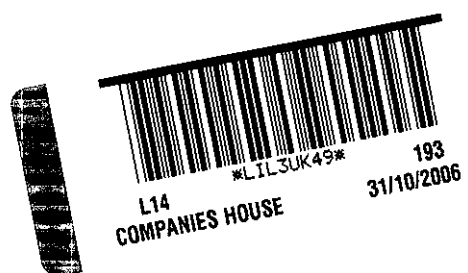


**BLACKSTONE REAL ESTATE PARTNERS LIMITED**

**Report and Financial Statements**

**For the year ended**

**31 December 2005**



# **BLACKSTONE REAL ESTATE PARTNERS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **BLACKSTONE REAL ESTATE PARTNERS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

The present membership of the Board of Directors is:

Stephen A. Schwarzman  
Chad R. Pike

#### **SECRETARY**

Michael A. Puglisi

#### **REGISTERED OFFICE**

40 Berkeley Square  
London  
W1J 5AL  
United Kingdom

#### **SOLICITORS**

Simpson Thatcher & Bartlett  
City Point  
One Ropemaker St  
London  
EC2Y 9HU

#### **AUDITORS**

Deloitte & Touche LLP  
London

# **BLACKSTONE REAL ESTATE PARTNERS LIMITED**

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements of Blackstone Real Estate Partners Limited ("the Company") for the year ended 31 December 2005.

## **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The Company was formed for the purpose of holding investments in limited partnerships. The results and the financial position of the Company at the year-end are satisfactory.

## **FUTURE PROSPECTS**

The Directors intend that this business will continue for the foreseeable future.

## **RESULTS AND DIVIDENDS**

The Company's profit on ordinary activities after taxation is \$1,947 (2004: \$935). The Directors do not recommend the payment of a dividend in respect of the year (2004: \$nil). The amount transferred to reserves in respect of the year is \$1,947 (2004: \$935).

## **DIRECTORS AND THEIR INTERESTS**

The membership of the Board throughout the year is set out below:

Stephen A. Schwarzman  
Chad R. Pike

None of the Directors had any disclosable interests in the shares and loan capital of the Company or another Group Company during the year.

## **AUDITORS**

Deloitte & Touche LLP have been re-appointed as the Company's auditors for the forthcoming year.

## **SMALL COMPANY EXEMPTIONS**

The Company is a small company as defined by sections 246 to 249 of the Companies Act 1985 and is therefore exempt from the requirement to make financial risk disclosures.

Approved by the Board of Directors  
and signed on behalf of the Board



Chad R. Pike

Director

31 October 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Company law requires the directors to prepare such financial statements for each financial year which 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 and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKSTONE REAL ESTATE PARTNERS LIMITED**

We have audited the financial statements of Blackstone Real Estate Partners Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or material inconsistencies with the financial statements.

### **Basis of audit opinion**

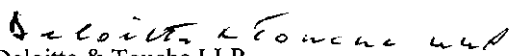
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

### **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 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

  
Deloitte & Touche LLP

31 October 2006

Chartered Accountants and Registered Auditors  
London

# BLACKSTONE REAL ESTATE PARTNERS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$	2004 \$
Revenue		4,456	935
<b>PROFIT ON OPERATING ACTIVITIES BEFORE TAXATION</b>	2	<b>4,456</b>	<b>935</b>
Taxation	4	(2,509)	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR</b>	8	<b>1,947</b>	<b>935</b>

All activities relate to continuing operations.

The Company has made no gains or losses in either the current or prior period, other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented in these financial statements.

# BLACKSTONE REAL ESTATE PARTNERS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 \$	2004 \$
<b>FIXED ASSETS</b>			
Investments	5	36,423	42,654
		<u>36,423</u>	<u>42,654</u>
<b>CREDITORS: amounts falling due within one year</b>	6	(33,540)	(41,718)
<b>NET CURRENT LIABILITIES</b>		<u>(33,540)</u>	<u>(41,718)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,883	936
		<u><u>2,883</u></u>	<u><u>936</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	1	1
Profit and loss account	8	2,882	935
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>2,883</u>	<u>936</u>
		<u><u>2,883</u></u>	<u><u>936</u></u>

Approved by the Board of Directors on 31 October 2006 and signed on its behalf by:



Chad R. Pike  
Director



**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 DECEMBER 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom law and accounting standards.

