Company Registration No. 3949032

The Blackstone Group International Limited

Report and Financial Statements

for the year ended 31 December 2010

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Vijay V Bharadia	(Appointed 01 October 2010)
Susannah G Lindenfield	(Appointed 01 October 2010)
Joseph P Baratta	(Resigned 30 September 2010)
David S Blitzer	(Resigned 30 September 2010)
Lawrence H Guffey	(Resigned 30 September 2010)
James T Hill	(Resigned 30 September 2010)
Hamilton E James	(Resigned 24 November 2010)
Richard H Jenrette	(Resigned 30 September 2010)
Gerard M Murphy	(Resigned 30 September 2010)
Chad R Pike	(Resigned 30 September 2010)
Stephen Schwarzman	(Resigned 30 September 2010)
Jean-Michel Steg	(Resigned 30 September 2010)
John J Studzinski	(Resigned 30 September 2010)
Laurence A Tosi	(Resigned 24 November 2010)
Donna A Toth	(Resigned 30 September 2010)
Michael Whitman	(Resigned 30 September 2010)

SECRETARY

TMF Corporate Administration Services Limited	(Appointed 24 November 2010)
Laurence A Tosi	(Resigned 24 November 2010)

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

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 2010 The Company is based in London, United Kingdom, has a branch in Paris, France and a Representative Office in Dubai, United Arab Emirates

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company's principal activity was the provision of sub-advisory services to other group entities, mergers and acquisition advisory services, restructuring and reorganisation advisory services and fund placement services The Company also generates third party income from financial advisory and restructuring services On 29 January 2010, the Directors approved the transfer of the operations of the Company to a newly formed Limited Liability Partnership, The Blackstone Group International Partners LLP ("the LLP") incorporated in the United Kingdom On 1 October 2010, the Company transferred its businesses, assets and liabilities in the UK and France to the LLP as a going concern under the Busines Contribution Agreement dated 15 September 2010, as set out in note 20 and became a Corporate member of the LLP The Company ceased to be regulated by the Financial Services Authority upon transfer of it's businesses to the LLP Following the transfer of businesses to the LLP, the Directors have no intention to wind down the Company in the next 12 months and no decision has yet been taken as to the future purpose of the Company

The Company's immediate parent undertaking is The Blackstone Group International (Cayman) Limited The ultimate parent undertaking is The Blackstone Group L P ("the Partnership")

The Company made a loss on ordinary activities after taxation of $21,118,249 (2009 loss $35,868,210)

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end Equity and shareholders' funds decreased by 92% from $29,542,228 to $2,246,298 As the Company mainly provided sub-advisory services to Blackstone affiliate entities, market conditions have had little impact on the results for the year, and the Directors do not believe that uncertain market conditions will significantly impact the Company going forward

The recognition of a share-based payment expense and a corresponding capital contribution as set out in note 19 and note 13, has resulted in a $16,813 799 (2009 $39,346,882) staff expense and an increase of other reserves compared to the prior year

On 28 April 2010, the Company received a cash capital contribution of $5,000,000 from its immediate parent company, The Blackstone Group International (Cayman) Limited

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

PRINCIPAL RISKS

The key risk exposures of the Company prior to the transfer of businesses to the LLP, are set out below Following the business transfer, the Directors consider the Company's exposure to group risk, operational risk, credit and market risk is not material

Group risk

Given that the Company's principal activity was the provision of sub-advisory services to other group entities of the Partnership, the Company was dependent on the group entities for its business and revenues Consequently, the main risk it faced was that such group entities or the Partnership was unwilling or unable to support the Company ("Group Risk") The Directors monitored exposures to group companies and had ongoing interaction with relevant group functions to understand and influence group level decisions The Finance team also regularly analysed different scenarios to model the impact of Group risk on the Company's business and financial position

Operational Risk

Operational risk arises from a wide spectrum of areas such as compliance, legal, reputational as well as administrative errors The Company policy is to operate a robust and effective risk management process, embedded within the governance and management structures of its business The Company faced limited credit and market risk due to the nature of its business model The Company's risk oversight committee is responsible for reviewing material risks, relevant controls and risk mitigation procedures

Credit risk

This principally arose from bank deposits and receivables from advisory and restructuring services clients With regard to bank deposits, the Company deposited money with reputable counterparties on agreed terms The receivables from advisory and restructuring services clients were governed by terms and conditions of individual agreements with such clients

