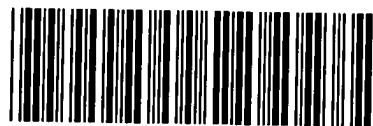


**BREDS III CAPITAL GP LLP**

**MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## **BREDS III CAPITAL GP LLP**

### **INFORMATION**

**Designated Members** BREDS Associates III Loan NQ L.P.  
BREDS III Capital UK Limited, Managing Member

**LLP registered number** OC416637

**Registered office** 40 Berkeley Square  
London  
United Kingdom  
W1J 5AL

**Independent auditors** Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London  
United Kingdom  
EC4A 3HQ

**Solicitors** Simpson Thacher & Bartlett LLP  
City Point  
One Ropemaker Street  
London  
United Kingdom  
EC2Y 9HU

**BREDS III CAPITAL GP LLP**

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## **BREDS III CAPITAL GP LLP**

### **MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The members present their annual report together with the audited financial statements of BREDS III Capital GP LLP (the "LLP") for the year ended 31 December 2019. The LLP is a limited liability partnership under the Limited Liability Partnerships Act 2000 registered in England and Wales.

#### **Principal activities**

The LLP was incorporated in the United Kingdom on 29 March 2017 for the purpose of investing in BREDS III Debt Portfolio UK Holding L.P. (the "Investment"), a partnership incorporated in the United Kingdom, which makes investments in real estate and real estate-related companies to generate an investment income.

#### **Review of the business and future developments**

The results for the year are set out in the Statement of comprehensive income. Profit for the year available for discretionary division amongst members amounts to \$429,919 (2018: \$33,213). Any expenses have been borne by an affiliate of the LLP, Blackstone Real Estate Special Situations Advisors LLC.

The Statement of financial position shows a satisfactory position at year end, with members' interests amounting to \$1,479,849 (2018: \$875,485).

#### **Designated Members**

BREDS Associates III Loan NQ L.P. and BREDS III Capital UK Limited were designated members of the LLP throughout the year and up to the date of this report.

BREDS III Capital UK Limited is the managing member which makes decisions referring to certain strategic matters.

#### **Members' capital and interests**

Policies for members' drawings, subscriptions and repayment of members' capital are governed by and set out in the Limited Liability Partnership Agreement ('LLP deed') of the LLP, dated 7 April 2017. Under the terms of the LLP deed, a sum of \$1,000 was subscribed by the members' as permanent capital.

No member shall have any right, directly or indirectly, to withdraw or receive back any part of the amount standing to the credit of its capital account except (i) following a decision of the management board or (ii) upon winding-up of the LLP.

If the management board determines (taking into account the working capital requirements of the LLP) that all the members may withdraw a pro rata proportion of their respective capital contributions, each member shall be entitled to make a withdrawal from its capital account accordingly.

No interest shall be payable by the LLP on amounts credited to the capital accounts of the members.

#### **Going concern**

The LLP continues to hold the Investments in the partnerships, and the members do not believe that the uncertain market conditions as a result of COVID-19 will significantly impact the performance of the LLP.

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the going concern basis has been adopted in preparing the members' report and financial statements.

#### **Members' responsibilities statement**

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting

## **BREDS III CAPITAL GP LLP**

### **MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019**

Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'..

Company law as applied to LLPs, requires the members to prepare financial statements for each financial year. Under that law the members 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, as applied to LLPs the members 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 LLP and of the profit or loss of the LLP for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to auditors**

Each of the members at the time when this Members' report is approved has confirmed that:

- so far as that member is aware, there is no relevant audit information of which the LLP's auditors are unaware, and
- that member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

#### **Geopolitical uncertainty**

On January 31, 2020, the U.K. withdrew from the European Union ("Brexit"), with a transition period lasting until December 31, 2020. During the transition period, existing arrangements between the U.K. and the EU will remain in place while the U.K. and the European Union (the "EU") seek to negotiate a free trade agreement that will govern the trading relationship between the U.K. and the EU following the transition period.

Given the size and global significance of the U.K.'s economy, ongoing uncertainty regarding its political and economic relationships with Europe may continue to be a source of instability in markets outside of the U.K. and Europe. The longer-term impact of Brexit will continue to be monitored as the uncertainty resolves.

