

2006



Opportunity International Australia
Annual Review 2006



Opportunity International
AUSTRALIA

Mission

Our mission is to alleviate poverty through the provision of quality, sustainable microfinance and enterprise development services.

We are guided by four core values:

Opportunity International is motivated by Jesus Christ's call to serve the poor without regard to ethnicity, gender or religious affiliation. As such, Opportunity International Australia remains committed to the core values of the global Opportunity Network:

- 1 Respect for our clients and partners** – we believe that all people have the potential to live full lives of safety, happiness and freedom. Poverty denies people the resources, ability and opportunity to live such lives. We work to restore to our clients choices and opportunities so they can work to reach their full potential.
- 2 Commitment** – we strive to have an impact that is lasting and is inclusive of the very poor and marginalised in the developing world.
- 3 Integrity** – we honour the trust placed in us by our supporters, ensuring that we manage all our resources in a manner that reflects our core motivation. We remain unaffiliated with governments or institutions that would compromise our service to the poor.
- 4 Stewardship** – we promote excellence, professionalism and best practice in every aspect of our work both in Australia and overseas.

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Thank you

Our warmest thanks go to our donors, volunteers, ambassadors, Board and staff around the country for sacrificing their time and sharing their skills, knowledge and experience. Their passion and dedication in supporting and promoting our mission is invaluable. We also thank the Australian Government (AusAID) and the Australian Council for International Development (ACFID) for their support.

We are extremely grateful to those who have provided in-kind or pro-bono office space throughout the year and to our suppliers and those agencies who have generously given goods and services above and beyond what is expected or asked – we thank you.

PARTNER: A relationship in which each member has equal status, sharing risk and yielding a reward to all the partners.

CEO and Chairman Report

Dear friends

Opportunity International Australia is building on its solid foundation and is experiencing unprecedented growth. Thanks to the generous support of both long term and new donors, our revenue has increased by almost \$30 million. We are grateful to have the trust of our supporters as we strive to meet the ongoing needs of the poor for microfinance and enterprise development services in Asia.

In 2006, Opportunity Australia also celebrated the milestones of two of our Filipino partners, TSKI and TSPI, celebrating 20 and 25 years of operation respectively. The dedication and experience of these partners, who serve over 315,000 clients between them, is leading the way in lifting hundreds of thousands out of poverty.

The strength of Opportunity Australia's operations in East Asia has enabled us to develop a program that will have a significant impact in India. Work is already underway to establish new partners in northern and eastern India and work with a number of existing microfinance institutions in India's south.

During the course of the year, our team grew to include new, experienced individuals from a variety of high level leadership and corporate backgrounds. These individuals bring new skills, business expertise and microfinance experience to Opportunity Australia. We are indebted to every member of our staff, both here and overseas, for their ongoing professionalism and their unwavering commitment.



Andrew Tyndale and Paul Peters

On behalf of Opportunity International Australia, we would like to thank each donor, volunteer, ambassador, Board and staff member for their continuing passionate commitment, partnership and support. We pay special tribute to Terry Winters, who completed his term as Chairman of the Board and congratulate him on his appointment to the role of Chairman of the Opportunity International Network Board, which commenced in January 2007.

2006 marked the start of an exciting new chapter for Opportunity Australia. We invite you to continue to stand with us in partnership.

Sincere regards

A handwritten signature in black ink, appearing to be 'P. Peters'.

Paul Peters
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'A. Tyndale'.

Andrew Tyndale
Chairman

"This year is going to be a year that we look back on as a turning point for this organisation."

Paul Peters, Chief Executive Officer, Opportunity International Australia, 2006



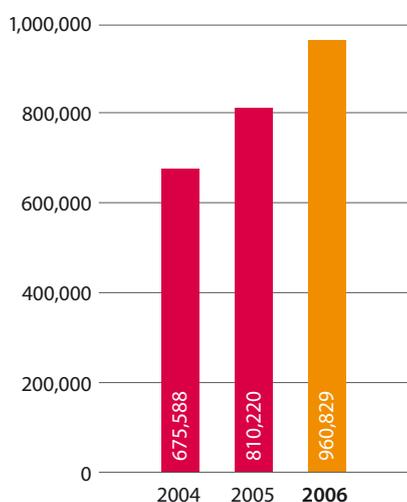
Opportunity International Network Highlights 2006

The Opportunity International Network is made up of five support partners and 44 implementing partners who are locally based microfinance institutions (MFIs) representing 27 developing countries across Asia, Africa, South America and Eastern Europe.

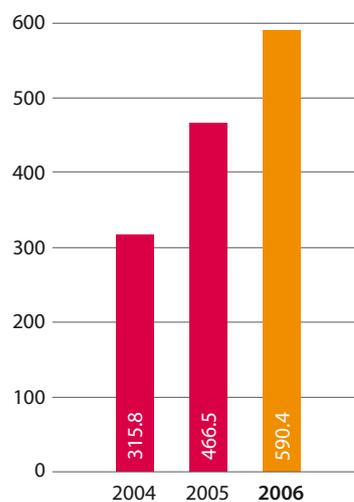
Opportunity International Australia is part of the global Opportunity International Network. As a support partner in the Network, we raise and invest funds; implement microfinance and enterprise development programs; and provide technical expertise to establish and expand our implementing partners. To achieve this we have an experienced team of professionals specialising in development, financial services and microfinance investment who are dedicated to excellence. We want to see millions of poor families leave poverty behind them, empowered to shape their own destinies.