The particular accounting policies adopted are described below and have been applied consistently throughout the year.

**Preparation of the financial statements in US dollars**

It is considered that a fairer reflection of the Company's activities is given by presenting the financial statements in US dollars, the functional currency of the ultimate parent company, since the US dollar is the main currency of the Company's primary economic environment.

**Investments**

Investments held as fixed assets are stated at historic cost less any impairment as determined by the directors, which they consider appropriate in the circumstances.

**Foreign currencies**

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rate ruling at the balance sheet date.

Transactions in currencies other than US dollars are recorded at monthly average rates of exchange at the end of each calendar month. Translation differences are dealt with through the profit and loss account.

**Taxation**

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

**Revenue Recognition**

Investment income is recognised when notification is received. Turnover is composed entirely of investment income arising from the company's holding in real estate investment limited partnerships and is derived from activities performed in the United Kingdom.

**Cash Flow Statement**

The Company is a member of a group whose parent company publishes consolidated financial statements that include a consolidated cash flow statement. It is, therefore, not required to produce a cash flow statement as part of these financial statements.

**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 DECEMBER 2005**

**2. PROFIT AND LOSS**

The audit fee and other expenses of the Company have been borne by the Company's parent company in the current and prior year.

**3. INFORMATION REGARDING THE DIRECTORS AND EMPLOYEES**

The Company has no employees (2004: nil). The Directors are not remunerated for their services to this Company either in the current or prior year.

**4. TAXATION**

The tax charge for the year comprises:

	2005	2004
	\$	\$
UK corporation tax at 30%	2,509	-
(Over)/under provision in respect of prior periods	-	-
	<u>2,509</u>	<u>-</u>
Total current taxes	2,509	-
Deferred tax:		
Origination and reversal of timing differences (credit)/charge	-	-
	<u>-</u>	<u>-</u>
Total tax charge	<u>2,509</u>	<u>-</u>

Factors affecting current tax charge for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of UK corporation tax of 30% (2004: 30%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	<u>4,456</u>	<u>935</u>
Tax at 30% thereon	(1,337)	(281)
Effects of:		
Non-taxable income arising in real estate investments	3,998	433
Tax losses carried forward	<u>(152)</u>	<u>(152)</u>
Current tax charge for the period	<u>2,509</u>	<u>-</u>

# BLACKSTONE REAL ESTATE PARTNERS LIMITED

## NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2005

### 5. INVESTMENTS

The Company has made investments in Blackstone Real Estate Partners I.D L.P., Blackstone Real Estate Partners I.D.2 L.P. and Blackstone Real Estate Partners I.E L.P., three registered limited partnerships governed by English law, which themselves make investments in real estate and real estate companies to generate an investment return.

	2005 \$	2004 \$
At 1 January	42,654	42,510
Additions	-	3,461
Return of capital	(6,231)	(3,317)
At 31 December	<u>36,423</u>	<u>42,654</u>

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 \$	2004 \$
Amounts owed to group undertakings	31,031	41,718
Corporation tax	2,509	-
	<u>33,540</u>	<u>41,718</u>

### 7. CALLED UP SHARE CAPITAL

	2005 £	2004 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each (2004: 1,000)	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid:</b>		
1 ordinary share of £1 (2004: 1)	1	1
	<u>1</u>	<u>1</u>

# BLACKSTONE REAL ESTATE PARTNERS LIMITED

## NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2005

### 8. PROFIT AND LOSS ACCOUNT

	2005 \$	2004 \$
At 1 January	935	-
Retained profit for the year	1,947	935
	<hr/>	<hr/>
At 31 December	2,882	935
	<hr/>	<hr/>

### 9. RELATED PARTIES

As the Company is wholly controlled by The Blackstone Group International Limited, it has taken advantage of the exemption provided under Financial Reporting Standards No. 8 not to disclose transactions with its parent, subsidiary and fellow subsidiary undertakings.

### 10. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party is The Blackstone Group International Limited, a company incorporated in Great Britain and registered in England & Wales, which is also the parent of the largest and smallest group for which group accounts are drawn up of which the Company is a member.

Accounts for The Blackstone Group International Limited are available from 40 Berkeley Square, London, W1J 5AL.