

Company Registration No. 3949032

The Blackstone Group International Limited

Report and Financial Statements

for the year ended 31 December 2008

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THE BLACKSTONE GROUP INTERNATIONAL LIMITED
REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Reconciliation of movements in shareholders' funds	7
Balance sheet	8
Cash flow statement	9
Notes to the accounts	10

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Joseph P Baratta
David S Blitzer
Hamilton Evans James
Lawrence Guffey
James Tomilson Hill
Chad R Pike
Stephen A Schwarzman
John J Studzinski
Donna Toth
Michael Whitman
Laurence A Tosi
Gerald Martin Murphy

(Appointed 28 March 2008)
(Appointed 2 September 2008)
(Appointed 17 March 2009)

SECRETARY

Laurence A Tosi

(Appointed 2 September 2008)

REGISTERED OFFICE

40 Berkeley Square
London W1J 5AL
United Kingdom

SOLICITORS

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
United Kingdom

AUDITORS

Deloitte LLP
London
United Kingdom

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of The Blackstone Group International Limited ("the Company") for the year ended 31 December 2008. The Company is based in London, United Kingdom and has a branch in Paris, France.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of advisory services to other group entities, mergers and acquisition advisory services, restructuring and reorganisation advisory services and fund placement services. The Company has started generating third party income from financial advisory and restructuring in 2008. There have not been any other significant changes in the Company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company has no subsidiaries at the end of the current year and therefore is not required to prepare consolidated financial statements.

The Company's immediate parent undertaking is the Blackstone Group International Cayman Limited. The ultimate parent undertaking is the Blackstone Group L.P.

As explained in note 19, the company has restated the 2007 comparative figures to include an expense related to equity-based compensation. The figures below are post restatement. As shown in the Company's profit and loss account on page 7, the Company's net loss after tax has decreased by 34% over the prior year from \$99,504,695 to \$65,980,613. Equity and shareholders funds decreased by 20% from \$45,748,833 to \$36,390,157. As the Company mainly provides advisory services to Blackstone affiliate entities, the market conditions have had little impact on the results for the year, and the directors do not believe that the uncertain market conditions will significantly impact the entity going forward.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end is consistent in net terms with the prior year. Details of amounts owed to the affiliated entities are shown in note 16 on page 19. The recognition of a share-based payment expense and a corresponding capital contribution, as set out in notes 19 and 20, has resulted in an \$86,870,737 staff expense and an increase of other reserves compared to the prior year.

The Directors considered the risks attached to the Company's financial instruments which principally comprise debtors, work in progress and creditors. The Directors have taken a prudent approach in their consideration of the various risks attached to the financial instruments of the Company. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities and the financial statements.

The Company had no hedged transactions during the year.

DIRECTORS AND THEIR INTERESTS

The current Directors are David S Blitzer, Lawrence Guffey, James Tomilson Hill, Chad R Pike, John Studzinski, Joseph P Baratta, Hamilton Evans James, Donna Toth, Laurence Tosi, Michael Whitman, Gerald Murphy and Stephen A Schwarzman who served throughout the year except as stated. Michael Whitman was appointed as a Director of the Company with effect from 28 March 2008, Laurence Tosi was appointed as a Director and Secretary with effect from 2 September 2008 and Gerald Murphy was appointed Director with effect from 17 March 2009.

None of the Directors had any disclosable interests in the share and loan capital of the Company during the year.

CHARITABLE CONTRIBUTIONS

During the year the charitable contributions made by the Company were \$144 (2007 - \$7,537).

DIVIDENDS

During the year the directors declared and paid an interim dividend of \$29,694,638 (2007 - nil).

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

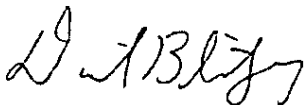
Each person who is a director at the date of the approval of this report confirms that:

- (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/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



David S Blitzer

Director
27 April 2009

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

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 as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BLACKSTONE GROUP INTERNATIONAL LIMITED

We have audited the financial statements of The Blackstone Group International Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, 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 Annual Report and 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 Director's 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 judgments 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.

