

Company Registration No 3949032

The Blackstone Group International Limited

Report and Financial Statements

for the year ended 31 December 2009



THE BLACKSTONE GROUP INTERNATIONAL LIMITED
REPORT AND FINANCIAL STATEMENTS 2009

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THE BLACKSTONE GROUP INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Joseph P Baratta
David S Blitzer
Lawrence H Guffey
James T Hill
Hamilton E James
Richard H Jenrette (Appointed 6 May 2009)
Gerard M Murphy (Appointed 17 March 2009)
Chad R Pike
Stephen Schwarzman
Jean-Michel Steg (Appointed 1 December 2009)
John J Studzinski
Laurence A Tosi
Donna A Toth
Michael Whitman

SECRETARY

Laurence A Tosi

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 2009. 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 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. There have not been any significant changes in the Company's principal activity in the year under review.

Subsequent to the year end, on 29 January 2010, the Directors approved the transfer of the operations of the Company to a newly formed Limited Liability Partnership ("LLP") incorporated in the United Kingdom. The Company will transfer its business, assets and liabilities to the newly formed LLP.

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 \$35,868,210 (2008 loss of \$65,980,613).

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 18.81% from \$36,390,157 to \$29,542,228. As the Company mainly provides 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, has resulted in a \$39,346,882 (2008: \$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.

PRINCIPAL RISKS

The key risk exposures of the Company are set out below.

Group risk

Given that the Company's principal activity is the provision of sub-advisory services to other group entities of the Partnership, the Company is dependent on the group entities for its business and revenues. Consequently, the main risk it faces is that such group entities or the Partnership is unwilling or unable to support the Company ("Group Risk"). The Directors monitor exposures to group companies and have ongoing interaction with relevant group functions to understand and influence group level decisions. The Finance team also regularly analyses 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's risk oversight committee is responsible for reviewing material risks, relevant controls and risk mitigation procedures.

The Company faces limited credit and market risk due to the nature of its business model.

Credit risk

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

Market Risk

The market risk is 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 will transfer its business, assets and liabilities to a newly formed LLP during 2010. Consequently, the financial statements have been prepared on an other than going concern basis. 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 business to the new LLP, the Directors have no intention to wind down the Company in the next 12 months. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

CHARITABLE CONTRIBUTIONS

During the year the charitable contributions made by the Company were \$225 (2008 - \$144)

DIVIDENDS

During the year the directors declared and paid an interim dividend of \$10,000,000 (2008 - \$29,694,638)

PILLAR 3

In accordance with the requirements of the Financial Services Authority, the Company has published information on its risk management objectives and policies for regulatory capital requirements and resources. This information is available at <http://www.blackstone.com/PDF/Disclosures/ukdisclosure.pdf>

DIRECTORS AND THEIR INTERESTS

The current Directors are Joseph P Baratta, David S Blitzler, Lawrence H Guffey, James T Hill, Hamilton E James, Richard H Jenrette, Gerard M Murphy, Chad R Pike, Stephen Schwarzman, Jean-Michel Steg, John J Studzinski, Laurence A Tosi, Donna A Toth, and Michael Whitman who served throughout the year except as stated. Gerard M Murphy was appointed as a Director with effect from 17 March 2009. Richard H Jenrette was appointed as a Director of the Company with effect from 6 May 2009 and Jean-Michel Steg was appointed as a Director with effect from 1 December 2009.