Number of loan clients	960,829
Dollars loaned A\$	\$590.41 million
Average loan size A\$ (excluding Eastern Europe)	\$223.56
Average first loan per group-loan member A\$	\$200.60
Loans made to women	85%
Loan repayment rate (maintained since 2000)	98%

Client growth over three years



Value of loan portfolio over three years (A\$ millions)



Source: Opportunity International Global Network Statistics (31 December 2006)

Celebrating 35 years of microfinance

The 2005 United Nations (UN) International Year of Microcredit was the year that microfinance was truly recognised by the world as a sustainable approach to poverty alleviation. 2006 saw microfinance attain further recognition. We congratulate Professor Muhammad Yunus and the Grameen Bank, our fellow pioneers in microfinance, on receiving the 2006 Nobel Peace Prize.

Grameen Bank, founded by Muhammad Yunus, began by giving small loans – sometimes as little as \$100 – to entrepreneurs in Bangladesh. This simple but revolutionary concept has taken root in many parts of the developing world, and today the World Bank estimates there are more than 7,000 microfinance institutions now operating.

Thirty-five years ago the priority was providing a loan product that could be replicated throughout the developing world. In the last few years the concept has broadened to microfinance and now includes a wide range of financial services and products such as savings, insurance and money transfers. Opportunity International goes beyond financial services to also provide integrated enterprise development services equipping clients to overcome barriers to their economic progress.

"I am very impressed with the work Opportunity International is doing and I hope they can expand as much as they wish because this is the kind of work that we need globally."

Professor Muhammad Yunus, Global Microcredit Summit, Halifax, November 2006

Tribute to Al Whittaker

The year was also marked by the passing of Opportunity co-founder, Al Whittaker, in Florida, US, on 27 September 2006. A wealthy corporate executive, Al encountered extreme poverty as he travelled to his company's operations throughout the 1960's and 70's. Al asked a simple question, "What do you need?" They answered, "We need jobs... With a decent income we will solve our own problems." Al partnered with Australian entrepreneur David Bussau to establish what is now Opportunity International.

Opportunity International Australia honours the life and service of Al Whittaker and is deeply grateful for his visionary leadership and dedication to poverty alleviation.

"My loan helped me to expand my business so I could sell 52 different products."

We have come a long way since the very first microloan was provided to Columbian entrepreneur, Carlos Moreno, 35 years ago. Carlos used his loan to start a tea and spice business. Two years later, he was employing 11 people. At 76, Carlos now volunteers his time with a local not-for-profit organisation that provides free communication services to the poor in rural Columbia. He still recalls with pride his business success, "My loan helped me to expand my business so I could sell 52 different products."





Innovation & impact

The Opportunity International Network is a partnership devoted to seeing lives transformed from near desperation to hope and self-confidence, empowering clients to become agents of social change in their communities.

The Network's core microfinance services to the poor are:

Microloans (or microcredit) give the entrepreneurial poor access to business capital in the form of collateral-free loans. In 2006, Opportunity made more than 1.4 million loans totalling A\$590.41 million.

Microsavings increase the capability of clients to make decisions and invest in their children's education, household or business needs, and health care. A number of Opportunity's partners have converted to or established formal financial institutions, enabling them to receive client savings.

Microinsurance protects the poor from devastation in times of personal or community catastrophe. Since 2002, Opportunity has been developing insurance products such as life, property, and weather-indexed crop insurance.

Money transfers are domestic and international electronic transfers of money. Money transfers are used by microentrepreneurs for a variety of purposes including regular bill payments, one time only money needs, delivering money from people working in urban areas to their family members in rural areas, and sending money from migrants to family members in their country of origin (remittances). In 2006, Opportunity continued to offer competitively priced transfers to around 330,000 Filipino clients with the Opportunity Card.

Opportunity is developing innovative enterprise development models to help clients overcome business growth barriers, such as lack of market access.

Salngan weaves a stronger community

Salngan was one of six villages chosen by TSKI, an Opportunity partner in the Philippines, to pilot an enterprise development project to improve the village's primary enterprise, handloom weaving.

In June 2006, women in the community received training to improve their weaving skills. The TSKI Packaging Centre also assisted them with product design and packaging. This enabled the Salngan Loom Weavers Association to participate in a local trade fair to promote their community's products and find prospective customers. The trade fair was attended by high end fashion designers who are increasingly sourcing handloom-made indigenous fabric.

The community's future plans include having a loom in every household to increase their productivity. TSKI community organiser, Kim, said a sense of unity and hope grew in the community over the past year as members worked together.

"A sense of unity and hope grew in the community over the past year as members worked together."



Philippines: Opportunity's partner, TSKI, is assisting communities to improve the quality of their products through their Packaging Centre



West Timor: Maria preparing food at her canteen near the local high school

Maria achieves more

"TLM gives hope and provides opportunities to reach a better standard of living," said Maria Sogen, a client of Opportunity's partner, TLM, in east Indonesia. Maria and her husband struggled to keep food on the table, earning just Rp15,000 (A\$2) a day from a small fish vending business.

In 2003, Maria joined a Trust Bank and used her first loan to start a canteen at home, selling ready-to-eat food to students and employees in her neighbourhood. The business grew rapidly and in just two years Maria was ready to 'graduate' from the group-lending program to TLM's individual achiever program, enabling her to apply for a larger loan to establish a second canteen near the local high school. Her husband now manages the home canteen and together they are earning a daily profit of up to Rp75,000 (A\$10.70).

"Our lives are now very different," Maria said. She and her husband are planning to use some of their savings to renovate the family home.

"Our lives are now very different."

