



Islamic Co-operative Finance  
Australia Ltd

# ANNUAL REPORT 2017-2018

*Celebrating  
20 Years of Community Trust*

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## ***Your Co-operative Highlights 2017 - 2018***

**3005** Members ▲

**\$35.75m** Member Share Fund ▼

**\$6.63** Gross Revenue per \$100 Share ▲

**\$4.36** Distributable Net Profit per Share ▲

20 Years sustained steady growth.

A time to Change for meeting Changing  
need of the member.

In NSW, ACT, VIC, QLD, WA and SA

5 Staffs and 1 Responsible Manager



Islamic Co-operative Finance  
Australia Ltd

## **Who We Are**

ICFAL is a leading Islamic Finance provider in Australia serving all levels of the community since 1998.

ICFA is here for and by the members with 100% member funds.

## **What We Do**

ICFAL provides finance for housing, vehicle and community infrastructures.

ICFA commits to deliver new products and services to meet community needs.

## **How We Do it**

ICFAL success strategy rely on building community trust through processes and systems those are Islamic and legal compliant.

Dear Respected members, Assalamualaikum Warahmatullahi Wa Barakatuhu

On 20<sup>th</sup> anniversary of Islamic Co-operative Finance Australia Ltd (ICFAL), I am honoured and humbled to present the Annual Report 2017-18 for your Co-operative. “Allah has permitted trade and has forbidden riba” (Qur'an 2:275). Alhamdulillah, more than 2600 loyal members help us to establish a riba (interest) free financial system in Australia since 1998. ICFAL funded by MEMBERS ONLY, increased its member equity from \$4.1M to \$36M in last ten years. and serving the best Shariah compliant Islamic finance products in NSW, Victoria, South Australia, Western Australia and ACT.

Islamic Finance in Australia is increasingly facing the challenging Western economic philosophy supported by conventional banking system that promotes ‘the end justifies the means’, rather than moral and religious ideology. Recent “Bank Royal Commission” in Australia highlighted the serious problem in conventional banking and resulting sufferings of their customers. Rightly, the philosopher Aristotle said “Interest, which means the birth of money from money of all the modes of getting wealth is the most unnatural”.

Last financial year, ICFAL spent significant amount of time and resources to improve regulatory and compliance issues including full implementation of MEEZAN BANK LTD approved “Share Equity Rental” contract documents and appointment of a Responsible Manager (RM) in line with ASIC Licence requirements. Some of our staff left ICFAL early this year and new staff were appointed. They are young but committed for high standard of member service. However, there are room for improvements and Board of Directors proposed in this AGM additional budget for system improvement and staff training and retention.

The Board of Director's report by the Secretary will highlight the performance, achievement, and challenges of 2017-18, proposed dividend and budget for 2018-19. In my short message, I would like to request you to support and help us to achieve “ICFAL 2020 VISION as outlined in 18<sup>th</sup> AGM 2016”.

ICFAL needs more INVESTORS, INVESTORS AND INVESTORS for long term fund (LTF) for its sustainable growth. Insha'Allah in return we will provide a good return to your investment as proven last 20 years. ICFAL is committed to provide Islamic finance and investment opportunities to our community and more importantly our next generation who are facing tremendously challenging times and lack of guidance.

We are pleased to announce three new potential products, subject to Shariah and regulatory compliance. With these new products ICFAL can take the leadership by actively participating in establishing Islamic school, nursing homes and cemeteries.

I wish the co-operative and its members all the best and seek Allah's (SWT) mercy and forgiveness for any shortcomings and His protection from the whisper of evil (waswasa). Finally, my sincere appreciation to all Directors and their families for dedications, sincerity and unconditional time and efforts and our highly motivated young operating staff, for their outstanding support and commitment during the last twelve months. I would also like to acknowledge the services of the Sharia Board, Meezan Bank Ltd and special appreciation to the three retiring directors.

