

In the name of Allah the most Beneficent, the most Merciful.



Annual Report

2018-2019

Presented to the members at the 21st Annual General Meeting (AGM)

When: Sunday, 15th September 2019

12:00pm to 4:30pm

Venue: Gallipoli Mosque Auditorium,
15-19 Gelibolu Parade, Auburn, NSW 2144

To provide equitable,
ethical and sustainable
Islamic financial Services

Your Co-operative

Highlights 2018 - 2019

3,182 Members  (+177)

\$34.58m Member Share Fund  (-\$1.306m)

\$6.36 Gross Revenue per \$100 Share  (-\$0.27)

21 Years of sustained return on investment

Actual Dividend Paid To Members **\$1.651m**

Australian Credit License (ACL) granted.

Independent compliance audit by QED

Registered in NSW, ACT, VIC, QLD, WA and SA

5 Staff and 1 Responsible Manager



Who We Are

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

ICFAL is for and owned by the members with 100% member funds.

What We Do

ICFAL provides finance for housing, vehicle and community infrastructures.

ICFAL commits to deliver Halal finance solutions and services to meet community needs.

How We Do It

ICFAL success strategy relies on building community trust through Halal processes and systems that are compliant to Shariah and Australian law.

Chairman's Message



In the Name of Allâh, the Most Beneficent, the Most Merciful

Assalamualaikum Warahmatullahi Wa Barakatuhu.

Dear Respected members,

I am pleased and honoured to present the Annual Report 2018-19 for your Co-operative, ICFAL funded by members only and working towards a riba (interest) free financial system in Australia since 1998 with a recently granted Australian Credit Licence (ACL no. 465922) in March 2019 Alhamdulillah. "Allah has permitted trade and has forbidden riba" (Qur'an 2:275). Abu Huraira (RA) narrated that the Prophet said, "A time will come upon the people when one will not care how one gains one's money, legally or illegally" (Bukhari).

I am also pleased to announce the presence of two internationally recognized scholars, Br. Muhammad Farhan UI Haq Usmani, VP, Meezan Bank of Pakistan and Br. Almir Colan, Director, Australian Centre For Islamic Finance (AUSCIF) amongst us today.

The Board of Director's report by the Secretary will highlight the performance, achievements, challenges and dividend for 2018-19 and budget for 2019-20 along with proposed initiatives for ICFAL VISION 2020 and beyond.

Looking at the current financial market, we can see how low growth, low rates and low confidence in conventional banking system and Banking Royal Commission 2019 put pressures on all stakeholders. ICFAL is not immune from these pressures. Over the time our external environment has changed rapidly – new technologies, digital marketing, shariah compliance, regulatory compliance and new service models have emerged. There's also been a shift in members needs and expectations. Increasingly, members are becoming 'one stop service agnostic' which means they want seamless service from ICFAL. Our community and more importantly our next generation are facing tremendously challenging times and lack of guidance in Shariah compliant finance. The recent "Banking Royal Commission" in Australia highlighted the serious problem in conventional banking and the resulting negative implications to their customers.

All of these mean that to deliver better outcomes for members and communities, we need to make changes to ensure we not only respond to what's happening now, but prepare ourselves to be successful into the future. We are committed to building member trust and introducing new services with digitization to improve member satisfaction and participation.

Demand for Islamic Finance continues to increase, which challenges our operational staff under the leadership of newly appointed General Manager, but it's also a great sign of confidence and a key measure of how successful we've been. Your Co-operative is now ready to re-brand around these new challenges maintaining "State of the art ICFAL Shariah Compliant Financial Products and Services" in NSW, Victoria, Queensland, South Australia, Western Australia and ACT" and will continue to offer highly competitive dividend on your investments.

