



Opportunity International Australia  
Annual Review 2007

## Motivation

Opportunity International Australia is motivated by Jesus Christ's call to serve the poor without regard to ethnicity, gender or religious affiliation. We are committed to the following four core values:

- 1 Commitment to the poor:** we strive to meet the needs and expectations of our clients and have an impact that is lasting and inclusive of the very poor and marginalised in the developing world. Their wellbeing inspires everything we do.
- 2 Respect for our clients and partners:** poverty denies people the resources and ability to live lives of safety, happiness and freedom. We work to restore our clients' choices and opportunities. Respect for our clients, donors, partners and staff underpins all our actions.
- 3 Integrity:** we honour the trust placed in us by our supporters and implementing partners, and we endeavour to manage all our resources transparently and in a manner that reflects our motivation.
- 4 Stewardship:** we promote excellence, professionalism and best practice in every aspect of our work, and seek to maximise every opportunity to fulfil our mission.

## Thank you

Opportunity International Australia would like to sincerely thank all our donors, ambassadors, volunteers, Board members and staff who so generously share their time, skills, knowledge and finances to serve people living in poverty all around the world. Your support is invaluable, and it is your passion and commitment that enables us to bring hope to the lives of people in poverty.

Our warmest thanks go out to those who have provided us with in-kind or pro-bono office space around the country in 2007. To those suppliers and agencies who have graciously provided us with goods and services throughout the year – our sincerest thanks – your work has a lasting impact in the lives of the poor.

We would also like to thank the Australian Government (AusAID) and the Australian Council for International Development (ACFID) for their ongoing support and assistance.

## Mission

Our mission is to provide opportunities for people living in poverty to transform their lives.

Our strategy is to provide microfinance to establish small businesses and enterprise and livelihood development services to strengthen communities among the poor.

Our method is to work through indigenous microfinance institutions and enterprise development service providers, supporting their operations as we partner together to serve the poor.

Our vision is to see millions of people lifted out of poverty permanently.

*"Together, we will walk hand in hand to win our battle against poverty."*

*Members of Hot Spring Trust Bank, ASKI, Philippines*

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## CEO and Chairman report

### Dear friends

Back in 2006, Opportunity International Australia made plans to extend its outreach beyond East Asia and into India – a country in tremendous need. With an incredible 80% of India's people living in poverty, this was a need we could not ignore.

With a mission to change the face of poverty in India, much of 2007 was focused on laying solid foundations for our India Program. We have developed a comprehensive strategy and plan to accompany our vision of helping millions of Indian families out of poverty permanently. To ensure we would adequately understand and meet the needs of our Indian clients, we established a local Indian company – Dia Vikas Capital – led by KC Ranjani. With more than 20 years experience in the industry, KC Ranjani is a respected and influential pioneer of the Indian microfinance sector.

Identifying some of the areas in greatest need in India, we have now approved partnerships with eight microfinance institutions across the country. These partners are currently serving a combined total of over 450,000 clients. Opportunity International Australia is initially investing A\$9.9 million in these eight partners, to be leveraged in India with bank funding. Further microfinance partnerships will be forged in 2008 and beyond. With such a strong platform in place, we are confident we will have a significant impact on poverty in India.

East Asia also remains a key priority. Our work in Indonesia and the Philippines continues to develop as we work with our partners to



*Paul Peters and Andrew Tyndale*

improve their products, services and operations and expand their outreach to better serve the poor.

On behalf of Opportunity International Australia, we would like to sincerely thank all our donors and supporters for reaching out and helping people all around the world. It is your commitment that enables us to do the work that we do. You are greatly valued. To our ambassadors and volunteers – our thanks go to each of you for your tireless passion and generous partnership. And to our dedicated Board and staff members – we are indebted to you for the wealth of professionalism, experience and expertise you bring to our organisation.

As we reflect on the past, we are excited to be investing in a future where a world without poverty is within sight.

Warm regards

**Paul Peters**  
Chief Executive Officer

**Andrew Tyndale**  
Chairman

*"For us, microfinance is not just about loans, it's about hope. The hope of a client to change their family's future, the hope of a team to overcome global poverty, the hope of a donor to be a part of something significant – that's powerful."*

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

## Our global impact – our partners

### The Opportunity International Network: where do we work?

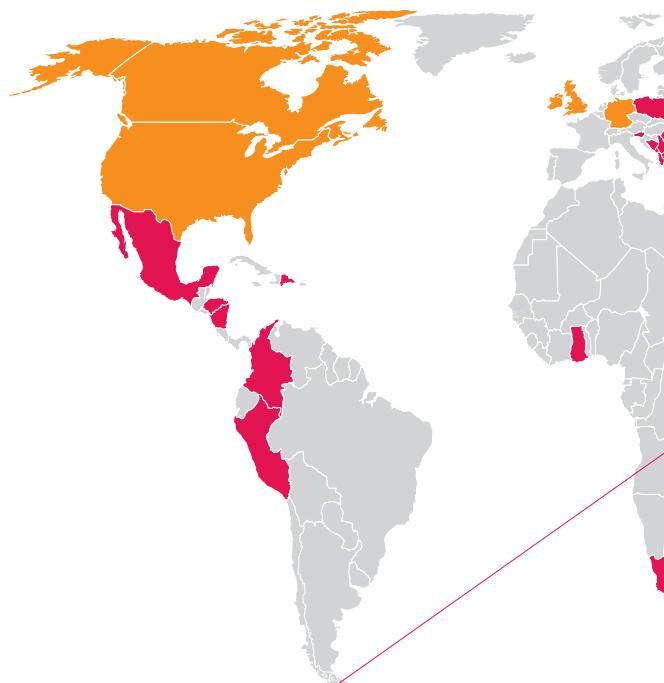
Region	Active clients	Outstanding portfolio A\$*
India	472,501	57,250,530
Asia	698,723	76,092,406
Africa	204,944	64,741,215
Eastern Europe	86,201	365,388,333
Latin America	97,464	21,431,127
<b>TOTAL</b>	<b>1,559,833</b>	<b>584,903,611</b>

\* Funding is provided from a variety of sources.

