

294448

**REGIONAL PROPERTIES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003**

DIRECTORS
B.W. SWEETLAND, LLB, Solicitor, ACoI
D. MONGER, B Soc Sc (Hons), FCIS
SECRETARY
D. MONGER, B Soc Sc (Hons), FCIS



PRINCIPAL ACTIVITY

The principal activity was formerly that of property investment and development. The company did not trade during the year, and this situation is expected to continue for the foreseeable future.

RESULTS AND BUSINESS REVIEW

The company's results for the year are set out on page 5. The directors consider the results for the year to be satisfactory. The results include a proposed dividend receivable of £8,993,321 from Regional Assets Limited, a subsidiary of the company.

DIVIDENDS

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2003 (2002: £Nil).

DIRECTORS

The directors named above held office throughout the year.

DIRECTORS' INTERESTS

No directors had interest in any other company within the Friends Provident Group other than as disclosed below.

a. Shares

The interests of directors, their spouses and children under the age of eighteen in the shares of companies within the Friends Provident Group are shown in the table below:

	Friends Provident plc ordinary shares 10 pence		ISIS Asset Management plc ordinary shares 0.1 pence	
	At 1 January 2003	At 31 December 2003	At 1 January 2003	At 31 December 2003
D. Monger	20,178	21,527	-	-
B.W. Sweetland	93,018	94,367	5,000	5,000

Since 31 December 2003, D. Monger and B.W. Sweetland have each acquired a total of 351 shares through monthly subscriptions into the company's Share Incentive Plan ('SIP').

b. Options over Friends Provident plc ordinary shares of 10 pence

The directors participate in two Inland Revenue approved share schemes, the ShareSave Scheme (a savings-related share option scheme) and the Partnership Share element of the SIP (formerly the All-Employee Share Ownership Plan) on the same basis as other eligible UK employees of the Group.

The directors participate in the Executive Share Option Scheme ('ESOS') and the Executive Long Term Incentive Plan ('LTIP') on the same terms as other eligible UK employees of the Group.

REGIONAL PROPERTIES LIMITED
REPORT OF THE DIRECTORS (continued)

The table below provides an analysis of options under each scheme. Further details of the operation of these schemes is contained in the Group Report and Accounts of Friends Provident plc.

	Options at 01/01/02	Granted / (Exercised) during year	Lapsed during year	Options at 31/12/02	Exercise price (pence)	Earliest exercise date	Latest exercise date
D. Monger							
ShareSave 2002	15,358			15,358	107.76	01/10/07	01/04/08
SIP 2002(a)	1,059	(1,073)					
ESOS 2002	11,187			11,187	195	14/03/05	14/03/12
ESOS 2003		39,439		39,439	71	17/03/06	17/03/13
Total	27,604	38,366		65,984			
B.W. Sweetland							
ShareSave 2002	8,815			8,815	107.76	01/10/05	01/04/06
SIP 2002 (a)	1,059	(1,073)					
ESOS 2002	112,821			112,821	195	14/03/05	14/03/12
ESOS 2003		330,988		330,988	71	17/03/06	17/03/13
LTIP 2002	56,410			56,410	10	14/03/05	14/03/12
LTIP 2003		165,494		165,494	10	17/03/06	17/03/13
Total	179,105	495,409		674,528			

(a) Partnership Shares in respect of the 2002 SIP scheme were purchased on 5 October 2003 at the Market Value of 139.80p and are held in the SIP trust. The difference between the options held at 1 January and the options exercised at 5 October reflects the difference in share price at the two dates.

From October 2003 SIP partnership shares are purchased monthly and there is no option granted in relation to these shares.

AUDITORS

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 23 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The Board is to recommend that on 20 May 2004 the shareholders approve the appointment of KPMG Audit Plc as the company's auditors in place of PricewaterhouseCoopers LLP. KPMG Audit Plc has indicated its willingness to be appointed from 20 May 2004.

REGIONAL PROPERTIES LIMITED
REPORT OF THE DIRECTORS (continued)

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select the most appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed with any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with these requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pixham End
Dorking
Surrey
RH4 1QA

16 April 2004

Registered Number 294448

ON BEHALF OF THE BOARD



D. MONGER
SECRETARY

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF REGIONAL PROPERTIES LIMITED**

We have audited the financial statements on pages 5 to 10 which have been prepared in accordance with the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report.


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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

27 April 2004

REGIONAL PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
Discontinued operations			
Administrative expenses	4	(32)	(8)
OPERATING LOSS		(32)	(8)
Income from shares in group undertakings		8,993	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,961	(8)
Taxation credit on loss on ordinary activities	5	4	7
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		8,965	(1)

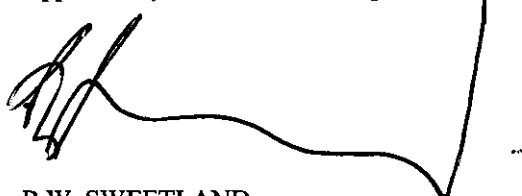
The above profit and loss account includes all recognised gains and losses. There is no difference between the results disclosed above and those on a historical cost basis.

The notes on pages 7 to 10 form an integral part of these accounts.

REGIONAL PROPERTIES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Investments:			
Subsidiary undertakings	6	2,335	2,335
		2,335	2,335
CURRENT ASSETS			
Debtors	7	26,673	19,673
Cash at bank and in hand		9	9
		26,682	19,682
CREDITORS: Amounts falling due within one year	8	(210)	(2,175)
NET CURRENT ASSETS		26,472	17,507
TOTAL ASSETS LESS CURRENT LIABILITIES		28,807	19,842
CAPITAL AND RESERVES			
Called-up share capital	9	4,918	4,918
Profit and loss account	10	23,889	14,924
TOTAL SHAREHOLDER'S FUNDS	10	28,807	19,842
ANALYSIS OF SHAREHOLDER'S FUNDS			
Equity		24,078	15,113
Non-equity		4,729	4,729
		28,807	19,842

Approved by the Board on 16 April 2004 and signed on its behalf by



B.W. SWEETLAND
DIRECTOR

The notes on pages 7 to 10 form an integral part of these accounts.

