

**BREDS III CAPITAL GP LLP**

**MEMBERS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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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 2022**

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 2022. 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 \$7,475 (2021: \$159,667). All 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 \$1,713,949 (2021: \$1,706,474).

#### **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**

All expenses are borne by an affiliate of the LLP, Blackstone Real Estate Special Situations Advisors LLC. 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.

## **BREDS III CAPITAL GP LLP**

### **MEMBERS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

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

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations..

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 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). The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the profit or loss of the firm 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;
- 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**

Geopolitical risk has been a key driver of uncertainty and will remain one for the foreseeable future. The ongoing war between Russia and Ukraine, public health issues like pandemics, recessions or other economic, political, and global macro factors and events, have significantly impacted the global economy and financial markets which could present uncertainty and risk with respect to the LLP and the performance of its operations.

#### **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.



Simon Davies  
Director of the Managing Member  
Date: 26 September 2023

## **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 'LLP'):

- give a true and fair view of the state of the LLP's affairs as at 31 December 2022 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 on pages 9 - 12.

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**

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. 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.

## **BREDS III CAPITAL GP LLP**

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

#### **Other information (continued)**

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 course of 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 this gives rise to material misstatement in the financial statements themselves. 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 this regard.

#### **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 LLP'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.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the LLP's industry and its control environment, and reviewed the LLP's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the members about their own identification and assessment of the risks of irregularities, including those that are specific to the limited liability partnership's business sector.

We obtained an understanding of the legal and regulatory frameworks that the LLP operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the LLP's ability to operate or to avoid a material penalty. These include breaches of the Money Laundering Regulations and contractual agreements whose effects should be considered while preparing financial statements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **BREDS III CAPITAL GP LLP**

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

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Valuation of Investments - Valuation of investments involves fraud risk due to management judgement involved. We have performed an independent search for any evidence which might contradict management's valuation assumptions and we also checked the appropriateness of the value recorded for the investment by management.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **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 by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP 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.

#### **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.



Yasir Aziz, ACA (Senior statutory auditor)

for and on behalf of

**Deloitte LLP**  
Statutory Auditor  
London, United Kingdom  
26 September 2023



**BREDS III CAPITAL GP LLP**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Income from fixed assets investments	6	7,475	159,667
<b>Profit before tax</b>		<u>7,475</u>	<u>159,667</u>
<b>Profit for the year before members' remuneration and profit shares available for discretionary division among members</b>		<u>7,475</u>	<u>159,667</u>

There were no recognised gains and losses for the year 2022 and 2021 other than those included in the statement of comprehensive income.

All results are derived from continuing operations.

The notes on pages 9 to 12 form part of these financial statements.

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
<b>Fixed assets</b>			
Investments	6	174,879	174,879
		<u>174,879</u>	<u>174,879</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	1,539,070	1,531,595
		<u>1,539,070</u>	<u>1,531,595</u>
<b>Total assets less current liabilities</b>		<u>1,713,949</u>	<u>1,706,474</u>
<b>Net assets</b>		<u><u>1,713,949</u></u>	<u><u>1,706,474</u></u>
<b>Represented by:</b>			
<b>Members' other interests</b>			
Members' capital classified as equity		738,869	738,869
Other reserves classified as equity		975,080	967,605
		<u>1,713,949</u>	<u>1,706,474</u>
<b>Total members' interests</b>			
Members' other interests		1,713,949	1,706,474
		<u>1,713,949</u>	<u>1,706,474</u>

The notes on pages 9 to 12 form part of these financial statements.

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 26 September 2023.



**Simon Davies**  
Director of the Managing member

**BREDS III CAPITAL GP LLP**

**STATEMENT OF CHANGES IN MEMBERS' INTERESTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Members' capital (classified as equity) \$	Other reserves (classified as equity) \$	Total \$
<b>Balance at 1 January 2021</b>	738,869	807,938	1,546,807
Profit for the year available for discretionary division among members	-	159,667	159,667
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	738,869	967,605	1,706,474
Profit for the year available for discretionary division among members	-	7,475	7,475
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2022</b>	<u>738,869</u>	<u>975,080</u>	<u>1,713,949</u>

The notes on pages 9 to 12 form part of these financial statements.

## **BREDS III CAPITAL GP LLP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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".

The following principal accounting policies have been applied consistently throughout the year and to the preceding year.

##### **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 Blackstone Inc. as at 31 December 2022 and these financial statements may be obtained from 345 Park Avenue, New York, NY 10154.

There are no new financial reporting standards effective in the year that have a material impact on the financial statements.

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

All expenses are borne by an affiliate of the LLP, Blackstone Real Estate Special Situations Advisors LLC. 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.

Determining whether fixed asset investments are impaired requires an estimation of the recoverable value. Management have considered the NAV as at 31 December 2022 as the most reliable estimate for the recoverable value of the investment.

##### **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 2022**

#### **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 presentation 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 in profit or loss using the effective interest method.

#### **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 2022.

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

Fees payable to the LLP's auditor for the audit of the LLP's annual financial statements have been borne by an affiliate of the LLP in the current and prior year. The audit fee for the year ended 31 December 2022 was \$5,937 (2021: \$6,089). The fee for other expenses in relation to taxation for the year ended 31 December 2022 was \$3,277 (2021: \$3,112).

# BREDS III CAPITAL GP LLP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. Information in relation to members

	2022 No.	2021 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 or prior year.

### 6. Fixed asset investments

	2022 \$	2021 \$
<b>Cost</b>		
At 1 January	174,879	174,879
Additions	-	-
Return of capital	-	-
<b>At 31 December</b>	<u>174,879</u>	<u>174,879</u>

As at 31 December 2022, the LLP has the following holdings:

	Cost \$	Carrying value \$
BREDS III Debt Portfolio UK Holding L.P.	174,879	689,494
	<u>174,879</u>	<u>689,494</u>

The carrying value of the investment is obtained from the underlying financial statements of the investment.

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 2022**

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

	2022	2021
	\$	\$
Amounts owed by group undertakings	1,539,070	1,531,595
	<u>1,539,070</u>	<u>1,531,595</u>

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

**8. 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 Blackstone Inc., a corporation listed on the New York Stock Exchange.

Blackstone 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.

**9. Subsequent events**

Subsequent events have been evaluated through to 26 September 2023, 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.