- Current Opportunity International programs
- Support partners



For many women in India, a small loan can be the answer to a big dream. Padma, who once lived in poverty, used her loan from Sharada to invest in a sewing machine. Alongside two friends, she rented a small room in Hyderabad, India, and set up Sri Sai Saree Collections and Tailoring. Today, the business is thriving. The women talk and laugh together as they share the sewing and stitching. No longer afraid of her future, Padma is grateful for the freedom the loan has provided her.



### India

**Active clients:** 472,501  
**Outstanding portfolio:** A\$57,250,530  
 (as at March 2008)

#### Implementing partners

As at 31 March 2008, Opportunity International Australia had concluded or was concluding partnership agreements with the following microfinance institutions:

- Cashpor Micro Credit
- Sharada Women's Association for Weaker Section
- Institute for Motivating Self Employment
- Shalom Finance and Investment Limited
- Growing Opportunity Finance
- Margdarshak Development Services
- Samhita Community Development Services
- Shikhar Development Services



## Indonesia

**Active clients:** 50,206

**Outstanding portfolio:** A\$3,482,158  
(as at December 2007)

### Implementing partner

In 2007, Opportunity International Australia provided active support to the following partner:

- Tanaoba Lais Manekat (TLM)



With her farmer husband struggling to provide for their family, Margarita Kuman began to think of ways she could help get her family out of poverty. After applying for a loan from TLM, Opportunity International Australia's partner in West Timor, Margarita began a business making coconut oil – about 10 bottles a day. With her profits, she buys food and clothes for her young children.



*By empowering their parents to start a business and earn an income, a loan from Opportunity International Australia ends up impacting future generations. Children like these from the Philippines are able to attend school, get a good education and go on to lead lives that are no longer limited by poverty.*

## Philippines

**Active clients:** 648,199

**Outstanding portfolio:** A\$71,611,459  
(as at December 2007)

### Implementing partners

In 2007, Opportunity International Australia provided active support to the following partners:

- Taytay Sa Kauswagan, Inc. (TSKI)
- Tulay Sa Pag-unlad, Inc. (TSPI)
- Kabalikat Para Sa Maunlad Na Buhay, Inc. (KMBI)
- Alalay Sa Kaunlaran Sa Gitnang Luzon, Inc. (ASKI)

*“Wars of nations are fought to change maps. But wars of poverty are fought to map change.”*

Muhammad Ali

## Our partners

To ensure we serve our clients effectively, Opportunity International Australia works through local microfinance institutions (MFIs). By supporting their operations, we seek to empower these institutions to help people living in poverty within their borders.

### Philippines

#### Taytay Sa Kauswagan, Inc. (TSKI)

With 83 branches spread throughout Visayas, TSKI is a leading microfinance institution in the Philippines. It was established in 1986 and currently serves more than 193,200 clients, more than any other implementing partner across the entire Opportunity International Network. TSKI offers group and individual lending and community-based enterprise development services. In August 2005, TSKI inaugurated the Kauswagan Bank as part of its growth strategy. With its additional six branches, the bank offers a broad range of financial services such as savings and microinsurance in addition to microloans.

#### Tulay Sa Pag-unlad, Inc. (TSPI)

Based on Luzon Island in the northern Philippines, microfinance institution TSPI has been operating since 1981. It offers group and individual lending and also provides enterprise development and transformation programs that seek to promote holistic client transformation. It currently serves more than 162,600 clients – primarily women – through 63 branches on Luzon Island. This is the second largest number of clients of any partner in the Opportunity International Network.

#### Kabalikat Para Sa Maunlad Na Buhay, Inc. (KMBI)

Established in 1985, the mission of KMBI is to help transform the lives of clients through microfinance, enterprise development training, values formation and other non-financial services. Concerned with the economic, personal and spiritual wellbeing of their clients, KMBI currently serves more than 126,200 clients through 36 branches in eight main regions of the Philippines, predominantly in Mindanao.

*Clients of TLM in West Timor, these women are all members of the Ndudale Trust Bank – ndudale means to “share love”*



*“small opportunities are often the beginning of great enterprises.”*

Demosthenes

### **Alalay Sa Kaunlaran Sa Gitnang Luzon, Inc. (ASKI)**

Established in 1987, ASKI is a microfinance institution based in Cabanatuan city in the northern Philippines on Luzon Island, Nueva Ecija province. ASKI provides microfinance and enterprise development services to help lift its clients out of poverty. Offering a range of financial, small business and community development products, ASKI currently serves more than 47,000 clients through 485 staff in 20 branches throughout Luzon Island. Working with a strong community focus, ASKI is involved in development in areas such as health and sanitation.

### **Indonesia**

#### **Tanaoba Lais Manekat (TLM)**

TLM was established in 1995 and is located in West Timor, Indonesia. TLM is now one of the leading microfinance institutions in Nusa Tenggara Timur, the poorest province in Indonesia. More than 80% of its population lives on less than US\$2 a day. TLM provides microfinance and enterprise development services to more than 15,900 clients, and has a strong focus on rural communities. Based in Kupang city, TLM currently operates through 16 branches and four rural service posts.

### **Africa**

#### **Sinapi Aba Trust (SAT)**

Established in 1994, SAT is a microfinance institution that provides financial assistance to microentrepreneurs in Ghana. It has grown into one of the leading microfinance and enterprise development service providers in the country, with 18 branches in both the rural and urban regions of Ghana. It currently serves more than 56,800 clients, predominantly women. As well as providing microloans, SAT offers a range of non-financial services such as youth apprenticeship training, health (HIV/AIDS) education, business development and mentoring.

