

REPORT AND ACCOUNTS

Philadelphia National Limited

31 DECEMBER 1992

1900910



# 22-09-95

## Philadelphia National Limited

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Registered No. 1900910

### DIRECTORS

FE Reed (Chairman)  
JA McCabe (Managing Director)  
CC Nielsen  
EP Feinour  
MP Heavener  
CL Colman, III  
DE Frankenfield

### SECRETARY

CC Nielsen

### AUDITORS

Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

### SOLICITORS

Norton, Rose, Botterell & Roche  
Watson Farley & Williams

### REGISTERED OFFICE

Philadelphia National House  
3 Gracechurch Street  
London EC3V 0AD

# Philadelphia National Limited

## DIRECTORS' REPORT

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The directors present their report and accounts for the year ended 31 December 1992.

### RESULTS AND DIVIDENDS

The profit before taxation for the year amounted to £2,784,000 (1991 - £1,948,000). No dividend is recommended (1991 - £nil).

### PRINCIPAL ACTIVITY

Philadelphia National Limited has reduced its trading activities, and has surrendered its Banking Licence to the Bank of England. The company is no longer registered with The Securities & Futures Authority.

### FIXED ASSETS

Changes in fixed assets during the year are shown in note 9 to the accounts.

### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

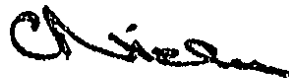
A J C Geddes (resigned 31 July 1992)  
C L Coltman, III  
D E Frankenfield  
E P Feinour  
M P Heavener  
F E Reed  
A K Lound (resigned 3 April 1992)  
C C Nielsen (appointed 16 April 1992)  
J A McCabe (appointed 31 July 1992)

None of the directors had an interest in the shares of the company at any time during the year.

### 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



C C Nielsen  
Secretary

31 March 1993

**REPORT OF THE AUDITORS**  
to the members of Philadelphia National Limited

We have audited the accounts on pages 5 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1992 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

31 March 1993

# Philadelphia National Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1992

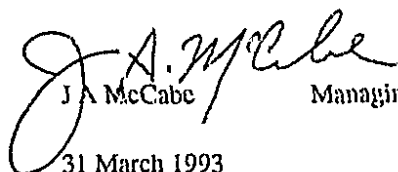
	<i>Notes</i>	<i>1992</i> <i>£000</i>	<i>1991</i> <i>£000</i>
TRADING INCOME	2	51	32
Administrative expenses	3	(913)	(902)
Exceptional income	4	564	-
Interest receivable	6	4,136	6,440
Interest payable	7	(1,054)	(3,622)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,784	1,948
Tax on profit on ordinary activities	9	1,432	649
RETAINED PROFIT FOR THE YEAR		<u>1,352</u>	<u>1,299</u>
MOVEMENT ON RESERVES			
Profit and loss account:			
Retained profit brought forward		5,372	4,073
Retained profit for the year		1,352	1,299
RETAINED PROFIT CARRIED FORWARD		<u>6,724</u>	<u>5,372</u>

# Philadelphia National Limited

## BALANCE SHEET

at 31 December 1992

	Notes	1992 £000	1991 £000
<b>FIXED ASSETS</b>			
Tangible assets	10	—	160
<b>CURRENT ASSETS</b>			
Investments	11	11,160	37,530
Debtors	12	16,342	18,438
Cash at bank and in hand	13	90	79
		<u>27,592</u>	<u>56,047</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>1,381</u>	<u>31,835</u>
<b>NET CURRENT ASSETS</b>		<u>26,211</u>	<u>24,212</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,211	24,372
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	487	—
		<u>25,724</u>	<u>24,372</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	19,000	19,000
Profit and loss account		6,724	5,372
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>25,724</u>	<u>24,372</u>

  
 J A McCabe  
 Managing Director  
 31 March 1993

# Philadelphia National Limited

## STATEMENT OF CASH FLOWS

for the year ended 31 December 1992

	<i>Notes</i>	<i>1992</i> <i>£000</i>	<i>1991</i> <i>£000</i>
NET CASH INFLOW FROM OPERATIONS	5	28,749	1,315
TAXATION			
UK corporation tax paid		(497)	(476)
INVESTING ACTIVITIES			
Disposal of tangible fixed assets		-	17
NET CASH INFLOW BEFORE FINANCING		<u>28,252</u>	<u>856</u>
FINANCING			
Redemption of subordinated loan	14	20,000	-
Withdrawal of term loans	14	4,564	7,346
NET CASH OUTFLOW FROM FINANCING		<u>24,564</u>	<u>7,346</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13	<u>3,688</u>	<u>(6,490)</u>
		<u>28,252</u>	<u>856</u>

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 1. ACCOUNTING POLICIES

#### *Basis of accounting*

The accounts are prepared in accordance with the applicable accounting standards

#### *Accounting convention*

The accounts are prepared under the historical cost convention modified to include trading assets at market value.

