OPPORTUNITY INTERNATIONAL AUSTRALIA

Annual Review 2008

Opportunity International
AUSTRALIA

Contents

CEO and Chairman report	1
About us	2
Our global impact	4
Maximising the impact of your donation	5
Many ways to make a difference	6
Changing lives: Philippines	8
Our partnership philosophy	9
Our partners	10
India – growing from strength to strength	14
Changing lives: India	15
Philippines and Indonesia – renewing operations in southeast Asia	16
Changing lives: Indonesia	17
The economic climate	18
Looking forward to 2009	19
Financial overview	20
Financial statements	21
Board of directors & leadership team	28

Thank you

Opportunity International Australia would like to thank all the donors, Ambassadors, volunteers, Board members and staff who so generously offer their time, skills, expertise and finances to reach out to people in poverty across the globe. Your support is making a difference in the lives of people who desperately need our help – thank you.

To those who provided us with in-kind office space or pro bono goods and services throughout the year, thank you for sharing your resources, kindness and creativity with us. Your contribution is invaluable.

To the Australian Government (AusAID) and the Australian Council for International Development (ACFID) – thank you for the ongoing support and assistance that enables us to move forward with our mission.

Editor: Rebekah Nolan

Design: Space and Sound Studios

Photography courtesy of Rick Carter (www.jimmytoo.com.au), Opportunity International Australia staff, supporters and our loan officers in the field.

"I used to only sell fish. But after receiving a loan, I can now sell vegetables too – mostly tomatoes and red peppers. Because of the additional stock, my income is increasing day by day. I used my extra income to replace our rusted zinc roof and to pay my children's school fees. I am trying to save some more money to have in case of emergency."

Antonia Raga, a client of TLM, Opportunity International Australia's partner in Indonesia.

CEO and Chairman report

Dear friends

2008 may best be known as the beginning of the new millennium's global economic crisis, but we must not forget the victories that are bringing hope to the world every day – especially in the fight against poverty.

For Opportunity International Australia, 2008 was a year of growth and challenges, one that saw us recommit ourselves to our mission and values. In recent times, the economic downturn and the world food crisis have caused many people's situations to worsen, but for Opportunity International Australia, the real evidence of this can be seen in the lives of the poor. For them, it does not mean a drop in share prices or decreased superannuation balances. Instead, it means no food in their stomachs, no roof over their heads at night or no way to treat their children when they become sick. Recently, the World Bank estimated that 130 million people were pushed back into poverty throughout 2008 due to soaring food prices. In this environment, we are especially committed to helping people out of poverty. Now more than ever, they desperately need our help.

Over the past year, Opportunity International Australia has been overwhelmed by the generosity of supporters looking to contribute to our work with the poor in a variety of ways. As well as the donations that enable us to continue to provide loans, supporters have put their hands up all around the country to show their commitment to our cause.

Across the states, Ambassadors have organised fundraising walks, dinner parties and boardroom lunches to raise much-needed funds for our programs, while people of all ages and backgrounds have volunteered in our various offices. Some travelled with us to developing countries to develop our partners' programs and operations, taking time out of their busy lives to extend a hand to those in need. Corporations have also come on board, with PricewaterhouseCoopers adding us as a beneficiary of their charitable foundation and companies such as Mallesons Stephen Jaques, Allens Arthur Robinson, Clayton Utz, Ernst & Young, BHP Billiton, Westpac and Freehills sponsoring a number of Opportunity events throughout the year.

On behalf of Opportunity International Australia, we would like to thank all our donors and supporters for contributing to our work despite the current economic climate. Your donations are greatly valued, and are currently helping poor entrepreneurs weather the economic storm and keep their families clothed, housed and fed. To our incredible staff, Board members, volunteers and Ambassadors, thank you for sharing your time, skills and expertise with us – we are so grateful for your partnership.

Together with the other partners in the Opportunity International Network, we are serving more than 1.8 million people in 27 countries around the world. And while we can celebrate with those who are no longer in poverty thanks to microfinance, there is still far more work to be done, and many more people who need our help. We are excited for those families and communities we can reach in the coming years, and hope you will continue to partner with us as we invest in a sustainable solution to poverty – one that is now more crucial than ever.

Warmly

Robert Dunn
Chief Executive Officer

Andrew Tyndale
Chairman

Robert Dunn (top right) and Andrew Tyndale (below right) visiting a Filipino client.

About us

Who we are

Opportunity International Australia is a non-profit organisation that uses a business approach to solve the problem of poverty. Rather than a hand-out, we provide people living in poverty with a small loan to help them start or grow their own small business. This enables them to earn a regular income so they no longer have to struggle to afford food, clean water or proper shelter for their families.

With more than 35 years' experience working with the poor, Opportunity International Australia is a leading provider and pioneer of microfinance and support services. Part of the global Opportunity International Network (with support partners in the United States, United Kingdom, Canada and Germany), we are currently providing a way out of poverty for people in 27 developing countries around the world. Opportunity International Australia currently focuses its work in three countries – India, Indonesia and the Philippines, serving more than 1.3 million people.

Our mission

Our mission is to provide opportunities for people living in poverty to transform their lives. Our vision is to see millions of people lifted out of poverty permanently.

What we do

Working through indigenous microfinance institutions and service providers, Opportunity International Australia gives people living in poverty access to basic financial services – including small loans, savings accounts, insurance and business training. These services are known as microfinance, and they assist

Our 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, treating them with compassion, kindness and dignity. Respect for our clients, donors, partners and staff underpins all that we do.

3 Integrity

We honour the trust placed in us by our supporters and 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.

people who wouldn't usually qualify for regular banking services because they have no form of collateral or formal identification.

By helping a mother buy a sewing machine to start a tailoring business or a father buy seeds to plant a vegetable garden, small loans enable people in poverty to earn an income and provide for their families. As each business grows, loans are paid back and lent out again. With 97% of loans repaid, the cycle continues, year after year. Each successful business feeds a family, employs more people and eventually helps empower a whole community.