Last financial year, ICFAL spent significant amount of time and resources to obtain an Australian Credit License (ACL) from ASIC. This included fulfilling all regulatory, and compliance requirements including engaging a risk consultant QED and appointing a Responsible Manager in accordance with ASIC Licence requirements. We also fully implemented MEEZAN BANK approved "Share Equity Rental" contact documents for all new SER members. All newly appointed staff are committed for high standard of member service. However, there is always room for improvements and Board of Directors proposed in this AGM additional budget for systems improvement and staff training and retention measures.

I would like to take this opportunity to read an excerpt from the QED review report to ASIC. Ref. No. 30: "ICFAL's method of Islamic lending is in itself unique and the reviewer believes that it is worth protecting. ICFAL's method is fully Shariah compliant and has been certified as such by an appropriate international authority."

I am seeking Allah's (SWT) mercy and forgiveness for any shortcomings and His protection from the whisper of evil (waswasa). Finally, I wish the co-operative and its members all the best and my sincere appreciation to all Directors and their families for dedication, sincerity and unconditional time and efforts and thanks to our highly motivated young operating staff, for their outstanding support and commitments. I would also like to acknowledge the services of the Sharia Board, Meezan Bank, Responsible Manager, and special appreciation to the two retiring directors Dr. Naim Islam and Br. Mamun Rashid.

Shah Mustaque Parvez MEngg, MBA
Chairman and Director Administration

Date: 15th September 2019

ICFAL Staff

Members of the Board of Directors

»»	Shah Mustaque Parvez	<i>Chairman</i>
»»	Dr. Rafiqul Islam	<i>Secretary</i>
»»	Dr. Muhammad Khan	<i>Director</i>
»»	Nashat Qadan	<i>Director</i>
»»	Mamun Rashid	<i>Director</i>
»»	Dr Naim Islam	<i>Director</i>

Operational Team

»»	Matthew Hayja	<i>General Manager</i>
»»	Mahanoor Khan	<i>Operations Manager</i>
»»	Nesar Ahmed	<i>Accountant</i>
»»	Mia Tauhid	<i>Finance</i>
»»	Muhamed Amin Hussein	<i>Member Service Manager</i>
»»	Muhammad Rashid	<i>Service Team</i>
»»	Hala Mahdaly	<i>Service Team</i>
»»	Seyfi Seyit	<i>Marketing Executive (Victoria)</i>
»»	Rick Stockdale	<i>Responsible Manager</i>

Board of Directors Report 2018-2019

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 grow its member base and build towards financial growth

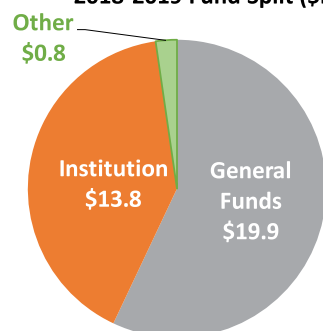
	Growth Data 2018-2019			Growth Data 2017-2018		
	Change	Full Year	%	Change	Full Year	%
Members	177	3182	5.89%	364	3005	14%
Fund ('000)	-\$1,306	\$34,586	-3.64%	-\$3,073	\$35,892	-8%

Gross Income ('000)	-\$180	\$2,200	-7.56%	\$368	\$2,380	18%
Expenses ('000)	\$132	\$805	19.61%	\$84	\$673	14%
Net Profit ('000)	-\$312	\$1,395	-18.28%	\$284	\$1,707	20%

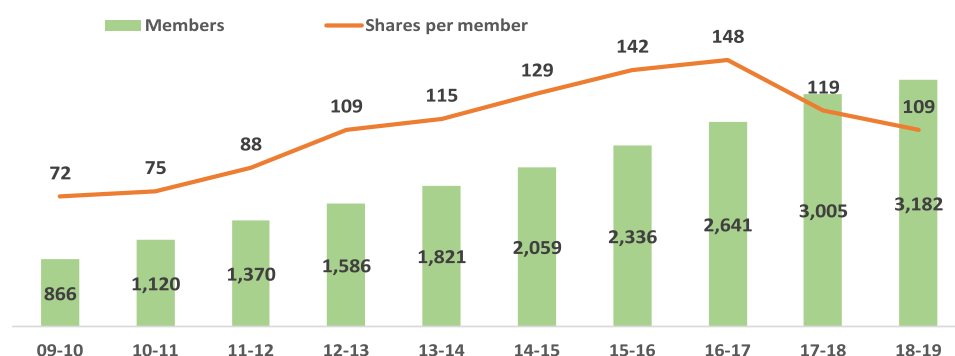
Changes are against the previous year.