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts are not prepared as the company is a wholly owned subsidiary undertaking of Friends Provident plc, which is incorporated in the United Kingdom.

The company is a wholly owned subsidiary of Friends Provident Life and Pensions Limited and is included in the consolidated financial statements of Friends Provident plc which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

(b) Investments

Interests in subsidiary and other undertakings are stated at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use, as appropriate.

(c) Investment income

Income from shares in group undertakings is accounted for in the year in which it accrues. Dividends, interest or other income receivable include any withholding tax but exclude any other taxes, such as attributable credits, not payable wholly on behalf of the company.

2. DIRECTORS' EMOLUMENTS AND OTHER BENEFITS

All directors are employed by, and receive their emoluments from, another group undertaking. The directors consider that their services to the company are incidental to their other duties within the Friends Provident Group and accordingly no remuneration nor other benefits have been apportioned to this company.

3. EMPLOYEES

The company did not employ any staff during the year (2002: None).

4. ADMINISTRATIVE EXPENSES

Administrative expenses include auditors' remuneration of £3,000 (2002: £3,000) and loans write off of £24,000 (2002: £nil).

5. TAXATION

a) Tax on loss on ordinary activities

	2003	2002
	£000	£000
Group Relief	4	7

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

5. TAXATION continued

b) Factors affecting tax for the year

	2003	2002
	£000	£000
Profit / (Loss) on ordinary activities before taxation	8,961	(8)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(2,688)	2
Effects of:		
Income not taxable	2,697	
Capital allowances	2	3
Deductions not allowable for tax purposes	(7)	-
Prior year adjustment	-	2
	4	7

6. INVESTMENTS: Subsidiary undertakings

	Cost	Net book value
	£000	£000
Shares		
At 1 January 2003	2,335	2,335
At 31 December 2003	2,335	2,335

In the opinion of the directors, the aggregate value of the shares in subsidiaries is not less than the amount at which they are stated in the balance sheet.

The subsidiaries listed below are all wholly owned and incorporated in England and Wales.

Property Investment Companies

London Midland Associated Properties Limited
Regional Assets Limited

Management Company

Regional Properties Management Limited

Dormant Companies

Gracechurch Securities Limited**
Ibex Developments (Vauxhall) Limited*
Ibex Commercial & Industrial Properties Limited*
Ibex Properties (City) Limited*
Ibex Properties (Ealing) Limited*
Ibex Properties (St James) Limited*
Ibex (Residential Holding) Limited*

* Shareholdings in these subsidiaries are held through other subsidiaries of the company. These indirect subsidiaries were all struck off under Section 652a of the Companies Act 1985 and dissolved on 29 April 2003.

** This subsidiary was struck off under Section 652a of the Companies Act 1985 and dissolved on 27 January 2004.

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

7. DEBTORS

	2003 £000	2002 £000
Amounts owed by subsidiary undertakings	26,669	19,666
Taxation	4	7
	<u>26,673</u>	<u>19,673</u>

Amounts owed by subsidiary undertakings are non-interest bearing.

8. CREDITORS: Amounts falling due within one year

	2003 £000	2002 £000
Other creditors	8	8
Amounts owed to fellow subsidiary undertakings	202	2,167
	<u>210</u>	<u>2,175</u>

9. CALLED-UP SHARE CAPITAL

	2003 £000	2002 £000
(a) Authorised:		
337,052,625 ordinary shares of 1p each	3,371	3,371
18,917,895 deferred shares of 25p each	4,729	4,729
	<u>8,100</u>	<u>8,100</u>
(b) Allotted issued and fully paid:		
18,917,895 ordinary shares of 1p each	189	189
18,917,895 deferred shares of 25p each	4,729	4,729
	<u>4,918</u>	<u>4,918</u>

The ordinary shares have the following rights:

- Shareholders are entitled to dividends according to the number of shares held
- In general meetings, each ordinary share carries one vote
- Upon any resolution for the winding up of the company, capital is returned to ordinary shareholders at £1 per share, but they do not have further rights on a return of assets

The deferred shares have the following rights:

- Shareholders have no right to receive any dividend
- Shareholders have no right to receive notice of or to attend or vote at any General Meeting of the Company
- The holders of deferred shares have the right on a return of assets, whether in a winding up or otherwise to the return of the nominal amount paid up on the shares, after the holders of the ordinary shares of 1p each be paid at £1 per share.

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

10. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2003	4,918	14,924	19,842
Profit for the year	-	8,965	8,965
At 31 December 2003	4,918	23,889	28,807

11. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary undertaking of Friends Provident Life and Pensions Limited. The results of both the company and Friends Provident Life and Pensions Limited are consolidated in the results of Friends Provident plc, the company's ultimate parent and controlling undertaking, whose financial statements are publicly available. Accordingly, the company is exempt from the requirements of Financial Reporting Standard 8 concerning the disclosure of transactions with other companies which qualify as related parties within the Friends Provident Group.

12. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends Provident plc which is incorporated in the United Kingdom. Copies of the Group Report and Accounts of Friends Provident plc can be obtained by writing to its Secretary at Pixham End, Dorking, Surrey, RH4 1QA and can be viewed via its website www.friendsprovident.com