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

AUDITORS

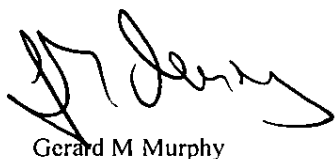
Each person who is a director at the date of the approval of this report confirms that

- (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 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



Gerard M Murphy

Director
23 April 2010

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). 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 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 2009 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the Cash Flow Statement and the related notes 1 to 19. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB'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 2009 and of its loss for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 qualified, 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, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- 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 Auditors
London, United Kingdom
23 April 2010

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2009

	Notes	2009 \$	2008 \$
TURNOVER	2, 17	143,821,300	168,566,598
Staff costs	3	(127,073,914)	(180,272,714)
Other operating charges		(60,741,935)	(52,941,128)
Other operating income		<u>3,439,744</u>	<u>5,152,732</u>
OPERATING LOSS	4	(40,554,805)	(59,494,512)
Investment income	5	<u>158,247</u>	<u>113,825</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(40,396,558)	(59,380,687)
Tax credit/(charge) on loss on ordinary activities	6	<u>4,528,348</u>	<u>(6,599,926)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL YEAR	13	<u>(35,868,210)</u>	<u>(65,980,613)</u>

All results are derived from continuing operations. 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


	2009 \$	2008 \$
Retained loss for the financial year	(35,868,210)	(65,980,613)
Capital contributions arising from share-based payments	39,020,281	86,316,575
Dividends paid on equity shares	<u>(10,000,000)</u>	<u>(29,694,638)</u>
Net reductions to shareholders' funds	(6,847,929)	(9,358,676)
Opening shareholders' funds	<u>36,390,157</u>	<u>45,748,833</u>
Closing shareholders' funds	<u>29,542,228</u>	<u>36,390,157</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED
COMPANY REGISTRATION NO 3949032

BALANCE SHEET
31 DECEMBER 2009

	Notes	2009 \$	2008 \$
FIXED ASSETS			
Tangible assets	7	16,778,782	20,562,661
		<u>16,778,782</u>	<u>20,562,661</u>
CURRENT ASSETS			
Debtors	8	11,441,273	58,106,178
Work in progress		3,082,354	3,704,499
Cash at bank and in hand		39,858,889	31,813,934
		<u>54,382,516</u>	<u>93,624,611</u>
CREDITORS amounts falling due within one year	10	(41,619,070)	(77,797,115)
NET CURRENT ASSETS		<u>12,763,446</u>	<u>15,827,496</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,542,228</u>	<u>36,390,157</u>
CAPITAL AND RESERVES			
Called up share capital	11, 13	26,897,918	26,897,918
Other reserves	13	189,377,921	160,357,640
Profit and loss account	13	(186,733,611)	(150,865,401)
EQUITY SHAREHOLDERS' FUNDS	13	<u>29,542,228</u>	<u>36,390,157</u>

Approved by the Board of Directors and authorised for issue on 23 April 2010 and signed on its behalf by



Gerard M Murphy
Director

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2009

	Notes	2009 \$	2008 \$
Net cash inflow from operating activities	12	19,361,459	61,967,481
Returns on investments and servicing of finance	5	158,247	113,825
Taxation		(1,054,785)	(6,654,554)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	<u>(419,966)</u>	<u>(4,330,382)</u>
Net cash outflow from investing activities		<u>(419,966)</u>	<u>(4,330,382)</u>
Equity dividends paid	13	<u>(10,000,000)</u>	<u>(29,694,638)</u>
Net cash outflow from financing		<u>(10,000,000)</u>	<u>(29,694,638)</u>
Increase in cash		<u><u>8,044,955</u></u>	<u><u>21,401,732</u></u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

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 IFRS 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 business to a newly formed LLP. As a result, the Company will cease trading on the date of transfer but will remain in existence as a legal entity. In view of the transfer of trade, the financial statements have been prepared on an other than going concern basis, in accordance with reporting standards. The Directors believe that the Company will continue to be able to meet its liabilities as they fall due. All assets and liabilities of the Company will transfer to the LLP at book value. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

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 2009

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 sub-advisory services to certain entities located in the United States of America related to the Company, all of which are continuing activities. 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

	2009 Number	2008 Number
Average number of people employed		
Sales and services	110	115
Administration	79	66
	<u>189</u>	<u>181</u>
	2009	2008
Staff costs during the year	\$	\$
Wages and salaries	117,030,645	169,700,991
Social security costs	9,552,006	10,048,227
Pension costs	491,263	523,496
	<u>127,073,914</u>	<u>180,272,714</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