Mahalakshmi's hope blossoms

Mahalakshmi, a client of Opportunity's partner in Chennai, southern India, used to earn just Rs100 (A\$2.90) a day. She used her first loan from Opportunity to start a business making and selling paper flower products.

Driven to succeed, she established strong business relationships with large-scale merchants, opening up wider markets for her products. This enabled her to expand her business, hire staff and develop a strong customer base. She is now exporting her paper flower products to Malaysia and plans to expand her workforce to 60 staff.

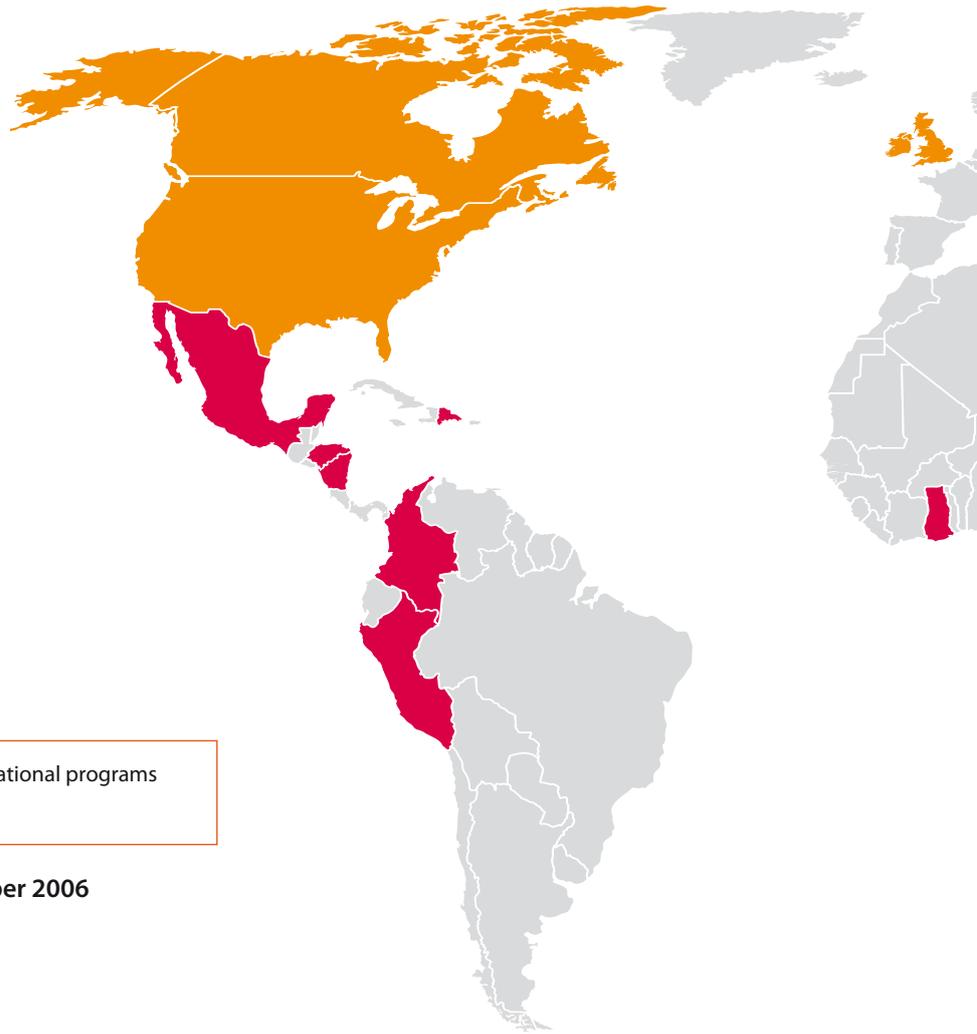
"If women channel their energy and combine it with grit to succeed, they will influence all the people they come into contact with."