Our motivation

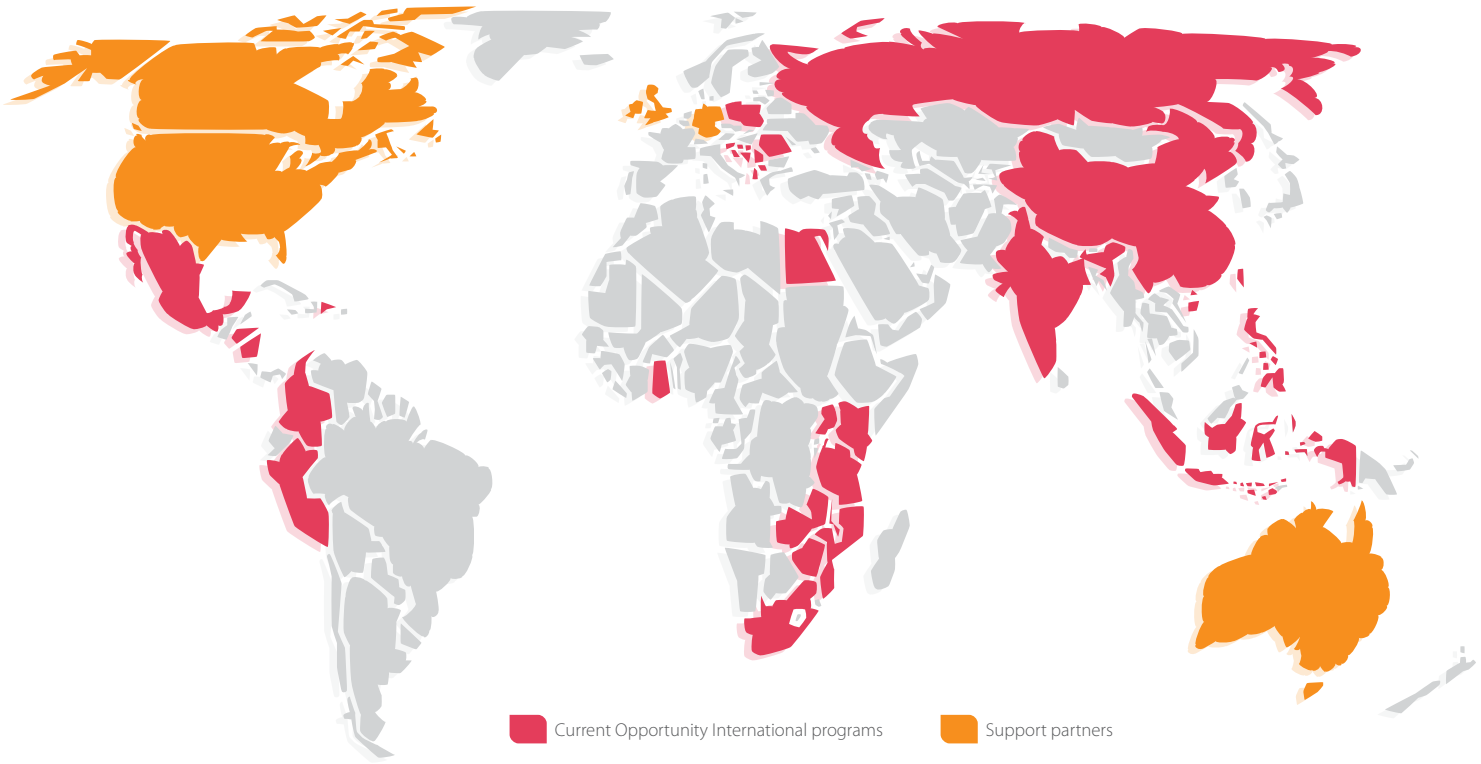
Opportunity International Australia is motivated by Jesus Christ's call to love all people. We assist people in poverty without regard to gender, ethnicity or faith.

Opportunity International Australia is fully accredited by the Australian Government (AusAID). We are a member of the Australian Council for International Development (ACFID) and a signatory to the ACFID Code of Conduct.

India: *(below) A former slum-dweller, Padmavathy used a small loan from Opportunity International Australia's partner Sharada to start a market stall selling vegetables. The business now pays for her children to go to school.*

Indonesia: *(right) Father-of-three Sebastian Nahak used to drive a motorcycle taxi for a living, but struggled to survive on A$2.40 a day. A loan from TLM, Opportunity International Australia's partner in Indonesia, allowed him to grow a business selling fish door to door, increasing his income to A$7 a day.*

Our global impact



Where we work

Opportunity International Australia currently focuses its work in three countries – India, Indonesia and the Philippines. Together with support partners in the United States, United Kingdom, Canada and Germany, we are currently providing a way out of poverty for more than 1.8 million people in 27 developing countries across the globe.

"I do think this next century, hopefully, will be about a more global view. Where you don't just think, yes my country is doing well, but you think about the world at large."

Bill Gates, philanthropist and founder of Microsoft

Region	Active clients	Outstanding loan portfolio A$*
Asia	1,378,934	213,236,140
India	633,994	94,596,137
Philippines	696,312	111,060,554
Indonesia	48,221	5,164,818
Africa	260,365	108,079,216
Eastern Europe	91,997	557,462,402
Latin America	92,285	23,818,755
TOTAL	**1,823,581**	**902,596,513**

* Funding is provided from a variety of sources.

Maximising the impact of your donation

Opportunity International Australia's business approach to poverty means that your donation is not a short-lived payout. For each dollar you invest in our work with the poor, more than one dollar will end up in the hands of those who need it. This multiplier effect works in three ways: the leveraging of microfinance institution funds, the recycling of client loans and the ripple effect throughout local communities.

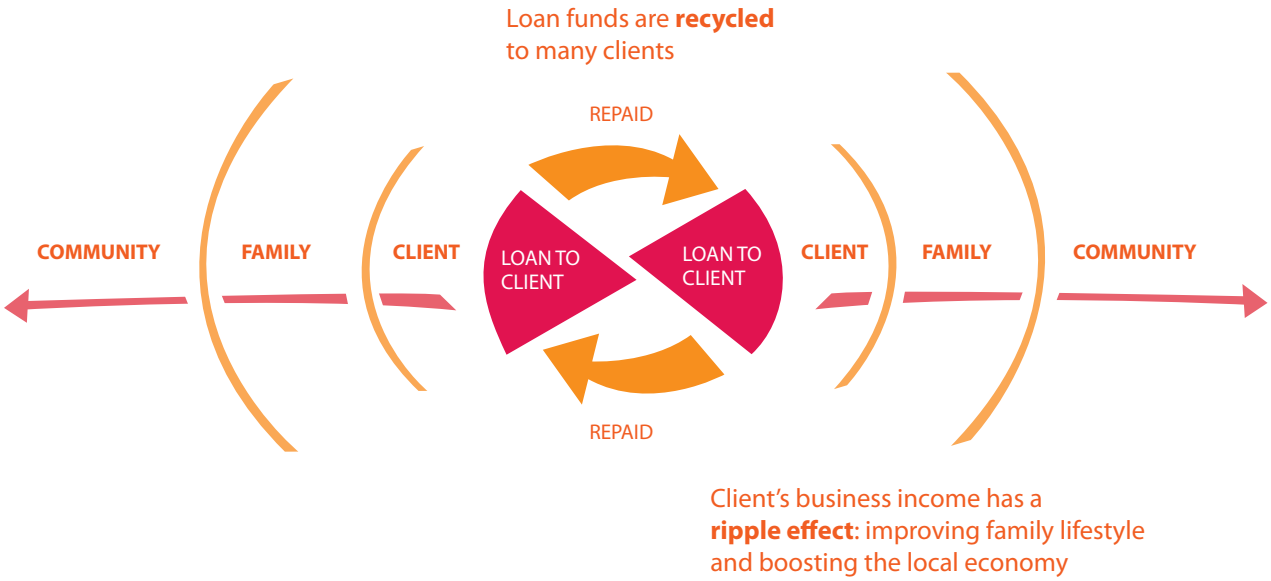
Leveraging funds: When we provide donor funding to our microfinance partners, they will leverage our initial money between four to six times (depending on the country they work in). Our funds are used as an indication of financial strength and security – enabling our partners to borrow more money from commercial providers. The combined funds are then available to loan to a greater number of clients.

In the current economic climate, this is not always the case. Microfinance institutions are finding it harder to access commercial debt, with liquidity tightening in markets across the globe. For a closer look at the global economic crisis and its impact on our work with the poor, please turn to page 18.

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. This next loan will then also be repaid, re-lent and so on. In this way, loan funds are continually recycled, helping more and more clients. Essentially, your gift keeps on giving.

Community ripple effect: As loan recipients create successful businesses, their business profits will have a ripple effect, improving their family's lifestyle and boosting their local economy. With enhanced incomes, families can stabilise their cashflow and spend more on their basic needs: feeding their family, paying for medical treatment or improving the state of their homes. The majority of microfinance clients also use their profits to pay for their children to attend school, receiving the education that is vital for their future. Plus, as clients invest their loans into expanding their businesses, many will go on to employ others – creating jobs for family members and other people in their community.

Underpinned by sound economics, microfinance is one of the few anti-poverty mechanisms that can become self-sustaining – creating lasting solutions to poverty and brightening the horizon for future generations. Through the multiplier effect, the power of your donation is magnified, helping more and more people work their way out poverty and transform their lives.