Shah, Mustaque Parvez (aka Parvez Shah)  
2018 Chairman and Director Administration

Date: 12<sup>th</sup> October

## Board of Directors Report 2017-2018

By the mercy of Allah Subhanallahu Ta'ala we are presenting the report of a year of challenge and Change.

### Key Performance Highlights

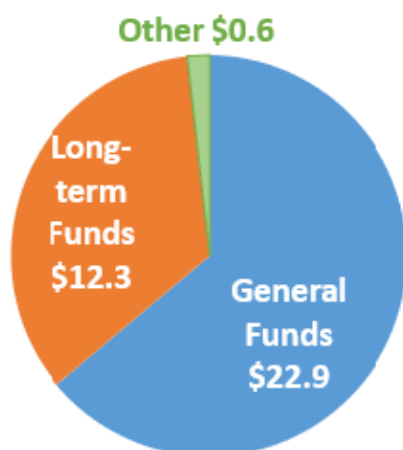
ICFAL continues to sustain and Changing to support member need

	Growth Data 2017-2018			Growth Data 2016-2017		
	Change	Full Year	%	Change	Full Year	%
<b>Members</b>	364	3,005	14%	305	2,641	13%
<b>Fund ('000)</b>	-\$ 3,073	\$ 35,892	-8%	\$ 5,773	\$ 38,965	17%
<b>Gross Income ('000)</b>	\$ 368	\$ 2,380	18%	\$ 315	\$ 2,012	19%
<b>Expenses ('000)</b>	\$ 84	\$ 673	14%	-\$ 2	\$ 589	0%
<b>Net Profit ('000)</b>	\$ 284	\$ 1,707	20%	\$ 317	\$ 1,423	29%

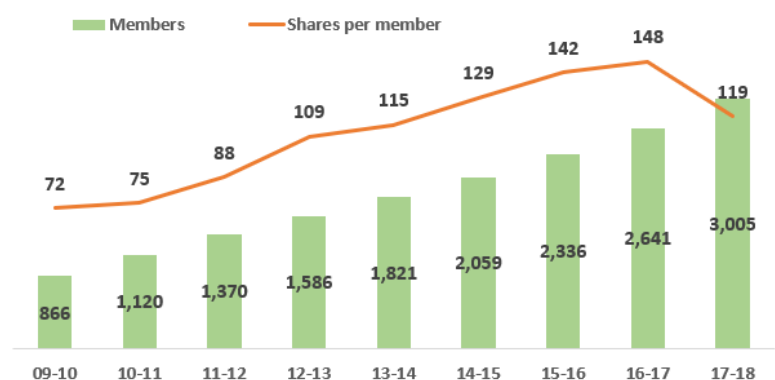
Changes are against the previous year

- ICFAL continues to organically grow membership by +364 to 3,005
- Member's share reduced by -\$3M from \$38M to \$35M
- Gross Revenue increased by +\$368K to \$2.38M which is \$6.63 per \$100 Share.
- Revenue growth was complimented with the increased income from Musharaka Finance, Istisna Finance and Rental profit on share sale
- As a result, net profit increased by +\$284K to \$1.707M which will potentially give distributable dividend of \$4.0 per share<sup>1</sup>.

### 2017-2018 Fund Split (\$M)



### Number of Members and Share per Members



<sup>1</sup> Subject to AGM approval and split into General and Long Term Funds.

### **Building a trusted Islamic brand**

### **The community trust is proven with the highest fund inflow and the highest level of product Development.**

As a business, 2017-2018 was the most challenging year due fund imbalance between inflow to outflow. It is believed to be the peak real estate market with the highest property price leading to exhaustion of fund too fast is one reason. The team was unable to approve enough finance applicants to keep the members desire to secure the most trusted product ICFAL offers.