- » ICFAL continues to organically grow membership by **+177 to 3,182**
- » 80% new members initiated online
- » Member's share reduced by **\$1.306M**
- » Gross Revenue decreased by **\$181K** giving a \$6.36 (from \$6.63 FY18) per **\$100 Share**.
- » Revenue decline was attributed to the fall in market growth, rental income, and members paying off early at lower market prices.

2018-2019 Fund Split (\$M)



Number of Members and Share per Members



Building a Trusted Islamic Brand

The community trust is built on the highest sharia'h principles combined with compliance with Australian law to deliver the best Islamic finance products.

The team at ICFAL in 2018-2019 was dedicated to safeguard the decline that was reported in our last AGM 2018. The decline was primarily due to an imbalance between inflow and outflow of funds, due to various reasons including a falling real estate market and members redeeming of shares to finance elsewhere. Thanks to the hard work of the directors and the operational team, the redeeming trend has reversed and confidence in ICFAL has grown throughout the year.

Apart from these challenges, the team persisted to continue with fulfilling all the requirements to obtain an Australian Credit License (ACL) from ASIC and I am pleased to announce it was granted in March 2019. We would like to congratulate the team on this major accomplishment and thank the members who consistently motivated the team to stay focused. Also, this year we appointed a compliance auditor as per the ACL requirements.

It was the most amazing feeling to read comments from the independent compliance auditor QED saying that ICFAL has the best Islamic Finance model they have seen so far.

The team was also strong on finance contract default by members, we have revised our Negative Balance procedures in order to deal with these matters in the best way possible. There are some member complaints this year which we are still working through and hope to resolve shortly. We are continuously improving our operational process and member complaints are a good tool to help us do this. We are also working on training programs to improve team capacity in this regard.