Many ways to make a difference

Throughout 2008, people from all over Australia have partnered with Opportunity International Australia to reach out to people in poverty, increase awareness and raise funds for our programs. Here are some of their stories.

We also honour all those not mentioned – from donors and event organisers to Ambassadors, volunteers and technical advisors – your contribution is greatly valued. Thank you for partnering with us to make a difference.

"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek."

Barack Obama, President of the United States of America

1 Armed with a selection of pashminas and scarves from India, Sydney Ambassador Ngareta Linehan hosted a number of **pashmina parties** throughout the year, selling the pieces and directing profits to Opportunity International Australia. Ngareta visited India in March, seeing the impact of microfinance firsthand. "I feel like I have been forever changed as a result of that trip," she says.

2 **Sewa Ashram is a rehabilitation centre** for the destitute, located just outside Delhi, India. Opportunity International Australia is currently helping the Ashram develop a plan to build a community-based village to provide health facilities, education and livelihood training. As well as helping the Ashram expand the crucial work they do, Opportunity International Australia is using the partnership to learn how services for the ultra poor can be linked with our microfinance programs.

3 Opportunity International Australia's Queensland office comes courtesy of Ambassador Allan English, who has generously provided the Brisbane **office space pro bono** since 2003. Allan, founder and MD of Silver Chef, began fundraising for Opportunity International Australia in 2001. Since then, his advocacy has raised significant funds for our work with the poor.

4 To mark the UN International Day for the Eradication of Poverty on 17 October, Opportunity International Australia director Connie Ridley gathered 100 women at **BHP Billiton** in Melbourne for the third annual *Put Yourself in Her Shoes* luncheon to raise funds for our work in the Philippines. The event made $162,000, before BHP Billiton's generous dollar matching program brought the amount to $312,000.

5 One of the first ever Opportunity International Australia **information events in Darwin** was organised with the help of Northern Territory Ambassador Bruce March. Over the past couple of years, Bruce has been an inspirational member of our Northern Territory supporter base, working alongside friends to raise funds for Opportunity International Australia and spread the word about microfinance in the Top End.

1

2

3

partnership

together

6 Taking a month out of her busy life as a consultant for global human resources firm Hewitt, Jennifer Pangas volunteered her time to help five of our Indian microfinance institutions **develop their human resource strategies**, enabling them to serve the poor as effectively as possible. "It was fantastic to see how I could make a difference to these people. These women are poor, but they do their best to put food in their family's mouths, educate their children as much as possible, and love their husbands and kids."

7 In July, a group of Opportunity International Australia supporters led by Ambassador Janet Yeo organised a 44km **fundraising walk** along the banks of the Brisbane River. Along with a few sore muscles and blisters, the walk raised a total of $16,500, more than one and a half times the original goal of $10,000.

8 Hundreds of people visited Blender Gallery in Sydney throughout October to see Rick Carter's **photographic exhibition** *Eight Sixty*. Showcasing photographs from his travels to India with Opportunity International Australia, *Eight Sixty* illustrated the diversity of this vibrant nation, one that is also home to tremendous poverty. A book of the exhibition has also been published. Visit www.eightsixty.org

9 Melbourne's Jasmin Tragas garnered international attention for her **online blog** *A Woman's Investment*, a website that details her journey as an Opportunity Ambassador and raises funds for poor entrepreneurs in the Philippines. Of the site, Jasmin notes: "I haven't done much fundraising before… I needed to find innovative ways to do so around the demands of raising a family and work."

10 Having graduated high school last year, 18-year-old Kate Kendrew **volunteers her time** one day a week at Opportunity International Australia's Sydney office. Taking on a degree in cultural change and development studies next year, Kate is currently studying jazz piano at the Sydney Conservatorium of Music and working as a youth intern. On why she volunteers, Kate says, "I love to give and serve – and that's what Opportunity International Australia is all about!"

Changing lives: **Philippines**

A passion for mushrooms may not be exactly common, but for Calma Arcala, this little vegetable is anything but humble. A few years ago, Calma's life was a struggle. She was employed as a laboratory assistant in the Philippines, but earned barely enough money to survive. With the fear of poverty a constant reality, she often did unpaid overtime just to keep her job. As she worked into the night, Calma, who grew up in a family of farmers, would dream about returning to the land to plant her own crops to market to her community. She knew she had the ability to start a successful business – what she lacked was the money to begin.

The turning point for Calma came in the form of a small loan from TSPI, one of Opportunity International Australia's microfinance partners in the Philippines. With the money, Calma was able to plant her own mushroom farm. As she worked from early in the morning until late at night, she watched the farm flourish, and soon had to employ an extra worker to keep up with the harvest. Today, Calma's farm employs five people from her community, providing a regular income for them, too. She is looking to employ two more. More passionate about mushrooms than ever, Calma hopes that one day the five-star restaurants of the world will use her produce in their dishes.

Philippines: *For Calma Arcala, the answer to poverty came in the form of a mushroom and a small loan from TSPI, one of Opportunity International Australia's partners in the Philippines.*

Our partnership philosophy

To carry out our work with the poor, Opportunity International Australia partners with organisations that are capable of substantial social impact and sound operational sustainability. To decide whether we will partner with a particular microfinance institution, we consider two sets of criteria:

1 Mission alignment

Our partners must share our values and objectives, and be unlikely to 'sell out' the poor in order to satisfy the financial requirements of fund providers. We look for partners…

- with a primary objective to help people lift themselves out of poverty.
- that work in the poorest, largely unserved regions.
- with a market that exhibits a relevant 'gap', with conditions that are favourable for microfinance.
- with sound future strategies, showing continued intent to lift people out of poverty. This avoids a potential 'mission-drift'.
- that demonstrate commitment to client satisfaction and impact.

2 Performance and leadership credentials

In order to properly exercise stewardship, we need to see that our partners can operate sustainable businesses. We look for partners with…

- excellent, inspiring leadership.
- strong risk management and governance.
- a solid operating platform and capable staff.
- good financial performance and an ability to manage significant growth.
- comprehensive business plans and projections underpinning a sound future.
- a history of financial self-sufficiency or, for start-ups, a forecast to be so within two years.

The partnership process

1 Initial partner assessment

If we assess likely mission alignment, we will fund a formal business planning exercise, a step that forms a key input for the next phase of the partnership process – due diligence. In some cases, information obtained in this phase has led to a decision not to proceed with a relationship.

2 Detailed partner assessment

A due diligence exercise is conducted around mission alignment, performance and leadership credentials, together with an assessment of environmental risks. Our Investment Committee then reviews new partnership recommendations and proposals for ongoing support of existing partners, either passing a proposal on to our Board or making a decision not to proceed.

3 Partnership agreements

If Board approval is obtained, normal transaction execution processes are undertaken in the form of alliance, debt and equity agreements (as applicable).

4 Ongoing relationship management

This includes attendance at Board meetings, meetings between partners and their relationship managers, and monthly reporting by partners of financial and operational performance.

Managing risks

It is impossible to work in international development and poverty alleviation without incurring some risk. We have a formal risk identification and management process, identifying risks such as the inability to source capital, governance and succession issues, and social and political instability. Risk is spread intentionally throughout our Indian and east Asian portfolio, as we fund a mix of start-up and established microfinance institutions in both rural and urban areas. We also understand that relationships and informal networks play an important part in managing risk – in both east Asia and India, we have leveraged experience in the market and long-standing relationships with the majority of the key players.

Our partners

To understand the needs of our clients and ensure we serve them effectively, Opportunity International Australia works through local microfinance institutions that are indigenous to the countries we work in. To support their operations, we provide funding and technical assistance, empowering them to reach out to people in poverty within their borders.

