

PHILADELPHIA NATIONAL LIMITED

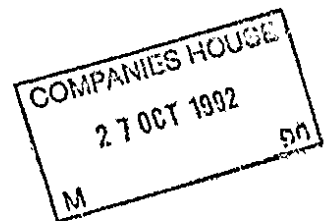
REPORT AND ACCOUNTS

1991



A CoreStates Bank

**Registered in England
No. 1900910**



PHILADELPHIA NATIONAL LIMITED

BOARD OF DIRECTORS (as at 2nd March, 1992) :-

Chairman: Frank E Reed

**Managing Director and
Chief Executive Officer:** Alexander J C Geddes

Executive Directors: Allan K Lound

Non-Executive Directors: Eugene P Feinour
Michael P Heavener
Charles L Coltman, III
Donald E Frankenfield

Secretary: Allan K Lound

Registered Office: Philadelphia National House,
3 Gracechurch Street,
London EC3V 0AD

Tel (General) : 071 - 623 8100
Tel (Dealers) : 071 - 623 1188
Telex (General) : 939391, PNL LDN G
Telex (Dealers) : 939363, PHIL AX G
Facsimile : 071 - 623 5346

Registered in England
No. 1900910

Auditors: Ernst & Young

Legal Advisors: Norton, Rose, Botterell & Roche

PHILADELPHIA NATIONAL LIMITED

REPORT OF THE DIRECTORS

1. Directors Report

The Directors present their Report and Audited Accounts for the year ended 31st December 1991.

2. Share Capital

The Authorised Share Capital of the Bank is £ 50 million. Total capitalisation is £ 39 million as at 26th February, 1992 (which includes initial fully paid-up Share Capital of £ 19 million and Loan Capital of £ 20 million Subordinated Floating Rate Notes 1996).

3. Activities

Philadelphia National Limited carries on an international merchant banking business and provides merchant banking services. Philadelphia National Limited is an authorised institution under the 1987 Banking Act, and is registered with The Securities & Futures Authority.

4. Results for the Year and Review of the Business

The profit before taxation for the period amounted to £ 1,948,000 (1990 - £ 1,091,000). No dividend is recommended (1990 £ Nil). Philadelphia National Limited reduced the scope of its activities during the year and in 1992 emphasis will be placed on focussing resources in key areas which have been identified so as to maximise their effectiveness.

5. Fixed Assets

Changes in fixed assets during the period are shown in Note 10 to the Accounts.

6. Directors

The Directors during the year were as follows:-

Mark E Stalnecker	(Resigned 21st May 1991)
Alexander J C Geddes	
Terrence A Larsen	(Resigned 24th May 1991)
Roland K Bullard, II	(Resigned 18th October 1991)
Gregory C Dillett	(Resigned 25th March 1991)
Charles L Coltman, III	
Eric M Hart	(Resigned 22nd May 1991)
Donald E Frankenfield	
Eugene P Feinour	(Appointed 18th October 1991)
Michael P Heavener	(Appointed 18th October 1991)
Frank E Reed	(Appointed 18th October 1991)

John M Hobbs	(Resigned 5th June 1991)
Allan K Lound	
Ernest B Smith	(Resigned 13th May 1991)
Robert L Tilley	(Resigned 16th January 1992)
Charles P Connolly	(Resigned 30th May 1991)

None of the Directors had an interest in the shares of the Company at any time during the period.

7. Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

By order of the Board



Allan K Lound, Secretary

2nd March 1992

REPORT OF THE AUDITORS
TO THE MEMBERS OF
PHILADELPHIA NATIONAL LIMITED

We have audited the accounts on pages 6 to 16 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 31st December 1991 and of its profit and source and application of funds 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

2nd March 1992

PHILADELPHIA NATIONAL LIMITED

Profit and Loss Account
for the year ended 31st December 1991

	<u>1991</u> £000's	<u>1990</u> £000's
Profit before taxation (Notes 2 and 3)	1,948	1,091
Taxation (Note 5)	649	373
Profit after taxation	<u>1,299</u>	<u>718</u>
Balance brought forward	4,073	3,355
Balance carried forward	<u><u>5,372</u></u>	<u><u>4,073</u></u>

The notes set out on pages 10 to 16 form part of these accounts.

