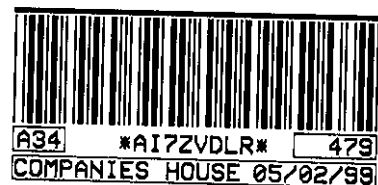


FPPI LIMITED

**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998**



Company Registration Number: 3001663

FPPI LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

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FPPI LIMITED

THE DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 1998

The Director submits the annual report and the financial statements of the company for the year ended 30 June 1998.

ACTIVITIES

FPPI Limited provides services to its holding company, Foster Parents Plan International, Inc. ("FPPI Inc."), a not-for-profit corporation, registered in the USA. FPPI Inc. strives to achieve lasting improvements in the quality of life of deprived children in developing countries.

DIRECTOR

The company's directors during the year were:-

Machelius van der Schalk (resigned 22nd September 1997)

John Greensmith (appointed 22nd September 1997)

Neither director held any beneficial interest in the shares of the company or of its parent company.

STATEMENT OF DIRECTOR'S RESPONSIBILITY

Company law requires the director 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 or loss of the company for that period. In preparing those financial statements, the director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

RESULTS

There was neither a profit nor loss for the year and no dividend is proposed (1997:nil).

FPPI LIMITED

**THE DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 1998**

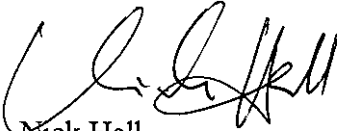
YEAR 2000

A project team is in place to address the full range of issues in connection with ensuring that the Company's systems are equipped for the change of century by July 1999. Costs are anticipated to be not material.

AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the next annual general meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read 'Nick Hall', is written over the printed name.

Nick Hall
COMPANY SECRETARY

20 November 1998

Registered Number: 3001663

FPPI LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FPPI LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 1, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 director 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 30 June 1998, and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

20 November 1998

FPPI LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	<u>Notes</u>	1998 £'000	1997 £'000
TURNOVER			
Income from services to FPPI Inc.	2	8,305	7,649
COST OF SALES			
Program support		3,981	3,518
Fund-raising		1,530	1,578
Operating		<u>2,039</u>	<u>1,857</u>
		7,550	6,953
Gross Profit		755	695
Other Operating income / expenses			
Contribution to Plan International (UK)	3	<u>772</u>	<u>710</u>
Operating (loss)		(17)	(15)
Interest receivable	4	<u>17</u>	<u>15</u>
Profit on ordinary activities before tax		-	-
Tax		-	-
Profit for the year		-	-

The company has no recognised gains or losses other than those disclosed in the Profit and Loss account above. All income and expenditure relates to continuing operations.

The notes on pages 6 to 10 form part of these financial statements.

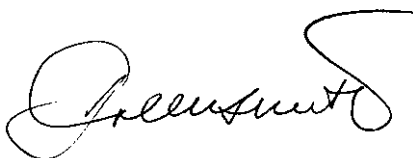
FPPI LIMITED

BALANCE SHEET AT 30 JUNE 1998

	<u>Notes</u>	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	7	603	721
CURRENT ASSETS			
Debtors	8	869	232
Cash at bank and in hand		<u>316</u>	<u>-</u>
		1,185	232
Creditors - amounts falling due within one year	9	<u>(1,788)</u>	<u>(953)</u>
NET CURRENT LIABILITIES		<u>(603)</u>	<u>(721)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>-</u>	<u>-</u>
EQUITY INTERESTS:			
Share capital	10	-	-
Profit and Loss account		-	-
		<u>-</u>	<u>-</u>
SHAREHOLDER'S FUNDS	11	<u>-</u>	<u>-</u>

Approved by the Board on 20 November 1998

John Greensmith (Director)



The notes on pages 6 to 10 form part of these financial statements.

FPPI LIMITED
NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

a. Basis of accounting

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

The financial statements have also been prepared under the going concern concept, in reliance on an assurance from the parent undertaking that it intends, until at least 30 November 1999, to provide such funding as is required by the company to enable it to meet its liabilities as they fall due.

b. Depreciation

Depreciation is provided on all tangible fixed assets to write them off over their anticipated useful lives at the following annual rates on a straight line basis.

