

1900910

# Philadelphia National Limited

## Report and Accounts

31 December 1994



# Philadelphia National Limited

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Registered No. 1900910

## **DIRECTORS**

J A McCabe (Managing Director)

C C Nielsen

## **SECRETARY**

C C Nielsen

## **AUDITORS**

Ernst & Young

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

## **SOLICITORS**

Norton, Rose, Botterell & Roche

Watson Farley & Williams

## **REGISTERED OFFICE**

Centurion House

24 Monument Street

London EC3R 8AJ

DIRECTORS' REPORT

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The directors present their report and accounts for the year ended 31 December 1994.

**RESULTS AND DIVIDENDS**

The profit before taxation for the year amounted to £511,000 (1993 - £1,012,000). No dividend is recommended (1993 - £nil).

**PRINCIPAL ACTIVITY**

Philadelphia National Limited no longer actively trades, it exists for investment purposes.

**SHARE CAPITAL**

There was no change in the issued share capital as set out in note 10 to the accounts.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

C C Nielsen

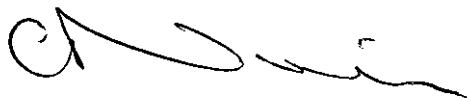
J A McCabe

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

21/3/95

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 Philadelphia National Limited**

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 3, 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 the company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst &amp; Young

Chartered Accountants

Registered Auditor

London

21 March 1995

# Philadelphia National Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

	<i>Notes</i>	<i>1994</i> <i>£000</i>	<i>1993</i> <i>£000</i>
Sundry income		66	59
Administrative expenses	2	—	(91)
Net interest receivable	3	445	1,044
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>511</u>	<u>1,012</u>
Tax on profit on ordinary activities	6	(680)	581
<b>RETAINED PROFIT FOR THE YEAR</b>		<u>1,191</u>	<u>431</u>
<b>MOVEMENT ON RESERVES</b>			
Profit and loss account:			
Retained profit brought forward		398	6,724
Reduction in capital	10	—	(6,757)
Retained profit for the year		1,191	431
<b>RETAINED PROFIT FOR THE YEAR</b>		<u>1,589</u>	<u>398</u>

There are no recognised gains or losses other than those included in the retained profit for the year.

# Philadelphia National Limited

## BALANCE SHEET

at 31 December 1994

	Notes	1994 £000	1993 £000
<b>CURRENT ASSETS</b>			
Debtors	7	216	1,693
Cash at bank and in hand	8	10,678	8,750
		<u>10,894</u>	<u>10,443</u>
<b>CREDITORS: amounts falling due within one year</b>			
	9	(178)	(918)
		<u>10,716</u>	<u>9,525</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	9,120	9,120
Capital redemption reserve	10	7	7
Profit and loss account		1,589	398
		<u>10,716</u>	<u>9,525</u>

ERNST & YOUNG

 21/3/95  
J. A. McCabe  
Managing Director

# Philadelphia National Limited

## STATEMENT OF CASH FLOWS

for the year ended 31 December 1994

	<i>Notes</i>	<i>1994</i> <i>£000</i>	<i>1993</i> <i>£000</i>
<b>NET CASH INFLOW FROM OPERATIONS</b>	<b>4</b>	<b>2</b>	<b>16,918</b>
<b>TAXATION</b>			
UK corporation tax paid	11	(97)	(596)
Advanced corporation tax received/(paid)	12	2,023	(2,250)
<b>TAX RECEIVED/(PAID)</b>		<b>1,926</b>	<b>(2,846)</b>
<b>INVESTING ACTIVITIES</b>			
Receipts from sale in investment security		—	11,219
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>		<b>—</b>	<b>11,219</b>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<b>1,928</b>	<b>25,291</b>
<b>FINANCING</b>			
Redemption of capital	10	—	16,630
<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>—</b>	<b>16,630</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8</b>	<b>1,928</b>	<b>8,661</b>
		<b>1,928</b>	<b>25,291</b>

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES

*Accounting convention*

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

*Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. 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 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.

*Deferred taxation*

Deferred taxation is provided using the liability method on all 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. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

*Pensions*

The company's pension obligations are financed by payments to a defined benefit pension scheme, which is operated by CoreStates Bank NA, a fellow group company. The annual cost of pension arrangements is under the control of CoreStates Bank NA.

