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**REGIONAL PROPERTIES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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.

DIVIDENDS

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2004 (2003: £Nil).

DIRECTORS

The directors named above held office throughout the year and to the date of this report.

DIRECTORS' INTERESTS

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

a. Shares

	Friends Provident plc Ordinary shares 10 pence			F&C Asset Management plc Ordinary shares 0.1 pence (ii)		
	At 1 January 2004	At 31 December 2004	Shares acquired after 31 December 2004 (i)	At 1 January 2004	At 31 December 2004	Shares acquired after 31 December 2004 (i)
D. Monger	21,527	22,593	377	-	-	-
B.W. Sweetland	94,367	95,433	377	5,000	13,651	-

(i) Changes to directors' interests during the period 1 January 2005 to 19 May 2005 have been reported to the parent company. They relate to shares acquired through the Share Incentive Plan (SIP).

(ii) Previously named ISIS Asset Management plc.



REGIONAL PROPERTIES LIMITED
REPORT OF THE DIRECTORS (continued)

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.

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

	Options at 1 Jan 2004	Granted / (Exercised) during year	Lapsed during year	Options at 31 Dec 2004	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
ESOS 2002	11,187	-	-	11,187	195.00	14/03/05	14/03/12
ESOS 2003	39,439	-	-	39,439	71.00	17/03/06	17/03/13
ESOS 2004	-	18,759	-	18,759	153.00	15/03/07	15/03/14
Total	65,984	18,759	-	84,743			
B.W. Sweetland							
ShareSave 2002	8,815	-	-	8,815	107.76	01/10/05	01/04/06
ESOS 2002	112,821	-	-	112,821	195.00	14/03/05	14/03/12
ESOS 2003	330,988	-	-	330,988	71.00	17/03/06	17/03/13
LTIP 2002	56,410	-	-	56,410	10.00	14/03/05	14/03/12
LTIP 2003	165,494	-	-	165,494	10.00	17/03/06	17/03/13
Total	674,528	-	-	674,528			

AUDITORS

The directors appointed KPMG Audit Plc ("KPMG") to act as auditors of the company. The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for dispensation from the annual appointment of auditors. The auditors, KPMG, have indicated their willingness to continue in office.

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 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.

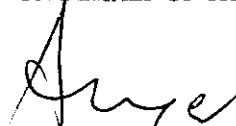
The directors confirm that they have complied with these requirements.

Pixham End
Dorking
Surrey
RH4 1QA

19 May 2005

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.

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 3 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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

19 May 2005

REGIONAL PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £000	2003 £000
Discontinued operations			
Administrative expenses	4	(2)	(32)
OPERATING LOSS		(2)	(32)
Income from shares in group undertakings		-	8,993
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2)	8,961
Taxation credit on loss/profit on ordinary activities	5	2	4
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	8,965

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 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Investments:			
Subsidiary undertakings	6	2,335	2,335
		2,335	2,335
CURRENT ASSETS			
Amounts owed by group undertakings		27,180	26,669
Taxation		-	4
		27,180	26,673
Cash at bank and in hand		10	9
		27,190	26,682
CREDITORS: Amounts falling due within one year			
Amounts owed to group undertakings		(316)	(202)
Other Creditors	7	(402)	(8)
		(718)	(210)
NET CURRENT ASSETS		26,472	26,472
TOTAL ASSETS LESS CURRENT LIABILITIES		28,807	28,807
CAPITAL AND RESERVES			
Called-up share capital	8	4,918	4,918
Profit and loss account	9	23,889	23,889
TOTAL SHAREHOLDER'S FUNDS	9	28,807	28,807
ANALYSIS OF SHAREHOLDER'S FUNDS			
Equity		24,078	24,078
Non-equity		4,729	4,729
		28,807	28,807

Approved by the Board on 19 May 2005 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 (2003: None).

4. ADMINISTRATIVE EXPENSES

Administrative expenses include auditors' remuneration of £4,000 (2003: £3,000).

5. TAXATION

a) Tax on loss on ordinary activities

	2004	2003
	£000	£000
Group Relief	2	4

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

5. TAXATION (continued)

b) Factors affecting tax for the year

	2004 £000	2003 £000
(Loss)/Profit on ordinary activities before taxation	(2)	8,961
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	1	(2,688)
Effects of:		
Income not taxable	-	2,697
Capital allowances	1	2
Deductions not allowable for tax purposes	-	(7)
	<u>2</u>	<u>4</u>

6. INVESTMENTS: Subsidiary undertakings

	Cost £000	Net book value £000
Shares		
At 1 January 2004	2,335	2,335
At 31 December 2004	<u>2,335</u>	<u>2,335</u>

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**

* This subsidiary was struck off under Section 652a of the Companies Act 1985 and dissolved on 1 June 2004.

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

7. OTHER CREDITORS: Amounts falling due within one year

	2004 £000	2003 £000
Taxation	394	-
Other creditors	8	8
	<u>402</u>	<u>8</u>

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

8. CALLED-UP SHARE CAPITAL

	2004 £000	2003 £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
	8,100	8,100
(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
	4,918	4,918

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.

9. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS

	Share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2004	4,918	23,889	28,807
At 31 December 2004	4,918	23,889	28,807

REGIONAL PROPERTIES LIMITED
NOTES TO THE ACCOUNTS (continued)

10. 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.

There were no other material related party transactions.

11. 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