### **India\***

#### **Cashpor Micro Credit (Cashpor)**

Cashpor is one of the largest microfinance institutions in north India. It serves close to 300,000 women in rural eastern Uttar Pradesh and western Bihar. The total population in these states is 150 million, and poverty rates are high. The Cashpor housing index (based on a home's size, materials and assets) is a client-targeting system used by Cashpor to ensure it only serves women living on less than US\$1 a day.

#### **Sharada Women's Association for Weaker Section (Sharada)**

Sharada is an experienced microfinance institution operating mainly in urban areas. It was established in 1999 to provide a range of financial and educational services to women in the poorer parts of Hyderabad, Andhra Pradesh. Today, it serves close to 73,000 female clients through 43 branches.

#### **Institute for Motivating Self Employment (IMSE)**

IMSE was established as a social development program in 1974. In collaboration with the Grameen Trust, IMSE commenced a microfinance program in 1997 targeting the poorest of the poor. It also has a portfolio of complementary programs that promote health awareness, education and women's rights. IMSE currently works in the rural areas of West Bengal, Orissa and Jharkhand, and serves more than 41,000 female clients.

\*As at 31 March 2008, Opportunity International Australia had concluded or was concluding partnership agreements with these microfinance institutions. All have aggressive growth targets.

## Our partners *(continued)*

### **Shalom Finance and Investment Limited (Shalom)**

Shalom Charitable Ministries of India was registered in 1998 to help communities in various aspects of their lives. It currently operates a microfinance program, housing projects, health care and children's care. Microfinance operations were initiated in 2003 through the Self Help Group Bank linkage program of the National Bank for Agriculture and Rural Development. Shalom currently serves more than 22,000 clients in villages in the southern states of Kerala and Tamil Nadu. Almost all of Shalom's clients are women.

### **Growing Opportunity Finance (GO Finance)**

Established in 1996, GO Finance operates in Chennai, within the province of Tamil Nadu. Although the city is well developed, much of the population lives below the poverty line and the city has many slums. GO Finance works to alleviate poverty among economically active women, enabling them to become self-reliant through microfinance and enterprise development services. GO Finance currently serves more than 17,600 clients through five branches in Chennai.

*Clients of IMSE in India.*



### **Margdarshak Development Services (Margdarshak) – a start-up MFI**

Margdarshak was established in 2004 as a non-government organisation providing technical services to the development sector, including agriculture strengthening and livelihood promotion programs in Uttar Pradesh. It commenced microfinance operations in July 2007. In its first year of operations, Margdarshak plans to serve more than 4,000 clients through its three branches in Barabanki district, 30km east of Lucknow, the capital of Uttar Pradesh.

### **Samhita Community Development Services (Samhita) – a start-up MFI**

Samhita is a start-up microfinance institution in the northern state of Madhya Pradesh, which plans to deliver a range of much-needed microfinance services to poor women in rural and peri-urban areas of the state. Madhya Pradesh has one of the lowest per capita daily expenditures on food in India, and there are currently no other microfinance institutions operating in the areas where Samhita commenced microfinance operations in late 2007.

### **Shikhar Development Services (Shikhar) – a start-up MFI**

Based in the National Capital Region of Delhi, India, Shikhar is a start-up microfinance institution serving the urban poor. It has begun and will continue to mobilise clients in the slums of Delhi, which are home to an estimated three million people.

## Changing lives

### *Early days*

It's usually still dark when Cecilia Villafania begins her day. Each morning before dawn, Cecil (as her friends call her) gets on her bicycle and sets out from her village of Nancamarilan East in the Philippines to the public market in Dagupan, more than an hour away. Here she fills her bicycle's side car with fresh fish – she'll take the fish back to her village and spend the morning selling it door to door. It's tiring work, but Cecil has six children to provide for – William, Joshua, Joeliam, Davino Gabriel, Warly and Tifanie, aged between 10 months and 14 years. Cecil, now 33, began working as a fish vendor just before William was born – more than 15 years ago. She spends most of her income on food and clothes for her children. Sometimes, when business is bad or she is unable to work, she and her husband struggle to pay for the most basic of items for their children.

Cecil has recently received a loan from ASKI, one of Opportunity International Australia's partners in the Philippines. She is using the money to buy more stock, which helps her increase her profits when she retails the fish in her community. She hopes to be able to save enough money to set up a permanent stall in her village, so she doesn't have to carry the fish around any more. One day, she dreams of being able to concrete the walls of her home. At the moment, they are made of woven bamboo, and it is not the best shelter. Renovating is not her priority though – she plans to first use her profits to send all six of her children to school, believing that an education will provide them with the opportunities she grew up without. She is thankful for the hope the loan has brought to her life.



*With her loan, Cecil has been able to buy more fish on each of her trips to the market. This increases the daily profits of her business.*

## Global microfinance sector – a growing force for good

The past few years have seen a marked increase in the publicity and profile of microfinance. Among the many anti-poverty solutions offered, microfinance has captured the world's philanthropic imagination, and millions of families have benefited from the opportunities that microfinance provides. Global poverty remains an enormously pressing issue for the twenty-first century, but significant progress is being made.

Microfinance has now moved past its small-business loan base and is offering the poor a wide range of financial services. Loan options have been broadened; savings, insurance, and money transfers are also now offered. Microfinance has come a long way from its humble beginnings. As this 'industry' enters a new phase of maturity, some trends are emerging.

*"We are now seeing microfinance moving forward as an industry; done in the right way, this will improve life for millions of poor people across the world."*

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

### Emerging trends

- **Influx of commercial financiers:** the demand for microfinance among the poor vastly outweighs the current supply. This unfulfilled demand, alongside the proven economic viability of microfinance, has begun attracting commercial financiers to the sector. While this means a greater number of poor people will be helped with financial services, the nature of the industry may change as it experiences increased involvement from capital markets. Opportunity International Australia's focus remains on our social mission, helping people improve their lives.
- **Use of technology:** microfinance institutions (MFIs) are currently exploring the use of cost-reductive technologies to improve the efficiencies of service delivery. Cutting-edge developments, such as biometric mobile phone banking and payments, finger print recognition, and wireless data recording are being pioneered in the field by a number of microfinance providers. Organisations like Opportunity International are exploring the possibilities of using technology to enable client outreach into more isolated, rural communities – previously cost-prohibitive environments.
- **Consumer protection:** with the increased commercialisation of the microfinance industry, national governments are developing and introducing consumer protection legislation. These regulations are being set in place to foster the retention of a client-centred ethos in MFIs; their introduction will help curtail any exploitation of the poor. Opportunity International Australia is seeking to play a leadership role in this area through policies of responsible lending, transparent and fair pricing of services, and by introducing poverty assessment and client needs/satisfaction surveys.