India

Cashpor

Cashpor has been operating since 1997, serving poor women in rural areas surrounding Varanasi. It is one of the largest microfinance institutions in northern India, currently serving close to 300,000 loan clients. It has developed its own client targeting criteria, coined the 'Cashpor Housing Index', to identify poor clients. Known for serving the poorest of the poor, Cashpor is reducing poverty in rural eastern Uttar Pradesh and western Bihar.

Sharada

Sharada is an experienced urban-based microfinance institution serving more than 102,800 clients throughout five states of India – Andhra Pradesh, Orissa, Kerala, Tamil Nadu and Maharashtra. Established in 1999, it was one of the first Indian microfinance institutions to focus on the urban poor, providing financial and poverty alleviation services to women and marginalised groups. Alongside loan products, Sharada also offers a range of educational services to help advance communities.

RGVN-CSP

RGVN operates in north-eastern India, in the remote and underserved state of Assam. It was established in 1990 to support local non-government organisations and empower the poor, particularly women and ethnic minorities. In 1995, RGVN commenced its credit and savings program, which now serves close to 62,000 clients. Its Board is one of the most impressive among Indian microfinance institutions, with significant experience in the design and delivery of rural financial systems.

Sources: UN Human Development Report 2007/2008, Philippines National Statistical Coordination Board, UN International Fund for Agricultural Development, MIXMarket.

Philippines: (far left) *Clients of Opportunity International Australia are engaged in a variety of small businesses, from vegetable stalls and kiosks to furniture making and farming.*

India: (above) *An astounding 900 million people in India live on less than US$2 a day. Working in remote rural areas and city slums, our partners work to alleviate people's suffering through the provision of small loans and other support services.*

Sahara

Following devastating floods in north-eastern India in 2000, Sahara was established in 2001 to provide relief and rehabilitation to those affected. It now exists to empower poor women in Kolkata, West Bengal, and currently serves more than 55,500 urban borrowers. Despite the current economic climate proving difficult for expansion, Sahara is continuing to open new branches in response to increasing demand.

GO Finance

Established in 1996, GO Finance is a long-term partner of Opportunity International Australia. It operates in Chennai, which is home to 1.5 million slum dwellers. Here, 40% of the population live below the poverty line. Providing group loans to entrepreneurial women in urban areas, GO Finance aims to transform communities by invigorating local businesses, improving financial security and providing opportunities for better education and nutrition. It currently serves more than 41,900 clients.

Shalom

Founded in 1998, Shalom is involved in a variety of community initiatives, including microfinance, housing, education, orphan care and care for the mentally ill. It currently has a greater presence in rural areas, where it serves close to 30,000 clients in Kerala and Tamil Nadu, but has begun focusing on urban and peri-urban markets. Shalom's housing loan program is well known and has garnered a lot of goodwill in the community.

Samhita

Samhita is a start-up microfinance institution based in Rewa, Madhya Pradesh, where hunger and poverty are rife. Launched in late 2007, Samhita has quickly delivered a full range of desperately needed microfinance and social services to disadvantaged communities in the area, with a particular focus on women in poor households. It currently serves more than 16,400 clients – demonstrating a phenomenal rate of growth.

Arth

Arth was established in May 2007 as the microfinance branch of the Indian Institute of Rural Development (IIRD), which has conducted social development projects since 1994. Arth operates in rural and urban slum areas throughout five districts of southwest Rajasthan and one district of Madhya Pradesh, providing sustainable financial services to help the poor lead self-reliant lives. In little over a year, it has reached more than 10,600 borrowers.

Shikhar

Shikhar is based in the National Capital Region of Delhi, where more than three million people live in slums, and almost seven million people live in unauthorised colonies and urban villages. Established in 2007, Shikhar aims to help communities become resilient against potential financial and social risks, offering a number of community-focused products to the ultra poor. It currently serves more than 3,200 clients.

Sambandh

Sambandh is the microfinance initiative of the Regional Rural Development Centre (RRDC), launched in 2006. Based in the state of Orissa where 48% of the population live below the poverty line, Sambandh serves more than 3,200 clients in the urban areas of Sundargarh. Committed to improving quality of life for poor entrepreneurs and their families, Sambandh also provides health and life insurance to all borrowers.

Margdarshak

Margdarshak is based in Lucknow, Uttar Pradesh, one of the most heavily populated states in India. Established in 2004 as a consultancy to the development sector, Margdarshak commenced microfinance operations in July 2007. It focuses mainly on the rural and peri-urban areas of Barabanki, one of the poorest districts in India. A significant proportion of its 3,000 clients produce internationally acclaimed crafts, including embroidery and leather goods.

Philippines

Tulay Sa Pag-unlad, Inc. (TSPI)

TSPI has been operating since 1981 and has a vision to see the poor of Luzon Island in the northern Philippines live with dignity, self-sufficiency and responsibility. With more than two decades' experience working with the poor, TSPI is dedicated to giving people the chance they need to break out of poverty and experience fullness of life through microfinance. It currently serves more than 199,000 clients through 70 branches. As well as financial assistance, TSKI is committed to transforming every area of a client's life through initiatives such as family life enrichment courses and business training.

Taytay Sa Kauswagan, Inc. (TSKI)

TSKI is a leading microfinance institution based in Iloilo in the Western Visayas region of the Philippines. Established in 1986, it is a well-respected organisation, currently serving more than 172,800 clients. TSKI offers microfinance and other services such as training seminars, livelihood skills summits and trade fairs. Alongside regular branches, TSKI's Opportunity Kauswagan Bank provides clients with a means to hold regular savings accounts and access microinsurance.

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

Based in Cabanatuan City in the northern Philippines, ASKI was established in 1987, the brainchild of a group of local business leaders who wanted to instigate a positive response to poverty. As 43% of the country's population lives on less than US$2 a day, the work of ASKI is vital. Today, the organisation serves more than 56,200 clients with microfinance and other support services, including community development, leadership training and a scholarship program for the children of its clients.

Indonesia

Tanaoba Lais Manekat (TLM)

Based in West Timor, TLM operates in the poorest areas of Indonesia – the remote islands of East Nusa Tenggara, where it is estimated 95% of people in rural communities struggle with poverty. These communities consist mainly of subsistence farmers who are unable to support their families through farming alone. TLM serves more than 10,700 clients through 17 branches and four rural service posts, providing microfinance and other support services. Last year, TLM opened a rural bank that serves 500 clients and 2,000 savers. TLM is currently focusing on strengthening its capacity as an organisation to reach more people living in poverty.

Dian Mandiri (DIMAN)

Dian Mandiri (DIMAN) is the third largest microfinance institution in Indonesia, providing the urban poor in the area with microfinance and community development

services. DIMAN began operations in 1998 in the urban region of Tangerang, in response to the financial crisis that erupted in Asia in mid 1997. Tangerang has a population of over 3.2 million, and it is estimated that 30% of its population live in poverty. Today, DIMAN serves more than 26,500 clients through 15 branches in West Java (Jakarta, Tangerang, Banten, Bekasi, Bogor and Depok) and Sumatra (Aceh and Pekan Baru), enabling people to access small loans, health and education programs and training in baking, hairdressing and other vocations.

China

Opportunity International China

Opportunity International China provides poor entrepreneurs with small loans, skills training and business consulting services to enable them to grow and sustain income-generating enterprises that create jobs for the unemployed. Established in 2003, the organisation works through three companies operating in China, namely Opportunity International China Anhui, Opportunity International China Jiangxi,

Philippines: *It is estimated that in the Philippines, micro, small and medium-sized enterprises make up 99.6% of total businesses, employing 70% of the workforce. Small loans help invigorate these businesses and put more money in the hands of many Filipinos living in poverty.*

and the newly established OI China (Suyu) Micro Credit Company in Jiangsu Province. Opportunity International China mainly partners with clients who develop businesses that give poor transmigrants employment opportunities, working together to create jobs and transform lives. It currently has more than 400 active clients and helped create and sustain 6,277 jobs throughout 2008.