India: Mahalakshmi preparing to make paper flowers



partnering to



■ Current Opportunity International programs
■ Support partners

Active clients at 31 December 2006

960,829

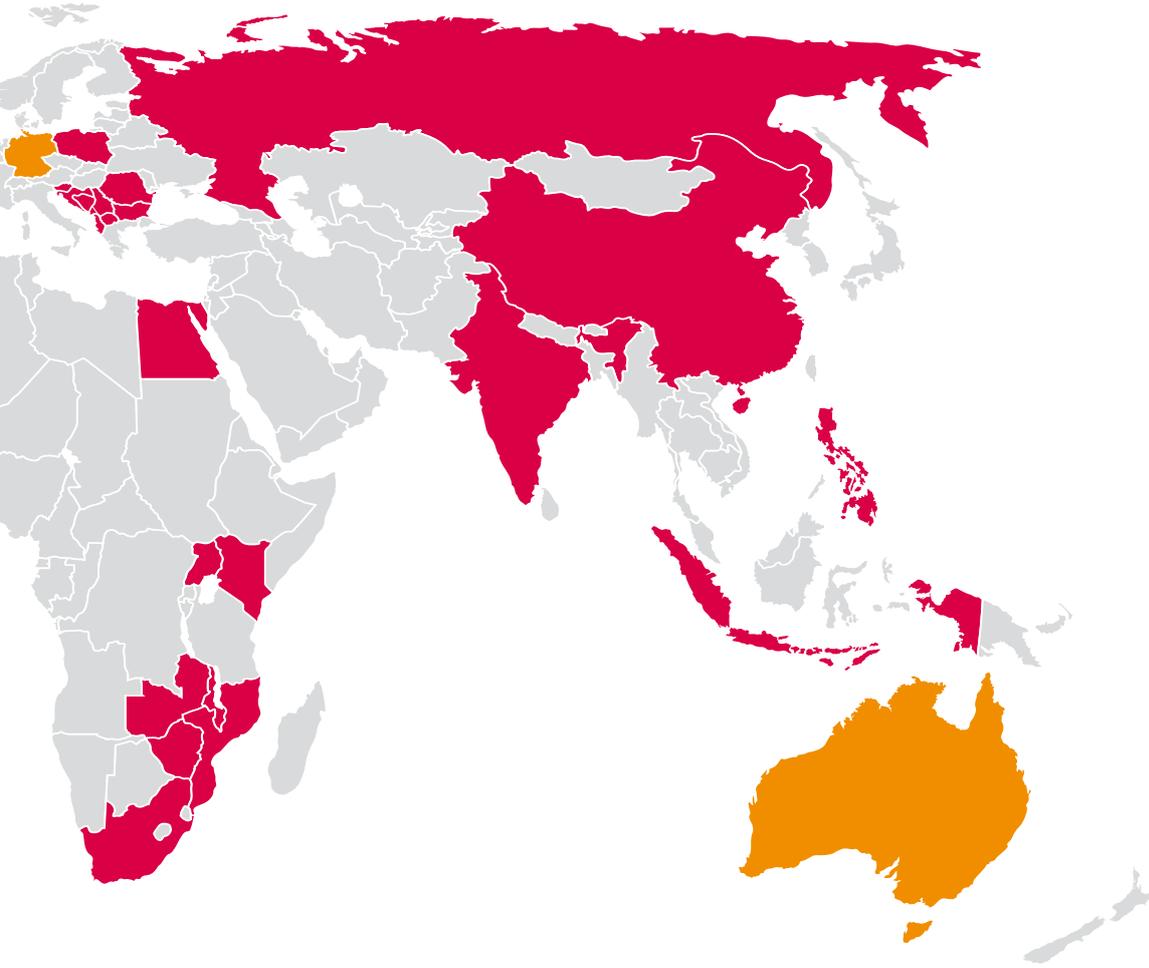
Dollars loaned in 2006

A\$590.41 million

Country	Active clients	A\$ Dollars loaned
Africa		
Ghana	107,083	51,904,148
Kenya	4,117	975,066
Malawi	9,070	6,900,964
Mozambique	4,931	3,105,156
South Africa	389	157,925
Uganda	23,730	7,976,895
Zambia	2,766	4,223,020
Zimbabwe	522	375,445
Total	152,608	75,618,619
Asia		
China	383	1,686,061
India	21,094	2,642,970
Indonesia	50,792	8,686,972
Philippines	590,947	170,591,261
Total	663,216	183,607,264

Country	Active clients	A\$ Dollars loaned
Eastern Europe		
Albania	10,338	35,661,402
Bulgaria	2,194	8,327,027
Croatia	578	1,973,632
Macedonia	5,326	19,631,209
Montenegro	27,651	92,911,466
Poland	902	3,539,779
Romania	2,155	18,832,014
Russia	15,143	89,823,643
Serbia	3,405	14,214,585
Total	67,692	284,814,758
Latin America		
Columbia	18,072	9,995,142
Dominican Republic	6,780	5,027,674
Honduras	8,587	4,653,334
Mexico	5,216	3,474,486
Nicaragua	31,677	19,005,436
Peru	6,981	4,215,595
Total	77,313	46,371,665

Source: Opportunity International Global Network Statistics (31 December 2006)



Impact

Opportunity International Australia is committed to developing effective tools to measure the impact of our programs. Our core objective is to help clients move out of poverty. There are three major aspects to assessing program impact:

Client Impact Assessment – involves measuring the level of our clients' poverty at the start of their participation in our programs and showing progress out of poverty over time.

Program Impact Assessment – involves measuring the role of our products and services in moving clients out of poverty.

Client Satisfaction – involves measuring client satisfaction with our products and services and the ways in which they are provided.



Honduras: Opportunity International has assisted Elsa to expand her family bakery. She and her husband Salomon have turned their muddy yard into a hygienic, cement bakery with a canopy. Profits from the successful business help to support Elsa and Salomon's 15 children and 46 grandchildren.



Foundation: East Asia



Philippines: Jennifer is a client of Opportunity's partner, TSPI. She and her husband started a business in 1997 manufacturing Christmas decorations and figurines which they supply to a large company in Novaliches city. Loans have enabled them to significantly expand the business.

"The Trust Bank program has taught us how to manage our business well and also to use our resources wisely. Through the loan we have received, we were able to send our children to school."

Adriana, a Trust Bank client of Opportunity's partner ASKI, Philippines

Our substantial operational experience in East Asia has equipped us to enter a phase of new partnerships and expansion.

Philippines

Since 1981, we have supported our Filipino partners as they have achieved sustainability, and improved their systems, structures and professionalism to provide more client focused services to the poor they serve.

Financial services

In the Philippines, Opportunity Australia's partners now provide microfinance and enterprise development services to 590,000 clients, representing more than 50% of Opportunity International's clients globally. The majority of these clients are served through Opportunity Australia's Trust Bank program. Trust Banks comprise of around 20 entrepreneurs who co-guarantee each other's loans. Members receive training and provide one another with critical accountability and support.

The Achiever Program

Across East Asia, Opportunity International has developed the Achiever Program to enable mature Trust Bank clients to graduate to an individual lending program after three or four loan cycles. This program recognises clients who have demonstrated a capacity to manage larger loans and a need for more sophisticated training to improve their businesses.

