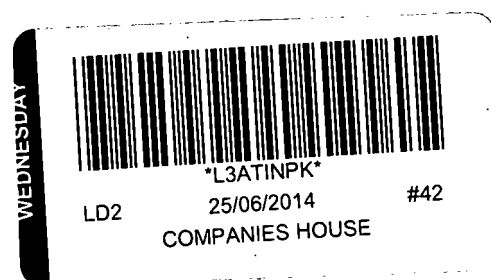


REGIONAL PROPERTIES MANAGEMENT LIMITED

**COMPANY INCORPORATED IN ENGLAND AND WALES
REGISTRATION NUMBER 600076**

REPORT AND ACCOUNTS

For the year ended 31 December 2013



REGIONAL PROPERTIES MANAGEMENT LIMITED**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013**

CONTENTS	PAGE
Directors, Company Secretary, Registered Office, Auditors	2
Strategic Report	3
Report of the Directors	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Profit and Loss Account	9
Balance Sheet	10
Notes to the Financial Statements	11

REGIONAL PROPERTIES MANAGEMENT LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

BOARD OF DIRECTORS

A.D.Carr
J.S.Moss
M.Potkins
R.D.Smith

COMPANY SECRETARY

FRIENDS LIFE SECRETARIAL SERVICES LIMITED

REGISTERED OFFICE

Pixham End
Dorking
Surrey
RH4 1QA

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGIONAL PROPERTIES MANAGEMENT LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their Strategic Report on Regional Properties Management Limited (the Company) for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The Company is a wholly owned subsidiary of Regional Properties Limited. Regional Properties Limited is a wholly owned subsidiary of Friends Life Limited (FLL).

The Company's ultimate parent undertaking is Friends Life Group Limited (FLG) which was formerly known as Resolution Limited.

The smallest Group in which the results of the Company are consolidated is that headed by Friends Life Holdings plc (FLH) which was formerly known as Friends Life Group plc.

The Company has previously made a loan to FLL of £13,000,000. The only activity in the year was interest receivable on this loan and interest receivable on its cash funds.

RESULTS AND BUSINESS REVIEW

Operational Structure

The Company is no longer trading and operates as part of the Heritage segment of the Group.

Business Performance

	2013 £	2012 £
Interest receivable from Group undertakings	212,303	296,312
Other interest receivable and similar income	17,356	21,387
Profit after tax	538,411	172,088

Interest receivable

As the Company is no longer trading, the only income received is investment income of £17,356 (2012: £21,387), arising on cash at bank, and interest received on group loans of £212,303 (2012: £296,312). The result for the year ended 31 December 2013 is shown in the profit and loss account on page 9.

Profit after tax

Profits have increased from £172,088 to £538,410, which is largely the result of a £308,782 tax credit.

PRINCIPAL RISKS AND UNCERTAINTIES

Following the announcement made to the London Stock Exchange on 10 January 2013, the FLG and FLH Boards were streamlined. Until 28 March 2013, the FLG Board delegated responsibility for the Group's risk management framework to the FLH board. With effect from close of business on 28 March 2013 the FLG Board took on direct responsibility for the Group's risk management framework, with the FLG Risk and Compliance Committee ('RCC') taking over responsibility for overseeing risk management across the Group from the FLH Board Risk and Compliance Committee ('BRCC'). The FLH BRCC was and the FLG RCC is supported by the Executive Risk Committee ('ERC').

The RCC oversees and advises the Board on the Company's overall risk appetite, tolerance and strategy and the current risk exposures of the Company, as well as informing the Board's decision making in relation to risk assessment, any material breaches of risk appetite and adequacy of remedial action plans.

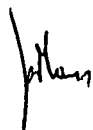
REGIONAL PROPERTIES MANAGEMENT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The ERC provides a Group wide and aggregated view of the risks the Group faces at an executive level and manages the implementation and ongoing operation of the risk management and compliance frameworks and associated activities of the Group, ensuring that customer impacts are considered alongside shareholder impacts. It is supported by Divisional Risk committees which ensure that the enterprise risks to which the Group is exposed, through their respective Divisions, are identified, measured, efficiently managed and fall within the appetite for those risks specified by the FLG board. All risk policies are reviewed and approved annually to ensure they remain relevant to the changing demands of the business, its risk profile and the current regulatory environment.

