

Netadvance plc

Registered No. 2651942

DIRECTORS

Mr P F Webster (Chairman)
Mr R W Colebrook (Managing Director)

SECRETARY

Mr B Bergin

AUDITORS

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank plc
52 West Street
Fareham
Hampshire
PO16 OJX

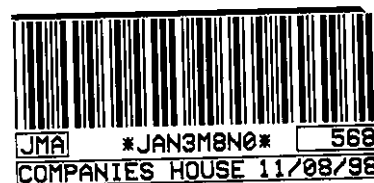
SOLICITORS

W M Fry & Sons
Audrey House
15-20 Ely Place
London
EC1N 6SN

REGISTERED OFFICE

Units 2/5
Fareham Industrial Estate
Wallington
Fareham
PO16 8XB

ERNST & YOUNG



DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £129 and has been taken to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be that of an investment company, holding the entire share capital of Finlay Packaging plc.

FIXED ASSETS

Details of the company's fixed assets are disclosed in note 6 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were those listed on page 2.

None of the directors had a direct beneficial interest in the shares of the company or of any other group company incorporated in England and Wales either at the beginning or at the end of the year.

CLOSE COMPANY STATUS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

 7/8/1998

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Netadvance plc

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

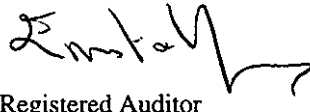
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Manchester

10.8.98

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

| | <i>Notes</i> | <i>1997</i> £ | <i>1996</i> £ |
|--|--------------|------------------|------------------|
| OPERATING LOSS | | (129) | (2,753) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | (129) | (2,753) |
| Tax on loss on ordinary activities | 5 | - | - |
| LOSS FOR THE FINANCIAL YEAR | 10 | (129) | (2,753) |

STATEMENT OF RECOGNISED GAINS AND LOSSES

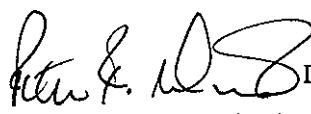
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £129 in the year ended 31 December 1997 and the loss of £2,753 in the year ended 31 December 1996.

Netadvance plc

BALANCE SHEET at 31 December 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Investments | 6 | 2,385,000 | 2,385,000 |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | | 497 | 86 |
| CREDITORS: amounts falling due within one year | 7 | 5,471 | 4,931 |
| NET CURRENT LIABILITIES | | (4,974) | (4,845) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,380,026 | 2,380,155 |
| CREDITORS: amounts falling due after more than one year | 8 | 4,335,568 | 4,335,568 |
| NET LIABILITIES | | (1,955,542) | (1,955,413) |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 9 | 75,000 | 75,000 |
| Profit and loss account | 10 | (2,030,542) | (2,030,413) |
| SHAREHOLDERS' FUNDS - equity interests | 10 | (1,955,542) | (1,955,413) |

Approved by the board on

 Director
7/8/1998

NOTES TO THE ACCOUNTS
at 31 December 1997

1. **FUNDAMENTAL ACCOUNTING CONCEPT**

The company is dependent on continuing finance being made available by its ultimate parent company to enable it to continue operating and its liabilities as they fall due.

2. **ACCOUNTING POLICIES**

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Deferred taxation

Deferred taxation is provided using the liability method, on all material timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Cash flow statement

Netadvance plc is a wholly owned subsidiary of the Jefferson Smurfit Group plc. The accounts of the ultimate holding company are prepared in accordance with the requirements stated in the Financial Reporting Statement No. 1. Accordingly, the company itself is exempt from the requirements to prepare a cash flow statement.

Related party transactions

As a wholly owned subsidiary of Jefferson Smurfit Group plc, Netadvance plc has taken advantage of the exemptions available under FRS 8 not to disclose related party transactions.

3. **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging:

| | 1997 | 1996 |
|--|-------------------|-------------------|
| | £ | £ |
| Auditors' remuneration | - | - |
| Exchange loss on foreign currency borrowings | - | - |
| | <u> </u> | <u> </u> |

The company had no employees, and no director received remuneration in the year (1996 - £Nil).