NOTES TO THE ACCOUNTS

at 31 December 1994

2. ADMINISTRATIVE EXPENSES

These are stated after charging:

	1994	1993
	£000	£000
Auditors' remuneration - in respect of auditing services	-	4
- in respect of other services	-	3
	<u>-</u>	<u>7</u>

All administrative expenses are borne by CoreStates Bank NA.

3. INTEREST RECEIVABLE

Interest receivable comprises:

	1994	1993
	£000	£000
Interest receivable from other group companies	445	1,044
	<u>445</u>	<u>1,044</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1994	1993
	£000	£000
Profit on ordinary activities before taxation	511	1,012
(Increase)/decrease in interest receivable	(13)	210
Increase/(decrease) in interest payable	19	(479)
Gain on revaluation of investment securities	-	(59)
(Increase)/decrease in sundry/trade debtors	(169)	16,098
(Decrease)/increase in creditors and accruals	(346)	136
Net cash inflow from operating activities	<u>2</u>	<u>16,918</u>

5. DIRECTORS' REMUNERATION AND STAFF COSTS

A management charge of £nil (1993 - £84,000) in respect of administration costs, directors' emoluments and staff costs has been made by CoreStates Bank NA, a fellow group company.

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1994

### 6. TAXATION

The (credit)/charge for taxation is as follows:

	1994 £000	1993 £000
Corporation tax at 33% (1993 - 33%) on the profit for the year	130	843
Adjustment in respect of prior year	(810)	225
Deferred taxation	—	(487)
	<u>(680)</u>	<u>581</u>

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

	1994 £000	1993 £000
Sundry debtors	169	—
Interest receivable from group companies	47	34
Advance Corporation tax	—	1,659
	<u>216</u>	<u>1,693</u>

### 8. CASH AND CASH EQUIVALENTS

	1994 £000	1993 £000	Change in year £000
Cash at bank and at hand	10,678	8,750	1,928
Overdrafts	(5)	(5)	—
	<u>10,673</u>	<u>8,745</u>	<u>1,928</u>

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

	1994 £000	1993 £000
Overdrafts payable to group companies	5	5
Creditors in respect of taxation	130	543
Creditors and accruals	—	346
Accrued interest payable to group companies	43	24
	<u>178</u>	<u>918</u>

# Philadelphia National Limited

## NOTES TO THE ACCOUNTS

at 31 December 1994

### 10. SHARE CAPITAL

	1994	Authorised 1993	1994	Issued and fully paid up 1993
	£000	£000	£000	£000
Ordinary shares of £1 each	50,000	50,000	9,120	9,120

Philadelphia National Limited redeemed 9,880,000 shares previously held by Philadelphia International Equities Inc. 6,750 of the shares were redeemed at a premium of £6,750,000 on 2 April 1993, the remainder at par on 3 September 1993. £6,756,750 of the redemption cost was met out of distributable reserves and the balance from the proceeds from the sale of investment securities.

As shares with a nominal value of £6,750 were redeemed out of distributable reserves, an equivalent amount was transferred to the capital redemption reserve in accordance with the Companies Act 1985.

### 11. TAXATION PAID

	1994 £000	1993 £000
Balance at beginning of the year	(543)	(662)
Charge per the income statement	316	(1,068)
Balance at the end of the year	130	543
	(97)	(1,187)
Less: set off of advance corporation tax	-	591
	(97)	(596)

### 12. ADVANCE CORPORATION TAX

	1994 £	1993 £
Balance at the beginning of the year	1,659	-
Charge per the income statement	364	(591)
Balance at the end of the year	-	(1,659)
	2,023	(2,250)

### 13. COMMITMENTS

The company has entered into a currency swap whereby it is obliged to pay US \$13,998,528 on 6 June 1996 in exchange for £9,120,000. The swap has been entered into with the parent company as part of the parents overall hedging strategy relating to its investment in the company.

NOTES TO THE ACCOUNTS

at 31 December 1994

**14. ULTIMATE HOLDING COMPANY**

Philadelphia National Limited is a wholly-owned subsidiary of the CoreStates Bank NA, 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.