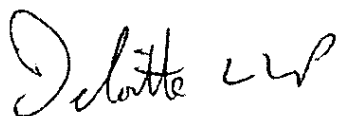
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE BLACKSTONE GROUP INTERNATIONAL LIMITED (CONTINUED)**

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 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.

A handwritten signature in black ink, appearing to read 'Deloitte' followed by a stylized flourish or initials.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
27 April 2009

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2008

	Notes	2008 \$	2007 (Restated) \$
TURNOVER	2, 17	168,566,598	169,937,284
Staff costs	3	(180,272,714)	(200,924,108)
Other operating charges		(52,941,128)	(62,684,478)
Other operating income		<u>5,152,732</u>	<u>821,896</u>
OPERATING LOSS	4	(59,494,512)	(92,849,406)
Investment income	5	<u>113,825</u>	<u>168,217</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(59,380,687)	(92,681,189)
Tax on loss on ordinary activities	6	<u>(6,599,926)</u>	<u>(6,823,506)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL YEAR	13	<u>(65,980,613)</u>	<u>(99,504,695)</u>

All results are derived from continuing operations. There have been no recognised gains or losses attributable to the members other than the profit for the current financial year and accordingly, no Statement of Total Recognised Gains and Losses is shown.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

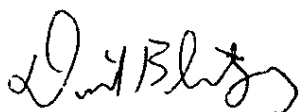
	2008 \$	2007 (Restated) \$
Retained loss for the financial year	(65,980,613)	(99,504,695)
Capital contributions arising from share-based payments	86,316,575	103,735,703
Dividends paid on equity shares	<u>(29,694,638)</u>	<u>-</u>
Net (reductions)/additions to shareholders' funds	(9,358,676)	4,231,008
Opening shareholders' funds	<u>45,748,833</u>	<u>41,517,825</u>
Closing shareholders' funds	<u>36,390,157</u>	<u>45,748,833</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

BALANCE SHEET 31 DECEMBER 2008

	Notes	2008 \$	2007 (Restated) \$
FIXED ASSETS			
Tangible assets	7	20,562,661	20,548,920
		<u>20,562,661</u>	<u>20,548,920</u>
CURRENT ASSETS			
Debtors	8	58,106,178	89,231,724
Work in progress		3,704,499	572,109
Cash at bank and in hand		31,813,934	10,412,202
		<u>93,624,611</u>	<u>100,216,035</u>
CREDITORS: amounts falling due within one year	10	<u>(77,797,115)</u>	<u>(75,016,122)</u>
NET CURRENT ASSETS		<u>15,827,496</u>	<u>25,199,913</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,390,157</u>	<u>45,748,833</u>
CAPITAL AND RESERVES			
Called up share capital	11, 13	26,897,918	26,897,918
Other reserves	13	160,357,640	103,735,703
Profit and loss account	13	<u>(150,865,401)</u>	<u>(84,884,788)</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>36,390,157</u>	<u>45,748,833</u>

Approved by the Board of Directors on 27 April 2009 and signed on its behalf by:



David S Blitzer
Director

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

**CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 \$	2007 \$
Net cash inflow from operating activities	12	61,967,481	16,328,503
Returns on investments and servicing of finance	5	113,825	168,217
Taxation		(6,654,554)	(3,150,640)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	<u>(4,330,382)</u>	<u>(7,333,031)</u>
Net cash outflow from investing activities		<u>(4,330,382)</u>	<u>(7,333,031)</u>
Equity dividends paid	13	<u>(29,694,638)</u>	<u>-</u>
Net cash outflow from financing		<u>(29,694,638)</u>	<u>-</u>
Increase in cash		<u>21,401,732</u>	<u>6,013,049</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

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 that have been adopted and applied consistently during the current and prior years are described below.

