Muslim Community Co-operative (Australia) Limited

2023 Annual Financial Report

Muslim Community Co-operative (Australia) Limited
ACN 107 186 498
ABN 85 372 424 534

Muslim Community Co-Operative (Australia) Limited

Annual Financial Report for the year ended 30 June 2023

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This financial report covers Muslim Community Co-operative (Australia) Limited (the Co-operative)

DIRECTORS' REPORT

The directors of Muslim Community Co-operative (Australia) Limited ('the Co-operative') submit their report for the year ended 30 June 2023.

Directors

The following persons held office as directors of Muslim Community Co-operative (Australia) Limited during the year and up to the date of this report, unless otherwise stated:

Name and qualifications	Age	Experience and special responsibilities
Akhtar Kalam Bsc, BScEng, MS, PhD, FIEAust, CPEng, FIET, CEng, FAIE, MCIGRE, MIEEE Independent non-executive Director & Chairman	73	Professor at Victoria University, he has conducted research, provided industrial consultancy and published over four hundred publications on his area of expertise and written over 29 books in the area of energy systems in his extensive academic career. Appointed: 29 February 2008. Reappointed: 3 November 2017.
Aladin Zayegh BEng, PhD, FANCE, MEAust, CPEng, MIEEE Independent non-executive Director	76	Adjunct professor at Victoria University, he is a member of many professional institutions and produced over 350 research papers in his 40 years academic career. He has been Vice president of Islamic Council of Victoria for 5 years and Member of several Arabic and Muslim Organisation. He is also member of the marketing committee. Appointed: 19 November 2009. Reappointed: 30 October 2015.
Segu Mohideen Zuhair Bsc, MS, M.Bus, Mast. Ins. & Risk Mgt., CPA, PhD Independent non-executive Director	68	Senior lecturer at Victoria University, he is also a member of CPA and possess extensive teaching and research experience in finance, quantitative methods and economics. He is also a member of the Audit Committee. Appointed: 22 November 2009. Reappointed: 30 October 2015.
Nazeh Baarini PHD, Master of Professional Accounting, Course in Property (Agents' Representatives) Independent non-executive Director	52	Nazeh Baarini is the founder and managing director of Baarini & Associates, a firm of Corporate Tax Accountants & Consultants. Mr Baarini is practicing as a professional accountant and Tax Consultant for the last 18 years. Mr Baarini has been a Lecturer. He is highly experienced with the banking, taxation, superannuation and financial laws and regulations of Australia. He holds memberships of Institute of Financial Accountants, Institute of Public Accountants, Association of Taxation and Management Accountants, Australian Institute of Management. He is Executive Board Member of Islamic Council of Victoria, Australia Lebanon Chamber of Commerce & Industry, Arab Chamber of Commerce & Industry. He is also member of the Audit Committee. Appointed: 3 November 2017.

Name and qualifications	Age	Experience and special responsibilities
Hisham Moustafa Independent non-executive Director and Company Secretary	42	Mr Moustafa currently chairs the Audit and Remuneration Committee. He brings extensive professional experience in risk management, governance, and insurance to MCCA. Currently he is serving as Assistant Director, Risk and Insurance at the Victorian Department of Economic Development, Jobs, Transport and Resources. He held positions with the Islamic Council of Victoria, and the Muslim Emergency Management Organisation. Appointed: 10 March 2014. Reappointed: 18 November 2016.
Kingsley John Pradeep David MBA, Master of Applied Finance, F Fin, MRMIA Director	58	Mr Kingsley has a 25+ year track record of leadership in financial services, most recently as local Director of Kuwait Finance House Australia. He is Fellow of FINSIA, a Member of the Risk Management Institute of Australasia and is currently engaged as Executive Director. Appointed: 11 July 2016.
Nadeem Butt FCCA, CA Company Secretary	45	Mr. Nadeem is a fellow member of Association of Chartered Certified Accountants and member of Institute of Chartered Accountants Australia and New Zealand. He joined MCCA in 2010 initially as Senior Management Accountant and currently working as CFO and HR Manager for the Company. Appointed: 27 February 2016.

Review of Operations

The Co-operative made a loss after tax of $143,944 (2022: Profit $82,942).

Significant change in the state of affairs

In the opinion of directors, there were no significant changes in the state of affairs of the Co-operative that occurred during the period under review.