In the context of these emerging industry trends, our primary goal remains to achieve positive, transformative social impact. While our work is professionally managed and cost-effective, the benefits from our work are designed to flow into the hands of the poor. We aim to deliver comprehensive client services – beyond microfinance.

Poor entrepreneurs are often constrained by limited education, inadequate technical skills and low market competitiveness. In this environment, a capital loan can become a burdensome debt. Our solution is to support our microfinance offering with enterprise development services – a comprehensive approach to creating sustainable livelihoods for poor families and communities.

Your donor capital allows us to pioneer innovative new products with our MFI, social venture and livelihood partners and enables us to pioneer the expansion of outreach among people in unserved, riskier regions. We aim to continue our participation in the socially-motivated growth and development of the microfinance sector, with your valued help and support.



## Helping hands

Come to the village of Loly, east Indonesia, during harvest time and "every man for himself" is not a mantra you're likely to hear from the local farmers. When a crop is ready, the farmers work together to collect the harvest, moving from one farm to the next. Prior to planting season, they also gather and prepare the land for sowing.

Yustus Oematan, 37, is a vegetable farmer. A few years ago, he had a modest garden of mustard, rice, maize and cabbage planted around his home. After collecting the vegetables in the afternoon, Yustus would put the produce into plastic sacks, ready for market in the morning. At 3am, he would travel to Kefamenanu market where he would wholesale the vegetables to traders, making an average of Rp. 150,000 (A\$17.60) each week. His income was not always enough to provide for his wife Selviana and their three children – Jufryan, nine; Melan, six; and Nania, three.

With his wife staying home to look after the children, the garden was the family's only source of income. Yustus worried that if his business did not improve, he would not be able to afford to send his children to school. When he heard TLM, Opportunity International Australia's partner in Indonesia, was introducing a microfinance program into his area, he formed a Trust Bank with his friends. They named the Trust Bank 'Tunas Muda' which translates as "the beginning of growth". With the loan he received, Yustus purchased seeds, fertiliser, insecticides, and some tools to work his garden.

Today, Yustus's vegetable farm is made up of 30 garden beds. He has added carrots, eggplants, beans and spinach to his crop, and now makes between Rp. 200,000 – 250,000 (A\$23.50-29.45) each week. He has begun saving, and hopes to develop his business to the point where he can employ someone else facing poverty in his community and provide them with an income, too.

*Yustus on his farm, tending to his crops.*

## India Program launch – laying solid foundations for growth

During 2006, we identified a strategic opportunity to expand operations into India. We saw that we could act as a catalyst for significant growth in the supply of microfinance and livelihood services among the poor; particularly those in the poorest north and northeast regions of the country. Our goal for this program is to help millions of Indians achieve lasting improvement in the lives of their families and their local communities as they work their way out of poverty.

In January 2007, the Opportunity International Australia Board signed off our strategy and we began our work in India. In November 2007, we launched our India fundraising campaign. This campaign will support our nationwide program to provide poverty alleviation to millions of Indian people.

Our efforts to date have resulted in three key outcomes.

*"I see a shining India – the world's largest democracy, a rapidly growing economy, nuclear capabilities, a software boom and so on. But beneath that, I also see a grieving India, where poverty, illiteracy, social and economic inequality, and the exploitation of women are so pervasive."*

KC Ranjani, India Program Director

### **1 Developed eight Indian microfinance partnerships**

- After engagement with dozens of existing and potential start-up microfinance institutions (MFIs) and rigorous assessment, we will soon have documented agreements with eight microfinance institutions. Five partnerships are with existing MFIs (Cashpor, GO Finance, IMSE, Shalom and Sharada) and three are start-up projects (Margdarshak, Samhita, and Shikhar).

### **2 Established our Indian subsidiary**

- We have finalised the establishment of our Indian subsidiary – Dia Vikas Capital Pvt Ltd.
- A Board of Directors has been appointed to steer our operations and provide quality corporate governance over the distribution of our donor funds.

### **3 Started Indian operations**

- Key to beginning our work was recruiting India Director, KC Ranjani – and her core team of experienced microfinance professionals (five full-time employees and growing).
- We have secured office premises in Gurgaon, near Delhi, and have developed the organisation's relevant systems, processes and operations.
- We have started a close relationship with our partner MicroSave, a specialist microfinance consultancy. MicroSave currently has four full-time staff dedicated to supporting our MFI partners and their technical requirements.
- Partners have been provided with a mixture of business planning and financial modelling; operational assessments and process design; market research and product development.

We are pleased to be partnered with some highly capable microfinance leaders. It is particularly exciting to see our start-up partners launch their new ventures, with a mixture of vision, passion and hope. Their tenacity and resolve in devising bold business plans, recruiting the right people, securing adequate funding, and putting plan into action – helping people improve their lives – is enormous. The challenge of pioneering work in the riskier, unserved poor regions of India makes these achievements even greater.

*"Our mission is to lift millions of these people out of poverty, so that they do not have to struggle for the basic necessities of life – food, clothing and shelter. We need to see an India that is smiling and not grieving anymore."*

KC Ranjani, India Program Director



Nurueega stands proudly in front of her spice and vegetable stall.