Going concern

The Company's business activities and key risks are set out in the Directors' Report. The Directors believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook. The Company's operating loss in the current and prior years has arisen as a result of a share-based payment expense being recognised in accordance with FRS 20, which is offset by a corresponding capital contribution. Further detail of this expense is provided in notes 19 and 20.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation, which are written off in equal annual instalments over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and fixtures	5 years
Motor vehicles	4 years
Office equipment	3 years
Software	3 years

Work in progress

In accordance with the signed sub-advisory agreements, the Company provides advice to its US advisor entities and incurs costs on various projects. Until completion such costs are classified as Work in Progress. Upon completion these are recharged to the relevant US advisor entities with the related turnover and expense shown gross in the profit and loss account.

Preparation of the financial statements in US dollars

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

Foreign currencies

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

Transactions in currencies other than US dollars are recorded at daily rates of exchange upon settlement. Translation differences are dealt with through the profit and loss account.

Taxation

Current tax, including UK corporation tax, is recorded at amounts expected to be recovered or paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided 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.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

The Company operates a defined contribution pension scheme for employees of the Company. Contributions to the plan are charged to the profit and loss account on an accruals basis. Details of the plan are given in Note 15 to these accounts.

Share-based payment

The company has applied the requirements of FRS 20 Share-based Payment. The company's parent issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

A liability equal to the portion of goods or services received is recognised as the current fair value determined at each balance sheet date for cash-settled share-based payments.

2. TURNOVER

Turnover mainly represents fees derived from advisory services to certain entities located in the United States of America related to the Company, all of which are continuing activities. In 2008, the Advisory segment generated income directly from third parties. Turnover is recorded at the value of consideration due.

3. STAFF COSTS

Particulars of employees (including directors) are as shown below:

	2008 Number	2007 Number
Average number of people employed		
Sales and services	115	95
Administration	66	51
	<u>181</u>	<u>146</u>
	2008	2007 (Restated)
	\$	\$
Staff costs during the year		
Wages and salaries	169,700,991	192,476,016
Social security costs	10,048,227	8,017,226
Pension costs	523,496	430,866
	<u>180,272,714</u>	<u>200,924,108</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

3. STAFF COSTS (continued)

Directors' remuneration

Remuneration was paid in respect of directors of the Company during the year as follows:

	2008	2007
	\$	\$
Directors' emoluments	10,821,375	14,946,750
No pension contributions were paid during the year.		
	2008	2007
	\$	\$
Highest paid director	2,164,275	2,989,350

4. OPERATING LOSS

	2008	2007 (Restated)
	\$	\$
Operating loss is stated after charging/ (crediting):		
Depreciation	4,316,641	2,591,537
Foreign currency exchange (gain)	(3,201,513)	(269,527)
Rentals payable under operating leases	6,634,835	6,449,356
Fees payable to the company's auditors for the audit of the company's annual accounts	186,214	129,539
Total audit fees	186,214	129,539
Other services pursuant to legislation		
- Tax services	964,220	539,149
- Other services	-	-
Total non-audit fees	964,220	539,149

5. INVESTMENT INCOME

	2008	2007
	\$	\$
Investment income	-	22,578
Interest receivable	113,825	145,639
	113,825	168,217

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

6. (A) TAX ON LOSS ON ORDINARY ACTIVITIES

	2008	2007 (Restated)
	\$	\$
United Kingdom corporation tax at 28% (2007 - 30%) based on the profit for the year	7,235,185	6,444,307
Adjustment in respect of prior years	(451,173)	189,667
Double taxation relief	-	-
	<u>6,784,012</u>	<u>6,633,974</u>
Foreign tax for current year	-	-
	<u>6,784,012</u>	<u>6,633,974</u>
Deferred tax		
Timing differences, origination and reversal	(5,517)	220,342
Adjustment in respect of prior years	(178,569)	(30,810)
	<u>6,599,926</u>	<u>6,823,506</u>

(B) FACTORS AFFECTING CURRENT TAX CHARGE FOR THE YEAR

The current tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007 - 30%).