The funding imbalance was also augmented by an industrywide rumour resulting in fund withdrawal from Islamic Finance businesses in general. ICFAL was not different. Members who was not able to get finance started withdrawing their shares making the situation even worse. Some of the team member was unable to cope with the tough challenges thus moved on. Appointment of a managing director was also unfilled because no one wants to join in a difficult time.

Despite all these challenges, the leadership team was able to stabilise the members trust by positive networking and marketing, thus, the 2017-2018 was the year of the highest cash inflow.

Even further to those challenges, the team persisted to continue with fulfilling all the requirements to obtain the ASIC license. A Responsible Manager has been filled and operational. Waiting for the final decision. With the support from the Meezan Bank of Pakistan Sharia Advisory team and local legal firm Craig and Coleman, the Sharia and local regulatory compliant Takaful product called Member Mutual Assistance Fund is developed. A Burial fund scheme also developed ready to be launched. The Meezan Bank approved Diminishing Musharaka process has been implemented.

Initiatives are already in place and work in progress to negotiate a halal funding arrangement with large scale funder. Inshallah, something may come out soon.

Despite the efforts spend to overcome the challenges, and strategically improving the ICFAL product line and the trust of the members, the team is happy to offer a better dividend this year than the last year, all thanks to the Almighty Allah.

### **The road ahead**

### **Strategic Change to Sustain and Grow**

The key strategic aim for the coming year will be focused on further building trust around the ICFAL brand and expansion:

1. Implementing the two products, Takaful and the Burial fund.
2. Complete large-scale membership funds.
3. Larger scale investments, such as community school projects
4. Stronger enforcement of members at fault.
5. Upgrade Accounting and Financial data management software
6. Implement CRM to improve customer experience from paper and phone to IT infrastructure

**Budgets FY19 and  
Dividend FY18**

**Proposed Divided per \$100 share:** Proposed share distributable dividend which splits into general fund and long-term funds such as SMSF as below.

Dividend Per Share (Of \$100)	11-12	12-13	13-14	14-15	15-16	16-17	17-18 Proposed
<b>General</b>	\$4.3	\$4.3	\$4.3	\$4.3	\$3.8	\$3.8	<b>\$4.0</b>
<b>Long Term</b>	\$5.0	\$5.1	\$5.1	\$5.1	\$4.8	\$4.8	<b>\$5.0</b>

	Budget 2017-18	Actual 2017-18	Budget 2018-19
<b>Member Share Fund: All</b>	\$48,705,873	\$35,892,000	\$43,000,000

<b>Revenue: Gross Profit</b>	\$2,484,000	\$2,380,885	\$2,484,000
<b>Per \$100 share</b>	<b>\$5.10</b>	<b>\$6.63</b>	<b>\$5.70</b>
<b>Expenses:</b>			
Marketing/Advertising/Promotions	\$10,000	\$14,140	\$30,000
Accountancy/Auditing	\$10,000	\$13,180	\$10,000
Computing/IT Systems/Software/CRM	\$5,000	\$7,612	\$94,000
Legal and Professional Fees	\$40,000	\$61,128	\$80,000
Printing, Telephone, Postage, Stationery, Sundry	\$15,000	\$14,084	\$15,000
Occupancy costs, WCI, PII, PLI, DOLI and Depreciation	\$50,000	\$58,771	\$80,000
One off payment to directors	\$36,000	\$36,074	\$44,000
Fixed Cost under SER finance	\$150,000	\$109,229	\$140,000
Bad debt	\$50,000	\$30,402	\$50,000
Wages/Salaries/Superannuation	\$334,000	\$303,962	\$480,000
Research and Developments	\$2,000	\$20,384	\$2,000
Staff Training	\$4,000	\$4,791	\$4,000
<b>Total Expenses</b>	<b>\$706,000.00</b>	<b>\$673,757.00</b>	<b>1,029,000.00</b>

<b>Net Profit</b>	\$1,778,000	\$1,707,128	\$1,455,000
<b>Adjustment from Retained Earnings</b>			\$295,000
<b>Dividend Distributable \$/Share (weighted)</b>	<b>\$3.93</b>	<b>\$4.36</b>	<b>\$4.50</b>

We specially express our heartiest gratitude to our retiring directors. Special thanks to the team from Meezan Bank of Pakistan for providing outstanding support to deliver sharia advise and development of the Member Mutual Assistance Fund.