Approved by the Board on 28 May 2014 and signed on its behalf by



J. S. Moss
DIRECTOR

REGIONAL PROPERTIES MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements of the Company for the year ended 31 December 2013.

DIRECTORS

J.S. Moss was appointed as a director on 30 July 2013.
A.D. Carr, M. Potkins and R.D. Smith were appointed as directors on 27 September 2013.
L.C. J'Afari-Pak ceased to be a director on 1 August 2013.
J.M. Black ceased to be a director on 27 September 2013.

DIVIDEND

The directors do not recommend the payment of a dividend for the financial year ended 31 December 2013 (2012: £nil).

COMPANY SECRETARY

Friends Life Secretarial Services Limited acted as Company Secretary throughout the year.

DIRECTORS AND OFFICERS – INDEMNITY AND INSURANCE

The Group maintains insurance cover in respect of directors' and officers' liabilities. In addition, qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) are in force for the benefit of directors within the Group and were in force for the benefit of former directors of the Group during 2013. Copies are available for inspection at the Company's registered office.

STATEMENT OF GOING CONCERN

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES

Companies within the Group receive services and administration from either Friends Life Services Limited (FLS), Friends Life Management Services Limited (FLMS) or both. These entities either employ staff engaged in these activities or outsource the provision of these services to external outsourced service providers. Accordingly, the Company has no direct employees. The average number of employees of FLS and FLMS is disclosed in the accounts of those entities.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

In accordance with section 487 of the Companies Act 2006, the Company has dispensed with the obligation to reappoint its auditor annually and Ernst & Young LLP (EY) will therefore continue in office.

REGIONAL PROPERTIES MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements.

Approved by the Board on 28 May 2014 and signed on its behalf by



J. S. Moss
DIRECTOR

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
REGIONAL PROPERTIES MANAGEMENT LIMITED**

We have audited the financial statements of Regional Properties Management Limited (the Company) for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
REGIONAL PROPERTIES MANAGEMENT LIMITED(CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP,

Andrew.R. Blackmore (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

~~May~~ 2014

20 June

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
REGIONAL PROPERTIES MANAGEMENT LIMITED(CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew.R. Blackmore (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 May 2014

REGIONAL PROPERTIES MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Continuing operations			
Interest receivable from Group undertakings		212,303	296,312
Other interest receivable and similar income		17,356	21,387
Administrative expenses		(30)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		229,629	317,699
Tax credit (charge) on profit on ordinary activities	4	308,782	(145,611)
PROFIT FOR THE YEAR		538,411	172,088

There are no gains or losses other than those disclosed above and as such, a statement of total recognised gains and losses has not been presented.

There is no difference between the results disclosed above and those on a historical cost basis.

The notes on pages 11 to 14 form an integral part of these financial statements.

REGIONAL PROPERTIES MANAGEMENT LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2013**

	Notes	2013 £	2012 £
CURRENT ASSETS			
Loan to Group undertakings	5	13,000,000	13,000,000
Amounts owed by Group undertakings		21,850,010	21,850,010
Prepayments and accrued income		1,400	1,400
Other debtors including taxation and social security		163,171	-
		35,014,581	34,851,410
Cash at bank and in hand		4,810,257	4,590,628
		39,824,838	39,442,038
CURRENT LIABILITIES			
Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		35,396,009	35,406,009
Other creditors including taxation and social security		-	145,610
		35,396,009	35,551,619
NET ASSETS		4,428,829	3,890,419
CAPITAL AND RESERVES			
Called up share capital	6,7	100	100
Profit and loss account	7	4,428,729	3,890,319
TOTAL SHAREHOLDER'S FUNDS - EQUITY	7	4,428,829	3,890,419

The notes on pages 11 to 14 form an integral part of these financial statements.

Authorised and approved for issue by the Board on 28 May 2014 and signed on its behalf by



A D Carr
DIRECTOR

REGIONAL PROPERTIES MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS****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. As explained in the Report of the Directors, these financial statements have been prepared on the going concern basis.

