

**GRAHAM PACKAGING EUROPEAN
SERVICES LIMITED**

**Report and Financial Statements
31 December 2006**



GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

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
Chartered Accountants and Registered Auditors
Liverpool

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

The directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246 (4) of the Companies Act 1985

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 profit for the year of £40,441 (2005 £43,543) has been transferred to reserves. The directors expect a satisfactory performance from the company in the coming year. No dividend is proposed (2005 £nil)

DIRECTORS AND THEIR INTERESTS

The following directors have held office during the year and thereafter

J Hamilton
R Prevot
N Le Cam
G Lu

The directors had no interests in the shares of the company during the year

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

AUDITORS


In the case of the persons who are directors of the company at the date when the report is approved

- so far as each is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

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

Director  Date September 26th 2007

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that 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 1985. 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 GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

We have audited the financial statements of Graham Packaging European Services Limited for the year ended 31 December 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Liverpool
United Kingdom

27 September 2007

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 £	2005 £
TURNOVER	1, 3	816,488	878,234
Cost of sales		<u>(731,140)</u>	<u>(778,184)</u>
GROSS PROFIT		85,348	100,050
Administrative expenses		<u>(27,574)</u>	<u>(37,845)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	57,774	62,205
Tax on profit on ordinary activities	5	<u>(17,333)</u>	<u>(18,662)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u>40,441</u>	<u>43,543</u>

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 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 2006

	Note	2006 £	2005 £
CURRENT ASSETS			
Debtors	6	372,616	346,951
Cash		8,605	13,566
		<u>381,221</u>	<u>360,517</u>
CREDITORS: amounts falling due within one year	7	<u>(272,327)</u>	<u>(292,064)</u>
NET ASSETS		<u>108,894</u>	<u>68,453</u>
CAPITAL AND RESERVES			
Called up share capital	8	1	1
Profit and loss account	9	108,893	68,452
TOTAL EQUITY SHAREHOLDER'S FUNDS		<u>108,894</u>	<u>68,453</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Nicolas LECAM
Director


September 26th 2007

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable law and 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 tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash flow statement

The company is a wholly-owned subsidiary of Graham Packaging Holding Co. L.P. (incorporated in the US, see note 11) 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 employees' 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

	2006	2005
Directors' emoluments	£	£
Emoluments for qualifying services	-	-

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2006 £	2005 £
Employee costs during the year:		
Wages and salaries	298,598	299,720
Social security costs	35,707	38,141
Pension costs	24,869	22,921
	<u>359,174</u>	<u>360,782</u>
Average number of employees (including directors):	2006 No	2005 No
Consultancy	<u>5</u>	<u>5</u>

3. TURNOVER

	2006 £	2005 £
Geographical analysis of turnover:		
Europe	549,867	516,750
USA	266,621	361,484
	<u>816,488</u>	<u>878,234</u>

4. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging		
Auditors remuneration		
- audit of the company's annual financial statements	<u>7,000</u>	<u>5,000</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
The tax charge is based on the profit for the year and comprises		
Corporation tax	17,336	21,479
Deferred tax	<u>(3)</u>	<u>(2,817)</u>
	<u>17,333</u>	<u>18,662</u>

Factors affecting tax charge for the current period

The tax assessed for the year is the same as (2005 higher) than that resulting from applying the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

	2006 %	2005 %
Standard tax rate for year as a percentage of profits	30	30
Effect of		
Movement in short term timing differences	<u>-</u>	<u>5</u>
Current tax rate for year as a percentage of profits	<u>30</u>	<u>35</u>

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect the future tax charge

A deferred tax asset of £3,179 (2005 £3,176) in relation to short-term timing difference has been recognised (note 6). The asset will be recovered when relevant profits are available against which the timing differences concerned can be offset.

6. DEBTORS

	2006 £	2005 £
Amounts owed by fellow subsidiary undertakings	345,471	324,124
Deferred tax (note 5)	3,179	3,176
Other debtors	15,617	19,651
Prepayments	8,349	-
	<u>372,616</u>	<u>346,951</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	17,472	22,777
Amounts owed to fellow subsidiary undertakings	190,000	190,000
Corporation tax payable	8,669	12,578
Other taxation and social security	8,736	7,459
Accruals	47,450	59,250
	<u>272,327</u>	<u>292,064</u>

8. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
100 ordinary shares of £1.00 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
1 ordinary share of £1.00 each	<u>1</u>	<u>1</u>

9. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
Balance at 1 January 2006	68,452
Profit for the year	<u>40,441</u>
At 31 December 2006	<u>108,893</u>

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

10. 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

11. ULTIMATE CONTROLLING PARTY

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)