Market Risk

The market risk was limited to the exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than the Company's functional currency

GOING CONCERN

As set out above, the Company transferred its businesses, assets and liabilities to the LLP on 1 October 2010 Consequently, the financial statements have been prepared on an other than going concern basis as a result of the cessation of this trade Further details regarding the adoption of this basis can be found in the statement of accounting policies in note 1 of the financial statements Following the transfer of the businesses to the LLP, the Directors have no intention to wind down the Company in the next 12 months and no decision has yet been taken as to the future of the Company No material adjustments have arisen as a result of ceasing to apply the going concern basis

CHARITABLE CONTRIBUTIONS

During the year the charitable donations made by the Company were $2,152 (2009 - $225)

DIVIDENDS

During the year the directors declared and paid an interim dividend of $28,000,000 (2009 - $10,000,000)

DIRECTORS AND THEIR INTERESTS

The current Directors are Vijay V Bharadia and Susannah G Lindenfield

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

AUDITOR'S

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 s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

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

Vijay V Bharadia

Director
June 17, 2011

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) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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 AUDITOR'S 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 2010 which comprise the Profit and Loss Account, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, anc
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, o
- certain disclosures of directors' remuneration specified by law are not made, o
- we have not received all the information and explanations we require for our audit

Mark FitzPatrick (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

June 17, 2011

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $	2009 $
TURNOVER - Discontinued operations	2, 17	100,861,896	143,821,300
Staff costs	3	(96,773,248)	(127,073,914)
Other operating charges		(29,980,143)	(60,741,935)
Other operating income		3,575,472	3,439,744
OPERATING LOSS			
Continuing operations		416,761	-
Discontinued operations		(22,732,784)	(40,554,805)
	4	(22,316,023)	(40,554,805)
Investment income	5	87,397	158,247
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(22,228,626)**	**(40,396,558)**
Tax credit on loss on ordinary activities	6	1,110,377	4,528,348
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL YEAR	13	**(21,118,249)**	**(35,868,210)**

There have been no recognised gains or losses attributable to the members other than the loss for the current financial year and accordingly, no Statement of Total Recognised Gains and Losses is shown

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 $	2009 $
Retained loss for the financial year	(21,118,249)	(35,868,210)
Capital contributions arising from share-based payments	16,813,799	39,020,281
Capital contribution from parent	5,000,000	-
Dividends paid on equity shares	(28,000,000)	(10,000,000)
Revaluation Reserve	8,520	-
Net reductions to shareholders' funds	**(27,295,930)**	**(6,847,929)**
Opening shareholders' funds	29,542,228	36,390,157
Closing shareholders' funds	**2,246,298**	**29,542,228**

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

BALANCE SHEET
31 DECEMBER 2010

	Notes	2010 $	2009 $
FIXED ASSETS			
Tangible assets	7	-	16,778,782
CURRENT ASSETS			
Debtors	8	1,088,435	11,441,273
Work in progress		-	3,082,354
Cash at bank and in hand		1,157,863	39,858,889
		2,246,298	54,382,516
CREDITORS amounts falling due within one year	10	-	(41,619,070)
NET CURRENT ASSETS		**2,246,298**	**12,763,446**
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,246,298**	**29,542,228**
CAPITAL AND RESERVES			
Called up share capital	11, 13	2,445,267	26,897,918
Other reserves	13	207,652,891	189,377,921
Profit and loss account	13	(207,851,860)	(186,733,611)
SHAREHOLDERS' FUNDS	13	**2,246,298**	**29,542,228**

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

Vijay V Bharadia
Director

CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $	2009 $
Net cash inflow from operating activities	12	12,901,659	19,361,459
Returns on investments and servicing of finance		77,838	158,247
Taxation		-	(1,054,785)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(775,622)	(419,966)
Acquisitions and disposals			
Transfer of business to the LLP	20	(27,904,901)	-
Equity dividends paid	13	(28,000,000)	(10,000,000)
Cash (outflow) / inflow before financing activities		**(43,701,026)**	**8,044,955**
Financing activities			
Capital contribution	13	5,000,000	-
(Decrease)/Increase in cash		**(38,701,026)**	**8,044,955**

ANALYSIS AND RECONCILIATION OF NET DEBT

	2010 $
Cash brought forward	39,858,889
Cash movement during the year	(38,701,026)
Cash carried forward	**1,157,863**

