

**GRAHAM PACKAGING EUROPEAN  
SERVICES LIMITED**

**Report and Financial Statements  
31 December 2004**



# **GRAHAM PACKAGING EUROPEAN SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>

**REPORT AND FINANCIAL STATEMENTS 2004**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Hamilton (USA)  
R Prevot (USA)  
N Le Cam (France)  
G Lu (France)

**SECRETARY**

Clifford Chance Secretaries Limited  
10 Upper Bank Street  
London  
E14 5JJ

**REGISTERED OFFICE**

10 Upper Bank Street  
London  
E14 5JJ

**BANKERS**

National Westminster Bank plc  
Spring Gardens  
Manchester  
M60 2DB

**SOLICITORS**

Allington Hughes  
10 Grosvenor Road  
Wrexham  
LL11 1SD

**AUDITORS**

Deloitte & Touche LLP  
Liverpool

## DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the company is to provide employee services to other group companies.

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

A summary of the trading results is given on page 5. The company made a retained profit for the period of £69,996 (2003 - £69,785). The directors expect a satisfactory performance from the company in the coming year.

## DIRECTORS AND THEIR INTERESTS

The following directors have held office during the year and thereafter, except as noted:

J Hamilton  
R Prevot  
N Le Cam  
G Lu

The directors had no interests in the shares of the company during the period.

## ELECTIVE RESOLUTIONS

On 27 October 2004, the following elective resolutions were passed:

- (i) pursuant to section 252 and 379A of the Companies Act 1985, the requirement to lay accounts and reports before the company in General Meeting is dispensed with;
- (ii) pursuant to section 366A and 379A of the Companies Act 1985, the requirement to hold the company's Annual General Meeting is dispensed with; and
- (iii) pursuant to section 379A and 386 of the Companies Act 1985, the requirement to appoint auditors annually is dispensed with.

Although accounts and reports will not be laid before the company in General Meeting in future, any member may requisition a General Meeting under section 253 of the Companies Act 1985 by notice in writing to the company at its Registered Office made before the expiring of a period of 28 days from the day on which the accounts and reports were sent to members.

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



Director

N. LECAM

Sept. 15<sup>th</sup>, 2005

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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 accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 GRAHAM PACKAGING EUROPEAN SERVICES LIMITED**

We have audited the financial statements of Graham Packaging European Services Limited for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

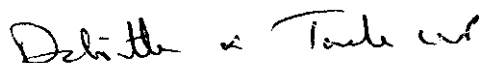
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
Liverpool

19 October 2005

# GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

		Year ended 31 December 2004	Year ended 31 December 2003
	Note	£	£
<b>TURNOVER</b>	1, 3	1,161,222	922,366
Cost of sales		(1,037,643)	(811,523)
Gross profit		123,579	110,843
Administrative expenses		(42,908)	(41,058)
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	80,671	69,785
Tax on profit on ordinary activities	5	(10,675)	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	8	69,996	69,785

The above results all derive from continuing activities.

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and prior year and accordingly, no separate statement of total recognised gains and losses has been presented.

There have been no movements in shareholder's funds/(deficit) other than the retained profit for the current and prior year. Accordingly, no reconciliation of movement in shareholder's funds is included in these financial statements.

# GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

## BALANCE SHEET

31 December 2004

	Note	2004 £	2003 £
<b>CURRENT ASSETS</b>			
Debtors	6	425,371	231,069
Cash		12,366	-
		<u>437,737</u>	<u>231,069</u>
<b>CREDITORS: amounts falling due within one year</b>	7	<u>(412,827)</u>	<u>(276,155)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>24,910</u>	<u>(45,086)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1	1
Profit and loss account	8	<u>24,909</u>	<u>(45,087)</u>
<b>TOTAL EQUITY SHAREHOLDER'S FUNDS/(DEFICIT)</b>		<u>24,910</u>	<u>(45,086)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director



N. LE CAM

Sept. 15<sup>th</sup>, 2005



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover**

Turnover represents amounts receivable for goods and services, net of VAT and trade discounts, and is recognised at the point at which the service is provided.