Leasehold improvements	10 years
Equipment	5 - 10 years
Vehicles	3 years

c. Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account in the period to which they relate.

d. Pension scheme

Contributions to the company's defined contribution pension plan are charged to the profit and loss account in the period to which they relate.

e. Related party disclosure

In accordance with the exemption allowed by paragraph 3(c) of the Financial Reporting Standard 8, no disclosure is made of transactions with the company's parent undertaking.

f. Cash flow statement

In accordance with the exemption allowed by paragraph 3(c) of the Financial Reporting Standard 1, a cash flow statement for the company has not been provided.

FPPI LIMITED
NOTES TO FINANCIAL STATEMENTS

2. Income from services to FPPI Inc.

The company provides services to FPPI Inc. for which it charges a fee of 10% on its costs.

3. Contribution to Plan International (UK)

The expenditure of £772,345 (1997 £709,896) represents a donation under deed of covenant to Plan International (UK), a UK registered charity, by which FPPI Ltd donates the whole of its profits.

4. Interest receivable

	1998	1997
	£'000	£'000
Bank interest	<u>17</u>	<u>15</u>

5. Profit on ordinary activity before taxation

Profit on ordinary activities before taxation is stated after charging

	1998	1997
	£'000	£'000
Salaries	1,967	1,891
Social security	205	144
Other pension costs	85	71
Depreciation	151	147
Auditors' remuneration - audit fees	21	20
- other services	43	7
Operating lease rentals - plant and machinery	-	-
- other	157	157

6. Directors and employees

Employees

Average number of employees by category

	1998	1997
Program support	35	29
Fund-raising	9	4
Operating	<u>14</u>	<u>14</u>
	<u>58</u>	<u>47</u>

FPPI LIMITED
NOTES TO FINANCIAL STATEMENTS

6. Directors and employees (continued)

Directors' emoluments

Salary and benefits of the directors were £120,802 (1997 £83,674) and no pension contributions were made in the period. This figure includes a 5 month overlap period for the previous and current directors.

7. Tangible fixed assets

The net investment in fixed assets is summarised as follows:

	Leasehold Improvements £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost at 1 July 1997	184	780	27	991
Additions	-	33	-	33
Disposals	-	-	(18)	(18)
At 30 June 1998	184	813	9	1,006
Depreciation at 1 July 1997	46	198	26	270
Charge for year	18	132	1	151
Disposals	-	-	(18)	(18)
At 30 June 1998	64	330	9	403
Net book value at 30 June 1998	120	483	-	603
Net book value at 30 June 1997	138	582	1	721

FPPI LIMITED
NOTES TO FINANCIAL STATEMENTS

8. Debtors

	1998 £'000	1997 £'000
Other debtors	215	160
Prepayments and accrued income	294	72
Amounts due from FPPI Inc	360	-
	<u>869</u>	<u>232</u>

9. Creditors - amounts falling due within one year

	1998 £'000	1997 £'000
Bank overdraft	-	51
Trade creditors	558	297
Amounts due to Plan International (UK)	265	212
Amounts due to FPPI Inc.	-	38
Other creditors	178	169
Taxation and social security	59	54
Accruals and deferred income	728	132
	<u>1,788</u>	<u>953</u>

10. Called up share capital

	1998 £'000	1997 £'000
Authorised 1,000 ordinary shares £1 each	1	1
Allotted and fully paid 1 ordinary share £1 each	=	=

11. Reconciliation of movements in Shareholder's funds

	1998 £'000	1997 £'000
Profit for the year	-	-
Net addition to Shareholder's funds	-	-
Opening Shareholder's funds	-	-
Closing Shareholder's funds	-	-

FPPI LIMITED
NOTES TO FINANCIAL STATEMENTS

12. Pension schemes

The company makes payments in respect of three defined contribution schemes. These provide pension benefits from funds accruing from contributions from both employees and the company. The combined pension costs charged in the year were £60,000 (1997 £71,000).

13. Operating lease

As at 30 June 1998 the company had annual commitments under other operating leases expiring as follows:-

	1998	1997
	£'000	£'000
Within one year	-	-
Between two and five years inclusive	157	157
After five years	-	-

14. Ultimate parent company

FPPI Limited is a wholly owned subsidiary of Foster Parents Plan International, Inc. ("FPPI Inc."), a not-for-profit corporation organised under the laws of the State of New York having its principal office at 155 Plan Way, Warwick, Rhode Island, USA. Ultimate control of FPPI Limited rests with the directors of FPPI Inc. A copy of the combined financial statements of FPPI Inc, FPPI Ltd., and related fund-raising organisations can be obtained from FPPI Limited, Chobham House, Christchurch Way, Woking, Surrey GU21 1JG, England.