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

Basis of preparation

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 Company's operating loss in the current and prior years has primarily 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 details of this expense are provided in note 19

As set out in the Director's Report, on 29 January 2010, the Directors approved the transfer of the Company's businesses to a UK Limited Liability Partnership, The Blackstone Group International Partners LLP ("LLP") On 1 October 2010, the Company transferred its businesses as a going concern to the LLP, under the Busines Contribution Agreement dated 15 September 2010 In view of the transfer of trade, the financial statements have been prepared on an other than going concern basis as a result of the transfer of this trade, in accordance with reporting standards The Directors have confirmed that the LLP will meet the Company's liabilities as they fall due The assets and liabilities of the Company were transferred to the LLP at book value (see note 20) No material adjustments have arisen as a result of ceasing to apply the going concern basis

Partnership Interest

As a result of the transfer of the businesess to the LLP, as described in note 20, the Company became a Corporate member of the LLP with specific rights and obligations documented in the Amended and Restated Limited Liability Partnership Deed ("the deed") The partnership interest is recorded at cost less provision for impairment

Tangible fixed assets

All assets and liabilities of the Company were transferred to the LLP at book value The Company held no fixed assets at the year end The estimated useful lives of the assets were 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 provided advice to its US advisor entities and incurred costs on various projects Until completion, such costs are classified as Work in Progress Upon completion these were 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 In accordance with FRS 23, 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

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

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 operated 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 The Plan terminated in the Company upon the transfer of trade and now operates within The Blackstone Group International Partners LLP

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 sub-advisory services to certain entities located in the United States of America related to the Company, all of which were continuing activities in the period up to the transfer of the businesses to the LLP The mergers and acquisition advisory services, restructuring and reorganisation advisory services segment also generates 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

	2010 Number	2009 Number
Average number of people employed		
Sales and services	110	147
Administration	35	42
	145	189

	2010	2009
Staff costs during the year	$	$
Wages and salaries	88,744,503	117,030,645
Social security costs	7,590,362	9,552,006
Pension costs	438,383	491,263
	96,773,248	127,073,914

Certain employee contracts were transferred to the LLP as part of the transfer of the Company's businesses to the LLP on 1 October 2010 A number of senior employees of the Company ceased employment with the Company and were admitted to the LLP as members

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

3. STAFF COSTS (continued)

Directors' remuneration

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

	2010	2009
	$	$
Directors' emoluments	6,530,120	9,768,473
No pension contributions were paid during the year		
Highest paid director	1,134,256	1,500,000

4 OPERATING LOSS

	2010	2009
	$	$
Operating loss is stated after charging / (crediting)		
Depreciation	2,642,604	4,203,845
Foreign currency exchange (gain)/loss	(145,812)	815,892
Rentals payable under operating leases	6,714,441	7,154,487
Fees payable to the Company's auditors for the audit of the Company's annual accounts	77,270	136,660
Total audit fees	77,270	136,660
Other non-audit services		
- Tax services	32,453	450,175
- Other services	62,813	-
Total non-audit fees	95,266	450,175

5 INVESTMENT INCOME

	2010	2009
	$	$
Interest receivable	87,397	158,247

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

6. (A) TAX (CREDIT)/CHARGE ON LOSS ON ORDINARY ACTIVITIES

	2010 $	2009 $
United Kingdom corporation tax at 28% (2009 - 28%) based on the loss/(profit) for the year	-	(1,781,344)
Adjustment in respect of prior years	(395,406)	(2,857,488)
	(395,406)	**(4,638,832)**
Deferred tax		
Timing differences, origination and reversal	(751,825)	(149,816)
Adjustment in respect of prior years	36,854	260,300
	(1,110,377)	**(4,528,348)**

(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% (2009 - 28%)

The differences are explained below

	2010 $	2009 $
Loss on ordinary activities before tax	(22,228,626)	(40,396,558)
Tax at 28% (2009 – 28%)	**6,224,015**	**11,311,036**
Expenses not deductible for tax purposes	(235,375)	(294,199)
Depreciation on assets not qualifying for capital allowances	(259,128)	(421,288)
Tax losses carried forward to future periods	(1,645,441)	–
Permanent differences provided depreciation on qualifying assets in excess of capital allowances	16,505	(172,250)
Adjustments in respect of share-based awards	(4,100,576)	(8,641,956)
Adjustment in respect of prior year provisions	395,406	2,857,489
Current tax charge for the year	**395,406**	**4,638,832**