Finally, on behalf of the board I extend my appreciation to the families of the directors and staffs and the Sharia board for outstanding support towards ICFAL success.

**Rafiqul Islam (Ph.D)**

Secretary and Director (Legal and Compliance)



# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## INCOME STATEMENT

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	2	2,380,885.00	2,011,825.82
Gross Profit		<u>2,380,885.00</u>	<u>2,011,825.82</u>
Office Maintenance Expenses	3	(2,617.00)	(2,774.00)
Administrative Expenses	4	(304,513.00)	(225,650.00)
Marketing and Promotions	5	(23,623.00)	(15,038.00)
Other Operating Expenses	6	(39,042.00)	(29,794.00)
Personnel Expenses	7	<u>(303,962.00)</u>	<u>(315,333.00)</u>
Operating Profit		<u>1,707,128.00</u>	<u>1,423,236.82</u>

The accompanying notes form part of these financial statements.  
These statements should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## BALANCE SHEET

As at 30 June 2018

	Note	2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Receivables	8	654,477.65	68,349.93
INVESTMENT	9	1,469.99	1,469.99
Cash assets	10	2,673,414.87	4,104,036.12
<b>TOTAL CURRENT ASSETS</b>		<b>3,329,362.51</b>	<b>4,173,856.04</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	35,231,336.14	36,748,479.60
<b>TOTAL NON-CURRENT ASSETS</b>		<b>35,231,336.14</b>	<b>36,748,479.60</b>
<b>TOTAL ASSETS</b>		<b>38,560,698.65</b>	<b>40,922,335.64</b>
<b>CURRENT LIABILITIES</b>			
Payables	12	360,529.29	257,530.68
Provisions	13	1,200,000.00	1,100,000.00
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,560,529.29</b>	<b>1,357,530.68</b>
<b>NON-CURRENT LIABILITIES</b>			
Members Fund-Liability	14	35,892,934.79	38,964,698.39
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,892,934.79</b>	<b>38,964,698.39</b>
<b>TOTAL LIABILITIES</b>		<b>37,453,464.08</b>	<b>40,322,229.07</b>
<b>NET ASSETS</b>		<b>1,107,234.57</b>	<b>600,106.57</b>
<b>EQUITY</b>			
Retained earnings		1,107,234.57	600,106.57
<b>TOTAL EQUITY</b>		<b>1,107,234.57</b>	<b>600,106.57</b>

The accompanying notes form part of these financial statements.  
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# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## INCOME STATEMENT DETAILED