PHILADELPHIA NATIONAL LIMITED

Balance Sheet
at 31st December 1991

	<u>1991</u> £000's	<u>1990</u> £000's
Share Capital		
Ordinary shares of £1 each		
Authorised	50,000	50,000
	<u> </u>	<u> </u>
Issued and fully paid	19,000	19,000
Retained profits	<u>5,372</u>	<u>4,073</u>
Shareholders' funds	24,372	23,073
Subordinated Debt (Note 6)	20,000	20,000
Total shareholders' funds and long-term debt	<u>44,372</u>	<u>43,073</u>
Current and deposit accounts (Note 8)	11,084	11,916
Tax payable	272	89
Creditors, accruals and deferred income (Note 8)	480	1,065
	<u>56,208</u>	<u>56,143</u>

The notes set out on pages 10 to 16 form part of these accounts.

PHILADELPHIA NATIONAL LIMITED

Balance Sheet
at 31st December 1991

	<u>1991</u> £000's	<u>1990</u> £000's
Cash, balances with banks, money at call and at short notice (Note 8)	79	106
Deposits with banks maturing within one year (Note 8)	2,291	2,786
Certificates of deposit and marketable securities held as investments, maturing within one year (Note 9)	10,384	1,616
Certificates of deposit and marketable securities held as investments, maturing after one year (Note 9)	27,146	33,453
Loans and advances maturing within one year	5,807	9,500
Loans and advances maturing after one year	0	2,200
Amounts receivable for securities sold	4,587	2
Debtors and accrued amounts receivable (Note 8)	5,696	6,007
Fixed assets (Note 10)	160	425
Deferred Taxation (Note 7)	58	48
	<u>56,208</u>	<u>56,143</u>

The notes set out on pages 10 to 16 form part of these accounts.

Alexander J C Geddes



Managing Director and
Chief Executive Officer

2nd March 1992

PHILADELPHIA NATIONAL LIMITED

Statement of Source and Application of Funds
For Year ended 31st December 1991

<u>SOURCE OF FUNDS</u>	<u>1991</u> <u>£000's</u>	<u>1990</u> <u>£000's</u>
Profit before taxation	1,948	1,091
Items not involving the movement of funds:-		
Depreciation	255	340
Profit on disposal of fixed assets	7	0
Amortisation of deferred income	(118)	(118)
Funds generated from operations	2,092	1,313
<u>FUNDS FROM OTHER SOURCES</u>		
Proceeds on disposal of fixed assets	10	46
Income deferred	138	256
Increase (Decrease) in:-		
Deposits taken	(832)	7,066
Amounts payable for securities purchased	0	(4)
Creditors and accrued amounts payable	(605)	(383)
	803	8,294
<u>APPLICATION OF FUNDS</u>		
Increase (Decrease) in :-		
Loans and advances	(5,893)	11,698
Amounts receivable for securities sold	4,585	(5)
Investment securities and certificates of deposit	2,461	(3,437)
Deposits with banks maturing within one year	(495)	2,136
Cash, balances with banks, money at call and at short notice	(27)	(4,897)
Debtors and accrued amounts receivable	(311)	2,283
Purchase of fixed assets	0	29
Tax paid	483	487
	803	8,294

PHILADELPHIA NATIONAL LIMITED

Notes to the Accounts - 31st December 1991

1. Accounting Policies

a) Accounts

The accounts are prepared in accordance with the provisions of Part VII of the Companies Act 1985 and applicable accounting standards.

b) Accounting Convention

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

c) 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.

d) 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 periods of the contracts.

e) Trading Securities

Securities held for trading purposes are included in the balance sheet at market value.

f) 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.

g) 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

h) 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.

i) Pensions

The company operates a defined benefit pension scheme. Contributions to the scheme are charged to the profit and loss account so as to forecast the cost of pensions over the employees' working lives with the company.

j) Leasing Commitments

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

2. Turnover

In accordance with the Companies Act 1985, Schedule 9, paragraph 17(3), turnover for the year is not stated as it is attributable to the business of banking.

3. Profit and Loss Account

Profit before taxation is stated:-

	<u>1991</u> £000's	<u>1990</u> £000's
After crediting:-		
Income from listed securities	<u>3,495</u>	<u>3,529</u>

After charging:-

Directors' Emoluments	242	296
Auditors' Remuneration	20	27
Depreciation on Fixed Assets	255	340
Interest payable on Deposits	1,239	839
Interest payable on Subordinated Debt	2,407	3,030
Operating lease rentals - land and buildings	<u>(3)</u>	<u>208</u>

4. Emoluments

Particulars of emoluments, excluding pension contributions and the emoluments of Directors and Employees working overseas, were as follows:-

	<u>1991</u>	<u>1990</u>
Chairman	0	21,111
Highest paid Director	112,902	138,766

Number of Other Directors with emoluments, excluding pension contributions, fell within the following ranges:-

£ 0 - £ 5,000	12	11
£50,001 - £55,000	1	-
£55,001 - £60,000	1	-
£60,001 - £65,000	-	1
£70,001 - £75,000	-	1

An amount of £ 25,125 (1990 - £ Nil) was paid to former directors for loss of office.