As well as benefiting the individual, the Achiever Program helps the community by increasing employment opportunities. It also helps the providing MFI by increasing profitability and sustainability.



Harvesting seaweed: clients of Opportunity's partner, TLM, West Timor

"I am glad to be one of TLM's Trust Bank clients. I received loan support in the form of a cow. I am diligently fattening the cow because I know that I will earn good profit from it."

Yafet, a member of Mese Mese Trust Bank, West Timor

Non-financial services

Opportunity Australia's partners have implemented enterprise development services to help communities address key issues of poverty and marginalisation. These non-financial services assist the poor in overcoming business growth barriers and ensure that client needs are being met at a holistic level. Enterprise development services enhance and deepen the impact of microfinance, serving even poorer people and communities. These programs will provide a model for adaptation and replication across other Opportunity International Network partners.

Indonesia

Opportunity International believes that providing financial services to the rural poor is essential. In West Timor, Opportunity's partner, TLM, who served 20,363 clients, has implemented innovative enterprise development services to better meet the needs of the rural poor. Seaweed farming projects have provided a link between local communities and the wider seaweed trade and processing industry, increasing profitability for local farmers and bringing new capital into the area. Cattle fattening programs serve farmers

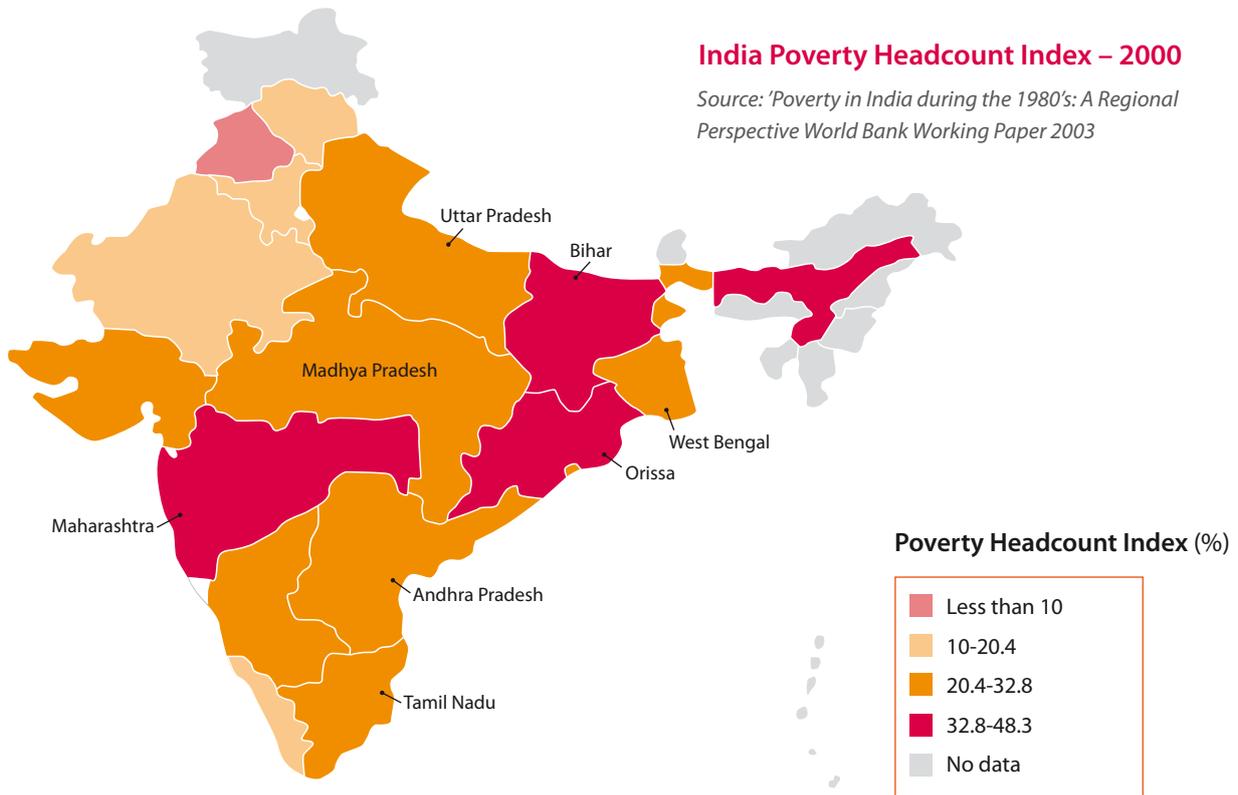
living in isolated communities who are almost entirely dependent on what they can grow to provide for their daily needs. Cash received from the sale of the fattened cattle enables clients to save and invest in the education of their children, home improvements or repairs, and purchase small capital items.



Trust Bank client of Opportunity's partner KMBI, Philippines



Future: India



Throughout 2006, Opportunity International Australia developed a strategy for a national poverty alleviation program in India to reach five million clients. This program is now underway.

Poverty in India

With a population of over one billion people, India is the second-largest nation in the world. According to the World Bank, 79.9% of India's population live on less than US\$2 a day – that is approximately 800 million people!

India is showing positive signs of increasing growth and development. Unfortunately, the poorest are slowest to benefit because a large proportion of investment is in high skill areas which are difficult for them to access.

Opportunities for microfinance

India has a largely free, relatively stable market for credit that is favourable to microfinance and enterprise development, however the need for financial services grossly outweighs the resources available.

