accounted for on an accruals basis and interest payable on balances with affiliated companies recognised on an accruals basis.

**1.7 Current asset investments**

Current asset investments are stated at lower of cost and net realisable value.

**1.8 Derivatives and hedging**

Derivative instruments transacted by the Company consisted of interest rate swaps. These derivatives were used as hedging instruments and were accounted for on a consistent accruals basis with the items which were the subject of the hedge.

**BRECKENRIDGE INVESTMENTS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**

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**2. PRINCIPAL ACTIVITY**

The principal activity of the Company is to hold investments in a liquidity portfolio.

**3. DIRECTORS AND EMPLOYEES**

The directors received no remuneration for their services to the Company during the year ended 26 December 2008 (2007 - \$nil). There were no employees during the current or preceding year.

**4. AUDITORS' REMUNERATION**

Audit fees borne by an affiliated company were as follows:

	2008 \$000	2007 \$000
Total audit fees:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>15</u>	<u>30</u>

**5. WRITE-DOWNS OF CURRENT ASSET INVESTMENTS**

	2008 \$000	2007 \$000
Write-downs	<u>50,911</u>	<u>26,980</u>

**6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2008 \$000	2007 \$000
Other interest receivable and similar income:		
- From affiliated companies	28,034	56,893
- From other sources	53,014	114,185
	<u>81,048</u>	<u>171,078</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008 \$000	2007 \$000
Interest payable and similar charges:		
- Interest on liability component of redeemable preference shares	2,391	2,054
- To affiliated companies	85,482	166,549
- To other sources	-	13
	<u>87,873</u>	<u>168,616</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2008 \$000	2007 \$000
UK corporation tax charge on loss for the year	<u>-</u>	<u>-</u>

**Factors affecting tax charge for year**

The tax assessed for the year is lower than (2007 higher than) the standard rate of corporation tax in the UK applicable to the Company 28.5% (2007: 30%). The differences are explained below:

	2008 \$000	2007 \$000
Loss on ordinary activities before tax	<u>(57,730)</u>	<u>(34,449)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(16,453)	(10,335)
<b>Effects of:</b>		
Tax losses surrendered to affiliated companies for no payment	15,772	-
Expenses not deductible for tax purposes	681	8,711
Losses carried forward	-	1,624
	<u>-</u>	<u>-</u>
<b>Current tax charge for year (see note above)</b>	<u>-</u>	<u>-</u>

**9. DEBTORS**

	2008 \$000	2007 \$000
Amounts owed by affiliated companies	1,827	2,174,713
Other debtors	489	2,699
	<u>2,316</u>	<u>2,177,412</u>

The Company was exposed to interest rate risk. The Company hedged its exposure to interest rate risk using interest rate swap agreements until June 2008 when they were terminated.

**BRECKENRIDGE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008****10. CURRENT ASSET INVESTMENTS**

	2008	2007
	\$000	\$000
Unlisted investments	<u>1,566,580</u>	<u>1,910,127</u>

The above investments consist of mortgage-backed securities.

The Company is exposed to credit risk. The Company does not hedge its exposure to credit risk.

**11. TRADE CREDITORS**

	2008	2007
	\$000	\$000
Amounts owed to affiliated companies	10	4,745
Repurchase agreements and securities loaned transactions	<u>1,500,000</u>	<u>1,863,200</u>
	<u>1,500,010</u>	<u>1,867,945</u>

Balances with affiliated companies within repurchase agreements and securities loaned transactions were \$1,500 million (2007: \$1,868 million).

**12. OTHER CREDITORS**

	2008	2007
	\$000	\$000
Amounts owed to affiliated companies	<u>14,223</u>	<u>2,843</u>

The Company was exposed to interest rate risk. The Company hedged its exposure to interest rate risk using interest rate swap agreements until June 2008 when they were terminated.

**13. CREDITORS****Amounts falling due after more than one year**

	2008	2007
	\$000	\$000
Liability component of redeemable preference shares	44,888	42,498
Amounts owed to affiliated companies	<u>26,403</u>	<u>2,133,151</u>
	<u>71,291</u>	<u>2,175,649</u>

The Company was exposed to interest rate risk. The Company hedged its exposure to interest rate risk using interest rate swap agreements until June 2008 when they were terminated.

The above balance comprises amounts not wholly repayable within five years.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**

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**13. CREDITORS:****Amounts falling due after more than one year (continued)**

The redeemable preference shares (see note 14) are compound instruments. In accordance with the application of FRS 25, the liability component has been classified as creditors: amounts falling due after more than one year.

The fair values of the liability and equity components of the redeemable preference shares were determined on issue. The fair value of the liability component, included in long-term liabilities, was calculated using a discount rate of 5.35%, which represents the market rate for an equivalent 20 year bond. The residual amount, representing the value of the equity component, is included in shareholders' funds.