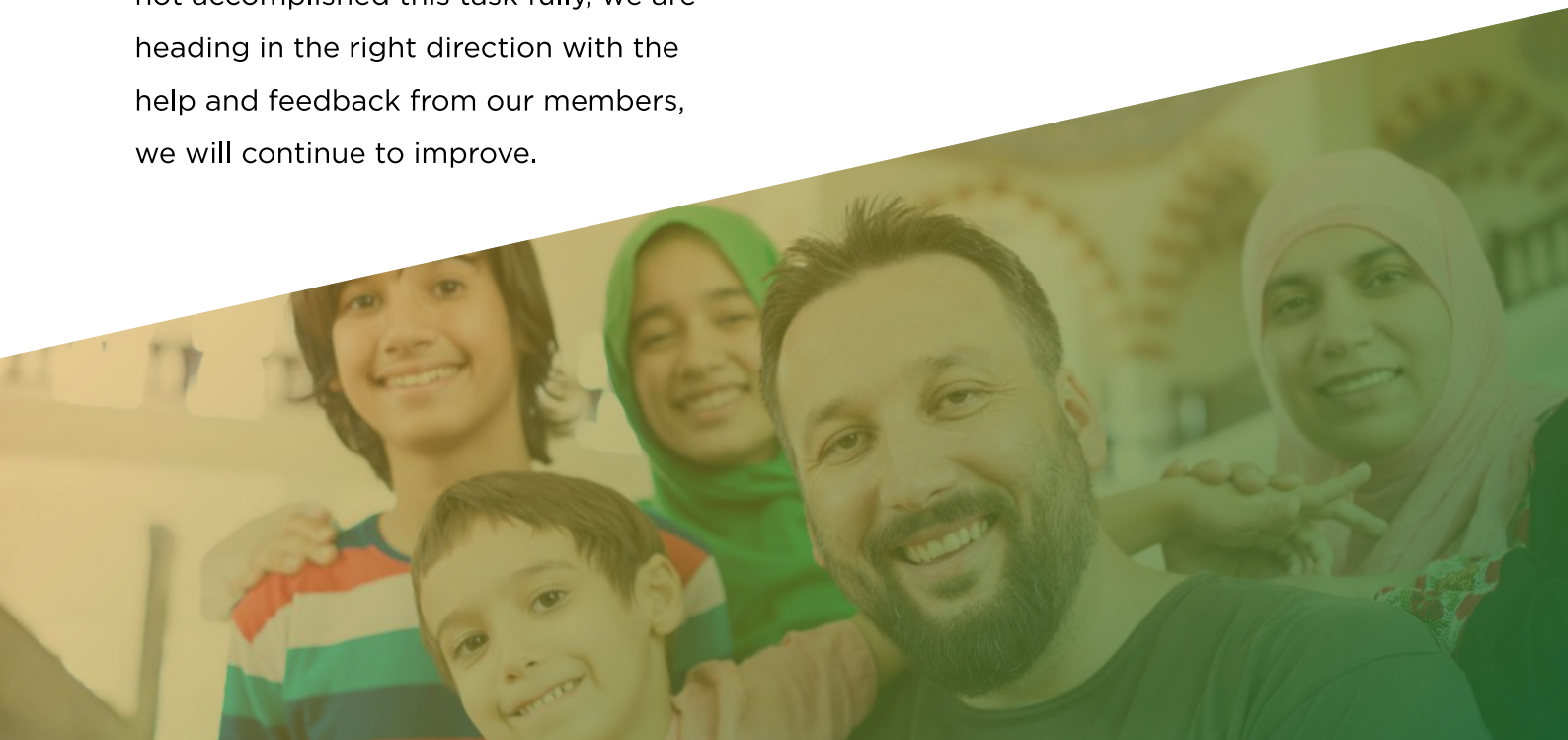
Another important change we had to make is the way ICFAL dividend has been distributed in the past. Our sharia advisory team from Meezan Bank suggested that the Sharia compliance must be improved by removing different dividend for different membership categories.

The reason stated was that, regardless of the source of funds, all funds are pooled to generate the common revenue, thus per share distribution of revenue must also be equal. With respect to Sharia compliance, ICFAL team has implemented this change as of financial year 2018-19. ICFAL as an organization, always prioritizes and upholds Sharia Compliance as per the Rules of the Co-operative.

A major focus for the year was to improve our member services by adequately staffing the office with the right people, improving our processes and turnaround times and providing effective staff training. Although we have not accomplished this task fully, we are heading in the right direction with the help and feedback from our members, we will continue to improve.

The appointment of a Managing Director, as budgeted, was unfilled to minimise the impact to the net distributable profit. However, as we report today, we would like to introduce you a new leadership position, General Manager, which is filled in July 2019 instead. Let me introduce Mr. Matthew Hayja as the GM of ICFAL. With his dynamic and professional financial background, we trust the operational team will lead our KPIs to success.

We thank the Almighty Allah who has given us the strength and bestow his mercy for our future success for the sake of the benefit of the Iman and practice of His Ummah in this life



The Road Ahead

Implement our business strategy to grow and prosper

The key strategic aim for the coming year will be focused on:

- 1 Continue re-building brand trust with more marketing activities
- 2 Grow member funds and total memberships
- 3 Large scale investments, such as community school projects
- 4 Introduce new and improved digital and accounting platforms
- 5 Focus on people, human resources & training
- 6 Member service improvement to provide the highest level of satisfaction to our members

Budgets FY20 and Dividend FY19

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

Dividend Per Share	12-13	13-14	14-15	15-16	16-17	17-18	18-19 Proposed
General	\$4.3	\$4.3	\$4.3	\$3.8	\$3.8	\$4.00	\$4.25
Long Term	\$5.1	\$5.1	\$5.1	\$4.8	\$4.8	\$5.00	\$4.25