The UK Government has recently announced that it will reduce the standard rate of corporation tax, which will affect the current and total tax charges or credits in future periods It is proposed that the rate will decrease in stages from the current rate of 28% to 26% with effect from 1 April 2011, and then 1% decreases on 1 April each year until it reaches 23% with effect from 1 April 2014 The only change to the tax rate substantively enacted at the balance sheet date was the decrease from 28% to 27% from 1 April 2011

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

7 TANGIBLE FIXED ASSETS

	Leasehold improvements $	Office equipment $	Furniture and fixtures $	Software $	Total $
Cost					
At 1 January 2010	24,493,256	5,393,485	7,208,373	116,569	37,211,683
Additions	220,727	265,881	289,014	-	775,622
Disposals	(786,926)	(27,060)	(122,160)	-	(936,146)
Disposal through transfer of business	(23,927,057)	(5,632,306)	(7,375,227)	(116,569)	(37,051,159)
At 31 December 2010	-	-	-	-	-
Accumulated depreciation					
At 1 January 2010	(10,502,175)	(4,396,461)	(5,417,696)	(116,569)	(20,432,901)
Charge for the year	(1,679,127)	(453,781)	(509,696)	-	(2,642,604)
Disposals	432,309	26,886	120,031	-	579,226
Disposal through transfer of business	11,748,993	4,823,356	5,807,361	116,569	22,496,279
At 31 December 2010	-	-	-	-	-
Net book value					
At 31 December 2010	-	-	-	-	-
At 31 December 2009	13,991,081	997,024	1,790,677	-	16,778,782

During the year, the fixed assets were disposed for nil consideration

8 DEBTORS

	2010 $	2009 $
Trade debtors	-	655,889
Employee receivables	-	1,237,471
Corporation tax	1,088,435	693,026
Amounts owed by group undertakings (see note 16)	-	5,257,242
Security deposits	-	376,080
Prepayments	-	3,221,565
	1,088,435	**11,441,273**

All debtors are receivable within one year

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

9 DEFERRED TAXATION

	2010	2009
	$	$
Movement on deferred taxation balance		
Opening balance	714,971	604,487
Charge / (credit) to profit and loss	(714,971)	110,484
Closing balance	-	714,971
Analysis of deferred tax		
Capital allowances in excess of depreciation	-	(715,667)
Other short term timing differences	-	696
Closing deferred tax asset / (liability)	-	(714,971)

During the year, taxable losses have been incurred which are available for offset against future taxable profits A deferred tax asset has not been recognised in respect of these losses as the Company does not anticipate taxable profits to arise for the Company in the immediate future In time, the Company may share in the taxable profits of the business such that the losses will be recovered The estimated value of the deferred tax asset not recognised measured at a standard rate of 27% is $1,586,675

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	$	$
Amounts due to group undertakings (see note 16)	-	7,741,917
Other taxes and social security	-	17,916,934
Accruals and deferred income	-	15,245,248
Deferred taxation (see note 9)	-	714,971
	-	41,619,070

11 CALLED UP SHARE CAPITAL

Called up, allotted and fully paid	Number	Number
Ordinary shares of £1 each	1,400,000	15,400,000
Preference share of £1 each	1	1
	1,400,001	15,400,001

The share capital is denominated in British pounds sterling

The share capital is shown on the balance sheet at its historical cost equivalent of $2,445,267 (2009 $26,897,918)

On 21 December 2010 the Company passed a special resolution to reduce its share capital by £14,000,000 and to credit the amount of the reduction to the distributable reserves of the Company The reduction in the share capital of the Company of £14,000,000 equated to $24,452,651 based on historical rate of exchange and allowed the distributable reserves of the Company to be increased by the same amount

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

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

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

	2010	2009
	$	$
Operating loss	(22,316,023)	(40,554,805)
Share-based compensation expense	16,813,799	39,020,281
Depreciation charge	2,642,604	4,203,845
Decrease in debtors	3,892,643	47,357,931
(Increase)/Decrease in work in progress	(1,815,659)	622,145
Increase/(Decrease) in creditors	13,309,299	(31,287,938)
Other	374,996	-
Net cash inflow from operating activities	**12,901,659**	**19,361,459**

Other relates to foreign exchange movements on non-cash tax transactions

As at 1 October 2010 the activities of the business were transferred to the LLP for nil consideration See note 20 for details