NOTES TO THE ACCOUNTS
at 31 December 1997

4. **INTEREST PAYABLE WAIVED**

On 31 December 1995 the accrued interest owed by the company to its parent undertaking, Brenchley Limited was waived. The unsecured loan was subsequently fixed at its sterling value, interest free and with no fixed terms of repayment.

5. **TAX ON LOSS ON ORDINARY ACTIVITIES**

There is no tax liability for the year ended 31 December 1997 (1996 - £Nil).

6. **FIXED ASSET INVESTMENTS**

Interests in subsidiary undertakings

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Cost: | | |
| At 1 January | 4,201,471 | 4,201,471 |
| Provision against amounts invested in subsidiary undertaking | (1,816,471) | (1,816,471) |
| At 31 December | <u>2,385,000</u> | <u>2,385,000</u> |

| <i>Name of company</i> | <i>Country of registration (or incorporation) and operation</i> | <i>Holding</i> | <i>Proportion held</i> | <i>Nature of business</i> |
|------------------------|---|-------------------------------|----------------------------|-------------------------------|
| Finlay Packaging plc | Northern Ireland | Ordinary shares of 5p each | 100% | Printing/ packaging |

The above company operates principally in its country of incorporation.

Finlay Packaging plc ceased trading on 1 January 1996. The trading activities of the company were transferred to Smurfit Limited, a fellow subsidiary of Jefferson Smurfit Group plc, and at that date its aggregate capital and reserves were £2,385,000 (1996 - £2,385,000).

Netadvance plc does not prepare consolidated accounts as consolidated accounts are prepared by the ultimate parent company, Jefferson Smurfit Group plc, a company incorporated in the Republic of Ireland.

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

| | 1997 £ | 1996 £ |
|----------|--------------|--------------|
| Accruals | <u>5,471</u> | <u>4,931</u> |

NOTES TO THE ACCOUNTS

at 31 December 1997

8. CREDITORS: amounts falling due after more than one year

| | 1997 £ | 1996 £ |
|-------------------------------------|------------------|------------------|
| Amounts owed to group undertakings: | | |
| Loan from parent undertaking | 4,085,568 | 4,085,568 |
| Loan from subsidiary undertaking | 250,000 | 250,000 |
| | <u>4,335,568</u> | <u>4,335,568</u> |

On 31 December 1995 the accrued interest payable on the loan was waived by the parent undertaking, Brenchley Limited. The unsecured loan was subsequently fixed at its sterling value of £4,085,568 interest free with no fixed terms of repayment.

Prior to 31 December 1995 the loan from the parent company bore interest at commercial rates, was unsecured and had no fixed terms for repayment. The loan from subsidiary undertaking is unsecured, bears no interest and has no fixed terms for repayment.

9. SHARE CAPITAL

| | 1997 No. | Authorised 1996 No. | Allotted, called up and fully paid 1997 £ | 1996 £ |
|----------------------------|-------------|---------------------------|--|-----------|
| Ordinary shares of £1 each | 100,000 | 100,000 | 75,000 | 75,000 |

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | Share capital £ | Profit and loss account £ | Total £ |
|---------------------|-----------------------|---------------------------------|-------------|
| At 31 December 1995 | 75,000 | (2,027,660) | (1,952,660) |
| Loss for the year | - | (2,753) | (2,753) |
| At 31 December 1996 | 75,000 | (2,030,413) | (1,955,413) |
| Loss for the year | - | (129) | (129) |
| At 31 December 1997 | 75,000 | (2,030,542) | (1,955,542) |

NOTES TO THE ACCOUNTS
at 31 December 1997

11. CAPITAL COMMITMENTS

The company had no contracted or non-contracted authorised capital commitments at 31 December 1997 (1996 - £Nil).

12. ULTIMATE AND IMMEDIATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard Jefferson Smurfit Group plc, a company incorporated in the Republic of Ireland, as the ultimate parent company. According to the register kept by the company, Brenchley Limited, a company incorporated in the Republic of Ireland, has a 100% interest in the equity capital of Netadvance plc at 31 December 1997.

Copies of the consolidated accounts of the ultimate parent company can be obtained from Beech Hill, Clonskeagh, Dublin 4, Republic of Ireland.