For the year ended 30 June 2018

	2018 \$	2017 \$
<b>Income</b>		
Income - Musharaka	1,702,786.00	1,488,256.00
Income - Murabaha	26,509.00	43,370.00
Income- Istisna Finance	85,541.00	60,422.00
Rental profit on share sales	564,049.00	417,596.00
Car Park Rental	2,000.00	2,181.82
	<u>2,380,885.00</u>	<u>2,011,825.82</u>
<b>Total Revenue and Collections</b>	<b><u>2,380,885.00</u></b>	<b><u>2,011,825.82</u></b>
<b>EXPENDITURE</b>		
Accountancy	11,180.00	7,254.00
Auditing Fees	2,000.00	2,000.00
Bad Debts	30,402.00	18,429.00
Bank charges	2,135.00	611.00
Council Rates	794.00	910.00
Depreciation-Building	7,800.00	7,800.00
Depreciation-Furniture and Others	840.00	3,565.00
Directors Fees	36,074.00	32,999.00
Documentation Expenses	850.00	2,150.00
Fixed Cost Share	109,229.00	111,115.00
IT /Web/Internet expenses	7,612.00	4,083.00
Insurance	30,325.00	33,424.00
Legal & Professional Fees	61,128.00	6,388.00
Light & Power	1,709.00	1,467.00
Marketing & Promotions	14,140.00	12,200.00
Office -General Expenses	6,192.00	5,357.00
Postage	766.00	2,477.00
Printing and Stationery	3,707.00	2,786.00
Product development fees	20,384.00	-
Responsible Manager Consultancy	2,887.00	-
Seminar/Meeting/Traning	1,904.00	4,305.00
Strata-Office	6,430.00	6,776.00
Superannuation contributions - Employees	26,371.00	27,358.00
Telephone	1,710.00	3,925.00
Travel	9,483.00	2,838.00
Wages	277,591.00	287,975.00
Water	114.00	397.00
	<u>673,757.00</u>	<u>588,589.00</u>
<b>Operating Income</b>	<b><u>1,707,128.00</u></b>	<b><u>1,423,236.82</u></b>

These statements should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## BALANCE SHEET DETAILED

As at 30 June 2018

	2018 \$	2017 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Accounts Receivable	654,477.65	68,349.93
Investment in other company-MCCA	1,469.99	1,469.99
CBA Cheque A/C	175,468.00	1,813,517.06
Murabaha -Finance	163,620.37	202,345.86
Istisna - Finance	278,337.58	336,463.58
Musharaka-Finance	2,055,988.92	1,751,709.62
	<u>3,329,362.51</u>	<u>4,173,856.04</u>
<b>Non-current Assets</b>		
Computer Printer and office equipment	16,214.38	14,262.38
Less accumulated depreciation-Furniture and others	(14,262.44)	(13,422.44)
Building at Cost	311,998.65	311,998.65
Less accumulated depreciation-Buildings	(43,779.00)	(35,979.00)
Murabaha- Investment	171,003.91	161,003.91
Musharaka -Investment	33,482,446.05	33,282,446.05
Istisna-Investment	1,307,714.59	3,028,170.05
	<u>35,231,336.14</u>	<u>36,748,479.60</u>
<b>TOTAL ASSETS</b>	<b><u>38,560,698.65</u></b>	<b><u>40,922,335.64</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Admin Management Fund	84,938.05	82,457.05
Members Fee Fund	44,320.00	29,330.00
Provision for Doubtfull Debts	110,857.90	54,961.00
Qard'e Hasna	10,692.00	13,642.00
Superannuations Payable	9,611.72	7,862.72
Un Identified fund	78,775.62	42,675.67
Payg and GST Liability	21,334.00	26,602.24
Provision for dividends	1,200,000.00	1,100,000.00
Provision for GST	-	-
	<u>1,560,529.29</u>	<u>1,357,530.68</u>
<b>Non-current Liabilities</b>		
General Pool Fund	22,927,825.40	27,073,506.67
Hajj Fund	181,694.14	164,852.99
Child Education Fund	462,603.58	396,620.47
Self Managed Super Fund	12,320,811.67	11,329,718.26
	<u>35,892,934.79</u>	<u>38,964,698.39</u>
<b>TOTAL LIABILITIES</b>	<b><u>37,453,464.08</u></b>	<b><u>40,322,229.07</u></b>
<b>NET ASSETS</b>	<b><u>1,107,234.57</u></b>	<b><u>600,106.57</u></b>
<b>EQUITY</b>		
Retained earnings	1,107,234.57	600,106.57
<b>TOTAL EQUITY</b>	<b><u>1,107,234.57</u></b>	<b><u>600,106.57</u></b>

These statements should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2018	2017
\$	\$

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED is a company limited by shares, incorporated and domiciled in Australia.