13 RESERVES

	Share capital	Other reserves	Profit and loss account	Total
	$	$	$	$
At 31 December 2009	26,897,918	189,377,921	(186,733,611)	29,542,228
Capital contributions in current year	-	21,813,799	-	21,813,799
Reduction in Share Capital	(24,452,651)	24,452,651	-	–
Dividends paid on equity shares	-	(28,000,000)	-	(28,000,000)
Revaluation Reserve	-	8,520	-	8,520
Loss for financial year	-	-	(21,118,249)	(21,118,249)
At 31 December 2010	**2,445,267**	**207,652,891**	**(207,851,860)**	**2,246,298**

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 note 19 In addition, on April 28, 2010, the Company received a cash capital contribution of $5,000,000 from its immediate parent, The Blackstone Group International (Cayman) Limited

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

14 LEASE OBLIGATIONS

At December 31, 2010, the Company is not committed to make any payments during the next year in respect of operating leases

All floors leased at Berkeley Square and the Paris office are obligations of The Blackstone Group International Partners LLP following the transfer of trade to the LLP

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 contributed a percentage of an employee's annual salary, subject to United Kingdom statutory restrictions, on a monthly basis for certain administrative employees of the Company based upon the age of the employee The Plan terminated in the Company upon the transfer of trade and now operates within The Blackstone Group International Partners LLP

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 $438,383 (2009 - $491,263)

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

16. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, 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

	2010 $	2009 $
Blackstone Management Partners V L L C	23,171,983	34,243,133
Blackstone Real Estate Advisors Europe L P	-	28,775,846
Blackstone Alternative Asset Management L P	10,127,976	10,726,501
BCLO Advisors LP	6,424,274	-
Blackstone Debt Advisors L P	-	9,598,177
Blackstone Real Estate Advisors VI L L C	6,972,649	9,591,949
Parkhill Group International Limited	7,635,842	6,730,523
Blackstone Management Partners IV L L C	3,230,605	4,778,112
Blackstone Real Estate Advisors Int II LP	20,917,948	-
Blackstone Real Estate Advisors Europe III LP	1,921,146	-
Blackstone Real Estate Special Situations Advisors L C C	-	1,824,941
Blackstone Communications Advisors I L L C	538,434	796,352
Blackstone Advisory Services L P	-	79,204
	80,940,857	107,144,738

At December 2010, $nil (2009 - $3,963,451) was due to the Company in respect of such advisory services performed At 31 December 2010, $nil (2009 - $2,634,917) was due to Blackstone Administrative Services Partnership L P ("BASP") in respect of amounts advanced from BASP Included in debtors at 31 December 2010 is $nil (2009 - $1,237,471) of amounts due to the Company from certain employees for advances made by the Company to such employees The Company was also owed $nil (2009 - $1,293,791) by other Blackstone affiliates

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

The Company owed $nil (2009 - $7,741,917) to other Blackstone group entities 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

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

17 SEGMENTAL REPORTING

The Company 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

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

Credit and Marketable Alternatives - The Company's Credit and Marketable Alternatives 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 reorganisation advisory services and fund placement services for alternative investment funds

As a result of the transfer of the businesses described in note 20, activities in the year relate mainly to discontinued activities Immaterial amounts of bank charges, bank interest earned and foreign exchange movements relate to continuing activities No other activities occurred after the transfer of business on 1 October 2010, other than ongoing membership of the LLP
The following tables present the financial data for the Company's four reportable segments for the years ended 31 December 2010 and 31 December 2009

31 December 2010 and the Year then Ended

	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total
Segment Revenues					
Management and Advisory Fees	26,941,022	29,811,743	16,552,249	27 556,882	100,861,896
Investment Income and Other	719,240	970,954	626,770	1,345,905	3,662 869
Total Revenues	27,660,262	30,782,697	17,179,019	28,902,787	104,524,765
Expenses					
Compensation and Benefits	26 025,620	23,829,605	11,970,300	34,947,723	96,773,248
Other Operating Expenses and Taxation	10,550,814	10 389,494	11 746,545	(3,817 087)	28,869,766
Total Expenses and Taxation	36,576,434	34,219,099	23,716,845	31,130,636	125,643,014
	(8,916,172)	(3,436,402)	(6,537,826)	(2,227,849)	(21,118,249)