## A day's work

The smell of turmeric, cinnamon and other spices fills the air around Nurueega's vegetable stall in a busy street in Hyderabad, India. Propped up against a concrete wall on the side of the road, sacks of pumpkin seeds and dried spices sit amongst piles of just-picked mangoes, limes and grapes, giving the air a sweet fragrance. Nurueega, who has two children, works at the stall alongside her husband. The hours are long and, without much shelter on the road, the days can be hot, but Nurueega enjoys the work. She especially enjoys working with her husband. A few years ago, Nurueega's husband became badly ill and had to go into hospital for surgery. Not knowing what would happen to him, Nurueega felt scared and alone. At the time, she was working as a cigarette vendor, a job that barely earned her enough money for food. She had no idea how she was going to pay for the surgery her husband needed so badly.

It was around this time that Nurueega heard about a microfinance program being run by Sharada in her area. Immediately, she applied to become a client and, after receiving a loan, used much of the money to pay off the bills from the hospital. The rest she spent on vegetables and spices, which she then sold for a profit on the street. To her surprise, her business began to grow, and soon, Nurueega's husband was well enough to join her. Today, Nurueega sits proudly alongside her husband at the stall, which is making a profit daily. She thinks back to the uncertainty of a few years ago, and is so grateful for the help she was given. With nowhere else to turn, the loan was just what she needed.



## The multiplier effect – the flow-on impacts of microfinance

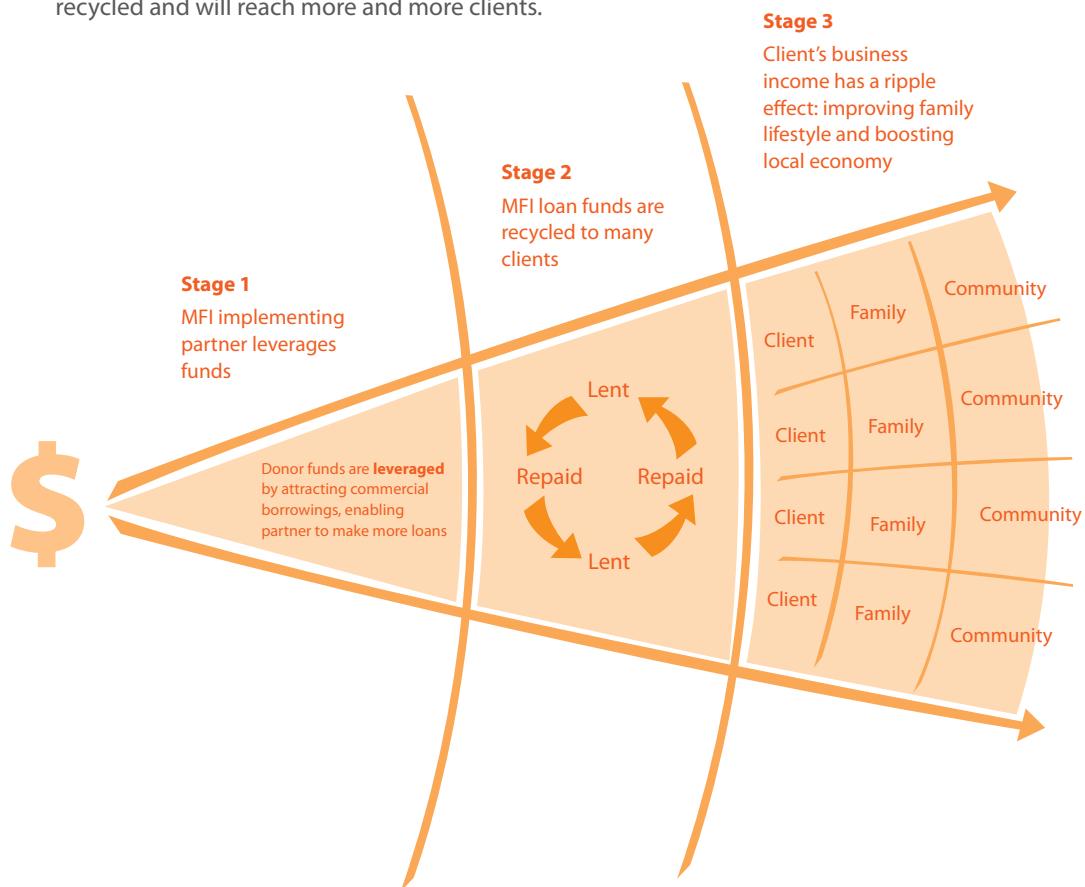
Your donation to Opportunity's work is not a short-lived payout. The multiplier effect of Opportunity's model means that for each dollar you invest in our work with the poor, more than one dollar will land in the hands of those who need it. Three additional factors multiply your donation: the leveraging of microfinance institution (MFI) funds; recycling client loans and the ripple effect in the wider local community.

**Leveraging funds:** as we provide donor funding to our MFI partners, they are able to leverage our initial contributions between four to six times (depending on the country they work in). This is achieved through borrowing from commercial providers. Our funding is used as an indication of financial strength. The combined amount is then available for distribution to clients.

**Recycling client loans:** Opportunity International has a loan repayment rate of 97%. When a client loan is repaid, it is then re-lent to another client. When this next loan is repaid, it is re-lent, and so on. In this way the money is recycled and will reach more and more clients.

**Community ripple effect:** the income from creating successful client businesses will have a ripple effect, impacting community life, not just the direct loan recipient. With business profits, families can stabilise their cashflow and spend more on their basic needs. This translates into better nutrition and improved health outcomes; children of microfinance clients have also been shown to be more likely to attend school and to stay in school longer. As clients invest their loans into expanding their businesses, many will go on to employ members of their family and local community.

Underpinned by sound economics, microfinance is one of the few anti-poverty mechanisms that has shown capability to become self-sustaining: creating lasting solutions to poverty. Through the multiplier effect, the power of your donation is magnified. It helps light a pathway out of poverty, permanently transforming clients' lives.