**BREDS III CAPITAL GP LLP**

**MEMBERS' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Auditors**

Deloitte LLP have indicated their willingness to be appointed as auditor and will be proposed for reappointment as the independent auditor of the LLP.

A handwritten signature in black ink, appearing to read 'Simon Davies', is positioned above the printed name and title.

Simon Davies  
Director of the Managing Member

Date: 22 September 2020

## **BREDS III CAPITAL GP LLP**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BREDS III CAPITAL GP LLP**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of BREDS III Capital GP LLP (the 'limited liability partnership'):

- give a true and fair view of the state of the Limited Liability Partnership's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interest; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Limited Liability Partnerships' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **BREDS III CAPITAL GP LLP**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BREDS III CAPITAL GP LLP**

#### **Other information**

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006, as applied by the limited liability partnerships accounts we are required to report in respect of the following matters 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



**BREDS III CAPITAL GP LLP**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BREDS III CAPITAL GP LLP**

**Use of our report**

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the Limited Liability Partnership'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 Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ghorzang Aziz, ACA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
1 New Street Square  
London, United Kingdom

22 September 2020

**BREDS III CAPITAL GP LLP**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
Income from fixed assets investments	6	429,919	33,213
		<hr/>	<hr/>
<b>Profit before tax</b>		429,919	33,213
		<hr/>	<hr/>
<b>Profit for the year before members' remuneration and profit shares available for discretionary division among members</b>		429,919	33,213
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains and losses for the year 2019 and 2018 other than those included in the statement of comprehensive income.

All results are derived from continuing operations.

The notes on pages 10 to 13 form part of these financial statements.

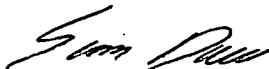
**BREDS III CAPITAL GP LLP**  
**REGISTERED NUMBER: OC416637**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
<b>Fixed assets</b>			
Investments	7	174,879	563,424
		<u>174,879</u>	<u>563,424</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	1,304,970	312,061
		<u>1,304,970</u>	<u>312,061</u>
<b>Total assets less current liabilities</b>		<u>1,479,849</u>	<u>875,485</u>
<b>Net assets</b>		<u><u>1,479,849</u></u>	<u><u>875,485</u></u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
<b>Members' other interests</b>			
Members' capital classified as equity		738,869	564,424
Other reserves classified as equity		740,980	311,061
		<u>1,479,849</u>	<u>875,485</u>
		<u><u>1,479,849</u></u>	<u><u>875,485</u></u>
<b>Total members' interests</b>			
Members' other interests		<u>1,479,849</u>	<u>875,485</u>
		<u><u>1,479,849</u></u>	<u><u>875,485</u></u>

The financial statements have been prepared in accordance with the provisions applicable to entities subject to the small LLPs regime.

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 22 September 2020.



**Simon Davies**  
Director of the Managing member

The notes on pages 10 to 13 form part of these financial statements.

**BREDS III CAPITAL GP LLP**

**STATEMENT OF CHANGES IN MEMBERS' INTERESTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>EQUITY</b>		
	<b>Members' other interests</b>		
	<b>Members'</b>	<b>Other</b>	
	<b>capital</b>	<b>reserves</b>	
	<b>(classified as</b>	<b>(classified</b>	
	<b>equity)</b>	<b>as equity)</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2018</b>	<b>564,424</b>	<b>277,848</b>	<b>842,272</b>
Profit for the year available for discretionary division among members	-	33,213	33,213
<b>Members' interests after profit for the year</b>	<b>564,424</b>	<b>311,061</b>	<b>875,485</b>
<b>Balance at 31 December 2018</b>	<b>564,424</b>	<b>311,061</b>	<b>875,485</b>
Profit for the year available for discretionary division among members	-	429,919	429,919
<b>Members' interests after profit for the year</b>	<b>564,424</b>	<b>740,980</b>	<b>1,305,404</b>
Movement in members' capital	174,445	-	174,445
<b>Balance at 31 December 2019</b>	<b>738,869</b>	<b>740,980</b>	<b>1,479,849</b>

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

## **BREDS III CAPITAL GP LLP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

Details of the LLP's general information are set out on the information page and in the members' report on page 1.