31 December 2009 and the Year then Ended

	Private Equity	Real Estate	Credit and Marketable Alternatives	Financial Advisory	Total
Segment Revenues					
Management and Advisory Fees	39,817,597	40,192,736	20,324,678	43,486,289	143,821,300
Investment Income and Other	849,472	913,379	533,293	1,301,847	3,597,991
Total Revenues	40,667,069	41,106,115	20,857,971	44,788,136	147,419,291
Expenses					
Compensation and Benefits	33,807,460	35,890,483	15,494,061	41,881,910	127,073,914
Other Operating Expenses and Taxation	13 411 519	15,764,916	5,533,874	21,503,278	56,213,587
Total Expenses and Taxation	47,218,979	51,655,399	21,027,935	63,385,188	183,287,501
	(6,551,910)	(10,549,284)	(169,964)	(18,597,052)	(35,868,210)

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

18 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is The 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 Limited Partnership 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 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 Partnership's 2007 Equity Incentive Plan ("Equity Plan") The Partnership has issued equity-based compensation awards in the form of deferred restricted common units to some of the Company's senior and non-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 Company is accounting for the equity-based and cash settled awards granted to its senior managing directors and employees in accordance with FRS 20 "Share-based payments"

For the year ended 31 December 2010, the Company recorded compensation expense of $16 8 million (2009 - $39 3 million) in relation to the equity-based awards granted to its employees, of which $16 8 million (2009 - $39 million) was in respect of equity-settled awards and $nil (2009 - $nil) in respect of cash-settled awards

Fair values of the awards have been derived based on the closing price of The Blackstone Group L P 's closing stock price on the date of 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 forfeiture rates based upon historical turnover rates ranging from 1 0% to 13 9% annually by employee class

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

19 SHARE-BASED PAYMENTS (continued)

A summary of changes during the year ended 31 December 2010 are presented below

Blackstone Holdings

Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value
Balance, 31 December 2009	576,211	$ 15 82
Granted	80,151	13 75
Transfers	(513,337)	15 25
Vested	(143,025)	16 72
Balance, 31 December 2010	-	

The Blackstone Group L P

	Equity Settled Awards		Cash Settled Awards	
	Deferred Restricted Common Units	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, 31 December 2009	5,340,652	$ 24 34	18,310	$ 25 92
Granted	243,127	8 79	-	-
Transfers	(4,244,833)	22 46	1,041	8 99
Vested	(1,057,618)	27 29	(18,795)	14 65
Forfeited	(281,328)	27 64	(556)	13 87
Balance, 31 December 2010	-		-	

Blackstone Holdings Partnership Units

The Partnership has granted Blackstone Holdings Partnership Units to newly hired senior managing directors of the Company The Company is accounting for the unvested Blackstone Holdings Partnership Units as compensation expense in accordance with FRS 20 "Share-based payments" 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 expensed over the assumed service period which ranges from three to nine years Additionally, the calculation of the compensation expense assumes a forfeiture rate of up to 3 2%, based on historical experience

Equity-Settled and Cash-Settled Awards

Equity-Settled Awards Subject to an employee's continued employment with the Company, the unvested deferred restricted common units granted will vest, and the underlying Partnership's common units will be delivered, in one or more instalments over a period of up to eight years Unless otherwise determined by the Partnership, upon termination, for any reason, all unvested deferred restricted common units granted and then held by employee will be immediately forfeited

Cash-Settled Awards Subject to an employee's continued employment with the Company, the phantom deferred cash settled equity-based awards granted will vest in equal instalments over a period of three years On each such vesting date, the Company will deliver cash to the employee in an amount equal to the number of phantom cash settled equity-based awards held by the employee that will vest on such date multiplied by the then fair market value of the Partnership's common units on such date The last vesting date for such phantom cash settled equity-based awards was June 2010

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2010

20 TRANSFER OF BUSINESS

On 1 October 2010, the Company transferred the activities of the businesses as a going concern to a newly formed Limited Liability Partnership incorporated in the UK, The Blackstone Group International Partners LLP ("the LLP") Consideration for the transfer was settled by the assumption of liabilities by the LLP and the granting of a partnership interest in the LLP to the Company

The net assets transferred to the LLP are as follows

	Carrying Value
	$
Cash	27,904,901
Work In Progress	4,898,013
Due from Affiliates	1,954,934
Fixed Assets	14,554,880
Prepaid Expenses	4,900,670
Accrued Expenses	(2,122,342)
Due to Affiliates	(7,262,293)
Accrued Compensation and Benefits	(44,828,763)
	-