Principal activities

The principal activities of the Co-operative during the year were to promote the economic and social welfare of the Co-operative members and the provision of financial services to its members, albeit in a reduced capacity as a result of the organizational restructuring in 2009. The restructuring involved demutualisation of the Co-operative, which means customers are not required to be a member of the Co-operative to receive services of MCCA. Under the structure, a Limited Liability company "MCCA Ltd" was formed on 29 February 2008, which acquired another company "MCCA Asset Management Limited". MCCA Asset Management Limited is the responsible entity of the two retail registered managed investment schemes (MCCA Income Fund and MCCA Property Fund) and it holds an AFS license.

Principal activities (continued)

The Co-operative's principal activities have remained unchanged since 2010; when the restructuring was started. As part of the structure, MCCA Limited has been assigned the Co-operative's Mortgage Origination business and MCCA Asset Management Limited will design and distribute quality investment products for both institutional and retail clients. MCCA Asset Management Limited is a 100% owned subsidiary of MCCA Ltd.

The Co-Operative continues not to induct any new members since October 2009 and existing members are encouraged to redeem their shares from the Co-Operative and invest in MCCA Income Fund.

Events Subsequent to the End of the Reporting Period

There are no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

(i) the operations of the Co-operative in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) The state of affairs of the Co-operative in future financial years.

Likely developments and expected results of operations

The Co-operative will continue to operate in accordance with its policy. Further information on likely developments in the operations of the Co-operative and the expected results of those operations have not been included in this report because the Directors believes it would be likely to result in unreasonable prejudice to the Co-operative.

Indemnification and insurance of officers and auditors

No indemnities and insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Co-operative other than as allowed under the Act in relation to the directors and officers in carrying out their authorised proceedings.

Environmental regulation

The operations of the Co-operative are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Share options

No options over issued shares or interests in the Co-operative were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on Behalf of the Co-operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

The Co-operative was not a party to any such proceedings during the year.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This directors' report is made in accordance with a resolution of the board of directors.

Akhtar Kalam
Akhtar Kalam (Sep 28, 2023 19:33 GMT+10)

Akhtar Kalam
Director
Melbourne
28 September 2023

Kingsley David
Director
Melbourne
28 September 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Muslim Community Co-operative (Australia) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Muslim Community Co-operative (Australia) Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Luke Sullivan
Partner

Melbourne
28 September 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 $	2022 $
Revenue			
Financial products income	2	6,317	7,372
Other revenue	2	219,700	274,214
Total revenue		226,017	281,586
Expenses			
Management fee expense		(180,000)	(60,000)
Administrative fees and charges	3	(14,269)	(13,856)
Intangible assets related expenses		(94,762)	-
Depreciation expense	7(c)	(1,005)	(1,154)
Finance charges		(128,075)	(72,262)
Other expenses		(13,612)	(23,725)
Total expenses		(431,723)	(170,997)
(Loss)/Profit before income tax expense		(205,706)	110,589
Income tax expense	4	61,712	(27,647)
Net (Loss)/Profit for the year		(143,994)	82,942
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant & equipment, net of tax		469,000	-
Total comprehensive income for the year attributable to members of the entity		325,006	82,942

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2023 $	2022 $
Assets			
Cash and cash equivalents	5	24,285	15,100
Net mortgage loans	6(a)	145,043	153,122
Amounts receivable from related parties	6(b)	399,346	1,038,337
Property, plant and equipment	7	4,677,452	4,008,457
Intangible assets	8	489,679	526,546
Prepaid expenses		112,602	-
Deferred tax assets	9	61,712	-
Prepaid income tax		7,144	4,511
Total Assets		5,917,263	5,746,073
Liabilities			
Trade and other payables	10	75,586	123,191
Deferred tax liabilities	9	871,077	671,315
Members contributed funds	12	718,062	766,445
Bank overdraft	5, 11	250,000	500,000
MCCA Income Fund Loan	13(a)	983,241	990,831
Total Liabilities		2,897,966	3,051,782
Net Assets		3,019,297	2,694,291
Equity			
Equity attributable to members of the Co-operative			
Reserves		2,039,649	1,570,649
Retained earnings		979,648	1,123,642
Total Equity		3,019,297	2,694,291