More information on these partners is available - if you are interested in funding a specific partner or would like more information on our work, please contact us on 1800 812 164 or visit **www.opportunity.org.au**

India – growing from strength to strength

Since obtaining approval from the Reserve Bank of India in May 2008 to distribute funds, our India Program has grown substantially. In a country where 80% of the population lives in poverty, we work through a combination of start-up and established microfinance institutions in both rural and urban areas that are currently serving more than 620,000 clients. The majority of our microfinance partners operate in the underserved north of India, from Rajasthan in the west to Assam in the northeast.

Over the past year, the program has achieved three key outcomes.

1 Executed legal agreements with 11 microfinance partners

By the end of 2008, we had disbursed A$11.4 million to 11 microfinance institutions in India. Our funds are provided to our partners as grants, debt, equity or quasi equity, depending on what is most appropriate to their organisational maturity.

We plan to increase the total number of partners to 25 over the next four years. Our strategy is to actively support and grow these microfinance institutions, helping them reach a combined total of five million clients by the end of 2012.

Alongside our funding, we have also helped our partners leverage their funds via commercial capital providers. In India, most microfinance institutions cannot use client deposits as a source of funds due to regulatory constraints. We facilitate access to commercial debt and help our partners through the borrowing process.

2 Developed relationships to address the shortage of funds supply

As liquidity tightened in the second half of 2008 with the economic downturn, many of our partners experienced a shortage of funds, making them unable to satisfy a massive unmet demand. To address this need, Dia Vikas Capital – our Indian subsidiary – focused on transforming existing relationships with commercial banks into active alliances.

Since our funding is in the form of equity or quasi equity (where reasonably requested by the microfinance institution) it enhances the confidence of banks to increase their exposure to our partners and address the shortage of funds supply.

3 Embedded Indian operations

Led by KC Ranjani, Dia Vikas Capital is now fully established and governed by a diverse, international Board. The in-country management team of microfinance specialists is cost effective, has strong credibility and affinity with the market, is sensitive to the needs and wants of clients and is able to maximise relationship capital. Their passion, determination and experience has been a key element in the current success of the India Program.

During 2008, Opportunity International Australia and Dia Vikas Capital partnered with MicroSave and EDA Rural – specialist microfinance consultancies – to deliver the technical assistance required by our partners to help them meet our clients' needs. We are also working to introduce health, education and insurance initiatives designed to complement microfinance and set millions of Indians free from poverty permanently.

Our partners in India

Source: UN Human Development Report 2007/2008

Changing lives: **India**

Amidst the heart of India's poverty, a striking young woman opens the door to her concrete home, clutching a young child against her chest. Her name is Malar, and the child is her only daughter – beautiful Kamesh, just two years old. With her long brown hair pulled carefully into a bun and her blue and white saree tied neatly, she appears to be a world away from the life of poverty she knew for so many years.

Malar is a client of GO Finance, Opportunity International Australia's microfinance partner in Chennai, India. She has received two loans to date, both of which she has put toward her business – a clothing shop selling sarees and other pieces. Before the loans, Malar and her husband Dinesh lived in a rundown hut, and struggled to pay for even the most basic of items. When Kamesh was born, Malar knew she had to do something about their situation – her daughter would not grow up with the same suffering she did. It was then she became a GO Finance client. The money she received allowed her to buy more stock for her shop, and Malar was surprised to see her income increase so quickly. She began saving some of her profit each week, and it wasn't long before she had enough money for her family to move into a proper home. She looks content as she opens her front door – her daughter will have a future filled with opportunity.

India: *A small loan from GO Finance, one of Opportunity International Australia's partners in India, enabled Malar to expand her clothing business and earn the money she needed to move her family out of a rundown hut and into a proper home.*

Renewing operations in southeast Asia

Philippines

In the Philippines, Opportunity International Australia spent much of 2008 working with three of our largest partners Alalay Sa Kaunlaran, Inc. (ASKI), Tulay Sa Pag-unlad, Inc. (TSPI) and Taytay Sa Kauswagan, Inc. (TSKI) to help them improve their operations and move from product-driven to client-responsive services. The Philippines Renewal Program seeks to increase the quality of service to existing microfinance clients, and also aims to equip our partners to stay at the cutting edge of the Philippines' rapidly evolving microfinance market, enabling them to deliver innovative and flexible financial solutions to people living in poverty in this area.

To assist in implementation, Opportunity International Australia contracted leading microfinance consultancy MicroSave to provide training and on-site technical assistance. Pilot testing of new loan products is currently being conducted, while process mapping is enabling our partners to analyse their operations and identify specific areas for improvement. These improvements are expected to result in increased gains in efficiency, customer satisfaction and client retention in 2009.

In December 2008, the partners' senior managers travelled to Bangladesh with Opportunity International Austalia staff to observe how successful, sustainable microfinance institutions operate in the most advanced microfinance industry in the world. Here, organisations provide a wide range of loan products with variable terms and repayment schedules, taking advantage of improved accounting practices and technical advancements. Transitioning to a similar system will allow our Filipino partners to be more flexible in meeting their clients' needs.

Today, ASKI, TSKI and TSPI are serving more than 428,000 clients with small loans and other support services. From January to December 2008, TSKI's active clients increased by close to 4,200, while ASKI's increased by more than 9,200 and TSPI's by over 36,400. This indicates that our partners are continuing to reach out to the poor whilst taking part in the Renewal Program. Throughout 2009, the program will continue as strategic business planning is undertaken, new loan products are tested and staff training is delivered.

Indonesia

More than half of Indonesia's population lives in poverty, and without the presence of Opportunity International Australia's partner Tanaoba Lais Manekat (TLM) in West Timor, the rural poor in the area would have limited opportunities to work their way into a better future. Here, villagers commonly work as small-scale farmers and agricultural labourers, earning a seasonal income that is often not enough to feed their families. Estimates suggest that 95% of communities in this area live in relentless poverty. These communities largely operate in a cashless economy, and their businesses are vulnerable to environmental changes or moneylenders who charge exorbitant interest rates.

Throughout 2008, Opportunity International Australia worked alongside TLM to consolidate its institutional capacity in preparation for sustainable growth. TLM is working to redesign its products, introduce a new Management Information System and implement a comprehensive system of 'cascading' controls throughout the organisation. The organisation is building a solid operating platform to ensure it can meet its customers' diverse needs and provide client-responsive financial services now and into the future. This process led to a drop in client numbers from August to December 2008, for a number of reasons:

- Opportunity International Australia encouraged TLM to focus on improving sustainability and portfolio quality, rather than increasing client numbers. In the short term, this necessitated a greater focus on individual clients, with TLM providing larger loans to fewer clients. Now, with improved sustainability and a new group loan product, TLM will resume its focus on poorer clients.
- TLM implemented a strict policy for writing off clients who were in arrears over 120 days. This resulted in a large initial client reduction. TLM continues to work with 1,878 clients who are still repaying their loans and receiving guidance from loan officers, although they do not appear in the reported client numbers.
- TLM's individual and group loan products were reviewed. Several weaknesses were identified by management, staff and clients, and a rigorous product redesign process commenced. For the duration of the process, TLM delayed loan disbursements to many clients.

