

Company Registration No. 4085769

BLACKSTONE REAL ESTATE PARTNERS LIMITED

Report and Financial Statements

For the year ended

31 December 2007

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BLACKSTONE REAL ESTATE PARTNERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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BLACKSTONE REAL ESTATE PARTNERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The present membership of the board 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 2007

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.

SMALL COMPANY EXEMPTIONS

The Directors' Report has been prepared in accordance with the special provisions relating to small companies under Section 246 (4) of the Companies Act 1985.

FUTURE PROSPECTS

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

RESULTS AND DIVIDENDS

The Company's loss on ordinary activities after taxation is \$3,596 (2006 \$25,572 profit). The Directors do not recommend the payment of a dividend in respect of the year (2006 \$nil). The amount transferred to reserves in respect of the year is a loss of \$3,596 (2006 \$25,572 profit).

DIRECTORS

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

Stephen A. Schwarzman
Chad R. Pike

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

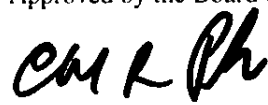
- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

AUDITORS

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

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



Chad R. Pike

Director

29 October 2008

BLACKSTONE REAL ESTATE PARTNERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BLACKSTONE REAL ESTATE PARTNERS LIMITED

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 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's partners, 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 circumstances of the company, 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 2007 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 & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

30 October 2008

BLACKSTONE REAL ESTATE PARTNERS LIMITED

PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2007

	Notes	2007 \$	2006 \$
Revenue	1	17,986	23,816
Administration expenses		(44)	(40)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	17,942	23,776
Tax (charge)/credit on ordinary activities	4	(21,538)	1,796
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	(3,596)	25,572

All activities relate to continuing operations

The Company made no gains or losses in either the current or prior year, 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 AT 31 DECEMBER 2007

	Notes	2007 \$	2006 \$
FIXED ASSETS			
Investments	5	10,587	15,732
		<u>10,587</u>	<u>15,732</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	6	35,798	12,723
		<u>35,798</u>	<u>12,723</u>
CURRENT LIABILITIES			
Creditors amounts falling due within one year	7	(21,526)	-
		<u>(21,526)</u>	<u>-</u>
NET CURRENT ASSETS		<u>14,272</u>	<u>12,723</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,859</u>	<u>28,455</u>
CAPITAL AND RESERVES			
Called up share capital	8	1	1
Profit and loss account	9	24,858	28,454
SHAREHOLDERS' FUNDS	10	<u>24,859</u>	<u>28,455</u>

Approved and authorised for issue by the Board of Directors on 29 October 2008 and signed on its behalf by



Chad R Pike
Director

BLACKSTONE REAL ESTATE PARTNERS LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2007

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 current and prior 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, since the US dollar is the main currency of the Company's primary economic environment

Investments

Investments held as fixed assets are stated at historical 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 on an accruals basis. 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 has taken advantage of the special provisions relating to small companies under section 246(4) of the Companies Act 1985 and therefore, has not prepared a cash flow statement

BLACKSTONE REAL ESTATE PARTNERS LIMITED

NOTES TO THE ACCOUNTS (continued) YEAR ENDED 31 DECEMBER 2007

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee and other expenses of the Company have been borne by the Company's parent company in the current and prior year. The audit fee allocated to this Company is \$6,000 (2006 \$2,000)

3. INFORMATION REGARDING THE DIRECTORS AND EMPLOYEES

The Company has no employees (2006 none). The Directors were not remunerated for their services to this Company either in the current or prior year.

4. TAX (CHARGE) / CREDIT ON ORDINARY ACTIVITIES

The tax (charge) / credit for the year comprises

	2007 \$	2006 \$
UK corporation tax at 30%	(2,326)	12
(Under)/Over provision in respect of prior years	(19,212)	1,784
Total current taxes	(21,538)	1,796
Total tax (charge)/credit	(21,538)	1,796

Factors affecting current tax (charge) / credit for the year

The tax assessed for the year is higher (2006 lower) than that resulting from applying the standard rate of UK corporation tax of 30% (2006 30%). The differences are explained below

Profit on ordinary activities before tax	17,942	23,776
Tax at 30% thereon	(5,383)	(7,133)
Effects of		
Non-taxable income arising in real estate investments	3,057	7,145
Adjustments in respect of prior years	(19,212)	1,784
Current tax (charge) / credit for the year	(21,538)	1,796

The standard UK corporation tax rate will change to 28% with effect from 1 April 2008

BLACKSTONE REAL ESTATE PARTNERS LIMITED

NOTES TO THE ACCOUNTS (continued) YEAR ENDED 31 DECEMBER 2007

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

	2007 \$	2006 \$
At 1 January	15,732	36,423
Return of capital	(5,145)	(20,691)
At 31 December	<u>10,587</u>	<u>15,732</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 \$	2006 \$
Amounts due from affiliates	35,798	12,711
Corporation tax	-	12
	<u>35,798</u>	<u>12,723</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 \$	2006 \$
Corporation tax	(21,526)	-
	<u>(21,526)</u>	<u>-</u>

BLACKSTONE REAL ESTATE PARTNERS LIMITED

NOTES TO THE ACCOUNTS (continued) YEAR ENDED 31 DECEMBER 2007

8. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised:		
1,000 ordinary shares of £1 each (2006 £1,000)	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
	2007 \$	2006 \$
Allotted, called up and fully paid:		
1 ordinary share of £1 (2006 £1)	1	1
	<u>1</u>	<u>1</u>

9. PROFIT AND LOSS ACCOUNT

	2007 \$	2006 \$
At 1 January	28,454	2,882
(Loss)/profit for the year	<u>(3,596)</u>	<u>25,572</u>
At 31 December	<u>24,858</u>	<u>28,454</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 \$	2006 \$
At 1 January	28,455	2,883
(Loss)/profit for the year	<u>(3,596)</u>	<u>25,572</u>
At 31 December	<u>24,859</u>	<u>28,455</u>

11. RELATED PARTIES

Included in debtors is an amount of \$35,798 (2006 – \$12,711) which relates to cash legally held by The Blackstone Group L P on behalf of the Company

BLACKSTONE REAL ESTATE PARTNERS LIMITED

NOTES TO THE ACCOUNTS (continued) YEAR ENDED 31 DECEMBER 2007

12. ULTIMATE PARENT UNDERTAKING

As a result of the public listing of the Blackstone Group in 2007, there was an internal re-organisation of the legal entity structure. From June 2007, the company's immediate parent undertaking is Blackstone Real Estate Partners Holdings Limited which is a wholly owned subsidiary of Blackstone Group International Cayman Limited, a company incorporated in Delaware, United States of America. Copies of the group financial statements are available from 345 Park Avenue, New York, NY 10154, United States of America.

As at 31 December 2007, the Company's ultimate parent undertaking and controlling party was The Blackstone Group L P, a company incorporated in the United States of America.