Estimates vary, but current microfinance activity in India reaches around five million households and is mainly concentrated in the country's south (in the states of Andhra Pradesh and Tamil Nadu). However, the majority of India's poorest communities are found in the north (Uttar Pradesh, Madhya Pradesh), east (Bihar, Orissa and West Bengal) and west (Maharashtra) where there is little microfinance activity.

Our strategy

To make a significant impact on poor communities in India, Opportunity Australia has a clear strategy. We will work with a portfolio of microfinance partners. Some of these partners will be powerful existing players who are strong enough to grow rapidly and to find innovative ways to reach rural clients. Most of these existing players are based in south India.

Other partners will be early stage operations pioneering the provision of financial services to benefit the poor in areas of greatest need in the north and east. Opportunity Australia's national strategy for India has four components:

- 1 We plan to invest A\$150 million in the India program, and leverage that with a further A\$600 million in debt.
- 2 We plan to invest in around 50 MFIs, partnering with existing institutions in south India and establishing a number of new MFIs in India's poorest regions in the north and east.
- 3 We plan to provide our partner MFIs with funding, operational and technical support, and strategic services to enable them to strengthen their capital bases, expand substantially, and develop innovative enterprise development and rural distribution models.
- 4 We plan to develop partnerships with non-government organisations and corporations to offer additional services such as health and education.

We believe that investing in this strategy will enable us to lift millions out of poverty.

Sources:

2006 World Development Indicators database,
World Bank, April 2006

<http://devdata.worldbank.org/wdi2006/contents/Figures2.htm>



India: Andal sells cleaning products and oil and is a member of Sahodari Trust Bank. She is using the profits from her growing business to put her four children through school. Her eldest is now studying engineering at university.

"The proportion of undernourished children in Africa is 20% to 40%, whereas the percentage of undernourished Indian children is a gigantic 40% to 60%."

Amartya Sen, Nobel Prize winning economist and author,
The Argumentative Indian, 2005, p212

Opportunity multiplier effect



A contribution to Opportunity International's microfinance and enterprise development programs for the poor is not a short-lived investment. Contributions begin by funding additions to capital and building the capacity of our partners to serve the poor. The multiplier effect of Opportunity's model means that with each dollar of private contribution, more than one dollar reaches the poor. Therefore contributions go further in providing a sustainable livelihood.

Year 1 Program Benefits

Partner development

Opportunity provides funding to implementing partners to establish sound operations through grants and program equity.

Additions to capital

In addition, Opportunity provides funding to implementing partners to finance the loan portfolio for client lending.

Savings deposits and commercial borrowings

Implementing partners, established as microfinance institutions, are able to leverage the funds provided by attracting savings deposits and commercial borrowings, enabling them to make more loans. A partner's borrowings may be based on the strength of its financial performance or, in some cases, an Opportunity loan guarantee.

Sustainability

Sustainable implementing partners are able to cover their costs, and have an enhanced capacity to borrow commercial funds as another means of extending their outreach.

Multi-Year Multipliers

Recycling effect

With a 98% repayment rate, loan funds are used again and again, multiplying the potential benefit of a single loan for years to come.

Client wealth creation

The final multiplication of donor contributions comes when a loan client has used a loan from Opportunity to generate new income for the client's business, family and employees. According to Consultative Group to Assist the Poor (CGAP), an arm of the World Bank, quantitative and qualitative studies over the past 15 years document increases in income and assets, and decreases in vulnerability of microfinance clients. Opportunity's own research indicates a meaningful multiplier effect exists between dollars loaned and dollars of income placed into the pockets of the poor served by Opportunity programs.

Review of operations

For the year ended 31 December 2006

India

During the year, Opportunity International Australia developed a market strategy focused on India. This plan included establishing new partners in northern and eastern India as well as supporting existing microfinance institutions. Subsequently we received substantial donations in support of the India program. A substantial majority of the funds to the field in 2007 will be distributed to this program.

East Asia

Opportunity International Australia provided important support to its Filipino partners as increased competition from commercial financial institutions drove product redevelopment. This is continuing in 2007 along with the development of innovative enterprise development models. In the face of significant unrest, the Company was forced to withdraw its programs in East Timor. TLM in West Timor received substantial support in 2006 and we expect this to continue in 2007.

Tsunami

Opportunity International Australia is engaged in funding tsunami relief work in Banda Aceh, Indonesia and in India. In response to the economic development needs of the post-tsunami victims in Aceh, Opportunity International helped develop Aceh Microfinance and Enterprise Development Centres. Enterprise Development Centres are a group of diverse projects, training programs and enterprises that operate under the principal of creating jobs, releasing refugees into the workforce, building grassroots entrepreneurial skills, financing and creating sustainable enterprises with social impacts. As at 31 December 2006, we had mobilised and created 1,192 jobs for post-tsunami victims, rebuilt 200 micro/small businesses, and produced 14,146 housing components that were used in the construction of homes for 1,088 families. In 2006, the evaluation of the India tsunami project Phase 1 was completed and a new microfinance branch was opened, serving tsunami-affected communities north of Chennai. Remaining funds are being distributed in 2007.

Africa

During the year, Opportunity International Australia acquired a 31.5% interest in Faulu Uganda, a significant microfinance institution in that country. The Board agreed that a study be conducted to develop our understanding of the broader African market and assess Opportunity International Australia's long term participation.

Financial

The surplus for the year to 31 December 2006 was \$29,446,000 compared to a deficit of \$147,000 for the previous year.

The balance of general funds increased from a deficit of \$780,000 at 31 December 2005 to a surplus of \$961,000 at 31 December 2006 and the balance of designated funds increased from \$2,452,000 to \$30,157,000 during the same period.