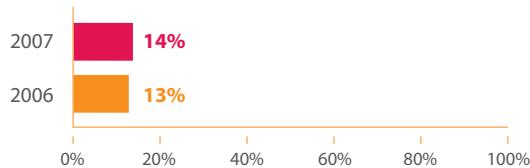
## Financial overview – five year averages

In 2006, Opportunity International Australia received larger than normal donations – funds specifically committed to launching our India Program – and in 2007, we have been building capacity in order to conduct and manage our Indian operations. Significant flows of retained funds to our Indian MFI partners are expected in 2008 and beyond. With these large cashflows, performance ratios focusing on only one of these calendar years could give abnormal results.

Analysing ratios over a five-year period gives a clearer picture of our underlying performance and cost management. The key ratios for the five years to 2007 and to 2006 are shown below.

### Fundraising Ratio

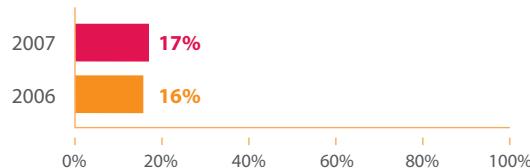
The Fundraising Ratio represents how much of each dollar raised is spent in raising that dollar. For the five years to 2006 and to 2007, this ratio was satisfactory and was impacted by the large level of donations in 2006 which may not recur.



**Definition:** Fundraising Ratio is the ratio of expenses associated with fundraising appeals to fundraising revenue.

### Fundraising & Administrative Ratio

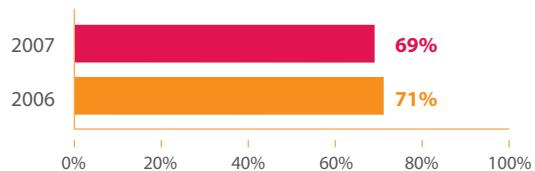
To get a clearer picture of the level of non-program spend, we look at the Fundraising & Administrative Ratio. This identifies how much of each dollar raised is spent in administration and in raising that dollar. This ratio has also been steady and at satisfactory levels. It has also been impacted by the large level of donations in 2006 which may not recur.



**Definition:** Fundraising & Administrative Ratio is the ratio of the sum of expenses associated with fundraising appeals and administrative expenses to total revenue.

### Field Operations Efficiency

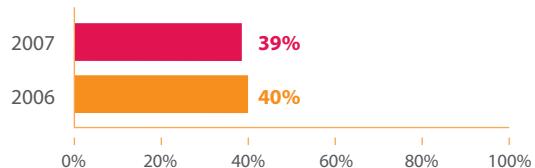
This shows how much of total expenditure is spent on programs in developing countries. For both 2006 and 2007, the results reflect our investments in capacity building; related funding for Indian field projects will follow in 2008.



**Definition:** Field Operations Efficiency is the ratio of the cost of services to total expenditure. Cost of services includes funds sent to, and technical assistance provided to, implementing partners (whether as grant, loan or equity). It also includes costs of monitoring and evaluating such programs. Total expenditure includes funds sent to implementing partners and other operating expenses (excluding currency losses).

### Field Operations Ratio

This shows how much of revenue received is spent on programs in developing countries. The low levels of this measure in 2006 and 2007 reflect receipts for India still on hand. Significant flows of retained funds to our Indian MFI partners are expected in 2008 and beyond.



**Definition:** Field Operations Ratio is the ratio of the cost of services to total revenue. For the definition of cost of services refer to "Field Operations Efficiency".

## Review of operations

For the year ended 31 December 2007

The deficit for the year to 31 December 2007 was \$1,463,000 compared to a surplus of \$29,446,000 for the previous year.

The balance of general funds increased from a surplus of \$961,000 at 31 December 2006 to a surplus of \$1,455,000 at 31 December 2007 and the balance of designated funds decreased from \$30,157,000 to \$28,200,000 during the same period. The majority of the designated funds held relate to microfinance programs in India. These include establishing new partners as well as supporting existing microfinance institutions.

During the year the Company made important advances in building our microfinance capability in India where 80% of people live below the poverty line\*. This has included:

- Recruiting the Indian leadership team, establishing our Delhi head office, securing our local Indian subsidiary and launching our India Program.
- Establishing key relationships with technical support partners and providing \$355,000 for strategic business planning and financial, operational modelling and other technical assistance to microfinance institutions (MFIs) prior to conducting due diligence.
- Performing due diligence to identify suitable MFI partners that are both aligned with our mission values and capable of effective impact. We are in the final stages of negotiating alliance agreements with our first-round MFI partners.

The Philippines and Indonesia continue to be core to our operations with a focus on microfinance expansion, community and enterprise development services and operational reform to enhance client service. In the Philippines, where 43% of people live below the poverty line\*, \$915,000 was provided to assist implementing partners' community development and enterprise development projects.

Funds to enable the expansion of microfinance operations totalled \$654,000. This has enabled many more poor people to have the opportunity to work their way out of poverty. In this mature market, our implementing partners face stiff competition from banks seeking to expand their client base. While choice is good for the poor, we are also helping our partners design and deliver a more tailored suite of products and services. In Indonesia, 52% of people live below the poverty line\*. The Company sent \$1,035,000 to enable its principal partner, TLM, to expand its microfinance operations and strengthen its operational platform. In addition, it provided significant technical resources to help TLM update its business plans and operational models.

The Company has also concluded its funding of Tsunami relief work with the distribution of \$439,000 for community development projects in coastal Tamil Nadu, India.

During the year the Company sold its 31.5% interest in Faulu Uganda to a subsidiary of Opportunity International United States which has interests in a number of microfinance institutions across Africa. Currency losses of \$2,598,000 have arisen through the translation of foreign currency assets, particularly cash. These funds were received as US dollar donations in 2006. The directors believe that holding these funds in US dollars is appropriate as the funds will be sent to the field and not converted into Australian dollars.

The ratio of fundraising expenses to gross proceeds from fundraising increased from 5% to 28% due largely to the high level of donations received in 2006 not being repeated in 2007 and costs associated with launching the India fundraising program in late 2007. It is expected that this ratio will reduce in 2008.