#### Reporting Basis and Conventions

The directors' have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*, and the following applicable Australian Accounting Standards:

- AASB 101: Presentation of Financial Statements;
- AASB 107: Cash Flow Statements;
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors;
- AASB 110: Events after the Balance Sheet Date;
- AASB 117: Leases;
- AASB 1031: Materiality;
- AASB 1048: Interpretation and Application of Standards.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The material accounting policies that have been adopted in the preparation of this report are as follows:

#### Accounting Policies

##### a. Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

##### b. Inventories

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2018	2017
\$	\$

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis.

c. **Land for Sale**

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, foreign currency movements, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Plant and equipment	5-10%
Leased plant and equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2018	2017
\$	\$

the revaluation reserve relating to that asset are transferred to retained earnings.

**e. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**f. Financial Assets**

**Recognition**

Financial assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

All investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless the fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm 's length transactions, reference to similar instruments and option pricing models.

**g. Intangibles**

**Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**h. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**i. Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**j. Cash and Cash Equivalents**

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 \$	2017 \$
<hr/>		
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.		
k. <b>Revenue</b>		
Revenue from the sale of goods is recognised upon the delivery of goods to customers.		
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.		
Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.		
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).		
l. <b>Borrowing Costs</b>		
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.		
m. <b>Goods and Services Tax (GST)</b>		
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.		
Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.		
n. <b>Comparative Figures</b>		
Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.		

### Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### NOTE 2: SALES REVENUE

Car Park Rental	2,000.00	2,181.82
Income - Murabaha	26,509.00	43,370.00
Income - Musharaka	1,702,786.00	1,488,256.00
Income- Istisna Finance	85,541.00	60,422.00
Rental profit on share sales	564,049.00	417,596.00
	<hr/> 2,380,885.00	<hr/> 2,011,825.82

### NOTE 3: OFFICE MAINTENANCE EXPENSES

Council Rates	794.00	910.00
Light & Power	1,709.00	1,467.00

These notes should be read in conjunction with the attached compilation report.



# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 \$	2017 \$
Water	114.00	397.00
	<u>2,617.00</u>	<u>2,774.00</u>
<b>NOTE 4: ADMINISTRATIVE EXPENSES</b>		
Accountancy	11,180.00	7,254.00
Auditing Fees	2,000.00	2,000.00
Bank charges	2,135.00	611.00
Directors Fees	36,074.00	32,999.00
Documentation Expenses	850.00	2,150.00
Fixed Cost Share	109,229.00	111,115.00
IT /Web/Internet expenses	7,612.00	4,083.00
Insurance	30,325.00	33,424.00
Legal & Professional Fees	61,128.00	6,388.00
Office -General Expenses	6,192.00	5,357.00
Postage	766.00	2,477.00
Printing and Stationery	3,707.00	2,786.00
Product development fees	20,384.00	-
Responsible Manager Consultancy	2,887.00	-
Seminar/Meeting/Traning	1,904.00	4,305.00
Strata-Office	6,430.00	6,776.00
Telephone	1,710.00	3,925.00
	<u>304,513.00</u>	<u>225,650.00</u>
<b>NOTE 5: SELLING EXPENSES</b>		
Marketing & Promotions	14,140.00	12,200.00
Travel	9,483.00	2,838.00
	<u>23,623.00</u>	<u>15,038.00</u>
<b>NOTE 6: OTHER OPERATING EXPENSES</b>		
Bad Debts	30,402.00	18,429.00
Depreciation-Building	7,800.00	7,800.00
Depreciation-Furniture and Others	840.00	3,565.00
	<u>39,042.00</u>	<u>29,794.00</u>
<b>NOTE 7: PERSONNEL EXPENSES</b>		
Superannuation contributions - Employees	26,371.00	27,358.00
Wages	277,591.00	287,975.00
	<u>303,962.00</u>	<u>315,333.00</u>
<b>NOTE 8: RECEIVABLES</b>		
Accounts Receivable	654,477.65	68,349.93