Budgets 2020

	Budget 18-19	Actual 18-19	Budget 19-20
Member Share Fund: All	\$43,000,000	\$ 34,586,566	\$ 45,000,000
Revenue: Gross Profit	\$2,484,000	\$ 2,200,019	\$ 2,565,000
Per \$100 share	\$5.70	\$6.36	\$5.70
Expenses:			
Marketing/Advertising/Promotions	\$30,000	\$ 35,142	\$ 40,000
Accountancy/Auditing	\$10,000	\$ 19,594	\$ 10,000
Computing/IT Systems/Software/CRM	\$94,000	\$ 25,087	\$ 8,000
Legal and Professional Fees	\$80,000	\$ 85,987	\$ 70,000
Directors & Officers Liability Fund	\$0	\$0	\$ 34,000
Staff Liability Fund	\$0	\$0	\$ 29,000
Printing,Telephone,Postage, Stationery, Sundry	\$15,000	\$ 18,568	\$ 20,000
Occupancy costs, WCI, PII, PLI, DOLI and Depreciation	\$80,000	\$ 49,379	\$ 46,000
Directors Honorarium	\$44,000	\$ 45,900	\$ 50,000
Fixed Cost under SER finance	\$140,000	\$ 131,499	\$ 130,000
Bad debt	\$50,000	\$ 50,000	\$ 50,000
Wages/Salaries/Superannuation	\$480,000	\$ 327,122	\$ 560,000
Research and Developments/Office renovation	\$2,000	\$ 11,637	\$ 2,000
Staff Training	\$4,000	\$ 5,649	\$ 5,000
Adjust from Past Retain Profit	-\$295,000	-\$	\$ 307,000
Subtotal			\$ 747,000
Initiatives(FY 2019-20 Capital Projects)			
Technology and Processes (Accounting update/ Financial Management / CRM/ Online Portal)		\$	195,000
Marketing & Relationship Management (SMSF Focus / New Member Drive)		\$	40,000
Regulatory and Compliance (Istisnaa / PDS/ AFSL exploration)		\$	15,000
Product Development (Focusing Institutional opportunities)		\$	2,000
Subtotal			\$ 252,000
Total Expenses	\$734,000	\$ 805,564	\$ 999,000
Net Profit	\$1,750,000	\$ 1,394,455	\$ 1,566,000
Dividend Distributable \$/Share (weighted)	\$4.50	\$4.36	\$ 4.25

We especially express our heartiest gratitude to our retiring directors. Finally, on behalf of the board I extend my appreciation to the families of the directors, staff, and the Sharia board for outstanding support towards ICFAI's success.

Rafiqul Islam (Ph.D.)

Secretary and Director (Legal, Compliance and Finance)

Financial Statement



ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

FINANCIAL REPORT

For the year ended 30 June 2019

Prepared by
Taxsolutions

Suit 2
105-107 Church street
PARRAMATTA NSW 2150

ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

FINANCIAL REPORT

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ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

INCOME STATEMENT

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	2	2,200,019.23	2,380,885.00
Gross Profit		2,200,019.23	2,380,885.00
Office Maintenance Expenses	3	(2,397.50)	(2,617.00)
Administrative Expenses	4	(382,315.76)	(304,513.00)
Marketing and Promotions	5	(35,142.62)	(23,623.00)
Other Operating Expenses	6	(58,585.00)	(39,042.00)
Personnel Expenses	7	(327,122.98)	(303,962.00)
Operating Profit		1,394,455.37	1,707,128.00