#### *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at the market rates of exchange prevailing at the balance sheet date. All differences on translation are taken to the profit and loss account.

#### *Foreign currency forward and futures contracts*

Foreign currency forward and the futures contracts, other than hedging contracts, are valued at the market rates ruling at the balance sheet date and the resulting profits or losses are taken into the profit and loss account. Profits and losses on hedging transactions are deferred and apportioned over the period of the contracts.

#### *Investment securities*

Certificates of deposit and marketable securities held for investment purposes are shown at original cost adjusted for amortisation of discounts and premiums, less a provision when it is considered that a permanent diminution in value has occurred.

In the case of fixed rate investment account securities, it is the company's policy to hedge the interest rate risk by funding each asset in full at a fixed rate to final maturity. When such an asset is sold for portfolio balance or yield reasons prior to maturity and replaced with an asset having a comparable maturity, any profit or loss on the sale which is solely attributable to a change in market interest rates during the holding period of the original assets is realised immediately and taken to the profit and loss account.

#### *Fixed assets*

Fixed assets are stated at cost less a provision for depreciation calculated from the date of acquisition on a straight line basis over the following periods:

Leasehold improvements	- over the remaining life of the lease
Furniture, fittings and equipment	- 3 to 5 years
Motor vehicles	- 4 years

#### *Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences. The provision is calculated by applying to the expected net reversals of timing differences the taxation rates expected to be ruling at reversal.

#### *Pensions*

The company's pension obligations are financed by payments to a defined benefit pension scheme, which is operated by Philadelphia National Bank, a fellow group company. The annual cost of pension arrangements is under the control of Philadelphia National Bank and is recharged to the company in arriving at its administrative expenses for the year.



# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 1. ACCOUNTING POLICIES (continued)

#### *Leasing commitments*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### 2. TRADING INCOME

Trading income comprises gains made on trading in securities within the UK.

### 3. ADMINISTRATIVE EXPENSES

These are stated after charging:

	1992 £000	1991 £000
Auditors' remuneration - in respect of auditing services	9	20
- in respect of other services	3	2
Depreciation on fixed assets	160	255
Operating lease rentals - land and buildings	-	(3)

### 4. EXCEPTIONAL INCOME

	1992 £000	1991 £000
Lease credit on the company's premises	564	-

The exceptional income is a credit of £563,500 related to the lease on the company's premises. This receipt was negotiated in 1989 as compensation to the company for the anticipated termination of the lease in 1992, and payment was received in March 1992.

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Reconciliation of profit before taxation to net cash inflow from operating activities

	1992 £000	1991 £000
Profit before taxation	2,784	1,948
Decrease/(increase) in interest receivable	1,793	(149)
Increase/(decrease) in interest payable	45	(236)
Depreciation	160	255
Profit on disposal of fixed assets	-	(7)
Amortisation of deferred income	(20)	(118)
Decrease/(increase) in current asset investments	26,370	(2,461)
(Increase)/decrease in trade debtors	(2,046)	1,769
(Decrease)/increase in creditors and accruals	(337)	314
Net cash inflow from operating activities	28,749	1,315

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 6. INTEREST RECEIVABLE

Interest receivable comprises:

	1992 £000	1991 £000
Interest receivable from other group companies	1,906	1,333
Other	2,230	5,107
	<u>4,136</u>	<u>6,440</u>

### 7. INTEREST PAYABLE

Interest payable comprises:

	1992 £000	1991 £000
Interest payable on subordinated debt	950	2,407
Interest payable to other group companies	97	1,213
Other	7	2
	<u>1,054</u>	<u>3,622</u>

### 8. DIRECTORS' REMUNERATION AND STAFF COSTS

A management charge of £287,000 (1991 - £419,000) in respect of administration costs has been made by Philadelphia National Bank, a fellow group company, which includes the directors' emoluments and staff costs which are not possible to identify separately.