The differences are explained below:

	2008	2007 (Restated)
	\$	\$
Loss on ordinary activities before tax	(59,380,687)	(92,681,180)
Tax at 28.5% (2007 - 30.0%)	16,923,496	27,804,357
Expenses not deductible for tax purposes	(1,081,549)	(2,456,849)
Depreciation on assets not qualifying for capital allowances	(462,478)	(427,425)
Timing differences provided: depreciation on qualifying assets in excess of capital allowances	(12,499)	205,679
Disallowed staff costs	(22,612,900)	(31,570,069)
Other timing differences provided	10,745	-
Adjustment in respect of prior year provisions	451,173	(189,667)
	<u>(6,784,012)</u>	<u>(6,633,974)</u>
Current tax charge for the year		

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

7. TANGIBLE ASSETS

	Leasehold improvements \$	Office equipment \$	Furniture and fixtures \$	Software \$	Total \$
Cost					
At 1 January 2008	21,551,533	4,547,616	6,245,617	116,569	32,461,335
Additions	2,878,581	550,563	901,238	-	4,330,382
At 31 December 2008	<u>24,430,114</u>	<u>5,098,179</u>	<u>7,146,855</u>	<u>116,569</u>	<u>36,791,717</u>
Accumulated depreciation					
At 1 January 2008	(5,944,502)	(2,778,335)	(3,095,995)	(93,583)	(11,912,415)
Charge for the year	(2,284,062)	(821,369)	(1,189,706)	(21,504)	(4,316,641)
At 31 December 2008	<u>(8,228,564)</u>	<u>(3,599,704)</u>	<u>(4,285,701)</u>	<u>(115,087)</u>	<u>(16,229,056)</u>
Net book value					
At 31 December 2008	<u>16,201,550</u>	<u>1,498,475</u>	<u>2,861,154</u>	<u>1,482</u>	<u>20,562,661</u>
At 31 December 2007	<u>15,607,031</u>	<u>1,769,281</u>	<u>3,149,622</u>	<u>22,986</u>	<u>20,548,920</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

8. DEBTORS

	2008	2007
	\$	\$
Trade debtors	8,353,207	2,085,330
Employee receivables	998,799	625,241
Amounts owed by group undertakings (see note 16)	44,904,208	82,379,220
Security deposits	353,412	419,922
Prepayments	3,496,552	3,722,011
	<u>58,106,178</u>	<u>89,231,724</u>

All debtors are receivable within one year.

9. DEFERRED TAX

	2008	2007
	\$	(Restated) \$
Movement on deferred taxation balance		
Opening balance	788,573	629,557
(Credit)/charge to profit and loss	(184,086)	159,016
Closing balance	<u>604,487</u>	<u>788,573</u>
Analysis of deferred tax liability		
Capital allowances in excess of depreciation	(609,278)	(796,363)
Other short term timing differences	4,791	7,790
	<u>(604,487)</u>	<u>(788,573)</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007 (Restated)
	\$	\$
Amounts due to group undertakings (see Note 16)	7,218,519	7,019,893
Corporation tax	5,000,591	4,871,133
Other taxes and social security	17,408,259	22,012,081
Accruals and deferred income	47,565,259	40,324,442
Deferred taxation	604,487	788,573
	<u>77,797,115</u>	<u>75,016,122</u>

11. CALLED UP SHARE CAPITAL

	2008 Number	2007 Number
Authorised		
Ordinary shares of £1 each	25,000,000	25,000,000
Preference shares of £1 each	<u>1</u>	<u>1</u>
	<u>25,000,001</u>	<u>25,000,001</u>
Called up, allotted and fully paid		
Ordinary shares of £1 each	15,400,000	15,400,000
Preference shares of £1 each	<u>1</u>	<u>1</u>
	<u>15,400,001</u>	<u>15,400,001</u>

The share capital is denominated in British pounds sterling.

The share capital is shown on the balance sheet at its historical cost equivalent of \$26,897,918 (2007-\$26,897,918).

