

**GRAHAM PACKAGING EUROPEAN
SERVICES LIMITED**

**Report and Financial Statements
31 December 2003**



GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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 2003.

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 profit for the period of £69,785 (2002 – loss of £114,871). 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:

S Claudot (resigned 31 January 2004)
J Hamilton
R Prevot
N Le Cam (appointed 1 October 2003)
G Lu (appointed 1 October 2003)

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

AUDITORS

Deloitte & Touche LLP were appointed auditors to the company in the prior period and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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


Director N. LE CAM

June 22nd, 2004

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 2003 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 2003 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

28 June 2004

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	£	Year ended 31 December 2003 £	£	Period ended 31 December 2002 £
TURNOVER	1, 3		922,366		302,171
Cost of sales					
- Exceptional	4	-		(106,767)	
- Other		(811,523)		(288,962)	
			<u>(811,523)</u>	<u></u>	<u>(395,729)</u>
Gross profit/(loss)			110,843		(93,558)
Administrative expenses			<u>(41,058)</u>		<u>(21,313)</u>
OPERATING PROFIT/(LOSS) AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4		69,785		(114,871)
Tax on loss on ordinary activities	5		<u>-</u>		<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	8		<u>69,785</u>		<u>(114,871)</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 year and the loss for the prior period and accordingly, no statement of total recognised gains and losses has been presented.

There have been no movements in shareholder's deficit other than the retained profit for the period and accordingly, no reconciliation of movement in shareholder's deficit is included in these financial statements.


GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

BALANCE SHEET 31 December 2003

	Note	2003 £	2002 £
CURRENT ASSETS			
Debtors	6	231,069	304,066
CREDITORS: amounts falling due within one year	7	(276,155)	(418,936)
NET LIABILITIES		<u>(45,086)</u>	<u>(114,870)</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	8	(45,087)	(114,871)
TOTAL EQUITY SHAREHOLDER'S DEFICIT		<u>(45,086)</u>	<u>(114,870)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors


 N-LECAM JUNE 22nd, 2004
 Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

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.

Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Cash flow statement

The company is a wholly-owned subsidiary of Graham Packaging Holdings Company (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.

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2003 £	33 weeks ended 31 December 2002 £
Directors emoluments:		
Emoluments for qualifying services	-	-
	<hr/>	<hr/>
	Year ended 31 December 2003 £	33 weeks ended 31 December 2002 £
Employee costs during the year:		
Wages and salaries	400,394	144,231
Social security costs	46,729	15,021
Pension costs	34,193	13,846
	<hr/>	<hr/>
	481,316	173,098
	<hr/>	<hr/>
Average number of employees (including directors):	2003 No	2002 No
Consultancy	7	9
	<hr/>	<hr/>
	7	9
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

3. TURNOVER

	Year ended 31 December 2003 £	33 weeks ended 31 December 2002 £
Geographical analysis of turnover:		
Europe	534,477	277,072
USA	387,889	25,099
	<u>922,366</u>	<u>302,171</u>

4. OPERATING PROFIT/(LOSS)

	Year ended 31 December 2003 £	33 weeks ended 31 December 2002 £
Operating profit is stated after charging:		
Auditors remuneration	3,000	3,000
Cost of sales – exceptional	<u>-</u>	<u>106,767</u>

The exceptional item relates to redundancy costs incurred in the prior period.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2003 £	33 weeks ended 31 December 2002 £
Corporation tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the current period

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

	2003 %	2002 %
Standard tax rate for period as a percentage of profits	30	30
Effect of:		
Utilisation of tax losses	(35)	(30)
Movement in short term timing differences	<u>5</u>	<u>-</u>
Current tax rate for period as a percentage of profits	<u>-</u>	<u>-</u>

Factors that may affect the future tax charge

A deferred tax asset of £13,000 (2002 - £34,000) has not been recognised. The asset will be recovered when relevant profits are available against which the timing differences concerned can be offset.

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

6. DEBTORS

	31 December 2003 £	31 December 2002 £
Amounts owed by fellow subsidiary undertakings	210,323	290,343
Other debtors	20,746	13,723
	<u>231,069</u>	<u>304,066</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2003 £	31 December 2002 £
Trade creditors	12,987	19,533
Amounts owed to fellow subsidiary undertakings	218,218	296,778
Other taxation and social security	13,731	9,363
Accruals	31,219	93,262
	<u>276,155</u>	<u>418,936</u>

8. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
Balance at 1 January 2003	(114,871)
Profit for the year	69,785
At 31 December 2003	<u>(45,086)</u>

9. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
100 ordinary shares of £1.00 each	100	100
Called up, allotted and fully paid		
1 ordinary shares of £1.00 each	1	1

GRAHAM PACKAGING EUROPEAN SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

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 Company, 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.

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.