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Retained earnings $	Revaluation reserve $	Total $
As at 1 July 2021		1,040,700	1,570,649	2,611,349
Profit for the year		82,942	-	82,942
Total comprehensive income for the year		82,942	-	82,942
As at 30 June 2022		1,123,642	1,570,649	2,694,291
As at 1 July 2022		1,123,642	1,570,649	2,694,291
Loss for the year		(143,994)	-	(143,994)
Revaluation of property, net of tax	7	-	469,000	469,000
Total comprehensive income for the year		(143,994)	469,000	325,006
As at 30 June 2023		979,648	2,039,649	3,019,297

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2023 $	2022 $
Cash flows from operating activities			
Financial product income received		6,317	7,372
Fees and rental received		219,700	274,214
Principal repayment of loan products		8,079	24,232
Payment to suppliers and employees		(594,796)	(185,571)
Net cash inflow from operating activities	14	(360,700)	120,247
Cash flows from investing activities			
Changes in intangible assets	8	36,867	(526,546)
Net cash outflow from investing activities		36,867	(526,546)
Cash flows from financing activities			
Funds provided (to) / from related parties		638,991	(3,308)
Net investment repaid to members		(48,383)	(101,619)
Net loans (repaid) to / received from MCCA Income Fund		(7,590)	(15,053)
Net cash outflow from financing activities		583,018	(119,980)
Net increase / (decrease) in cash and cash equivalents		259,185	(526,279)
Cash and cash equivalents at the beginning of the year		(484,900)	41,379
Cash and cash equivalents at the end of the year	5	(225,715)	(484,900)

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The Co-operative is a for-profit entity for financial reporting purposes under Australian Accounting Standards, incorporate and domiciled in Australia. The address of the Company's registered office is 167-169 Sydney Road Coburg Victoria.

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The directors of the Co-operative have prepared the financial statements on the basis that the Co-operative is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are general purpose financial statements for distribution to the members and have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board.
The financial statements have been prepared in order to meet the requirements of the Co-operatives National Law Application Act 2013 and Co-operatives National Regulations.

To provide more relevant disclosure of assets and liabilities, they have been disclosed in a decreasing order of liquidity in accordance with AASB101 “Presentation of financial statements”
The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Co-operatives National Law Application Act 2013 and Co-operatives National Regulations 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, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, unless otherwise stated in the notes. The financial statements are authorised for issue on 28 September 2023 by the directors of the Co-operative.

(b) Changes in accounting policy

A number of new standards, amendments to standards and interpretations are effective from 1 July 2023 but they do not have a material effect on the Company’s financial statements.

1 Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Co-operative becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the Co-operative commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Transaction costs are costs directly attributable to the acquisition or issue of the financial assets or financial liability.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Co-operative changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment
The Co-operative makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- these include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Co-operative's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Co-operative's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments or principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Co-operative considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Co-operative considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Co-operative's claim to cash flows from specified assets (e.g. non-recourse features).

1 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses are recognised in profit or loss any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets
The Co-operative derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Co-operative neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Co-operative derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Co-operative also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Co-operative currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Impairment

The Co-operative recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI. The Co-operative did not have any debt investment measured at FVOCI during and as at 30 June 2023 (2022: Nil); and
- contract assets. The Co-operative did not have any contract assets during and as at 30 June 2023 (2022: Nil).

The Co-operative measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- mortgage loans and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Co-operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Co-operative's historical experience and informed credit assessment and including forward-looking information. The Co-operative assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Co-operative in full, without recourse by the Co-operative to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Co-operative is exposed to credit risk.

1 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Impairment (continued)

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Co-operative expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Co-operative assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Co-operative on terms that the Co-operative would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Co-operative has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Co-operative has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. The Co-operative expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Co-operative's procedures for recovery of amounts due.

1 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as current liabilities on the statement of financial position.

Payments and receipts relating to financial assets held for trading or designated as loans and receivables are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Co-operative's main income generating activity.

(e) Financial products income

Financial products income and finance charges are recognised in the statement of comprehensive income for all debt instruments using the effective yield method.

MCCA Co-operative does not deal in interest. The use of the term “interest” in this disclosure is mandated by the requirements of the AIFRS which determine the format and content of general purpose financial reports and that are, prescribed by the Corporations Act 2001. Interest income as defined under AIFRS is earned on cash held at banks and it is the Group’s policy that any interest earned is donated.

(f) Other revenue

Revenue from the rendering of a service is recognised over time upon the achievement of performance obligations in relation to those services. All revenues are stated net of the amount of goods and services tax (GST).