3. STAFF COSTS (continued)

Directors' remuneration

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

	2009 \$	2008 \$
Directors' emoluments	9,768,473	10,821,375
No pension contributions were paid during the year		
	2009 \$	2008 \$
Highest paid director	1,500,000	2,164,275

4. OPERATING LOSS

	2009 \$	2008 \$
Operating loss is stated after charging / (crediting)		
Depreciation	4,203,845	4,316,641
Foreign currency exchange loss/(gain)	815,892	(3,201,513)
Rentals payable under operating leases	7,154,487	6,634,835
Fees payable to the Company's auditors for the audit of the Company's annual accounts	136,660	186,214
Total audit fees	136,660	186,214
Other services pursuant to legislation		
- Tax services	450,175	964,220
Total non-audit fees	450,175	964,220

5. INVESTMENT INCOME

	2009 \$	2008 \$
Interest receivable	158,247	113,825
	158,247	113,825

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

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

	2009 \$	2008 \$
United Kingdom corporation tax at 28% (2008 - 28.5%) based on the profit for the year	(1,781,344)	7,235,185
Adjustment in respect of prior years	(2,857,488)	(451,173)
Double taxation relief	-	-
	<u>(4,638,832)</u>	<u>6,784,012</u>
Foreign tax for current year	-	-
	<u>(4,638,832)</u>	<u>6,784,012</u>
Deferred tax		
Timing differences origination and reversal	(149,816)	(5,517)
Adjustment in respect of prior years	260,300	(178,569)
	<u>(4,528,348)</u>	<u>6,599,926</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% (2008 - 28.5%)

The differences are explained below

	2009 \$	2008 \$
Loss on ordinary activities before tax	(40,396,558)	(59,380,687)
Tax at 28% (2008 - 28.5%)	<u>11,311,036</u>	<u>16,923,496</u>
Expenses not deductible for tax purposes	(316,633)	(1,081,549)
Depreciation on assets not qualifying for capital allowances	(421,288)	(462,478)
Timing differences provided depreciation on qualifying assets in excess of capital allowances	(172,250)	(12,499)
Adjustments in respect of share-based awards	(8,641,956)	(22,612,900)
Other timing differences provided	22,434	10,745
Adjustment in respect of prior year provisions	<u>2,857,489</u>	<u>451,173</u>
Current tax charge for the year	<u><u>4,638,832</u></u>	<u><u>(6,784,012)</u></u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2009**

7 TANGIBLE ASSETS

	Leasehold improvements	Office equipment	Furniture and fixtures	Software	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2009	24,430,114	5,098,179	7,146,855	116,569	36,791,717
Additions	63,142	295,306	61,518	-	419,966
At 31 December 2009	<u>24,493,256</u>	<u>5,393,485</u>	<u>7,208,373</u>	<u>116,569</u>	<u>37,211,683</u>
Accumulated depreciation					
At 1 January 2009	(8,228,564)	(3,599,704)	(4,285,701)	(115,087)	(16,229,056)
Charge for the year	(2,273,611)	(796,757)	(1,131,995)	(1,482)	(4,203,845)
At 31 December 2009	<u>(10,502,175)</u>	<u>(4,396,461)</u>	<u>(5,417,696)</u>	<u>(116,569)</u>	<u>(20,432,901)</u>
Net book value					
At 31 December 2009	<u>13,991,081</u>	<u>997,024</u>	<u>1,790,677</u>	<u>-</u>	<u>16,778,782</u>
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>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

8 DEBTORS

	2009 \$	2008 \$
Trade debtors	655,889	8,353,207
Employee receivables	1,237,471	998,799
Corporation tax	693,026	-
Amounts owed by group undertakings (see note 16)	5,257,242	44,904,208
Security deposits	376,080	353,412
Prepayments	3,221,565	3,496,552
	<u>11,441,273</u>	<u>58,106,178</u>