Sources: UN Human Development Report 2007/2008, UN International Fund for Agricultural Development

- Opportunity International Australia encouraged TLM to slow growth until internal processes and controls were strengthened. In the life cycle of any organisation, internal capacity building must occur periodically before growth can resume.

Today, TLM serves more than 10,700 clients through 17 branches and four rural service posts throughout West Timor. In addition, 300 clients are participating in TLM's innovative 'cashless loan' program, supported by the World Bank. This program lends people food during the low season, then, during harvest season, the loan is repaid, again in the form of food. As many of TLM's clients are farmers and agricultural labourers, the 'cashless loan' program addresses their short-term needs – especially pertinent during the world food crisis – and seeks to alleviate financial strain on families during seasonal low periods. The TLM bank is also progressing well, ranked by the Indonesian Bank in Kupang as the best rural bank in the province of Nusa Tenggara Timur, in terms of assets and sustainability.

TLM's increasing levels of operational sustainability show that even during a period of capacity building, TLM has been able to cover the costs of its lending program. This is a significant achievement and indicates that as TLM expands throughout 2009 and beyond, it will be able to cover costs and continue to help poor entrepreneurs and their families out of poverty.

Changing lives: **Indonesia**

Located in the village of Noenbaun in east Indonesia, Aqualina Silab's variety store is a hub of activity. Household items such as rice, sugar, bottled water, soap and washing detergent fill the shelves of the store, neatly arranged in rows. Out the front, piles of firewood sit in bundles, tied together with long pieces of string. Aqualina moves carefully around the store, serving customers and counting stock. The shop clearly means a lot to her.

Not long ago, Aqualina's store was nothing more than a few products on a wooden shelf inside her living room. Hidden inside her home, the store saw few customers, and Aqualina's income was only Rp. 250,000 (A$29) a week, not nearly enough to support her five children. Her husband Alfredo, who worked irregular jobs as a carpenter, also struggled to provide for his family. Aqualina felt ashamed to sometimes only be able to feed her little children one meal a day. Then she heard about a microfinance program being run in her village by TLM, Opportunity International Australia's partner in east Indonesia. A loan would help her expand her store and increase her income. She applied to become a client. With her loan, Aqualina had a small store constructed near her home, and spent the rest of the money on stock. Today, her income has more than doubled, and she and her husband no longer have to worry about how they will feed their children. Standing proudly in her store, Aqualina hugs her youngest child Daniel, who is now in primary school.

Indonesia: *Aqualina's children no longer have to grow up in poverty – enrolled in school, they now have a chance at an education and the opportunity to get a good job to help them provide for their children, too.*

The economic climate

Sources: World Bank, CGAP, Econstats, International Food Policy Research Institute

It is hard to find a corner of the world that is untouched by the global economic crisis. Since the end of 2008, the financial downturn affecting the United States, Europe and their main trading partners has turned into a major economic crisis affecting all parts of the world.

Like the Western world, developing countries are feeling the effect, as are the poor who are living within their borders. Falling exchange rates, decreased demand for exports and reduced foreign investment are all having an impact. Many developing countries are especially vulnerable to such effects, given their limited resources to cope with external shocks. Recently, the World Bank estimated that the economic crisis will lead to an additional 46 million people falling into poverty throughout 2009 alone. This is a result of decreased employment and wage effects, with some sectors being affected more than others. Remittances from family members working overseas are also dropping substantially, leaving many families searching for other ways to support themselves. In the countries we work in – India, Indonesia and the Philippines – the demand for microfinance remains high, as people look to loans to increase their incomes and keep their families fed.

While demand remains great, the same cannot be said for the supply of funds. In India, bank funding to some microfinance institutions (especially start-ups and smaller established organisations) dropped to lower levels during 2008 than in previous years. Opportunity International Australia is currently working with our microfinance partners to help them weather the economic storm and continue to provide much-needed loans to people in poverty.

By improving our partners' operations and providing donor funding in the form of equity or quasi equity (where reasonably requested by the microfinance institution), we are helping our partner microfinance institutions become more attractive to commercial lenders, enhancing the confidence of banks and other lenders to increase their exposure to our partners also. The more significant our donor funding is, the greater ability we have to secure additional funding and provide more people with microfinance services.

Last year, the poor also bore the brunt of the world food crisis, of which the World Bank estimated that 130 million people were pushed back into poverty due to rising food prices. The crux of this crisis was the limited access of the poor to food at affordable prices, with the cost of staple foods such as rice, milk and lentils becoming too much for many people to afford. At its peak, the price of rice was five times higher than in 2003.

Soaring food prices also caused inflation rates to rise at a concerning pace. Severe inflation in food prices is not unlike a tax on the poor, since food accounts for such a high proportion of their expenses. The typical poor household spends more than 50% – and sometimes as much as 80% – of household income on food.

While there has been a modest fall in food prices in the last six months, the pain of the economic crisis seems certain to outweigh that benefit. Opportunity International Australia is closely monitoring the situation and working with our microfinance partners in India, Indonesia and the Philippines to ensure they are well prepared to meet these challenges in 2009 and beyond.

Indonesia: *Like the Western world, developing countries such as Indonesia are feeling the effects of the global economic crisis. With increased unemployment and a drop in remittances, people are looking for other ways to earn an income. Microfinance gives them a hand-up.*

Looking forward to 2009

Opportunity International Australia has identified a number of key objectives in 2009 to ensure our impact is significant and we continue to help people make their way out of poverty permanently.

Focus on fundraising: Our target is to raise $6.8 million in 2009 from fundraising and government grants, enabling us to expand our work with the poor and provide more loans to people who need them. In addition, we are actively managing our costs to fit the current economic climate and are taking advantage of a number of pro bono opportunities to carry out our operations and assist with fundraising. Throughout 2009 and beyond, we will support our Ambassadors and volunteers as they raise awareness about poverty and what microfinance can do to help people in need.

Progress with our programs in southeast Asia: We plan to maintain strong relationships with our microfinance partners in the Philippines and Indonesia, helping them reform their products and services with a view to increase customer satisfaction and client retention, therefore more effectively serving the poor in this area.

Grow our India operations: Opportunity International Australia will work to strengthen our Indian subsidiary, Dia Vikas Capital, as well as our Indian microfinance partners, helping them achieve sustainability and reach out to more people living in poverty. We will also develop more partnerships with other Indian microfinance institutions and introduce complementary health and education initiatives to provide holistic transformation to people living in poverty.

Investigate additional programs: We will also research the suitability of rolling out and supporting microfinance programs in other areas of Asia, increasing our impact and outreach to the poor.

Philippines: *Opportunity International Australia is working with our microfinance partners in the Philippines to improve their products and help more poor families in this area give their children a future filled with hope and opportunity.*

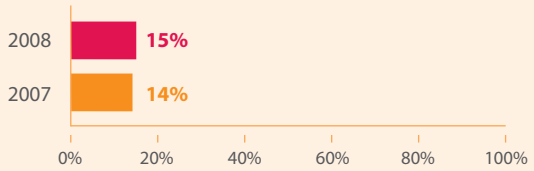
Financial overview – five year averages

In 2006, Opportunity International Australia received larger than normal donations – funds specifically committed to launching our India Program. We spent 2007 building capacity in order to conduct and manage our Indian operations, and in 2008, we achieved significant progress in the growth of the program. Sizable flows of funds to our Indian microfinance partners occurred in 2008 and are expected to continue in 2009. With these large cashflows, performance ratios focusing on only one of these calendar years could present 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 2008 and to 2007 in comparison are shown below.