(g) Income tax

Special tax rules apply to Co-operative and their shareholders whereby the dividend paid to members is regarded as a deduction to the Co-operative and assessable to the shareholders. If a dividend was to be paid, it must be paid to members prior to 30 September 2023. Tax rules could allow the Co-operative to deduct this dividend in determining taxable income in the 2023 year. To the extent that any net profit has been distributed as unfranked dividends no tax liability exists, with income tax being payable on remaining net profit.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled, and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(h) 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 Taxation Office. In these circumstances, the non-recoverable GST is recognised as an expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1 Summary of significant accounting policies (continued)

(i) Property, Plant and Equipment

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

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, and predominantly triennial, valuations by external independent valuer, less any subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

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 statement of profit or loss and other comprehensive income.

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 re-valued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. 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. A formal assessment of recoverable amount is made when impairment indicators are present.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on either a reducing balance or straight-line method over the asset's useful life to the Co-operative commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

1 Summary of significant accounting policies (continued)

(i) Property, Plant and Equipment (continued)

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

Plant and equipment	10% - 40%
Building and structural improvement	2.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 statement of profit or loss and other comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(j) Intangible assets

Intangible assets including software acquired that have finite life are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure incurred is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure including expenditure on internally intangibles is recognised in the profit or loss as incurred.

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using straight line method over the estimated useful life and is recognised in the profit or loss.

(k) Provisions

Provisions are recognised when the Co-operative 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. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(m)Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial statements 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 business.

1 Summary of significant accounting policies (continued)

(m) Critical accounting estimates and judgements (continued)

Expected Credit Loss

In determining the expected credit loss of mortgage loans, the Co-operative has considered the potential downturn in the property market which may impact on the loan to value ratio (LVR) on property securities held. Sensitivities have been performed by decreasing the property security values impacting on the loss given default which did not given rise to expected credit losses.

(n) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The directors have decided not to early adopt any of the new and amended pronouncements. The directors have assessed that there is no significant impact from any of the new and amended pronouncements that are relevant to the Co-operative but applicable in future reporting periods.

(o) Going concern assumption

The financial statements have been prepared based upon the going concern assumption; however, the board of directors recognises that the Co-operative is reliant upon the ongoing financial support of its member shareholders to ensure the continuing financial viability of the Co-operative. The Board has a number of financial strategies in place to ensure any sudden demand on the Co-operatives funds by member shareholders can be met without impacting the viability of the Co-operative. The strategies include diversifying profit and cash flow generating activities and maintaining a strategic cash holding level. Also, the Co-operatives National Law (Victoria) allows a Co-operative discretion to issue debentures in lieu of repurchase of shares.

The Co-operative as part of this strategy has an overdraft facility with the ANZ for $500,000.

Regardless of the impact of the ongoing migration strategy, outlined in Note 14, will have upon expected future operations of the Muslim Community Co-operative (Australia) Limited, the Board of directors believes that the going concern assumption is still valid and applicable to the Muslim Community Co-operative (Australia) Limited as the Co-operative will be able to meet its debts as and when they fall due.

2 Revenue

	2023 $	2022 $
Financial products income		
Financial products income	6,317	7,372
Other revenue		
Fees	19,700	24,214
Rental Income	200,000	250,000
	219,700	274,214
Total revenue	226,017	281,586

3 Administration fees and charges

	2023 $	2022 $
Remuneration of the auditors paid and payable:		
- Audit of the financial statements	13,200	12,800
Bank charges	1,069	1,056
Total administrative fees and charges	14,269	13,856

4 Tax

	2023 $	2022 $
The components of tax expense comprise:		
Current tax (benefit)/expense	(61,712)	27,647

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2023 $	2022 $
Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2022: 25%)	(61,712)	27,647
Less: Impact of non-assessable income	-	-
Income tax (benefit)/expense attributable to entity	(61,712)	27,647

5 Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	24,285	15,100
Bank overdraft (refer note 11)	(250,000)	(500,000)
	(225,715)	(484,900)

5 Cash and cash equivalents (continued)

The cash and cash equivalent at the end of the financial year as shown is reflected in the statement of cash flows.

6 Financial assets

	2023	2022
	$	**$**
(a) Mortgage loans:		
Loans and receivables	152,192	160,271
Less: provision for impairment	(7,149)	(7,149)
	145,043	153,122
(b) Amounts receivable from related parties	399,346	1,038,337

This represents interest-free, unsecured short-term loans to related party (MCCA Limited), payable on demand (note 13).

