

Philadelphia National Limited

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

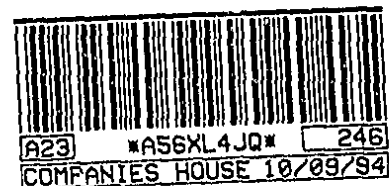
SOLICITORS

Norton, Rose, Botterell & Roche
Watson Farley & Williams

REGISTERED OFFICE

Philadelphia National House
3 Gracechurch Street
London EC3V 0AD

ERNST & YOUNG



Philadelphia National Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1993.

RESULTS AND DIVIDENDS

The profit before taxation for the year amounted to £1,012,000 (1992 - £2,784,000). No dividend is recommended (1992 - £nil).

PRINCIPAL ACTIVITY

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

SHARE CAPITAL

The company redeemed 9,880,000 ordinary shares of £1 each at a premium of £6,750,000. Details of this reduction in share capital are set out in note 16 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

C L Coltman, III (resigned 14 June 1993)

D E Frankenfield (resigned 10 June 1993)

E P Feinour (resigned 14 June 1993)

M P Heavener (resigned 11 June 1993)

F E Reed (resigned 11 June 1993)

C C Nielsen

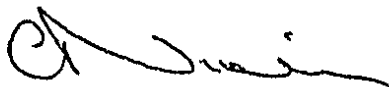
J A McCabe

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

25/6/94

Philadelphia National Limited

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 6 to 14, 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 9.

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.

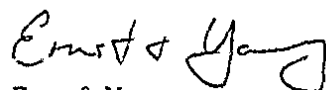
Basis of opinion

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 the company's affairs as at 31 December 1993 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

Chartered Accountants

Registered Auditor

London

25 April 1994

Philadelphia National Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1993

	Notes	1993 £000	1992 £000
TRADING INCOME	2	59	51
Administrative expenses	3	(91)	(913)
Exceptional income	4	-	564
Interest receivable	5	1,044	4,136
Interest payable	6	-	(1,054)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	1,012	2,784
Tax on profit on ordinary activities	9	581	1,432
RETAINED PROFIT FOR THE YEAR		431	1,352
MOVEMENT ON RESERVES			
Profit and loss account:			
Retained profit brought forward		6,724	5,372
Reduction in capital	16	(6,757)	-
Retained profit for the year		431	1,352
RETAINED PROFIT CARRIED FORWARD		398	6,724

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

Philadelphia National Limited

BALANCE SHEET

at 31 December 1993

	Notes	1993 £000	1992 £000
CURRENT ASSETS		10,443	27,592
Investments	11	—	11,160
Debtors	12	1,693	16,342
Cash at bank and in hand	13	8,750	90
CREDITORS: amounts falling due within one year	14	918	1,381
NET CURRENT ASSETS		9,525	26,211
TOTAL ASSETS LESS CURRENT LIABILITIES		9,525	26,211
PROVISIONS FOR LIABILITIES AND CHARGES	15	—	487
		9,525	25,724
CAPITAL AND RESERVES			
Called up share capital	16	9,120	19,000
Capital redemption reserve	16	7	—
Profit and loss account		398	6,724
TOTAL SHAREHOLDERS' FUNDS		9,525	25,724

ERNST & YOUNG

Joseph A. McCabe
J A McCabe

Managing Director

25/4/94

Philadelphia National Limited

STATEMENT OF CASH FLOWS

for the year ended 31 December 1993

	Notes	1993 £000	1992 £000
NET CASH INFLOW FROM OPERATIONS	7	16,918	28,749
TAXATION		(2,846)	(497)
UK corporation tax paid	17	(596)	(497)
Advanced corporation tax paid		(2,250)	-
INVESTING ACTIVITIES			
Receipts from sale in investment security		11,219	-
NET CASH INFLOW FROM INVESTING ACTIVITIES		11,219	-
NET CASH INFLOW BEFORE FINANCING		25,291	28,252
FINANCING			
Redemption of subordinated loan		-	20,000
Withdrawal of term loans		-	4,564
Redemption of capital	16	16,630	-
NET CASH OUTFLOW FROM FINANCING		16,630	24,564
INCREASE IN CASH AND CASH EQUIVALENTS	13	8,661	3,688
		25,291	28,252

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

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 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.

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 and on selling investment securities within the UK.