The preference share is redeemable for the amount of capital paid on it at the option of the Company which must give a notice of not less than one week. The preference share does not entitle the holder to any rights or other participation in the profits or assets of the Company other than return of the amount allotted nor does it carry any voting rights.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

12. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING

	2008	2007 (Restated)
	\$	\$
Operating loss	(59,494,512)	(92,849,406)
Share-based compensation expense	86,870,737	104,744,777
Depreciation charge	4,316,641	3,548,985
Decrease/(increase) in debtors	31,125,546	(37,237,577)
(Increase)/decrease in work in progress	(3,132,390)	288,202
Increase in creditors	2,281,459	37,833,522
Net cash inflow from operating activities	<u>61,967,481</u>	<u>16,328,503</u>

13. RESERVES

	Share capital	Other reserves	Profit and loss account	Total
	\$	\$	\$	\$
At 31 December 2007	26,897,918	-	20,021,288	46,919,206
Prior year restatement	-	103,735,703	(104,906,076)	(1,170,373)
At 31 December 2007 (Restated)	26,897,918	103,735,703	(84,884,788)	45,748,833
Capital contributions in current year	-	86,316,575	-	86,316,575
Dividends paid on equity shares	-	(29,694,638)	-	(29,694,638)
Profit for financial year	-	-	(65,980,613)	(65,980,613)
At 31 December 2008	<u>26,897,918</u>	<u>160,357,640</u>	<u>(150,865,401)</u>	<u>36,390,157</u>

Other reserves have arisen from the capital contributions recorded by the Company following the recognition of share-based payment expenses in the current and prior years, as detailed in notes 19 and 20.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

14. LEASE OBLIGATIONS

At 31 December 2008 the Company was committed to making the following payments during the next year in respect of operating leases:

	Buildings \$	Office Equipment \$
Leases which expire:		
Within one year	5,862,023	18,412
Within two to five years	478,456	-
After more than five years	-	-
	<u>6,340,479</u>	<u>18,412</u>

All floors leased at Berkeley Square are due for a rent review in March 2009 and the lease expires 31 March 2024.

The Paris office is located at Ave de Friedland. There is a break clause in the lease that occurs in 2010. This has been taken into account in the above analysis. The lease expires 9 August 2013.

15. PENSIONS

The Company established The Blackstone Group UK Pension Plan (the "Plan") on 5 October 2001. The Plan is a defined contribution plan for all local employees of the Company. All employees are eligible to contribute to the Plan after three months of qualifying service. The Company contributes a percentage of an employee's annual salary, subject to United Kingdom statutory restrictions, on a monthly basis for administrative employees of the Company based upon the age of the employee.

Participants of the Plan are able to choose from a number of investment options. The investments are administered and managed by Legal & General. The overall pension charge for the year was \$523,496 (2007 - \$ 430,866).

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

16. RELATED PARTIES

During the year ended 31 December 2008, the following amounts were recognised as turnover in connection with advisory services performed by the Company for certain entities located in the United States of America that are related to the Company. These amounts include accrued income.

	2008	2007
	\$	\$
Blackstone Real Estate Advisors V L.L.C.	698,691	5,273,920
Blackstone Real Estate Advisors VI L.L.C.	8,755,523	8,350,374
Blackstone Real Estate Advisors International II L.P.	26,965,260	30,325,040
Blackstone Management Partners IV L.L.C.	6,400,621	9,102,589
Blackstone Management Partners V L.L.C.	43,737,535	54,537,128
Blackstone Communications Advisors I L.L.C.	1,022,317	1,296,557
Blackstone Group Holdings L.P.	-	335,539
Blackstone Advisory Services L.P.	24,344,208	17,775,128
Parkhill Group Holdings L.L.C.	16,755,729	18,078,032
Blackstone Alternative Asset Management L.P.	13,527,989	16,014,456
Blackstone Debt Advisors L.P.	10,324,755	8,733,829
	<u>152,532,628</u>	<u>169,822,592</u>

At 31 December 2008, \$14,571,017 (2007 - \$55,020,081) was due to the Company in respect of such advisory services performed. At 31 December 2008, \$22,022,977 (2007 - \$26,404,248) was due from Blackstone Administrative Services Partnership L.P. ("BASP") in respect of amounts advanced to BASP. Included in debtors at 31 December 2008 is \$998,799 (2007 - \$625,241) of amounts due to the Company from certain employees for advances made by the Company to such employees. The Company was also owed \$8,310,214 (2007 - \$954,891) by other Blackstone affiliates.