Fundraising Ratio

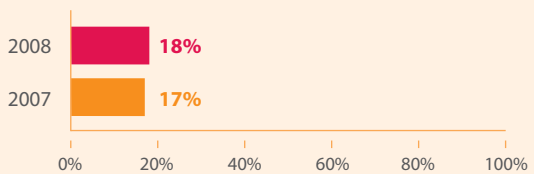
The Fundraising Ratio represents how much of each dollar raised is spent in raising that dollar. For the five years to 2007 and to 2008, this ratio was satisfactory and was impacted by the large level of donations in 2006 which may not recur.



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

Fundraising & Administrative Ratio

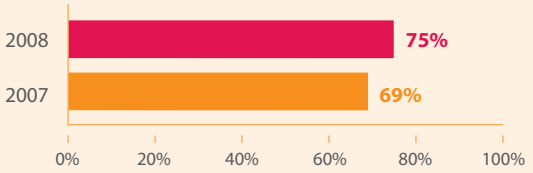
To provide a picture of the level of non-program spend, Opportunity International Australia uses a Fundraising & Administrative Ratio. This identifies how much of each dollar raised is spent in administration and in raising that dollar. This ratio has also been steady and at satisfactory levels.



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

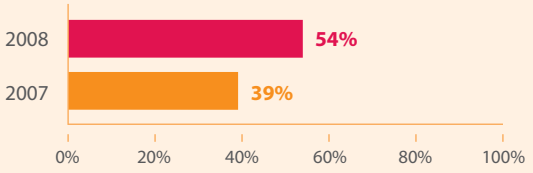
This shows how much of total expenditure is spent on programs in developing countries. The results to 2007 reflect our investments in capacity building and in 2008 are impacted by the substantial increase in funding for Indian field projects.



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 lower levels of this reflect receipts for India still on hand. Significant flows of retained funds to our Indian microfinance partners are expected to continue in 2009.



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 2008

The operating surplus for the year was $2,122,000, of which $2,249,000 was attributable to the parent Opportunity International Australia (2007: deficit $1,463,000). A loss of $127,000 was attributable to minority interests in Opportunity International Australia's subsidiary, Dia Vikas Capital.

The overall surplus of $2,249,000 was mainly due to exchange rate gains of $2,546,000. Exchange rate gains resulted from revaluing our cash held in and loans made in foreign currency.

2008 was a difficult year for many organisations, given the world economic turmoil. Opportunity International Australia saw its revenue from donations and gifts reduced by 21.9% (from $7,862,000 to $6,140,000), as compared to the previous year. Largely, this reflected the poor performance and uncertain outlook in investment markets during the year.

Opportunity International Australia received large donations in recent years, allowing us to continue to provide significant funding to microfinance institutions in 2008. As a result, the amount of funds sent to the field in 2008 was still high – at $14,140,000 – despite the reduced revenue.

During the year, the Group made significant advances in building our microfinance capability in India, where 80.4% of people live below the poverty line.* These included:

- formally creating our Indian subsidiary, Dia Vikas Capital, to enable the issue of funds to microfinance institutions in that country.
- partnering with 11 microfinance institutions in India. These institutions are spread across many regions of India and also vary in size, ranging from 3,000 to 300,000 clients.
- distributing $11,412,000 to our 11 Indian partners in the form of grants, equity and debt.
- continuing to provide technical support to our partners and finalising a robust process for assessing potential partnerships.
- establishing and piloting a process to monitor the performance of our partners both from a social performance perspective and a financial perspective.

The Philippines and Indonesia continue to be important to our operations with a focus on microfinance expansion and operational reform to enhance client service. In the Philippines, $895,000 was provided to assist partners commence product reform programs as well as expand their microfinance operations. In 2008, we helped our partners conduct market research into client satisfaction, with the aim of introducing changes to products and service levels in 2009. This should increase client retention and acquisition.

In Indonesia, 52.4% of people live below the poverty line.* Opportunity International Australia sent $1,011,000 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.

Opportunity International Australia also sent $365,000 to China to assist expansion of microfinance operations.

Currency gains of $2,546,000 have arisen through the translation of foreign currency assets, particularly cash. These funds were received as US dollar donations in 2006 and the gain in 2008 mostly offsets the currency losses experienced in 2007 ($2,598,000). 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 28% to 35% due largely to lower revenue received in 2008. It is expected that this ratio will reduce in 2009 as fundraising costs are expected to fall.

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

The following statements on pages 22-26 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 2008

	Consolidated 2008 $'000	Parent 2007 $'000	Parent 2006 $'000
Revenue			
Donations and gifts	6,140	7,862	38,140
AusAID grants	973	886	537
Events income	129	101	161
Share of profit from associates	2	54	-
Interest income	1,064	1,498	306
Other income	199	4	13
Total revenue from ordinary activities	**8,507**	**10,405**	**39,157**
Expenses			
Overseas projects			
Funds to overseas projects	3,694	3,232	4,380
Other project costs	1,936	2,634	1,097
Fundraising costs			
Public	2,011	2,070	1,821
Technical grants	63	179	122
Events expense	172	198	229
Net (gain)/loss on foreign exchange	(2,546)	2,598	1,504
Finance charges	382	-	-
Administration	673	957	558
Total expense from ordinary activities	**6,385**	**11,868**	**9,711**
Surplus/(deficit) from ordinary activities	**2,122**	**(1,463)**	**29,446**
Attributable to:			
Minority interests gain/(loss)	(127)	-	-
The Parent	2,249	(1,463)	29,446
Surplus/(deficit)	**2,122**	**(1,463)**	**29,466**

Balance sheet

For the year ended 31 December 2008

	Consolidated 2008 $'000	Parent 2007 $'000	Parent 2006 $'000
Assets			
Current assets			
Cash assets	20,749	28,195	29,473
Receivables	4,740	1,472	11
Assets held for resale	-	-	376
Other	75	30	24
Total current assets	**25,564**	**29,697**	**29,884**
Non-current assets			
Receivables	5,058	282	1,124
Investments in associates	3,118	-	441
Other financial assets	150	-	-
Plant and equipment	184	256	203
Total non-current assets	**8,510**	**538**	**1,768**
Total assets	**34,074**	**30,235**	**31,652**
Liabilities			
Current liabilities			
Payables	785	446	461
Provisions	37	12	11
Total current liabilities	**822**	**458**	**472**
Non-current liabilities			
Provisions	77	122	62
Total non-current liabilities	**77**	**122**	**62**
Total liabilities	**899**	**580**	**534**
Net assets	**33,175**	**29,655**	**31,118**
Equity			
Accumulated funds	31,904	29,655	31,118
Foreign currency and other reserves	1,258	-	-
Minority interests	13	-	-
Total equity	**33,175**	**29,655**	**31,118**

Statement of changes in equity

For the year ended 31 December 2008

	Consolidated 2008 $'000	Parent 2007 $'000	Parent 2006 $'000
Accumulated funds at beginning of year	29,655	31,118	1,672
Surplus/(deficit) for year	2,249	(1,463)	29,446
Reserves	1,258	-	-
Minority interests	13	-	-
Total equity at end of year	**33,175**	**29,655**	**31,118**

Cash flow statement

For the year ended 31 December 2008

	Consolidated 2008 $'000	Parent 2007 $'000	Parent 2006 $'000
Cash flows from operating activities			
Receipts from donors and grantors	7,232	8,768	38,728
Payment for programs and employees	(8,498)	(9,049)	(8,421)
Interest received	944	1,498	306
Other income	49	4	13
Net cash generated by operating activities	**(273)**	**1,222**	**30,626**
Cash flows from investing activities			
Proceeds on disposal of investment in associate	-	366	-
Investment in associates	(3,277)	-	(441)
Proceeds on disposal of assets held for resale	-	376	-
Payment for plant and equipment	(25)	(101)	(80)
Net cash used in investing activities	**(3,302)**	**641**	**(521)**
Cash flows from financing activities			
Proceeds from issue of shares	140	-	-
Loans to Implementing Partners	(7,486)	(553)	(685)
Net cash used in financing activities	**(7,346)**	**(553)**	**(685)**
Net increase in cash held	**(10,921)**	**1,310**	**29,420**
Cash at the beginning of financial year	28,195	29,473	1,530
Effects of exchange rate changes on balance of cash held in foreign currencies	3,475	(2,588)	(1,477)
Cash at the end of financial year	**20,749**	**28,195**	**29,473**