All debtors are receivable within one year

9 DEFERRED TAX

	2009 \$	2008 \$
Movement on deferred taxation balance		
Opening balance	604,487	788,573
Charge / (credit) to profit and loss	<u>110,484</u>	<u>(184,086)</u>
Closing balance	<u>714,971</u>	<u>604,487</u>
Analysis of deferred tax liability		
Capital allowances in excess of depreciation	(715,667)	(609,278)
Other short term timing differences	<u>696</u>	<u>4,791</u>
	<u>(714,971)</u>	<u>(604,487)</u>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

10. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 \$	2008 \$
Amounts due to group undertakings (see note 16)	7,741,917	7,218,519
Corporation tax	-	5,000,591
Other taxes and social security	17,916,934	17,408,259
Accruals and deferred income	15,245,248	47,565,259
Deferred taxation	714,971	604,487
	<u>41,619,070</u>	<u>77,797,115</u>

11. CALLED UP SHARE CAPITAL

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 (2008 - \$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 2009

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

	2009 \$	2008 \$
Operating loss	(40,554,805)	(59,494,512)
Share-based compensation expense	39,020,281	86,870,737
Depreciation charge	4,203,845	4,316,641
Decrease in debtors	47,357,931	31,125,546
Decrease/(Increase) in work in progress	622,145	(3,132,390)
(Decrease)/Increase in creditors	(31,287,938)	2,281,459
Net cash inflow from operating activities	<u>19,361,459</u>	<u>61,967,481</u>

13 RESERVES

	Share capital \$	Other reserves \$	Profit and loss account \$	Total \$
At 31 December 2008	26,897,918	160,357,640	(150,865,401)	36,390,157
Capital contributions in current year	-	39,020,281	-	39,020,281
Dividends paid on equity shares	-	(10,000,000)	-	(10,000,000)
Loss for financial year	-	-	(35,868,210)	(35,868,210)
At 31 December 2009	<u>26,897,918</u>	<u>189,377,921</u>	<u>(186,733,611)</u>	<u>29,542,228</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 note 19

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

14 LEASE OBLIGATIONS

At 31 December 2009 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	485 016	18 700
Within two to five years	8 567 442	-
After more than five years	-	-
	<u>9 052 458</u>	<u>18,700</u>

All floors leased at Berkeley Square are due for a rent review in March 2014 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 \$491,263 (2008 - \$523,496).

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

16 RELATED PARTIES

During the year ended 31 December 2009, 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.

	2009 \$	2008 \$
Blackstone Management Partners V L L C	34,243,133	43,737,535
Blackstone Real Estate Advisors Europe L P	28,775,846	26,965,260
Blackstone Alternative Asset Management L P	10,726,501	13,527,989
Blackstone Debt Advisors L P	9,598,177	10,324,755
Blackstone Real Estate Advisors VI L L C	9,591,949	8,755,523
Parkhill Group International Limited	6,730,523	16,755,729
Blackstone Management Partners IV L L C	4,778,112	6,400,621
Blackstone Real Estate Special Situations Advisors L C C	1,824,941	-
Blackstone Communications Advisors I L L C	796,352	1,022,317
Blackstone Advisory Services L P	79,204	24,344,208
Blackstone Real Estate Advisors V L L C	-	698,691
	<u>107,144,738</u>	<u>152,532,628</u>

At 31 December 2009, \$3,963,451 (2008 - \$14,571,017) was due to the Company in respect of such advisory services performed. At 31 December 2009, \$2,634,917 (2008 - \$-22,022,977) was due to Blackstone Administrative Services Partnership L P ("BASP") in respect of amounts advanced from BASP. Included in debtors at 31 December 2009 is \$1,237,471 (2008 - \$998,799) of amounts due to the Company from certain employees for advances made by the Company to such employees. The Company was also owed \$1,293,791 (2008 - \$8,310,214) 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.