BASP pays, on behalf of the Company, direct expenses that can be attributed specifically to the Company. Such direct expenses are comprised principally of compensation, communications, promotional, research and professional services. The Company reimburses BASP for its share of all direct expense amounts paid on its behalf.

Additionally, at 31 December 2008, \$6,602,611 (2007 - \$(1,918,160)) was due to Park Hill Group International Limited ("PHG") an affiliated entity, in respect of amounts advanced to the Company by PHG. The Company also owed \$615,908 (2007 - \$6,791,131) to other Blackstone group entities. This reflects a change in the allocation of sub-advisory revenues made during the year. These amounts are included within creditors due within one year.

The company does not charge or pay interest to affiliates on outstanding receivable and payable balances.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

17. SEGMENTAL REPORTING

The Blackstone Group International Limited transacts its primary business in the United Kingdom. The Company conducts its alternative asset management and financial sub-advisory businesses through four main reportable segments.

- **Corporate Private Equity** - The Company's Corporate Private Equity segment comprises its sub-advisory services of corporate private equity funds.
- **Real Estate** - The Company's Real Estate segment comprises its sub-advisory services of general real estate funds and internationally focused real estate funds.
- **Marketable Alternative Asset Management** - The Company's Marketable Alternative Asset Management segment is comprised of its sub-advisory services to funds of hedge funds, mezzanine funds and senior debt vehicles.
- **Financial Advisory** - The Company's Financial Advisory segment comprises its corporate and mergers and acquisition advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds.

The following tables presents the financial data for the Company's four reportable segments as of and for the years ended 31 December 2008 and 31 December 2007.

31 December 2008 and the Year then Ended

	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total
Segment Revenues					
Management and Advisory Fees	51,160,475	36,421,209	23,852,744	57,132,170	168,566,598
Investment Income and Other	1,542,622	1,228,570	951,207	1,544,158	5,266,557
Total Revenues	<u>52,703,097</u>	<u>37,649,779</u>	<u>24,803,951</u>	<u>58,676,328</u>	<u>173,833,155</u>
Expenses					
Compensation and Benefits	46,762,328	38,013,970	33,167,986	62,328,430	180,272,714
Other Operating Expenses and Taxation	24,422,322	15,132,387	6,607,273	13,379,072	59,541,054
Total Expenses and Taxation	<u>71,184,650</u>	<u>53,146,357</u>	<u>39,775,259</u>	<u>75,707,502</u>	<u>239,813,768</u>
	<u>(18,481,553)</u>	<u>(15,496,578)</u>	<u>(14,971,308)</u>	<u>(17,031,174)</u>	<u>(65,980,613)</u>

31 December 2007 and the Year then Ended (Restated)

	Corporate Private Equity	Real Estate	Marketable Alternative Asset Management	Financial Advisory	Total
Segment Revenues					
Management and Advisory Fees	64,876,499	43,937,638	25,097,742	36,025,405	169,937,284
Investment Income and Other	294,705	269,414	180,760	245,234	990,113
Total Revenues	<u>65,171,204</u>	<u>44,207,052</u>	<u>25,278,502</u>	<u>36,270,639</u>	<u>170,927,397</u>
Expenses					
Compensation and Benefits	84,108,200	50,874,404	22,789,662	43,151,842	200,924,108
Other Operating Expenses and Taxation	27,849,525	16,104,913	12,989,633	12,563,913	69,507,984
Total Expenses and Taxation	<u>111,957,725</u>	<u>66,979,317</u>	<u>35,779,295</u>	<u>55,715,755</u>	<u>270,432,092</u>
	<u>(46,786,521)</u>	<u>(22,772,265)</u>	<u>(10,500,793)</u>	<u>(19,445,116)</u>	<u>(99,504,695)</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

18. ULTIMATE PARENT UNDERTAKING

As a result of the public listing of the Blackstone Group in June 2007, there was an internal reorganisation of the legal entity structure. From 18 June 2007, the Company's immediate parent undertaking has been Blackstone Group International Cayman Limited, a company incorporated in the Cayman Islands, and its ultimate parent and controlling party is the Blackstone Group L.P., 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.