Notes to the summarised financial report

Cash movements for designated purposes for the year ended 31 December 2008

Movement of cash received for specific purposes that are 10% or more of total revenue for the year are as follows:

Specific purpose or appeal	Available at start of year $'000	Raised during year $'000	Disbursed during year $'000	Available at end of year $'000
2008 Consolidated				
Microfinance programs in India	27,834	2,883	11,159	19,558
TLM Growth Program	189	1,292	1,373	108
Philippines Reform Program	-	1,456	1,222	234
Total movements for specific purposes	28,023	5,631	13,754	19,900
Total for other purposes	172	2,594	1,917	849
Total cash	**28,195**	**8,225**	**15,671**	**20,749**
2007				
Microfinance programs in India	28,882	3,492	4,540	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
Total cash	**29,473**	**10,271**	**11,549**	**28,195**

Notes to the summarised financial report

Information and declarations to be furnished under the Charitable Fundraising Act 1991 for the year ended 31 December 2008

	Consolidated 2008 $'000	Parent 2007 $'000	Parent 2006 $'000
Details of aggregate gross income and total expenses of fundraising appeals:			
Gross proceeds from fundraising appeals	6,269	7,962	38,301
Less expenses associated with fundraising appeals			
Public	2,011	2,070	1,821
Events expense	172	198	229
Gross expenses associated with fundraising appeals	**2,183**	**2,268**	**2,050**
Net proceeds from fundraising appeals	**4,086**	**5,694**	**36,251**
Statement outlining the manner in which the net surplus was applied:			
Funds spent on the delivery of overseas projects	1,936	2,634	1,097
Funds spent on administration	673	957	558
Funds sent, or committed to send, direct to partners	1,477	2,103	34,596
Application of net proceeds from fundraising appeals	**4,086**	**5,694**	**36,251**

Appeals conducted during 2008 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.

	Consolidated 2008	Parent 2007	Parent 2006
Gross expenses associated with fundraising appeals divided by gross proceeds from fundraising appeals	35%	28%	5%
Net proceeds from fundraising appeals divided by gross proceeds from fundraising appeals	65%	72%	95%
Total costs of services divided by total expense from ordinary activities	88%	49%	56%
Total costs of services divided by total revenue from ordinary activities	66%	56%	14%

Total costs of services is derived from funds sent to projects and the cost of delivering those projects. It does not include funds disbursed to implementing partners by way of debt or equity.

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

Auditor's report

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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 2008, 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 2008 and the year ended 31 December 2007. We expressed unmodified auditor's opinions on those financial reports in our auditor's reports dated 14 April 2009 and 27 March 2008.

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

C. M. Hosking

Colleen Hosking
Partner
Sydney
14 April 2009

Liability limited by a scheme approved under Professional Standards Legislation

Board of directors 2008

Our sincere thanks to the Board members who generously volunteer their time and expertise to help us achieve our mission.

Chairman – Andrew Tyndale has 25 years' experience in investment banking, the last half as a senior executive at Babcock & Brown, which he left in late 2008 to establish a national aged care organisation. He has broad experience in corporate finance, takeovers and funds management both internationally and in Australia, and has served as a director of a number of public companies.

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

Chris Sadler works as a director on a number of corporate and not-for-profit Boards. Chris became Chairman of Alpha Asia Pacific in 2004 and sits on the Board of Alpha International in London, China, India, Indonesia and the Philippines. With 20 years' experience in investment banking, he was a Managing Director at Deutsche Bank in Melbourne until 2004.

Connie Ridley has a consulting business which utilises her background in finance and securitisation as well as her Masters in Business Administration. A Life Governor for the Royal Children's Hospital Melbourne, Connie is a Chair of a women's refuge and the manager of the Brighton Baptist Student Hostel.

Edward (Ted) Kerr is a lawyer and for 22 years was a partner in the Sydney office of Mallesons Stephen Jaques. Specialising in derivatives, standard bank documents and consumer credit law, he acted for a number of investment banks. Chairman of the Roseville College School Council, Ted is involved in several other not-for-profit initiatives.

Geoffrey Kells was the CEO of an ASX top 20 company until 1997. During that time he chaired companies in Australia, Asia and numerous other countries around the world. In the last 12 years, he has been the Chairman of Anglican Retirement Villages, Opportunity International China and Edwards Dunlop amongst others.

Graham Leishman is a director of a number of companies that provide public transport to the Western and South Australian governments. Graham operates several retirement villages and also serves on the Board of Scripture Union Queensland and Youth for Christ Australia. He has also been a director on the Board of Ormiston College for 20 years.

Scott Parry-Jones owns a software company which he founded in the early 1980s. In 2004, he co-founded and directed an enterprise development program in the Democratic People's Republic of Korea. Scott is a Board member of Focus on the Family Australia and a council member of his local church.

CEO – Robert Dunn, a director since August 2008, joined the company as CFO in 2006. Prior to that he was the Finance Director for Patrick Corporation for 14 years. Robert is a Member of the Institute of Chartered Accountants in Australia and a director of Baptist Community Services (NSW & ACT).

Paul Peters was CEO and a director from 2003 until May 2008. With an Honours Business Administration, he was previously an Associate Partner for PwC Consulting and has been involved in a number of entrepreneurial ventures.

Founder – David Bussau AM is a pioneer of microfinance, having co-founded the Opportunity International Network. He now provides consultancy services to governments, multinationals and other organisations, and was awarded the Ernst & Young Australian Entrepreneur of the Year in 2003, the ACFID Human Rights Award in 2006 and Senior Australian of the Year 2008.

Leadership team

Robert Dunn
Chief Executive Officer

Chris Murdoch
Strategic Services Director

Elca Grobler
National Ambassador Program

Helen Cartwright
Marketing & Communications

Julian Martin
Donor Relations Director

KC Ranjani
India Director & Managing Director of Dia Vikas Capital

Laura McKenzie
Investment Partnerships Director

Mark Daniels
East Asia Director

Stephen Penny
Chief Financial Officer

Indonesia: (right) *51-year-old farmer Martinus Mei used a small loan to purchase a cow to fatten and later sell at market. He and his wife feed the cow four or five times a day and hope it will earn them enough money to send their three children to high school.*

Philippines: *(below) As well as providing small loans, our Filipino partners offer support services that help transform entire lives – health, wellbeing, education programs and more.*

"The loans help us increase our incomes so we can support our families. The most important thing is that our children get a better education than us."

Yohakim Naisoko, a client of TLM, Opportunity International Australia's partner in Indonesia.

India: *(left) An overwhelming majority of Opportunity International Australia's clients use the profits from their growing businesses to pay for their children's education.*

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.

ACFID CODE integrity·values·accountability

Australian Government AusAID

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. We serve the poor without regard to ethnicity, gender or religious affiliation, motivated by Jesus Christ's call to love all people.

Opportunity International Australia Limited
ABN 83 003 805 043

Level 4, 220 George Street
Sydney NSW Australia 2000

Tel: 1800 812 164 or +61 2 9270 3300
Fax: +61 2 9270 3399

opinfo@opportunity.org.au
www.opportunity.org.au

Opportunity International
AUSTRALIA