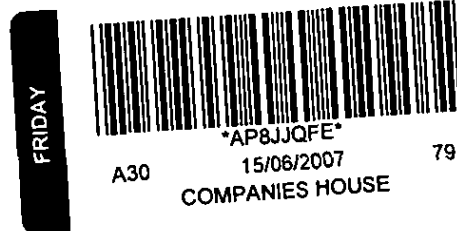


Philadelphia National Limited

**Directors' report and financial
statements**

**Registered number 1900910
31 December 2006**



Directors' report and financial statements

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Officers and professional advisers

Directors

CC Nielsen
JE Wojnar

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 2006

Principal activity

Philadelphia National Limited ("the Company") is established as an investment company. The Company's principal activity is earning income on interest bearing cash assets.

Review of the business

There are no immediate business plans for the Company.

The business plans of the parent company, Philadelphia International Equities Inc (PIE), call for a further divestment of its investments, which will eventually include the Company. There is no fixed timetable for this divestment programme.

Results and dividends

The profit before taxation for the year amounted to £1,259k (2005 £1,413k). The directors do not recommend the payment of a dividend (2005 £nil).

Directors and directors' interests

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

JM Enzmann	(Resigned 2nd May 2006)
CC Nielsen	
JE Wojnar	

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

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2005 Nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report

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 will be proposed at the next Annual General Meeting

By order of the board

CC Nielsen
Secretary



3 Bishopsgate
London EC2N 3AB

1st May 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

In preparing these 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Independent auditor's report to the members of Philadelphia National Limited

We have audited the company financial statements of Philadelphia National Limited (the "financial statements") for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on Page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of the its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London

18 May 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Net trading profit	2	1,255	1,193
Other operating expenses	3	(11)	(37)
Other income		15	257
		<hr/>	<hr/>
Profit on ordinary activities before tax		1,259	1,413
Tax on profit on ordinary activities	5	-	-
		<hr/>	<hr/>
Retained profit for the year		1,259	1,413
		<hr/>	<hr/>

The notes on pages 9 to 12 form an integral part of these financial statements

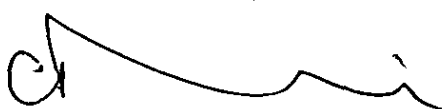
There are no recognised gains or losses other than those included in the profit and loss account for the year

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Current assets			
Debtors	6	11	6
Cash		28,219	26,977
		<hr/>	<hr/>
		28,230	26,983
Creditors: amounts falling due within one year	7	(20)	(32)
		<hr/>	<hr/>
Net current assets		28,210	26,951
		<hr/>	<hr/>
Net assets		28,210	26,951
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	17,752	17,752
Share premium account		4,357	4,357
Capital redemption reserve		7	7
Profit and loss account	9	6,094	4,835
		<hr/>	<hr/>
Shareholders' funds	10	28,210	26,951
		<hr/>	<hr/>

The notes on pages 9 to 12 form an integral part of these financial statements

These financial statements were approved by the board of directors on 1st May 2007 and were signed on its behalf by:



CC Nielsen
Director

Notes

(Forming part of the financial statements)

1. Principal Accounting Policies

The following principal accounting policies have been applied consistently throughout the current year and the preceding year

(a) Basis of presentation

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in Sterling, which is the functional currency of the Company, and in accordance with accounting standards applicable in the United Kingdom.

The Company has taken advantage of the exemption conferred by FRS 1 Cash Flow Statements (revised) from presenting a cash flow statement as it is a wholly owned subsidiary of a parent which produces publicly available consolidated accounts.

The Company has taken advantage of the exemptions allowed by FRS 8 Related Party Disclosures, and has not disclosed any related party transactions with entities of the Wachovia Group.

b) Foreign exchange

Transactions in foreign currencies are translated 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.

c) Taxation

Corporation tax is recognised on taxable profits/losses at the current rate. Deferred taxation has been accounted for in accordance with FRS 19 Deferred Tax. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

d) Turnover and Results

As permitted by paragraph 3(3) of Schedule 4 to the Companies Act 1985, the format of the profit and loss account has been adapted to the circumstances of the Company. Turnover, cost of sales and gross profit (as prescribed in the Companies Act 1985) do not have any meaningful equivalents in a financial markets business and are therefore not included. No segmental analysis of revenue, profit before taxation or net assets has been presented because the Directors are of the opinion that the Company's principal activities comprise one segment.

e) Net trading profit

Interest income is recognised in the income statement using the effective interest rate method. The effective interest rate method is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

Notes (continued)

2 Net trading profit

	2006 £000	2005 £000
Interest received from other group companies	1,255	1,193
Net trading profit	<u>1,255</u>	<u>1,193</u>

3 Other operating expenses

	2006 £000	2005 £000
<i>Other operating expenses comprise</i>		
Auditors Remuneration:		
Audit of these financial statements	5	5
Amounts receivable by the auditors and their associates in respect of other services relating to taxation	6	-

There was no staff employed by the Company during the year (2005 nil)

4 Directors Remuneration

Directors in respect of their services received no emoluments during the year (2005 nil)

5 Taxation

Current tax:

	2006 £000	2005 £000
UK Corporation tax charge on profits	-	-
Total current tax	<u>-</u>	<u>-</u>

Deferred tax

Origination of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Notes (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) (2005 30%) The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,259	1,413
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	378	424
Losses not utilised	-	-
Utilisation of losses brought forward	(378)	(424)
Total current tax	-	-

Factors that may affect future tax charges

No deferred tax asset has been recognised for unutilised losses, due to the uncertainty of future taxable profits arising in the company against which the losses can be utilised

6 Debtors: amounts receivable within one year

	2006 £000	2005 £000
Intercompany accrued interest receivable	11	6
	11	6

7 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Other creditors	20	32
	20	32

Notes (continued)

8 Called up share capital

	2006 £000	2005 £000
<i>Authorised</i>		
50,000,000 ordinary shares of £1 each	50,000	50,000
<i>Issued, and fully paid up</i>		
17,752,000 fully paid up ordinary shares of £1 each	17,752	17,752

9 Profit and loss account

	2006 £000	2005 £000
Balance at 1 January	4,835	3,422
Retained profit for the year	1,259	1,413
Balance at 31 December	6,094	4,835

10 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds	26,951	25,538
Retained profit for the year	1,259	1,413
Closing shareholders' funds	28,210	26,951

11 Ultimate parent company

The Company is a wholly owned subsidiary of Philadelphia International Equities Inc, a company incorporated in the United States of America. The ultimate parent company is Wachovia Corporation, a company incorporated in the United States of America. Copies of the financial statements of this company are available from 3 Bishopsgate, London EC2N 3AB.