The Blackstone Group L.P. is the smallest and largest group which includes the company and for which financial statements are prepared.

19. PRIOR PERIOD ADJUSTMENT

In June 2007 The Blackstone Group L.P. (NYSE: BX) listed public company traded partnership units on the New York Stock Exchange. Awards of partnership units were granted to employees of the Company by BX the Company's US parent.

As at December 2007, no expense relating to these awards had been recorded in the financial statements of the Company, however certain of the awards which fall within the scope of FRS 20 "Share-based payments", should have been recognised as an expense. Therefore as detailed in note 20, the 2007 comparative figures have been restated to include an additional expense of \$103.7 million in respect of equity-settled awards and of \$1 million in respect of cash-settled awards. There has been a corresponding capital contribution in respect of the equity-settled awards and an increase in liability in respect of cash-settled awards.

20. SHARE-BASED PAYMENTS

Beginning in 2007, The Blackstone Group L.P. (the "Partnership") began utilising equity-based compensation awards as a form of compensation to senior managing directors and employees of the Partnership and its subsidiaries. The awards are granted under The Blackstone Group L.P.'s 2007 Equity Incentive Plan ("Equity Plan"). The Partnership has issued equity-based compensation awards in the form of deferred restricted common units to the Company's senior managing directors and employees. The Partnership has also issued a number of phantom units (cash-settled compensation awards). Holders of deferred restricted common units and phantom units are not entitled to any voting rights. Only phantom units are to be settled in cash.

The Partnership has granted Blackstone Holdings Partnership Units to newly hired senior managing directors. The Partnership is accounting for the unvested Blackstone Holdings Partnership Units as compensation expense in accordance with FRS 20. The fair values have been derived based on the closing price of The Blackstone Group L.P.'s common stock on the date of the grant multiplied by the number of unvested awards and expensed over the assumed service period which ranges from 3 to 8 years. Additionally, the calculation of the compensation expense assumes a forfeiture rate of up to 4%, based on historical experience.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

20. SHARE-BASED PAYMENTS (continued)

A summary of the status of the non-vested equity-based awards granted by the Partnership to the Company's employees as of December 31, 2008 and a summary of changes during the year ended December 31, 2008 are presented below:

A summary of the status of the Partnership's non-vested equity-based awards as of December 31, 2008 and a summary of changes during the year ended December 31, 2008 are presented below:

Blackstone Holdings units 31 December 2008 and the Year then ended

	Deferred Restricted Common Units	Weighted- Average Grant Date Fair Value \$	Phantom Units	Weighted- Average Grant Date Fair Value \$
Outstanding at the beginning of the period	-	-	213,342	31.00
Granted	-	-	1,120,339	8.70
Repurchased	-	-	-	-
Vested	-	-	(969,109)	7.13
Exchanged	-	-	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	-	-	<u>364,572</u>	25.91

The Blackstone Group L.P. units 31 December 2008 and the Year then ended

	Deferred Restricted Common Units	Weighted- Average Grant Date Fair Value \$	Phantom Units	Weighted- Average Grant Date Fair Value \$
Outstanding at the beginning of the period	8,774,780	26.99	156,060	27.36
Granted	369,629	8.94	1,871	15.85
Repurchased	(254,779)	25.93	-	-
Vested	-	-	-	-
Exchanged	(1,796,498)	6.57	(78,729)	28.04
Forfeited	(247,690)	26.14	(28,168)	26.86
Outstanding at the end of the period	<u>6,845,442</u>	26.55	<u>51,034</u>	26.19

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2008

20. SHARE-BASED PAYMENTS (continued)

The Partnership has granted deferred restricted common units to the non-senior managing director professionals, analysts and senior finance and administrative personnel and selected external advisors and phantom units (cash settled equity-based awards) to the other non-senior managing director employees. Holders of deferred restricted common units and phantom units are not entitled to any voting rights. Only phantom units are to be settled in cash.