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 2019

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Receivables	8	609,786.65	654,477.65
INVESTMENT	9	1,469.99	1,469.99
Cash assets	10	5,358,068.80	2,673,414.87
TOTAL CURRENT ASSETS		5,969,325.44	3,329,362.51
NON-CURRENT ASSETS			
Property, plant and equipment	11	31,036,283.96	35,231,336.14
TOTAL NON-CURRENT ASSETS		31,036,283.96	35,231,336.14
TOTAL ASSETS		37,005,609.40	38,560,698.65
CURRENT LIABILITIES			
Payables	12	230,970.67	360,529.29
Interest bearing liabilities	13	25,400.00	-
Provisions	14	1,584,000.00	1,200,000.00
TOTAL CURRENT LIABILITIES		1,840,370.67	1,560,529.29
NON-CURRENT LIABILITIES			
Members Fund-Liability	13	34,586,566.79	35,892,934.79
TOTAL NON-CURRENT LIABILITIES		34,586,566.79	35,892,934.79
TOTAL LIABILITIES		36,426,937.46	37,453,464.08
NET ASSETS		578,671.94	1,107,234.57
EQUITY			
Retained earnings		578,671.94	1,107,234.57
TOTAL EQUITY		578,671.94	1,107,234.57

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

For the year ended 30 June 2019

	2019 \$	2018 \$
Income		
Income - Musharaka	1,513,442.85	1,702,786.00
Income - Murabaha	25,641.68	26,509.00
Income- Istisna Finance	35,581.44	85,541.00
Rental profit on share sales	614,938.26	564,049.00
Other Income (Loan registration fees)	8,215.00	-
Car Park Rental	2,200.00	2,000.00
	<u>2,200,019.23</u>	<u>2,380,885.00</u>
Total Revenue and Collections	<u>2,200,019.23</u>	<u>2,380,885.00</u>
EXPENDITURE		
Accountancy	17,594.38	11,180.00
Auditing Fees	2,000.00	2,000.00
Bad Debts	50,000.00	30,402.00
Bank charges	1,186.55	2,135.00
Council Rates	816.44	794.00
Depreciation-Building	7,800.00	7,800.00
Depreciation-Furniture and Others	785.00	840.00
Directors Fees	45,900.00	36,074.00
Documentation Expenses	1,964.45	850.00
Fixed Cost Share	131,499.03	109,229.00
IT /Web/Internet expenses	11,087.78	7,612.00
Insurance	35,464.02	30,325.00
Legal, Professional and Consultancy fees	56,758.51	61,128.00
Light & Power	1,522.58	1,709.00
Marketing & Promotions	34,083.71	14,140.00
Office -General Expenses	9,680.06	6,192.00
Postage	1,110.32	766.00
Printing and Stationery	5,671.43	3,707.00
Product development fees	-	20,384.00
Responsible Manager Consultancy	45,833.37	2,887.00
Seminar/Meeting/Traning	5,649.13	1,904.00
Strata-Office	7,256.29	6,430.00
Superannuation contributions - Employees	27,081.86	26,371.00
Telephone	3,660.44	1,710.00
Travel	1,058.91	9,483.00
Wages	300,041.12	277,591.00
Water	58.48	114.00
	<u>805,563.86</u>	<u>673,757.00</u>
Operating Income	<u>1,394,455.37</u>	<u>1,707,128.00</u>