5. Taxation

The charge for taxation is as follows:-

	<u>1991</u> £000's	<u>1990</u> £000's
Corporation Tax at 34.25 % (1990 - 35 %)		
on the profit for the year	675	416
Adjustment in respect of prior year	(16)	(75)
Deferred taxation - current year (credit)/charge	(17)	(20)
Deferred taxation - prior year (credit)/charge	7	52
	<hr/> 649	<hr/> 373

6. Subordinated Debt

	<u>1991</u> £000's	<u>1990</u> £000's
Guaranteed Subordinated Floating Rate Notes	20,000	20,000

The Floating Rate Notes bear interest at a rate linked to the London Interbank Offered Rate and will be redeemed at par in June 1996. In addition, the above borrowing has been swapped in terms of currencies and/or interest.

7. Deferred Taxation

Deferred taxation has been provided in full in the accounts:-

	<u>1991</u> £000's	<u>1990</u> £000's
Fixed assets	(7)	14
Other short term timing differences	(51)	(62)
	<hr/> (58)	<hr/> (48)

8. Amount Due To And From Group Companies

Included in the balance sheet captions are amounts due (to)/from group companies as follows:-

	<u>1991</u> £000's	<u>1990</u> £000's
Cash, balances with banks, money at call and at short notice	<u>20</u>	<u>9</u>
Deposits with banks maturing within one year	<u>2,291</u>	<u>2,786</u>
Debtors and accrued amounts receivable	<u>629</u>	<u>498</u>
Current and deposit accounts	<u>10,537</u>	<u>11,916</u>
Creditors, accruals and deferred income	<u>302</u>	<u>538</u>

9. Certificates of Deposit and Marketable Securities Held as Investments

	<u>1991</u> £000's	<u>1990</u> £000's
Listed marketable securities (1991 market value £ 37,445,000) (1990 market value £ 34,174,000)	37,530	35,069
	<u>37,530</u>	<u>35,069</u>
Maturing in less than one year	10,384	1,616
Maturing after one year	27,146	33,453
	<u>37,530</u>	<u>35,069</u>

10. Fixed Assets

	<u>Leasehold Improvements</u>	<u>Furniture Fittings & Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
At 1st January 1991	612	1,233	46	1,891
Additions	0	0	0	0
Disposals	0	0	38	38
At 31st December 1991	<u>612</u>	<u>1,233</u>	<u>8</u>	<u>1,853</u>
Depreciation				
At 1st January 1991	431	1,002	33	1,466
Charge for the year	155	97	3	255
Disposals	0	0	28	28
At 31st December 1991	<u>586</u>	<u>1,099</u>	<u>8</u>	<u>1,693</u>
Net book value				
At 31st December 1991	<u>26</u>	<u>134</u>	<u>0</u>	<u>160</u>
At 31st December 1990	181	231	13	425

11. Commitments

At 31st December 1991 the Company had outstanding contractual commitments totalling £ Nil (1990 £ Nil) in respect of capital expenditure.

At the year end annual commitments under non-cancellable operating leases were:-

	Premises		Equipment	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£000's	£000's	£000's	£000's
Operating leases which expire :				
within one year	128	-	-	-
within two to five years	-	483	28	-
in over five years	-	-	-	25
	<u>128</u>	<u>483</u>	<u>28</u>	<u>25</u>

The premises lease which was to expire in March 1992 has been extended for a further two years. A back-end payment on this lease of £ 563,000 will be received in March 1992.

12. Defined benefit scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1st June 1989. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9 % per annum, that salary increases would average 7.5 % per annum and that present and future pensions would increase at the rate of 3 % per annum.

The pension charge for the period was £ 46,292 (1990 £ 39,288).

The most recent actuarial valuation showed that the market value of the scheme's assets was £256,000 and that the actuarial value of those assets represented 229 % of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the company and employees will be at 10.2 % and nil % of earnings respectively.

13. Ultimate Holding Company

Philadelphia National Limited is a wholly-owned subsidiary of the Philadelphia National Bank, U.S.A. which is the principal operating company in the CoreStates Group. The ultimate holding company is CoreStates Financial Corp., incorporated in the United States of America. The Group accounts of CoreStates Financial Corp. may be obtained from the Headquarters located at PNB Building, Broad and Chestnut Streets, Philadelphia, PA. The mailing address is P.O. Box 7618, Philadelphia, PA 19101-7618