

Philadelphia National Limited

**Directors' report and financial
statements**

Registered number 1900910

31 December 2003



Directors' report and financial statements

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Officers and professional advisers

Directors

JM Enzmann (Managing Director)
CC Nielsen
MW Reynolds (Resigned 2/3/04)
JE Wojnar (Appointed 8/3/04)

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 2003.

Principal activity

Philadelphia National Limited ("the Company") was established as an investment company. During the prior year, all remaining investments were sold, and the Company's principal activity is earning income on interest bearing cash assets.

Review of the business

The business plans of the immediate parent company, Philadelphia International Investment Corporation (PIIC), call for a divestment of its investments, which will eventually include the Company. There is no fixed timetable for this divestment programme. Subsequent to 31 December 2003, the immediate parent company (PIIC) has contributed its shareholding in the Company to its parent, Wachovia International Banking Corporation (WIBC) who in turn have contributed the holding to its subsidiary Philadelphia International Equities (PIE). The sole shareholder of the Company is therefore now PIE.

Results and dividends

The loss before taxation for the year amounted to (£1,861k). (2002: £1,387k loss). The directors do not recommend the payment of a dividend (2002: £nil).

Directors and directors' interests

The directors who held office during the year and up to 24th June were as follows:

JM Enzmann	(Managing Director)
CC Nielsen	
MW Reynolds	(Resigned 2/3/04)
JE Wojnar	(Appointed 8/3/04)

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

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 is to be proposed at the forthcoming Annual General Meeting.

By order of the board

CC Nielsen
Secretary

A handwritten signature in black ink, appearing to be 'CC Nielsen', written over a horizontal line.

3 Bishopsgate
London EC2N 3AB

24 June 2004

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 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.

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

We have audited the financial statements on pages 6 to 13.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

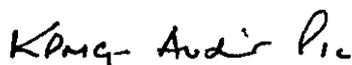
Basis of audit opinion

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 June 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Net trading profit	2	385	751
Other operating expenses	3	(2,689)	(2,725)
Profit on disposal of fixed asset investment		-	587
Other income		443	-
		<hr/>	<hr/>
(Loss) on ordinary activities before taxation		(1,861)	(1,387)
Tax on loss on ordinary activities	5	-	239
		<hr/>	<hr/>
Retained loss for the year		(1,861)	(1,148)
		<hr/> <hr/>	<hr/> <hr/>

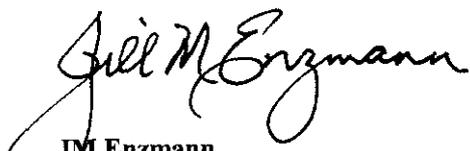
The notes on pages 8 to 13 form part of these financial statements.

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 2003

	<i>Note</i>	2003 £000	2002 £000
Current assets			
Debtors	6	515	627
Cash		25,726	27,644
		<hr/>	<hr/>
		26,241	28,271
Creditors: amounts falling due within one year	7	(54)	(223)
		<hr/>	<hr/>
Net current assets		26,187	28,048
		<hr/>	<hr/>
Net assets		26,187	28,048
		<hr/> <hr/>	<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	4,071	5,932
		<hr/>	<hr/>
Shareholders' funds	10	26,187	28,048
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 24 June 2004 and were signed on its behalf by:


JMI Enzmann
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 (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, 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. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their treatment for tax purposes on an undisclosed basis. 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.

Notes (continued)

2 Net trading profit

	2003	2002
	£000	£000
Realised profit on sale of investments	-	34
Interest received from other group companies	382	483
Other interest received	3	234
	-----	-----
Net trading profit	385	751

3 Other operating expenses

Other operating expenses include foreign exchange losses on US dollar denominated assets.

4 Profit on ordinary activities before taxation

Directors in respect of their services received no emoluments during the year (2002:nil). There were no staff employed by the Company during the year (2002:nil). Auditors' remuneration was £18,000 (2002: £17,000).

5 Taxation

Current tax:

	2003	2002
	£000	£000
UK Corporation tax charge on profits	-	-
Adjustment in respect of previous periods	-	(239)
	-----	-----
Total current tax	-	(239)

Deferred tax

Origination of timing differences	-	-
	-----	-----
Total deferred tax	-	-
Tax on profit on ordinary activities	-	(239)
	-----	-----

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%). The differences are explained below:

	2003 £000	2002 £000
(Loss) on ordinary activities before tax	(1,861)	(1,387)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(558)	(416)
Effects of:		
Gain on the disposal of current asset investments not taxable	-	(176)
FX gains not taxable	-	(13)
Disallowed expenses	-	-
Provision movements not taxable	-	-
Utilisation of losses	-	235
Losses not utilised	558	298
Prior year adjustment		(239)
	<hr/>	<hr/>
Total current tax	0	(239)
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

No deferred tax asset has been recognised for unutilised losses, as due to fluctuations in foreign exchange rates, it is not possible to assess the future profitability of the company.

Notes *(continued)*

6 Debtors: amounts receivable within one year

	2003	2002
	£000	£000
Loans to group company	-	310
Less: Loan provision	-	(124)
Intercompany accrued interest receivable	2	10
Tax recoverable in respect of prior overpayments	513	431
	<u>515</u>	<u>627</u>
	<u><u>515</u></u>	<u><u>627</u></u>

7 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Other creditors	54	223
	<u>54</u>	<u>223</u>
	<u><u>54</u></u>	<u><u>223</u></u>

Notes (continued)

8 Called up share capital

	2003 £000	2002 £000
<i>Authorised</i>		
50,000,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Issued, and fully paid up</i>		
17,752,000 fully paid up ordinary shares of £1 each	17,752	17,752
	<hr/>	<hr/>

9 Profit and loss account

	2003 £000	2002 £000
Brought forward at 1 January 2003	5,932	7,080
Retained (loss)/profit for the financial year	(1,861)	(1,148)
	<hr/>	<hr/>
Carried forward at 31 December 2003	4,071	5,932
	<hr/>	<hr/>

10 Reconciliation of movement in shareholders' funds

	2003 £000	2002 £000
Opening shareholders' funds	28,048	29,196
Retained (loss)/profit for the financial year	(1,861)	(1,148)
	<hr/>	<hr/>
Closing shareholders' funds	26,187	28,048
	<hr/>	<hr/>

Notes (continued)

11 Ultimate parent company

As at 31 December, 2003, the Company was a wholly owned subsidiary of Philadelphia International Investment Corporation, a company incorporated in the United States of America. The Company is now wholly owned by Philadelphia International Equities. The ultimate parent company is Wachovia 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.