The Company is a wholly owned subsidiary of Regional Properties Limited and is included in the consolidated financial statements of FLH 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 (FRS) 1 Cash Flow Statements (Revised 1996).

The Company has applied all applicable accounting standards and interpretations effective as at 31 December 2013.

(b) Administration Expenses

Administrative expenses are accounted for in the year in which they accrue.

(c) Current Taxation

Taxation is based on the profits and income for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the current tax is recognised in the statement of total recognised gains and losses, or equity, as applicable.

(d) Deferred Taxation

Deferred tax is recognised on timing differences arising between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The tax rates used are the rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax liabilities. Deferred tax assets are recognised to the extent that they are more likely than not to be regarded as recoverable against suitable taxable profits.

Deferred taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the deferred tax is recognised in the statement of total recognised gains and losses, or equity, as applicable. The deferred tax balances are not discounted.

(e) Interest receivable

Interest receivable from loans to group undertakings is accounted for in the year in which it accrues on a gross basis.

All other interest receivable is recognised as it accrues and excludes any attributable tax credits.

REGIONAL PROPERTIES MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ADMINISTRATIVE EXPENSES

Companies within the Group receive services and administration from either FLS, FLMS or both. These entities either employ staff engaged in these activities or outsource the provision of these services to external outsourced service providers. Accordingly, the Company has no direct employees. The staff costs and average number of employees of FLS and FLMS are disclosed in the accounts of those entities.

3. AUDITOR REMUNERATION

The following table provides analysis of the total fees, excluding VAT, in respect of services provided to the company during the year ended 31 December 2013.

	2013 £	2012 £
Audit services		
Audit of these financial statements	4,000	1,000
Total fees	4,000	1,000

Fees paid to the Company's auditor, EY and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the note headed 'Administrative and other expenses' within the consolidated accounts of FLH.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of the tax credit / (charge) for the period

	2013 £	2012 £
Current tax on income for the period	53,575	(40,296)
Adjustments in respect of prior periods	255,207	(105,315)
Total current taxation credit / (charge)	308,782	(145,611)

(b) Factors affecting the tax charge for the period

The tax charge for the period is higher than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012:24.5%) as set out below:

	2013 £	2012 £
Profit on ordinary activities before taxation	229,630	317,698
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	53,389	77,836
Effects of:		
Non taxable income	-	27,479
Adjustment in respect of prior periods	(255,207)	40,296
Transfer pricing adjustment	(106,964)	-
Current tax (credit)/charge for the period	(308,782)	145,611

REGIONAL PROPERTIES MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Factors that may affect future tax charges

Reductions to corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were enacted in 2013. This will reduce the Company's future current tax accordingly.

5. LOAN TO GROUP UNDERTAKINGS

On 8 September 2006 the Company agreed to advance to FLL, a loan of £13,000,000. Interest is payable on a bi-annual basis, at a rate of 1% above the six months London Inter Bank Offer Rate (LIBOR) GBP. The loan is due to mature on 31 December 2014.

6. SHARE CAPITAL

	2013 £	2012 £
Authorised, allotted, issued and fully paid 100 ordinary shares of £1 each	100	100

7. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholder's funds £
At 1 January 2013	100	3,890,319	3,890,419
Profit for the year	-	538,410	538,410
At 31 December 2013	100	4,428,729	4,428,829

8. DIRECTORS' EMOLUMENTS

The directors are employed by, and receive their emoluments from, FLS or FLMS. The directors holding office during the year consider their services to the Company were incidental to their other duties within the Friends Life Group and accordingly no remuneration has been apportioned to the Company.

9. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary it has taken advantage of the exemption granted under FRS 8, where subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available.

REGIONAL PROPERTIES MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is RPL .

The Company's ultimate parent undertaking is FLG (formerly known as Resolution Limited), which is incorporated in Guernsey. Copies of the Group Report and Accounts of FLG can be viewed via its website at www.friendslifegroup.com.

The smallest Group in which the results of the Company are consolidated is that headed by FLH, (formerly known as Friends Life Group plc), which is incorporated in England and Wales. Copies of the Group Report and Accounts of FLH can be viewed via its website at www.friendslifegroup.com.