

Philadelphia National Limited

Directors' report and financial statements

31 December 1998

Registered number 1900910



Directors' report and financial statements

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Officers and professional advisers

Directors

JM Enzmann (Managing Director)
CC Nielsen
JL Pope
DW Rampling
LM Contoudis

Secretary

CC Nielsen

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

3 Bishopsgate
London
EC2N 3AB

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activity and review of the business

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

In May 1998 a merger was completed between the company's ultimate parent undertaking, CoreStates Financial Corporation and First Union Corporation.

Results and dividends

The loss before taxation for the year amounted to £202,000 (1997: Profit - £252,000). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

JM Enzmann	(Managing Director)
CC Nielsen	
JL Pope	(appointed 4 February 1998)
DW Rampling	(appointed 4 February 1998)
LM Contoudis	(appointed 4 February 1998)

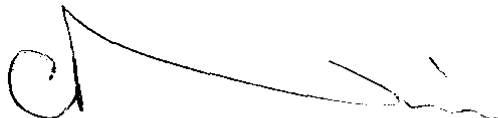
None of the directors had any interests, as defined by the Companies Act 1985, in the shares of the company throughout the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

CC Nielsen
Secretary



3 Bishopsgate
London EC2N 3AB

12/5/ 1999

Statement of directors' responsibilities

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 and of the profit or loss of the company for that period. 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

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London EC4Y 8BB
United Kingdom

Report of the auditors to the members of Philadelphia National Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 May 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Foreign exchange (loss)/gain		(237)	196
Net interest received	3	35	56
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(202)	252
Tax on (loss)/profit on ordinary activities	4	(173)	(237)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(375)	15
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than those included in the profit and loss account.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Current assets			
Debtors	<i>5</i>	-	172
Investment	<i>6</i>	10,000	10,000
Cash at bank and in hand		296	553
		<hr/>	<hr/>
		10,296	10,725
Creditors: amounts falling due within one year	<i>7</i>	(183)	(237)
		<hr/>	<hr/>
		10,113	10,488
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>8</i>	9,120	9,120
Capital redemption reserve	<i>9</i>	7	7
Profit and loss account	<i>9</i>	986	1,361
		<hr/>	<hr/>
	<i>9</i>	10,113	10,488
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12/5/99 and were signed on its behalf by:

JM Enzmann
Managing Director



Notes

(forming part of the financial statements)

1 Accounting policies

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

The company has taken advantage of the exemption conferred by FRS1 from presenting a cashflow statement as it is a wholly owned subsidiary of a parent which produces publicly available consolidated accounts.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end date. All exchange differences are dealt with in the profit and loss account.

Foreign currency forward contracts

Foreign currency forward 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.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Investments

Investments are stated at the lower of cost and net realisable value.

2 Loss on ordinary activities before taxation

No emoluments were received by directors in respect of their services during the year (1997:nil). There were no staff employed by the company during the year (1997:nil). Auditors' remuneration has been borne by the immediate parent undertaking.

3 Interest received

Interest received comprises:

	1998 £000	1997 £000
Interest received from other group companies	35	56

Notes (continued)

4 Taxation

The charge for taxation is as follows:

	1998 £000	1997 £000
Corporation tax at 31% (1997:31.5%)	173	237
	<u>173</u>	<u>237</u>

5 Debtors: amounts receivable within one year

	1998 £000	1997 £000
Sundry debtors	-	172
	<u>-</u>	<u>172</u>

6 Investment

	1998 £000	1997 £000
Unlisted at cost	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

At 31 December 1998, the market value of this investment was £11,863,370.

Notes (continued)

7 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Corporation tax	173	237
Sundry creditors	7	-
Amounts due to parent undertaking	3	-
	<u>183</u>	<u>237</u>

Sundry creditors represents the unrealised loss on outstanding foreign exchange contracts taken out with a fellow subsidiary, First Union National Bank. This commitment is described in note 10.

8 Called up share capital

	1998 £000	1997 £000
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Issued, and fully paid up</i>		
Ordinary shares of £1 each	9,120	9,120
	<u>9,120</u>	<u>9,120</u>

9 Reconciliation of shareholders funds

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 1998	9,120	7	1,361	10,488
Loss for the year	-	-	(375)	(375)
	<u>9,120</u>	<u>7</u>	<u>986</u>	<u>10,113</u>
At 31 December 1998	9,120	7	986	10,113

10 Commitments

The company has entered into a foreign exchange forward contract whereby it is obliged to pay £8,473,685 on 10 March 1999 and receive a payment of US\$13,998,528.

Notes (continued)

11 Subsequent events

During the second quarter of 1999, the assets and liabilities of one off-shore subsidiary of First Union National Bank were transferred to Philadelphia National Limited, in return for the issue of ordinary shares of approximately £4m.

12 Ultimate parent company

The company is a wholly-owned subsidiary of First Union National Bank, a company incorporated in the United States of America. The ultimate parent company is First Union Corporation, a company incorporated in the United States of America. Copies of the financial statements of these parent companies are available from 3 Bishopsgate, London EC2N 3AB.