\*Source: UN Human Development Report 2007/2008. Refers to people living on less than US\$2 a day.

The following statements on pages 15–19 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 2007

	<b>2007</b> \$'000	<b>2006</b> \$'000	<b>2005</b> \$'000
<b>Revenue</b>			
Donations and gifts	7,862	38,140	8,074
AusAID grants	886	537	610
Events income	101	161	106
Share of profits from associates	54	-	-
Interest income	1,498	306	67
Other income	4	13	70
<b>Total revenue from ordinary activities</b>	<b>10,405</b>	<b>39,157</b>	<b>8,927</b>
<b>Expenses</b>			
Overseas projects			
Funds to overseas projects	3,232	4,380	4,857
Grant of equity to OI Hong Kong	-	-	589
Other project costs	2,634	1,097	1,064
Fundraising costs			
Public	2,070	1,821	1,558
Technical grants	179	122	118
Events expense	198	229	272
Net loss on foreign exchange	2,598	1,504	-
Administration	957	558	616
<b>Total expense from ordinary activities</b>	<b>11,868</b>	<b>9,711</b>	<b>9,074</b>
<b>Surplus/(deficit) from ordinary activities</b>	<b>(1,463)</b>	<b>29,446</b>	<b>(147)</b>

## Balance sheet

For the year ended 31 December 2007

	<b>2007</b> \$'000	<b>2006</b> \$'000	<b>2005</b> \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash assets	28,195	29,473	1,530
Receivables	1,472	11	76
Assets held for resale	-	376	-
Other	30	24	58
<b>Total current assets</b>	<b>29,697</b>	<b>29,884</b>	<b>1,664</b>
<b>Non-current assets</b>			
Receivables	282	1,124	466
Investments accounted for using the equity method	-	441	-
Other financial assets	-	-	109
Plant and equipment	256	203	196
<b>Total non-current assets</b>	<b>538</b>	<b>1,768</b>	<b>771</b>
<b>Total assets</b>	<b>30,235</b>	<b>31,652</b>	<b>2,435</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	446	461	592
Provisions	12	11	10
Other	-	-	98
<b>Total current liabilities</b>	<b>458</b>	<b>472</b>	<b>700</b>
<b>Non-current liabilities</b>			
Provisions	122	62	63
<b>Total non-current liabilities</b>	<b>122</b>	<b>62</b>	<b>63</b>
<b>Total liabilities</b>	<b>580</b>	<b>534</b>	<b>763</b>
<b>Net assets</b>	<b>29,655</b>	<b>31,118</b>	<b>1,672</b>
<b>Equity</b>			
Accumulated funds	29,655	31,118	1,672
<b>Total equity</b>	<b>29,655</b>	<b>31,118</b>	<b>1,672</b>

## Statement of changes in equity

For the year ended 31 December 2007

	2007 \$'000	2006 \$'000	2005 \$'000
Accumulated funds at beginning of year	31,118	1,672	1,819
Surplus/(deficit) for year	(1,463)	29,446	(147)
<b>Accumulated funds at end of year</b>	<b>29,655</b>	<b>31,118</b>	<b>1,672</b>

## Cash flow statement

	2007 \$'000	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts from donors and grantors	8,768	38,728	9,082
Payment for programs and employees	(9,048)	(8,421)	(8,238)
Interest received	1,498	306	67
Other income	4	13	70
<b>Net cash generated by operating activities</b>	<b>1,222</b>	<b>30,626</b>	<b>981</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of investment in associate	366	-	-
Investment in associate	-	(441)	-
Proceeds on disposal of assets held for resale	376	-	-
Payment for plant and equipment	(101)	(80)	(185)
<b>Net cash used in investing activities</b>	<b>641</b>	<b>(521)</b>	<b>(185)</b>
<b>Cash flows from financing activities</b>			
Loans to Implementation Partners	(553)	(685)	(466)
<b>Net cash used in financing activities</b>	<b>(553)</b>	<b>(685)</b>	<b>(466)</b>
<b>Net increase in cash held</b>	<b>1,310</b>	<b>29,420</b>	<b>330</b>
Cash at the beginning of financial year	29,473	1,530	1,200
Effects of exchange rate changes on balance of cash held in foreign currencies	(2,588)	(1,477)	-
<b>Cash at the end of financial year</b>	<b>28,195</b>	<b>29,473</b>	<b>1,530</b>

## Notes to the summarised financial report

Cash movements for designated purposes for the year ended 31 December 2007

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:

<b>Designated purpose or appeal</b>	<b>Available at start of year</b> \$'000	<b>Raised during year</b> \$'000	<b>Disbursed during year</b> \$'000	<b>Available at end of year</b> \$'000
<b>2007</b>				
Microfinance programs in India	28,882	3,492	4,540 <sup>1</sup>	27,834
Tsunami funding	439	-	439	-
Other designated purposes	836	2,289	2,822	303
Total movements for designated purposes	30,157	5,781	7,801	28,137
Total for other purposes	(684)	4,490	3,748	58
<b>Total cash</b>	<b>29,473</b>	<b>10,271</b>	<b>11,549</b>	<b>28,195</b>
<b>2006</b>				
Microfinance programs in India	454	30,588	2,160 <sup>1</sup>	28,882
Tsunami funding	590	460	611	439
Other designated purposes	1,409	3,192	3,765	836
Total movements for designated purposes	2,453	34,240	6,536	30,157
Total for other purposes	(923)	4,807	4,568	(684)
<b>Total cash</b>	<b>1,530</b>	<b>39,047</b>	<b>11,104</b>	<b>29,473</b>

Note 1: Includes loss on foreign currency translation of \$2,587,000 (2006: \$1,470,000)

## Notes to the summarised financial report

Information and declarations to be furnished under the Charitable Fundraising Act 1991 for the year ended 31 December 2007