### 9. TAXATION

The charge for taxation is as follows:

	1992 £000	1991 £000
Corporation tax at 33% (1991 - 34.25%) on the profit for the year	887	675
Adjustment in respect of prior year	-	(16)
Deferred taxation - current year charge/(credit)	545	(17)
Deferred taxation - prior year charge	-	7
	<u>1,432</u>	<u>649</u>

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 10. FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Furniture, fittings &amp; equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 1992	612	1,233	8	1,853
Additions	—	—	—	—
Disposals	—	—	—	—
At 31 December 1992	612	1,233	8	1,853
Depreciation:				
At 1 January 1992	586	1,099	8	1,693
Charge for the year	26	134	—	160
Disposals	—	—	—	—
At 31 December 1992	612	1,233	8	1,853
Net book value				
At 31 December 1992	—	—	—	—
At 31 December 1991	26	134	—	160

### 11. CURRENT ASSET INVESTMENTS

	<i>1992</i>	<i>1991</i>
	<i>£000</i>	<i>£000</i>
Listed marketable securities	11,160	37,530
Maturing in less than one year	4,608	10,384
Maturing after one year	6,552	27,146
	11,160	37,530
Open market value	11,042	37,445

All securities are quoted on markets other than the London Stock Exchange.

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 12. DEBTORS: amounts receivable within one year

	1992	1991
	£000	£000
Trade debtors receivable from group companies	16,098	14,052
Interest receivable from group companies	244	2,037
Short notice deposits made	—	2,291
Deferred tax recoverable	—	58
	<u>16,342</u>	<u>18,438</u>

### 13. CASH AND CASH EQUIVALENTS

	1992	1991	Change in year
	£000	£000	£000
Short notice deposits made	—	2,291	(2,291)
Cash at bank and at hand	90	79	11
Sight and short notice deposits accepted	—	(5,968)	5,968
Overdrafts	(6)	(6)	—
	<u>84</u>	<u>(3,604)</u>	<u>3,688</u>

	1991	1990	Change in year
	£000	£000	£000
Short notice deposits made	2,291	2,786	(495)
Cash at bank and in hand	79	106	(27)
Sight and short notice deposits accepted	(5,968)	—	(5,968)
Overdrafts	(6)	(6)	—
	<u>(3,604)</u>	<u>2,886</u>	<u>(6,490)</u>

### 14. CREDITORS: amounts falling due within one year

	1992	1991
	£000	£000
Overdrafts payable to group companies	6	6
Sight and short notice deposits accepted	—	5,968
Term deposits accepted	—	4,564
Creditors in respect of taxation	662	272
Creditors and accruals	210	547
Accrued interest payable to group companies	503	458
Deferred income	—	20
Subordinated debt 1996	—	20,000
	<u>1,381</u>	<u>31,835</u>

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 14. CREDITORS: amounts falling due within one year (continued)

Under the subordinated debt agreement the company had the right to redeem the loan at 45 days notice. This right has been exercised and the debt was redeemed in full on 8 June 1992.

Analysis of changes in financing during the year

	<i>Subordinated debt 1992 £000</i>	<i>Non-cash Equivalent loan 1992 £000</i>	<i>Subordinated debt 1991 £000</i>	<i>Non-cash Equivalent loan 1991 £000</i>
Balance at 1 January 1992	20,000	4,564	20,000	11,910
Redemption of subordinated loan	(20,000)	—	—	—
Withdrawal of term deposits	—	(4,564)	—	(7,346)
Balance at 31 December 1992	—	—	20,000	4,564

### 15. SHARE CAPITAL

	<i>1992 £000</i>	<i>Authorised 1991 £000</i>	<i>1992 £000</i>	<i>Issued and fully paid up 1991 £000</i>
Ordinary shares of £1 each	50,000	50,000	19,000	19,000

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>1992 £000</i>	<i>Provided 1991 £000</i>	<i>1992 £000</i>	<i>Not provided 1991 £000</i>
Capital allowances in advance of depreciation	—	—	—	—
Other timing differences	487	—	—	—
	487	—	—	—

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 17. COMMITMENTS

At 31 December 1992 annual commitments under non-cancellable operating leases were:

	<i>Premises</i>		<i>Equipment</i>	
	<i>1992</i>	<i>1991</i>	<i>1992</i>	<i>1991</i>
	<i>£(K)</i>	<i>£(K)</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
within one year	-	128	-	-
within two to five years	-	-	-	28
in over five years	-	-	-	-
	-	128	-	28

The premises lease which was to expire in March 1992 has been extended for a further two years.

The company remains bound by an interest rate and currency swap agreement undertaken with the parent company which matures in 1996.

### 18. ULTIMATE HOLDING COMPANY

Philadelphia National Limited is a wholly-owned subsidiary of the Philadelphia National Bank, USA which is the principal operating company in the CoreStates group. The ultimate holding company is CoreStates Financial Corporation, incorporated in the United States of America. The group accounts of CoreStates Financial Corporation may be obtained from the Headquarters located at PNB Building, Broad and Chestnut Street, Philadelphia, PA. The mailing address is PO Box 7618, Philadelphia, PA 19101-7618.