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018 \$	2017 \$
<b>NOTE 9: SECURITIES</b>		
Investment in other company-MCCA	1,469.99	1,469.99
<b>NOTE 10: CASH ASSETS</b>		
CBA Cheque A/C	175,468.00	1,813,517.06
Murabaha -Finance	163,620.37	202,345.86
Istisna - Finance	278,337.58	336,463.58
Musharaka-Finance	2,055,988.92	1,751,709.62
	<u>2,673,414.87</u>	<u>4,104,036.12</u>
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>		
Computer Printer and office equipment	16,214.38	14,262.38
Less accumulated depreciation-Furniture and others	(14,262.44)	(13,422.44)
Building at Cost	311,998.65	311,998.65
Less accumulated depreciation-Buildings	(43,779.00)	(35,979.00)
Murabaha- Investment	171,003.91	161,003.91
Musharaka -Investment	33,482,446.05	33,282,446.05
Istisna-Investment	1,307,714.59	3,028,170.05
	<u>35,231,336.14</u>	<u>36,748,479.60</u>
<b>NOTE 12: PAYABLES</b>		
Admin Management Fund	84,938.05	82,457.05
Members Fee Fund	44,320.00	29,330.00
Provision for Doubtfull Debts	110,857.90	54,961.00
Qard'e Hasna	10,692.00	13,642.00
Superannuations Payable	9,611.72	7,862.72
Un Identified fund	78,775.62	42,675.67
Payg and GST Liability	21,334.00	26,602.24
	<u>360,529.29</u>	<u>257,530.68</u>
<b>NOTE 14: INTEREST BEARING LIABILITIES</b>		
General Pool Fund	22,927,825.40	27,073,506.67
Hajj Fund	181,694.14	164,852.99
Child Education Fund	462,603.58	396,620.47
Self Managed Super Fund	12,320,811.67	11,329,718.26
	<u>35,892,934.79</u>	<u>38,964,698.39</u>
<b>NOTE 13: PROVISIONS</b>		
Provision for dividends	1,200,000.00	1,100,000.00

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	\$	\$

### NOTE 15: CASH FLOW INFORMATION

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts

#### a. Reconciliation of Cash

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	2,673,414.87	4,104,036.12
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#### b. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

Profit after income tax	1,707,128.00	1,423,236.82
(Increase) / Decrease in trade and other receivables	(586,127.72)	373,393.00
Increase / (Decrease) in taxes payable	-	10,836.75
Increase / (Decrease) in provisions	100,000.00	(100,000.00)
Cash flow from operations	1,221,000.28	1,707,466.57

These notes should be read in conjunction with the attached compilation report.

# ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

## DIRECTORS' DECLARATION


The directors have determined that the company is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes attached, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations Law; and
  - (b) give a true and fair view of the financial position as at 30/06/2018 and of the performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director :

  
Director

  
Director

Dated : 25/09/2018

**ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED**

**ABN 55 773 581 754**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS**

**Report on the Financial Report**

We have audited the accompanying financial report of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED, which comprises the statement of financial position as at 30/06/2018 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors declaration.

***Directors Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

***Auditors Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED, would be in the same terms if given to the directors as at the time of this auditor's report.

*Auditor's Opinion*

In our opinion:

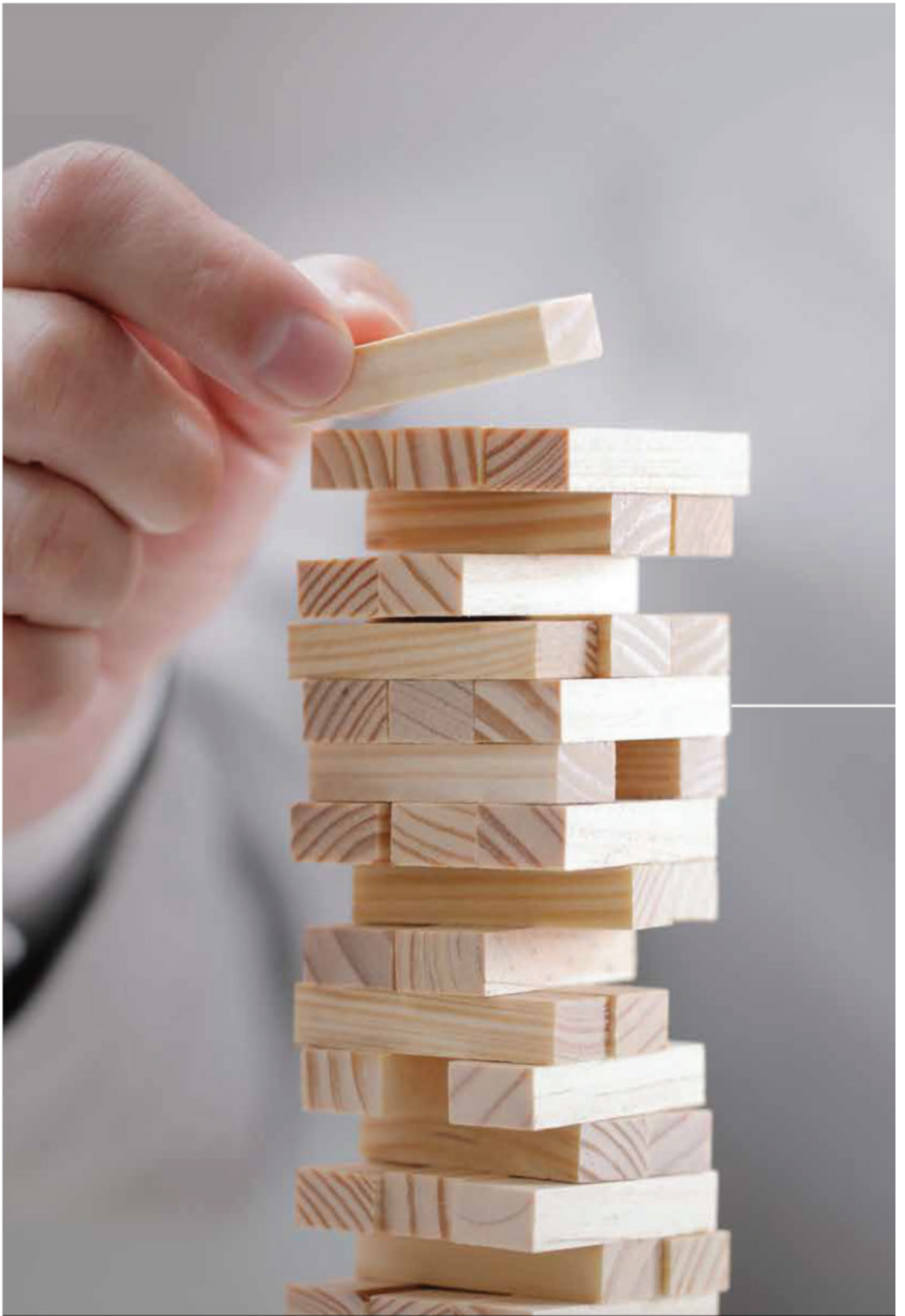
- a. the financial report of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the organization financial position as at 30/06/2018 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial statements and accompanying notes also comply with International Financial Reporting Standards as disclosed in Note 1.



**CBD Audit Services Pty Ltd**  
**Peter Wyatt - Registered Auditor 3209**

Date: 28<sup>th</sup> of September 2018







Islamic Co-operative Finance  
Australia Ltd

**Address: Suite 12  
55 Phillip Street  
Parramatta  
NSW 2150**

**Telephone: 13000 ICFAL (1300 042 325)**

**Phone: (02) 9643 1962**

**Email: [info@icfal.com.au](mailto:info@icfal.com.au)**