#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

##### **1.2 Financial reporting standard 102 - reduced disclosure exemptions**

The LLP meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of certain disclosure exemptions. The LLP has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation;
- the requirements of Section 11 Financial Instruments;
- the requirements of Section 12 Other Financial Instruments; and
- the requirements of Section 33 Related Party Disclosures.

This information is included in the consolidated financial statements of The Blackstone Group Inc. as at 31 December 2019 and these financial statements may be obtained from 345 Park Avenue, New York, NY 10154.

##### **1.3 Going concern**

The ongoing COVID-19 pandemic and restrictions on non-essential businesses have caused disruption in the U.S. and global economies. Despite significant market rebounds across many asset classes in the second quarter of 2020, the continued rapid development of this situation and uncertainty regarding potential economic recovery precludes any prediction as to the ultimate adverse impact of COVID-19 on financial market and economic conditions.

The LLP continues to carefully monitor the ongoing developments regarding the COVID-19 outbreak and the members do not believe that the uncertain market conditions as a result of COVID-19 will significantly impact the performance of the LLP.

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the going concern basis has been adopted in preparing the members' report and financial statements.

##### **1.4 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **1.5 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## **BREDS III CAPITAL GP LLP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. Accounting policies (continued)**

##### **1.6 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **1.7 Foreign currency translation**

###### **Functional and presentational currency**

The LLP's functional and presentational currency is United States Dollars (\$).

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

##### **1.8 Investment income**

Interest income is recognised when the LLP's right to receive payment have been established (provided that it is probable that the economic benefits will flow to the LLP and the amount of revenue can be measured reliably).

#### **2. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the LLP's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical accounting judgements, nor key sources of estimate uncertainty for the year ended 31 December 2019.

#### **3. Auditors' remuneration**

The expenses of the LLP have been borne by an affiliate of the LLP in the current period. The audit fee for the period ended 31 December 2019 was \$5,701 (2018: \$5,229). Other services in relation to taxation for the period ended 31 December 2019 was \$2,917 (2018: \$2,551).

**BREDS III CAPITAL GP LLP**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**4. Information in relation to members**

	2019 No.	2018 No.
The average number of members during the year/period was	2	2
	<u>2</u>	<u>2</u>

**5. Staff numbers and costs**

There were no staff employed during the current year.

**6. Income from investments**

	2019 \$	2018 \$
Income from fixed assets investments	429,919	33,213
	<u>429,919</u>	<u>33,213</u>

**7. Fixed asset investments**

	2019 \$	2018 \$
<b>Cost</b>		
At 1 January	563,424	563,424
Additions	174,445	-
Return of capital	(562,990)	-
<b>At 31 December</b>	<u>174,879</u>	<u>563,424</u>

As at 31 December 2019, the LLP has the following holdings:

	Cost \$	Carrying value \$
BREDS III Debt Portfolio UK Holding L.P.	174,879	392,638
	<u>174,879</u>	<u>392,638</u>

The LLP is deemed to have a significant influence on the Investment by virtue of the terms set out in the LLP deed. The registered business address of this entity is 40 Berkeley Square, London, W1J 5AL.

**BREDS III CAPITAL GP LLP**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Debtors: amounts falling due within one year**

	2019 \$	2018 \$
Amounts owed by group undertakings	1,304,970	312,061
	<u>1,304,970</u>	<u>312,061</u>

Amounts owed by group undertakings are non-interest bearing and payable on demand.

**9. Controlling party**

The LLP's immediate parent undertaking is BREDS Associates III Loan NQ L.P., a Limited Partnership incorporated in Delaware, United States of America. The LLP's ultimate parent undertaking and controlling party is The Blackstone Group Inc., a corporation listed on the New York Stock Exchange.

The Blackstone Group Inc. is the smallest and largest group which includes the LLP and for which financial statements are prepared.

Copies of the group financial statements are available from 345 Park Avenue, New York, NY 10154, United States of America. This is also the registered address of the controlling party.

**10. Subsequent events**

The LLP continues to carefully monitor the ongoing developments regarding the COVID-19 outbreak and currently expects the COVID-19 outbreak to have only a negligible impact on the LLP.

Subsequent events have been evaluated through to 22 September 2020, the date that these financial statements were available to be issued. Other than what has been noted above, there were no events that require recognition or disclosure in the financial statements.