The Company also owed \$7,741,917 (2008 - \$7,218,519) to other Blackstone group entities. This reflects amounts advanced to the Company in 2009. 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 2009

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:

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.

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.

The following tables present the financial data for the Company's four reportable segments as of and for the years ended 31 December 2009 and 31 December 2008.

31 December 2009 and the Year then Ended

	<u>Corporate Private Equity</u>	<u>Real Estate</u>	<u>Credit and Marketable Alternatives</u>	<u>Financial Advisory</u>	<u>Total</u>
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	<u>40,667,069</u>	<u>41,106,115</u>	<u>20,857,971</u>	<u>44,788,136</u>	<u>147,419,291</u>
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	<u>47,218,979</u>	<u>51,655,399</u>	<u>21,027,935</u>	<u>63,385,188</u>	<u>183,287,501</u>
	<u>(6,551,910)</u>	<u>(10,549,284)</u>	<u>(169,964)</u>	<u>(18,597,052)</u>	<u>(35,868,210)</u>

31 December 2008 and the Year then Ended

	<u>Corporate Private Equity</u>	<u>Real Estate</u>	<u>Credit and Marketable Alternatives</u>	<u>Financial Advisory</u>	<u>Total</u>
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>

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

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 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 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 2009, the Company recorded compensation expense of \$39.3 million in relation to the equity-based awards granted to its employees, of which \$39 million was in respect of equity-settled awards and \$0.3 million was in respect of cash-settled awards. The Company recorded compensation expense of \$86.9 million for the year ended 31 December 2008 of which \$86.4 million was in respect of equity-settled awards and \$0.5 million was in respect of cash-settled awards.

Fair values of the awards have been derived based on the closing price of the Partnership's closing stock price on the date of the grant, multiplied by the number of unvested awards and expensed over the assumed service period which ranges from one to eight years. Additionally, the calculation of the compensation expense assumes a forfeiture rate based upon historical turnover rates ranging from 3% to 16% annually by employee class.

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 2009**

19 SHARE-BASED PAYMENTS (continued)

A summary of the status of the non-vested equity-based awards as of 31 December 2009 and a summary of changes during the year ended 31 December 2009 are presented below

		<u>Blackstone Holdings</u>	
	<u>Unvested Units</u>	<u>Partnership Units</u>	<u>Weighted-Average Grant Date Fair Value</u>
Balance, 31 December 2008		364,572	\$ 25 91
Granted		521,605	4 83
Transferred		35,453	18 15
Vested		(121,693)	16 05
Exchanged		(223,726)	6 87
Forfeited		-	-
Balance, 31 December 2009		<u>576,211</u>	<u>\$ 15 82</u>

		<u>The Blackstone Group L.P.</u>			
		<u>Equity Settled Awards</u>		<u>Cash Settled Awards</u>	
	<u>Deferred Restricted Common Units</u>	<u>Weighted-Average Grant Date Fair Value</u>	<u>Phantom Units</u>	<u>Weighted-Average Grant Date Fair Value</u>	
Outstanding at the beginning of the period	6,845,442	\$ 26 55	51,034	\$ 26 19	
Granted	1 018,159	12 71	-	-	
Repurchased	(53,646)	31 11	547	26 05	
Vested	(1,700,790)	22 82	(31,295)	26 55	
Exchanged	223,726	6 87	-	-	
Forfeited	(992,239)	25 94	(1 976)	26 05	
Outstanding at the end of the period	<u>5,340,652</u>	<u>\$ 24 34</u>	<u>18,310</u>	<u>\$ 25 92</u>	

THE BLACKSTONE GROUP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2009

19 SHARE-BASED PAYMENTS (continued)

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 IFRS 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 16%, based on historical experience.

Equity-Settled and Cash-Settled Awards

Equity Settled Award 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 nine years. Unless otherwise determined by the Partnership, upon termination for any reason, all unvested deferred restricted common units granted and then held by employees 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.