Equity-Settled Awards. The fair values have been derived based on the closing price of the Partnership's common stock on the date of the grant, multiplied by the number of unvested awards and expensed over the assumed service period, which ranges from 1 to 8 years. Additionally, the calculation of the compensation expense assumes forfeiture rates based upon historical turnover rates, ranging from 1% to 18% annually by employee class, and a per unit discount, ranging from \$0.58 to \$9.83 as a majority of these unvested awards do not contain distribution participation rights. In most cases, the Partnership will not make any distributions with respect to unvested deferred restricted common units. However, there are certain grantees who receive distributions on both vested and unvested deferred restricted common units.

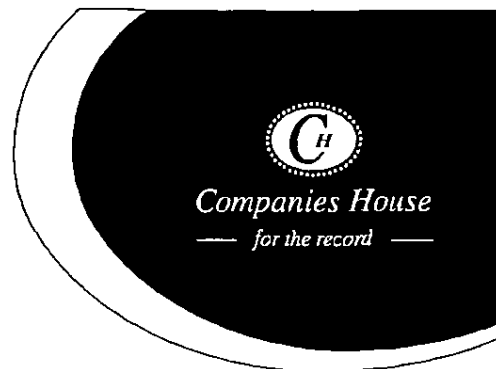
Cash-Settled Awards. Subject to a non-senior managing director employee's continued employment with the company, the phantom units will vest in equal instalments on each of the first, second and third anniversaries of the date of grant or, in the case of certain term analysts, in a single instalment on the date that the employee completes his or her current contract period with the company. On each such vesting date, the company will deliver cash to the holder in an amount equal to the number of phantom units held multiplied by the then fair market value of the Blackstone common units on such date. Additionally, the calculation of the compensation expense assumes forfeiture rates based upon historical turnover rates, ranging from 1% to 18% annually by employee class. The company is accounting for these cash settled awards as a liability calculated in accordance with the provisions of FRS 20.

For the year ended 31 December 2008, the Company recorded compensation expense of \$86.9 million in relation to the equity-based awards granted to its employees, of which \$86.4 million was in respect of equity-settled awards and \$0.6 million was in respect of cash-settled awards. The Company recorded compensation expense of \$104.7 million for year ended 31 December 2007 of which \$103.7 million was in respect of equity-settled awards and \$1 million was in respect of cash-settled awards.

THE DIRECTOR (S)
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Date 01 July 2009



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For information, and forms on-line -
www.companieshouse.gov.uk

YOUR COMPANY'S ACCOUNTS ARE DUE SOON.

Parliament imposes strict deadlines for the delivery of statutory documents. We are sending you this notice because we have not yet received your company's accounts for the period 11/10/2007 to 31/12/2008, and to remind you that the last day for delivery is **11/08/2009**. We want to help you deliver the accounts on time. Here are some things you need to know.

Must the company deliver accounts this year?

Yes. The company must deliver accounts whether or not it traded during the period. There are special arrangements for 'dormant' companies to make preparation of accounts easier - ring our enquiry number **0303 123 4500** for details.

What will happen if the deadline is missed?

The directors could be prosecuted, or the company removed from the Register. *Also*, if the accounts are delivered late, the company itself will incur a financial penalty. The penalty increases with the period of delay, and there are no exceptions because of a company's size, nature of business or trading position. More information about penalties is available on the Companies House website at www.companieshouse.gov.uk.

Can't meet the deadline?

You may be able to apply for more time, *but* there need to be exceptional circumstances beyond the control of the directors and their professional advisers. Applications must be in writing and made *before* the above deadline. Ring us on **(029) 20380137** for further advice.

No longer need the company?

You may be able to apply to remove it from the Register. Please ring our enquiry number **0303 123 4500** for advice.

If you have already sent the accounts, or would like more information or advice, please ring our enquiry number - we'll be pleased to help.



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Aug08



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