**Taxation**

Current taxation is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full 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 the 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.

**Cash flow statement**

The company is a wholly-owned subsidiary of Graham Packaging Holding Co. L.P. (incorporated in the US, see note 10) and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

**Pensions**

The company contributes towards employee's private pensions. All payments are in respect of defined contributions schemes and are charged to the profit and loss account in the period to which they relate.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
<b>Directors emoluments:</b>		
Emoluments for qualifying services	-	-
	<hr/>	<hr/>
	Year ended 31 December 2004 £	Year ended 31 December 2003 £
<b>Employee costs during the year:</b>		
Wages and salaries	555,167	400,394
Social security costs	66,169	46,729
Pension costs	24,586	34,193
	<hr/>	<hr/>
	645,922	481,316
	<hr/>	<hr/>

# GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2004

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Average number of employees (including directors):	2004 No	2003 No
Consultancy	5	7
	<u>5</u>	<u>7</u>

### 3. TURNOVER

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Geographical analysis of turnover:		
Europe	532,472	534,477
USA	628,750	387,889
	<u>1,161,222</u>	<u>922,366</u>

### 4. OPERATING PROFIT

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Operating profit is stated after charging:		
Auditors remuneration	5,000	3,000
	<u>5,000</u>	<u>3,000</u>

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
The tax charge is based on the profit for the year and comprises:		
Corporation tax	10,734	-
Deferred tax	(359)	-
	<u>10,675</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2004**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**Factors affecting tax charge for the current period**

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003 – 30%). The differences are explained below:

	2004	2003
	%	%
Standard tax rate for year as a percentage of profits	30	30
Effect of:		
Utilisation of tax losses	(7)	(35)
Movement in short term timing differences	(9)	5
Other	(1)	-
	<u>13</u>	<u>-</u>
Current tax rate for year as a percentage of profits	<u>13</u>	<u>-</u>

**Factors that may affect the future tax charge**

A deferred tax asset of £359 in relation to short-term timing difference has been recognised (2003 - asset of £13,000 not recognised). The asset will be recovered when relevant profits are available against which the timing differences concerned can be offset.

**6. DEBTORS**

	31 December 2004 £	31 December 2003 £
Amounts owed by fellow subsidiary undertakings	410,374	210,323
Deferred tax	359	-
Other debtors	14,638	20,746
	<u>425,371</u>	<u>231,069</u>

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 December 2004 £	31 December 2003 £
Trade creditors	13,453	12,987
Amounts owed to fellow subsidiary undertakings	190,000	218,218
Corporation tax payable	11,034	-
Other taxation and social security	138,712	13,731
Accruals	59,628	31,219
	<u>412,827</u>	<u>276,155</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2004**

**8. STATEMENT OF MOVEMENTS ON RESERVES**

	<b>Profit and loss account £</b>
Balance at 1 January 2004	(45,087)
Profit for the year	69,996
	<hr/>
At 31 December 2004	24,909
	<hr/>

**9. CALLED UP SHARE CAPITAL**

	<b>2004 £</b>	<b>2003 £</b>
<b>Authorised</b>		
100 ordinary shares of £1.00 each	100	100
	<hr/>	<hr/>
<b>Called up, allotted and fully paid</b>		
1 ordinary shares of £1.00 each	1	1
	<hr/>	<hr/>

**10. ULTIMATE PARENT UNDERTAKING**

The ultimate controlling party is Blackstone Capital Partners III Merchant Bank Fund L.P., which is incorporated in the US.

The immediate parent company of the Graham Packaging Group into which these accounts are consolidated is Graham Packaging Holding Co. L.P., which is also incorporated in the US. The Graham Packaging Holding Co. L.P. financial statements are publicly available from the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov).

**11. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the same group.