Currency losses of \$1,504,000 have arisen through the translation of foreign currency assets, particularly cash. These funds were received in US dollars. Directors believe that holding these funds in US dollars is appropriate as the funds will be sent to the field denominated in US dollars.

The ratio of fundraising expenses to gross proceeds from fundraising fell from 24% to 6% due to the large increase in donations received.

The following statements on pages 14-19 comprise a Summarised Financial Report of Opportunity International Australia Limited. A full financial report is available upon request.

Income statement

For the year ended 31 December 2006

	2006 \$'000	2005 \$'000	2004 \$'000
REVENUE			
Donations and gifts	38,122	8,074	5,501
AusAID grants	537	610	563
Other Australian grants	–	–	321
Overseas grants	–	–	96
Events income	161	106	103
Investment income	306	67	53
Other income	31	70	41
Total revenue from ordinary activities	39,157	8,927	6,678
EXPENSES			
Overseas projects			
Funds to overseas projects	4,380	4,857	3,127
Grant of equity to OI Hong Kong	–	589	–
Other project costs	1,097	1,064	763
Australian projects	–	–	407
Fundraising costs			
Public	1,821	1,558	1,402
Technical grants	122	118	105
Events expense	229	272	163
Net loss on foreign exchange	1,504	–	5
Administration	558	616	440
Borrowing costs	–	–	2
Restructuring expenses	–	–	67
Total expense from ordinary activities	9,711	9,074	6,481
SURPLUS FROM ORDINARY ACTIVITIES	29,446	(147)	197

Balance sheet

As at 31 December 2006

	2006 \$'000	2005 \$'000	2004 \$'000
ASSETS			
CURRENT ASSETS			
Cash assets	29,473	1,530	1,200
Receivables	11	76	194
Assets held for resale	376	–	–
Other	24	58	96
Total current assets	29,884	1,664	1,490
NON-CURRENT ASSETS			
Receivables	1,124	466	–
Investments accounted for using the equity method	441	–	–
Other financial assets	–	109	698
Plant and equipment	203	196	71
Total non-current assets	1,768	771	769
TOTAL ASSETS	31,652	2,435	2,259
LIABILITIES			
CURRENT LIABILITIES			
Payables	461	592	230
Provisions	11	10	–
Other	–	98	200
Total current liabilities	472	700	430
NON-CURRENT LIABILITIES			
Provisions	62	63	10
Total non-current liabilities	62	63	10
TOTAL LIABILITIES	534	763	440
NET ASSETS	31,118	1,672	1,819
EQUITY			
Accumulated funds	31,118	1,672	1,819
TOTAL EQUITY	31,118	1,672	1,819

Statement of changes in equity

For the year ended 31 December 2006

	2006 \$'000	2005 \$'000	2004 \$'000
Accumulated funds at the end of the year	1,672	1,819	1,622
Surplus (deficit) for year	29,446	(147)	197
Accumulated funds at end of year	31,118	1,672	1,819

Cash flow statement

	2006 \$'000	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from donors and grantors	38,710	9,082	6,321
Payment for programs and employees	(8,421)	(8,238)	(5,847)
Interest received	306	67	53
Other income	31	70	-
Net cash generated by operating activities	30,626	981	527
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in implementing partners	(441)	-	-
Payment for plant and equipment	(80)	(185)	(35)
Net cash used in investing activities	(521)	(185)	(35)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans to implementing partners	(685)	(466)	-
Payment of lease liabilities	-	-	(7)
Net cash used in financing activities	(685)	(466)	(7)
Net increase in cash held	29,420	330	485
Cash at the beginning of financial year	1,530	1,200	720
Effects of exchange rate changes on balance of cash held in foreign currencies	(1,477)	-	(5)
Cash at the end of financial year	29,473	1,530	1,200

Notes to the summarised financial report

Cash movements for designated purposes for the year ended 31 December 2006

Movement of cash received or asset held for designated purposes that is 10% or more of total revenue for the year and Tsunami relief work is as follows:

Designated purpose or appeal	Available at start of year \$'000	Raised during year \$'000	Disbursed during year \$'000	Available at end of year \$'000
2006				
Microfinance programs in India	454	30,588	2,160 ¹	28,882
Tsunami funding	590	460	611	439
2005				
Grant of equity in Opportunity International (Anhui) Guarantee Company Limited to OI Hong Kong	589	–	589 ²	–
Grant of funds for Opportunity International (Anhui) Guarantee Company Limited to OI Hong Kong	–	508	508 ³	–
Tsunami funding	51	1,436	897	590

Note 1 Includes loss on foreign currency translation of \$1,470,000.

Note 2 Opportunity International Australia Limited's equity in Opportunity International (Anhui) Guarantee Company Ltd was transferred to OI Hong Kong at 31 December 2005.

Note 3 Funds raised for Opportunity International (Anhui) Guarantee Company Limited during 2004 and 2005 were wholly disbursed during 2005 to OI Hong Kong for use by Opportunity International (Anhui) Guarantee Company Limited, leaving a NIL balance at the end of 2005 in Opportunity International Australia Limited's accounts.