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 2019

	2019 \$	2018 \$
ASSETS		
Current Assets		
Accounts Receivable	609,786.65	654,477.65
Investment in other company-MCCA	1,469.99	1,469.99
CBA Cheque A/C	3,074,095.93	175,468.00
Murabaha -Finance	171,327.37	163,620.37
Istisna - Finance	185,372.58	278,337.58
Musharaka-Finance	1,927,272.92	2,055,988.92
	<u>5,969,325.44</u>	<u>3,329,362.51</u>
Non-current Assets		
Computer Printer and office equipment	16,214.38	16,214.38
Less accumulated depreciation-Furniture and others	(15,047.44)	(14,262.44)
Building at Cost	311,998.65	311,998.65
Less accumulated depreciation-Buildings	(51,579.00)	(43,779.00)
Furniture and fittings at cost	7,858.82	-
Murabaha- Investment	211,003.91	171,003.91
Musharaka -Investment	30,026,457.05	33,482,446.05
Istisna-Investment	529,377.59	1,307,714.59
	<u>31,036,283.96</u>	<u>35,231,336.14</u>
TOTAL ASSETS	<u>37,005,609.40</u>	<u>38,560,698.65</u>
LIABILITIES		
Current Liabilities		
Admin Management Fund	142,198.05	129,258.05
Provision for Doubtfull Debts	-	110,857.90
Qard'e Hasna	10,692.00	10,692.00
Superannuations Payable	7,131.00	9,611.72
Un Identified fund	59,369.62	78,775.62
Payg and GST Liability	11,580.00	21,334.00
Directors Fees payable	25,400.00	-
Provision for dividends	1,584,000.00	1,200,000.00
	<u>1,840,370.67</u>	<u>1,560,529.29</u>
Non-current Liabilities		
General Pool Fund	19,961,424.40	22,927,825.40
Hajj Fund	228,410.14	181,694.14
Child Education Fund	551,680.58	462,603.58
Self Managed Super Fund	13,845,051.67	12,320,811.67
	<u>34,586,566.79</u>	<u>35,892,934.79</u>
TOTAL LIABILITIES	<u>36,426,937.46</u>	<u>37,453,464.08</u>
NET ASSETS	<u>578,671.94</u>	<u>1,107,234.57</u>

EQUITY

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 2019

	2019 \$	2018 \$
Retained earnings	578,671.94	1,107,234.57
TOTAL EQUITY	578,671.94	1,107,234.57

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

ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA LIMITED

ABN 55 773 581 754

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,244,710.23	1,794,757.28
Payments to suppliers and employees		(780,163.86)	(673,757.00)
Net cash provided by operating activities	15	1,464,546.37	1,121,000.28
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in cash held		2,714,653.93	(1,430,621.25)
Cash at the beginning of year		2,673,414.87	4,104,036.12
Cash at end of year		5,388,068.80	2,673,414.87

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 2019

2019	2018
\$	\$

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 2019

2019	2018
\$	\$

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 2019

2019	2018
\$	\$

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 2019

	2019 \$	2018 \$
<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. Revenue		
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. Borrowing Costs		
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. Goods and Services Tax (GST)		
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. Comparative Figures		
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	2,200.00	2,000.00
Income - Murabaha	25,641.68	26,509.00
Income - Musharaka	1,513,442.85	1,702,786.00
Income- Istisna Finance	35,581.44	85,541.00
Other Income (Loan registration fees)	8,215.00	-
Rental profit on share sales	614,938.26	564,049.00
	<hr/> 2,200,019.23	<hr/> 2,380,885.00

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 2019

	2019 \$	2018 \$
NOTE 3: OFFICE MAINTENANCE EXPENSES		
Council Rates	816.44	794.00
Light & Power	1,522.58	1,709.00
Water	58.48	114.00
	<u>2,397.50</u>	<u>2,617.00</u>
NOTE 4: ADMINISTRATIVE EXPENSES		
Accountancy	17,594.38	11,180.00
Auditing Fees	2,000.00	2,000.00
Bank charges	1,186.55	2,135.00
Directors Fees	45,900.00	36,074.00
Documentation Expenses	1,964.45	850.00
Fixed Cost Share	131,499.03	109,229.00
IT /Web/Internet expenses	11,087.78	7,612.00
Insurance	35,464.02	30,325.00
Legal, Professional and Consultancy fees	56,758.51	61,128.00
Office -General Expenses	9,680.06	6,192.00
Postage	1,110.32	766.00
Printing and Stationery	5,671.43	3,707.00
Product development fees	-	20,384.00
Responsible Manager Consultancy	45,833.37	2,887.00
Seminar/Meeting/Traning	5,649.13	1,904.00
Strata-Office	7,256.29	6,430.00
Telephone	3,660.44	1,710.00
	<u>382,315.76</u>	<u>304,513.00</u>
NOTE 5: SELLING EXPENSES		
Marketing & Promotions	34,083.71	14,140.00
Travel	1,058.91	9,483.00
	<u>35,142.62</u>	<u>23,623.00</u>
NOTE 6: OTHER OPERATING EXPENSES		
Bad Debts	50,000.00	30,402.00
Depreciation-Building	7,800.00	7,800.00
Depreciation-Furniture and Others	785.00	840.00
	<u>58,585.00</u>	<u>39,042.00</u>
NOTE 7: PERSONNEL EXPENSES		
Superannuation contributions - Employees	27,081.86	26,371.00
Wages	300,041.12	277,591.00
	<u>327,122.98</u>	<u>303,962.00</u>