In subsequent periods the liability component of the preference shares will be recognised on an amortised cost basis until extinguished on maturity. The unwinding of the discount on the liability component is recognised in the profit and loss account as interest using the effective yield basis. The equity component is determined on issue of the non-cumulative redeemable preference shares and is not changed in subsequent periods.

The redeemable preference shares are recognised in the balance sheet as follows:

	<b>2008</b> <b>\$000</b>	2007 \$000
1,089 Redeemable Preference Shares of \$100,000 each	<b>108,900</b>	108,900
Equity component (see note 14)	<u><b>(70,500)</b></u>	<u>(70,500)</u>
Liability component on initial recognition	<b>38,400</b>	38,400
Interest accrued on the liability component	<u><b>6,488</b></u>	<u>4,098</u>
Total	<u><b>44,888</b></u>	<u>42,498</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**
**14. CALLED UP SHARE CAPITAL**

	2008 \$	2007 \$
<b>Authorised</b>		
1,100,000 Ordinary shares of \$1 each	1,100,000	1,100,000
1,089 Preference shares of \$100,000 each	<u>108,900,000</u>	<u>108,900,000</u>
	<u>110,000,000</u>	<u>110,000,000</u>
<b>Allotted, called up and fully paid</b>		
1,100 Ordinary shares of \$1	1,100	1,100
1,089 Preference shares of \$100,000 (see note 13)	<u>70,499,482</u>	<u>70,499,482</u>
	<u>70,500,582</u>	<u>70,500,582</u>
<b>Allotted, called up and partly paid</b>		
2 ordinary shares of \$1	<u>2</u>	<u>2</u>

Dividends shall be paid in accordance with the provisions of the Companies Act 1985 (as amended), pro rated between the holders of ordinary shares and redeemable preference shares in respect of their percentage holding of share capital. The ordinary shares and the preference shares rank pari passu with each other in respect of dividends. The redeemable preference shares shall be mandatorily redeemed by the Company on 30 November 2024 for an amount equal to the nominal value of each preference share. The preference shares carry no voting rights.

The redeemable preference shares with discretionary dividend payments are compound instruments. In accordance with the application of FRS 25 the liability component has been classified as creditors: amounts falling due after more than one year and the equity component is classified as share capital.

**15. RESERVES**

<b>Share premium account</b>	<b>\$000</b>
At 28 December 2007	1,099
	<u>1,099</u>
At 26 December 2008	<u>1,099</u>
<b>Profit and loss account</b>	<b>\$000</b>
At 28 December 2007	(30,498)
Loss retained for the year	(57,730)
	<u>(88,228)</u>
At 26 December 2008	<u>(88,228)</u>

**BRECKENRIDGE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008****16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>
Loss for the year	<b>(57,730)</b>	<b>(34,449)</b>
Opening shareholders' funds	<b>41,102</b>	<b>75,551</b>
Closing shareholders' (deficit) / funds	<b>(16,628)</b>	<b>41,102</b>

**17. FINANCIAL INSTRUMENTS**

The fair value of financial instruments held on an accruals basis is as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>
	<b>Liabilities</b>	<b>Liabilities</b>
Interest rate swaps	<b>-</b>	<b>137,938</b>

The Company is exposed to interest rate risk. The Company hedged its exposure to interest rate risk using interest rate swap agreements until June 2008 when they were terminated.

**18. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption from related party disclosures available in Paragraph 3(c) of Financial Reporting Standard No. 8 - Related Party Disclosures, as it is a wholly owned subsidiary 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 companies covered by the exemption noted above.

**19. PARENT UNDERTAKINGS**

The Company's immediate parent company is Glenwood Investments Limited and the ultimate parent company and controlling party is ML & Co., Inc., a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group financial statements are prepared is Merrill Lynch & Co., Inc. Copies of the group financial statements of ML & Co., Inc. are available from the Investor Relations website at [www.ir.ml.com](http://www.ir.ml.com) or by contacting the Corporate Secretary by mail at 222 Broadway, 17th Floor, New York, NY 10038, USA or by e-mail at [corporate\\_secretary@ml.com](mailto:corporate_secretary@ml.com).

With effect from 1 January 2009, as referenced in the Directors' Report, the Company's ultimate parent company and controlling party became BAC, a company incorporated in the State of Delaware in the United States of America.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 26 December 2008**

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**20. POST BALANCE SHEET EVENTS**

On January 1, 2009, Merrill Lynch was acquired by BAC. Upon completion of the acquisition, a wholly owned subsidiary of BAC merged with and into ML & Co. with ML & Co. continuing as the surviving corporation and is now a wholly owned subsidiary of BAC. Upon completion of the acquisition, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of BAC common stock.

On 22 October 2009, the Company issued an additional \$20,000,000 ordinary share at par. The shares were fully paid up and allotted to Merrill Lynch International Incorporated on this day and as a consequence the Company returned to a solvent position.