Notes to the summarised financial report

Information pursuant to the Charitable Fundraising Act 1991 for the year ended
31 December 2006

	2006 \$'000	2005 \$'000	2004 \$'000
DETAILS OF AGGREGATE GROSS INCOME AND TOTAL EXPENSES OF FUNDRAISING APPEALS:			
Gross proceeds from fundraising appeals	38,283	8,180	5,699
Less expenses associated with fundraising appeals			
Public	1,821	1,558	1,402
Technical grants	122	118	105
Events expense	229	272	163
Gross expenses associated with fundraising appeals	2,172	1,948	1,670
Net proceeds from fundraising appeals	36,111	6,232	4,029

STATEMENT OUTLINING THE MANNER IN WHICH THE NET SURPLUS WAS APPLIED:			
Funds spent on the delivery of overseas projects	1,097	1,064	763
Funds spent on administration	558	616	445
Funds sent, or committed to send, direct to partners	34,456	4,552	2,821
Application of net proceeds from fundraising appeals	36,111	6,232	4,029

Proceeds from fundraising appeals do not include grants from AusAID or other Australian Government sources or other non-operating income.

	2006	2005	2004
Gross expenses associated with fundraising appeals <i>divided by</i> Gross proceeds from fundraising appeals	6%	24%	29%
Net proceeds from fundraising appeals <i>divided by</i> Gross proceeds from fundraising appeals	94%	76%	71%
Total costs of services <i>divided by</i> Total expense from ordinary activities	56%	65%	66%
Total costs of services <i>divided by</i> Total revenue from ordinary activities	14%	66%	64%

Total costs of services is derived from funds sent to projects and the cost of delivering those projects.

A number of these ratios have been materially impacted by the high level of donations in 2006. If this is not repeated in future years these ratios could be more like the results for the 2005 year than the 2006 year.

Financial risk management objectives and policies

The Company's principal financial instrument is cash. It also has other financial instruments such as loans to and equity holdings in Opportunity International Network implementing partners, trade receivables and trade payables which arise directly from its operations. The main risks arising from financial instruments are interest rate risk, credit risk and foreign exchange rate risk.

Interest rate risk

Cash and some loans are subject to changes in interest rates. Opportunity International Australia Limited invests cash only with a recognised financial institution. Loans are to implementing partners.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. As a development agency operating in the microcredit arena internationally, Opportunity International Australia Limited is subject to risks arising from the lack of collateral or other security in its microcredit activities. It mitigates its risks of financial loss from defaults by operating with well established procedures for transactions with aid recipients and monitoring and evaluation visits to review implementation of these procedures. Opportunity International Australia Limited measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to any single counterparty, but its microfinance clients individually are generally counterparties having similar characteristics of a lack of collateral and security. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Foreign Exchange rate risk

To the extent that cash balances, loans and investments are denominated in foreign currencies, any change in the exchange rate between Australian dollars and those currencies will have an effect on the carrying values of those cash balances, loans and investments.



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Independent audit report to the members of Opportunity International Australia Limited

We have audited the summarised financial report of Opportunity International Australia Limited for the year ended 31 December 2006, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, and accompanying notes to the summarised financial report, in accordance with Australian Auditing Standards.

In our opinion, the information reported in the summarised financial report is consistent with the annual statutory financial reports for the years ended 31 December 2006 and 31 December 2005 from which it is derived.

For the year ended 31 December 2006, an unqualified audit opinion was expressed in our report to the members, dated 22 March 2007. For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the annual statutory financial report.

Ernst & Young

JK Haydon
Partner
Sydney

Date: 11 April 2007

Liability limited by a scheme approved under
Professional Standards Legislation

Board of Directors and Executive Team

Founder

David Bussau AM

Board of Directors 2006

We are indebted to our Board members who volunteer their time and expertise to help us achieve our mission.

Chairman – Non-Executive

Andrew Tyndale
(appointed Chairman 25 May 2006)

Terry Winters
(resigned 25 May 2006)

Deputy Chairman – Non-Executive

Peter Cadwallader

Non-Executive Directors

Connie Ridley

Geoff Kells

Graham Leishman (appointed 25 May 2006)

Ted Kerr (appointed 25 May 2006)

Tony McLellan

Brooks Wilson AM
(resigned 25 May 2006)

David Emert
(resigned 3 July 2006)

Rhondda Vanzella
(resigned 8 February 2006)

Executive Director

Paul Peters

Management Team (current as at 2007)

Paul Peters
Chief Executive Officer

Robert Dunn
Chief Financial Officer

Chris Murdoch
Strategic Services Director

Mark Daniels
East Asia & EDS Director

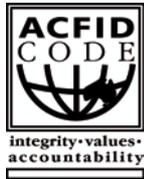
KC Ranjani
India Director

Jacqueline Weiley
Marketing & Communications Director

Anita Pahor
Partnerships & Donor Relations Director

Phil Linden
Partnerships & Donor Relations Director

Opportunity International Australia is committed to ethical practice and increasing transparency, accountability and sustainability. It is fully accredited by the Australian Government (AusAID). Donations over \$2 are tax-deductible. Opportunity International Australia is a member of the Australian Council for International Development (ACFID) and is a signatory to the ACFID Code of Conduct.



Australian Government
AusAID

Opportunity International Australia endorses Make Poverty History, the United Nations Millennium Development Goal campaign of the Australian Council for International Development. We also endorse Micah Challenge, the Christian coalition partner of Make Poverty History.

MAKE POVERTY HISTORY

Micah Challenge



Opportunity International is a global leader and pioneer with over 35 years experience in providing microfinance and enterprise development services to the working poor in developing countries. Microfinance includes the provision of collateral-free loans, savings, insurance and money transfers. Enterprise development incorporates a variety of training and support services for establishing and growing small businesses. Our desire is to see clients, their families and their communities transformed with dignity, empowerment and hope. Opportunity International is motivated by Jesus Christ's call to serve the poor without regard to ethnicity, gender or religious affiliation.



Opportunity International Australia Limited

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