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 2019

	2019 \$	2018 \$
NOTE 8: RECEIVABLES		
Accounts Receivable	609,786.65	654,477.65
NOTE 9: SECURITIES		
Investment in other company-MCCA	1,469.99	1,469.99
NOTE 10: CASH ASSETS		
CBA Cheque A/C	3,074,095.93	175,468.00
Murabaha -Finance	171,327.37	163,620.37
Istisna - Finance	185,372.58	278,337.58
Musharaka-Finance	1,927,272.92	2,055,988.92
	5,358,068.80	2,673,414.87
NOTE 11: PROPERTY, PLANT AND EQUIPMENT		
Computer Printer and office equipment	16,214.38	16,214.38
Less accumulated depreciation-Furniture and others	(15,047.44)	(14,262.44)
Building at Cost	311,998.65	311,998.65
Less accumulated depreciation-Buildings	(51,579.00)	(43,779.00)
Furniture and fittings at cost	7,858.82	-
Murabaha- Investment	211,003.91	171,003.91
Musharaka -Investment	30,026,457.05	33,482,446.05
Istisna-Investment	529,377.59	1,307,714.59
	31,036,283.96	35,231,336.14
NOTE 12: PAYABLES		
Admin Management Fund	142,198.05	129,258.05
Provision for Doubtfull Debts	-	110,857.90
Qard'e Hasna	10,692.00	10,692.00
Superannuations Payable	7,131.00	9,611.72
Un Identified fund	59,369.62	78,775.62
Payg and GST Liability	11,580.00	21,334.00
	230,970.67	360,529.29
NOTE 13: INTEREST BEARING LIABILITIES		
Directors Fees payable	25,400.00	-
General Pool Fund	19,961,424.40	22,927,825.40
Hajj Fund	228,410.14	181,694.14
Child Education Fund	551,680.58	462,603.58
Self Managed Super Fund	13,845,051.67	12,320,811.67
	34,611,966.79	35,892,934.79

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 2019

	2019 \$	2018 \$
NOTE 14: PROVISIONS		
Provision for dividends	1,584,000.00	1,200,000.00

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	5,388,068.80	2,673,414.87
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b. Reconciliation of CashFlow from Operations with Profit from Ordinary Activities after Income Tax

Profit after income tax	1,394,455.37	1,707,128.00
(Increase) / Decrease in trade and other receivables	44,691.00	(586,127.72)
Increase / (Decrease) in trade and other payables	25,400.00	-
Increase / (Decrease) in provisions	384,000.00	100,000.00
Cash flow from operations	1,848,546.37	1,221,000.28

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 30/06/2019 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 : 4/09/2019

Churchill Smith Pty Ltd

PO Box 298, Geeveston TAS 7116
Phone: 0414696095, Churchill.smith123@gmail.com

Independent Audit Report to the Members of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA

Report on the Audit of the Financial

Report Opinion

We have audited the accompanying financial report of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA, which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independence

In conducting our audit, we have complied with independence requirements of the corporation ACT 2001:

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ISLAMIC CO-OPERATIVE FINANCE AUSTRALIA, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Churchill Smith Pty Ltd



Company Auditor: 3209

Dated : 11/09/2019



Islamic Co-operative Finance
Australia Ltd

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ACL (Australian Credit License): 465922

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