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

3. ADMINISTRATIVE EXPENSES

These are stated after charging:

	1993 £000	1992 £000
Auditors' remuneration - in respect of auditing services	4	9
- in respect of other services	3	3
Depreciation on fixed assets	-	160
	<u>-</u>	<u>160</u>

4. EXCEPTIONAL INCOME

	1993 £000	1992 £000
Lease credit on the company's premises	-	564
	<u>-</u>	<u>564</u>

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 early termination of a lease, payment was received in March 1992.

5. INTEREST RECEIVABLE

Interest receivable comprises:

	1993 £000	1992 £000
Interest receivable from other group companies	1,044	1,906
Other	-	2,230
	<u>1,044</u>	<u>4,136</u>

6. INTEREST PAYABLE

Interest payable comprises:

	1993 £000	1992 £000
Interest payable on subordinated debt	-	950
Interest payable to other group companies	-	97
Other	-	7
	<u>-</u>	<u>1,054</u>

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1993 £000	1992 £000
Profit before taxation	1,012	2,784
Decrease in interest receivable	210	1,793
(Decrease)/increase in interest payable	(479)	45
Depreciation	-	160
Gain on investment securities	(59)	-
Amortisation of deferred income	-	(20)
Decrease in current asset investments	-	26,370
(Decrease)/increase in trade debtors	16,098	(2,046)
Increase/(decrease) in creditors and accruals	136	(337)
Net cash inflow from operating activities	16,918	28,749

8. DIRECTORS' REMUNERATION AND STAFF COSTS

A management charge of £84,000 (1992 - £287,000) in respect of administration costs, directors' emoluments and staff costs has been made by CoreStates Philadelphia National Bank NA, a fellow group company.

9. TAXATION

The charge for taxation is as follows:

	1993 £000	1992 £000
Corporation tax at 33% (1992 - 33%) on the profit for the year	843	887
Adjustment in respect of prior year	225	-
Deferred taxation (note 15)	(487)	545
	581	1,432

10. FIXED ASSETS

	Leasehold improvements £000	Furniture, fittings & equipment £000	Motor vehicles £000	Total £000
Cost:				
At 1 January 1993 and 31 December 1993	612	1,233	8	1,853
Depreciation:				
At 1 January 1993 and 31 December 1993	(612)	(1,233)	(8)	(1,853)
Net book value				
At 31 December 1993	-	-	-	-
At 31 December 1992	-	-	-	-

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

11. CURRENT ASSET INVESTMENTS

	1993 £000	1992 £000
Listed marketable securities	-	11,160
Maturing in less than one year	-	4,608
Maturing after one year	-	6,552
	-	11,160
Open market value	-	11,042

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

12. DEBTORS: amounts receivable within one year

	1993 £000	1992 £000
Trade debtors receivable from group companies	-	16,098
Interest receivable from group companies	34	244
Advance Corporation tax	1,659	-
	1,693	16,342

13. CASH AND CASH EQUIVALENTS

	1993 £000	1992 £000	Change in year £000
Cash at bank and at hand	8,750	90	8,660
Overdrafts	(5)	(6)	1
	8,745	84	8,661
	1992 £000	1991 £000	Change in year £000
Short notice deposits made	-	2,291	(2,291)
Cash at bank and in hand	90	79	11
Sight and short notice deposits accepted	-	(5,968)	5,968
Overdrafts	(6)	(6)	-
	84	(3,604)	3,688

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

14. CREDITORS: amounts falling due within one year

	1992	1991
	£000	£000
Overdrafts payable to group companies	5	6
Creditors in respect of taxation	543	662
Creditors and accruals	346	210
Accrued interest payable to group companies	24	503
	<u>918</u>	<u>1,381</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

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

	<i>Provided</i>		<i>Not provided</i>	
	1993	1992	1993	1992
	£000	£000	£000	£000
Capital allowances in advance of depreciation	-	-	-	-
Other timing differences	-	487	-	-
	<u>-</u>	<u>487</u>	<u>-</u>	<u>-</u>

16. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued and fully paid up</i>	
	1993	1992	1993	1992
	£000	£000	£000	£000
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>9,120</u>	<u>19,000</u>

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.

Philadelphia National Limited

NOTES TO THE ACCOUNTS

at 31 December 1993

17. TAXATION PAID

	1993	1992
	£000	£000
Balance at beginning of the year	662	272
Charge per the income statement	1,068	887
Balance at the end of the year	(543)	(662)
	<u>1,187</u>	<u>497</u>
Less: set off of advance corporation tax	(591)	-
	<u>596</u>	<u>497</u>

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.