	2007 \$'000	2006 \$'000	2005 \$'000
<b>Details of aggregate gross income and total expenses of fundraising appeals:</b>			
Gross proceeds from fundraising appeals	7,962	38,301	8,180
Less expenses associated with fundraising appeals			
Public	2,070	1,821	1,558
Events expense	198	229	272
Gross expenses associated with fundraising appeals	2,268	2,050	1,830
<b>Net proceeds from fundraising appeals</b>	<b>5,694</b>	<b>36,251</b>	<b>6,350</b>
<b>Statement outlining the manner in which the net surplus was applied:</b>			
Funds spent on the delivery of overseas projects	2,634	1,097	1,064
Funds spent on administration	957	558	616
Funds sent, or committed to send, direct to partners	2,103	34,596	4,670
<b>Application of net proceeds from fundraising appeals</b>	<b>5,694</b>	<b>36,251</b>	<b>6,350</b>

Appeals conducted during 2007 were for projects in India, Indonesia and the Philippines. Proceeds from fundraising appeals do not include grants from AusAID or other Australian Government sources or other non-operating income.

	2007	2006	2005
Gross expenses associated with fundraising appeals divided by gross proceeds from fundraising appeals	28%	5%	22%
Net proceeds from fundraising appeals divided by gross proceeds from fundraising appeals	72%	95%	78%
Total costs of services divided by total expense from ordinary activities	49%	56%	65%
Total costs of services divided by total revenue from ordinary activities	56%	14%	66%

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

A number of these ratios relating to the 2006 year have been materially impacted by the high level of donations in that year.

## Auditor's report



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Australia

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Sydney NSW 2001

### Independent audit report to the members of Opportunity International Australia Limited

We have audited the accompanying summarised financial report of Opportunity International Australia Limited, comprising the summary balance sheet as at 31 December 2007, the summary income statement, statement of changes in equity and cash flow statement for the year then ended, and related notes, which was derived from the financial reports of Opportunity International Australia Limited for the year ended 31 December 2007 and the year ended 31 December 2006. We expressed unmodified auditor's opinions on that those financial reports in our auditor's reports dated 27 March 2008 and 22 March 2007.

#### *The Responsibility of Directors for the Summarised Financial Report*

The Directors are responsible for the preparation and presentation of the summarised financial report.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the summarised financial report based on our procedures, which were conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements.

#### *Auditor's Opinion*

In our opinion, the information reported in the summarised financial report is consistent, in all material respects, with the financial report from which it was derived. For a better understanding of the scope of our audit, this auditor's report should be read in conjunction with our audit report on the financial report.

*Ernst & Young*

Ernst & Young

JK Haydon  
Partner  
Sydney  
27 March 2008

## Board of Directors 2007

We would like to sincerely thank all the Board members who volunteer their time and expertise to help achieve our vision of helping millions of people out of poverty permanently.

**Chairman – Andrew Tyndale** has been a senior executive at Babcock & Brown, a global investment bank, for more than 12 of his 24 years in the financial services industry. He brings broad experience in mergers, takeovers and funds management both internationally and in Australia. Andrew also serves on the Board of several other public companies.

**CEO – Paul Peters** has been the CEO of Opportunity International Australia since 2003 and also serves on the Board of the Opportunity International Network. Prior to joining Opportunity, he held a position as Associate Partner for PWC Consulting and was involved in a number of entrepreneurial ventures. Paul holds an H.B.A degree (Honours Business Administration) from the Ivey School of Business, University of Western Ontario, Canada.

**Geoffrey Kells** is Chairman of a number of organisations including Anglican Retirement Villages, the Vincent Fairfax Family Foundation, and Opportunity International China. He currently serves on the Board of a number of companies and organisations in Australia and Asia, and also consults to several public and private companies nationally.

**Edward (Ted) Kerr** is a partner in the Sydney office of Mallesons Stephen Jaques where he specialises in derivatives, standard bank documents and consumer credit law. He acts for a number of investment banks and other participants in the financial markets in relation to derivatives.

**Graham Leishman** is a director of a number of companies that provide public transport services to the Western Australian and South Australian governments. Graham operates a number of retirement villages in south-east Queensland and also serves on a number of charitable Boards including Scripture Union Queensland and Youth for Christ Australia. He has also been a director on the Board of Ormiston College for close to 20 years.

**Anthony (Tony) McLellan** is the Chairman and director of a number of public companies, principally in the mining industry. The co-founder and Vice-Chairman of We Care America, he is also Chairman of Habitat for Humanity Australia and a director of the Australian Christian Lobby. Tony has served as the CEO of a number of international companies.

**Connie Ridley** has a consulting business which utilises her background in finance and securitisation as well as her Masters in Business Administration. Connie also gives much of her time to assist others – she is a Life Governor for the Royal Children's Hospital Melbourne, a Chairperson of a women's refuge and the treasurer/manager of a student hostel associated with her church.

**Peter Cadwallader** served as the Deputy Chair of Opportunity International Australia until his retirement in April 2007. Peter is the owner and Chief Executive of the Intercontinental Group, and a member of the Reporting Committee for the Institute of Directors.

**Founder – David Bussau AM** is a pioneer of microfinance, having founded Opportunity International Australia and co-founded the Opportunity International Network. Now retired from Opportunity International management, David continues to provide governance seminars to Opportunity International partners and consultancy services to governments, multinationals and other organisations. He is also a member of the Board of Opportunity International Australia. He was awarded the Ernst & Young Australian Entrepreneur of the Year in 2003, the ACFID Human Rights Award in 2006, the Beta Gamma Sigma Award for Entrepreneurship in 2007 and was most recently named Senior Australian of the Year 2008.

## Management team 2008

### **Paul Peters**

Chief Executive Officer

### **Robert Dunn**

Chief Financial Officer & Chief Investment Officer

### **Chris Murdoch**

Strategic Services Director

### **KC Ranjani**

India Program Director & Chief Executive Officer of Dia Vikas Capital

### **Mark Daniels**

East Asia Program Director

### **Anita Pahor**

Marketing & Donor Services 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.



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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