(c) Provision for Impairment

All financial assets are assessed for impairment, applying an expected credit loss assessment in accordance with AASB 9 *Financial Instruments*. This includes an assessment of the underlying terms of the contract and the security of the loan. A provision for impairment or allowance for credit losses is recognised when there is an expected credit loss on a loan.

Movement in the provision for impairment of mortgage loans is as follows:

Mortgage loans	Opening balance 1 July	(Recovery)/ Charge for the year	Amounts written off	Closing balance 30 June
	$	$	$	$
2023	7,149	-	-	7,149
2022	7,149	-	-	7,149

Management closely monitors the recoverability of mortgage loans. No finance contract is written having a loan-to-value ratio (LVR) of more than 80%. Under the current circumstances and application of an expected credit loss model, management has maintained an allowance for credit losses of $7,149 as disclosed above.

(d) Credit risk

The Co-operative has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those loans provided for and mentioned within Note 6(b). The main source of credit risk to the Co-operative is considered to relate to the class of assets described as mortgage loans.

7 Property, plant and equipment

	2023 $	2022 $
(a) Freehold land and building		
At Independent valuation – Melbourne	1,770,000	1,900,000
At Independent valuation – Sydney	2,900,000	2,100,000
	4,670,000	4,000,000

The Co-operative's land and buildings at Melbourne and Sydney were revalued at 30 June 2023 with reference to an independent valuation.

The Asset Reserve balance is $2,039,649 (2022: $1,570,649), net of tax.

(b) Plant and equipment	2023 $	2022 $
At cost	59,960	59,960
Accumulated depreciation	(52,508)	(51,503)
	7,452	8,457

(c) Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year

2023	Land & buildings $	Plant & equipment $	Tota :
Balance at the beginning of the year 20222	4,000,000	8,457	4,008,457
Depreciation expense	-	(1,005)	(1,005)
Revaluation	670,000	-	670,000
Carrying amount at the end of the year 2023	4,670,000	7,452	4,677,452

2022	Land & buildings $	Plant & equipment $	Total $
Balance at the beginning of the year 2021	4,000,000	9,611	4,009,611
Depreciation expense	-	(1,154)	(1,154)
Carrying amount at the end of the year 2022	4,000,000	8,457	4,008,457

8 Intangible assets

	2023	2022
	$	$
Software - work in progress		
Balance at start of the year	526,546	-
Addition during the year	64,698	526,546
Expense during the year	(101,565)	-
Balance at end of the year	489,679	526,546

9 Deferred tax

	2023	2022
	$	$
Deferred Tax Liabilities		
Deferred tax liabilities comprise:		
Revaluation gains on land and buildings	871,077	670,077
Other deferred tax liabilities	-	1,238
Total deferred tax liabilities	871,077	671,315
Reconciliation of deferred tax liabilities		
The overall movement in the deferred tax liabilities is as follows:		
Opening balance	(671,315)	(671,315)
Recognised in other comprehensive income		
Revaluation gains on land and buildings	(201,000)	-
Others	1,238	-
Closing balance	(871,077)	(671,315)
Deferred Tax Assets		
Deferred tax assets comprise:		
Tax losses	61,712	-
Reconciliation of deferred tax assets		
The overall movement in the deferred tax assets is as follows:		
Opening balance	-	-
Recognised in profit or loss		
Tax losses	61,712	-
Closing balance	61,712	-
Income tax expense		
Opening balance	-	-
Charge for the year		
Income tax expense	-	(27,647)
Deferred tax movement	61,712	-
Closing balance	61,712	(27,647)

10 Trade and other payables

	2023	2022
	$	$
Low balance member accounts	59,974	80,332
Other payable	15,612	15,212
Provision for income tax (refer note 4)	-	27,647
	75,586	123,191

All member accounts with balance below $2,000 are transferred to Low Balance member account. No further investments are accepted for these accounts.

11 Bank overdraft

This represents the overdraft facility from ANZ bank having a maximum limit of $500,000, and is secured against 125 Haldon Street, Lakemba NSW 2195. Total outstanding loan balance as at 30 June 2023 is $250,000 (2022: $500,000). The Co-operative also has a business credit cards limit of $20,000 with ANZ with outstanding balance of $Nil as at 30 June 2023 (2022: $Nil).

12 Members contributed funds

	2023	2022
	$	$
Opening share balance	766,445	868,064
Withdrawals	(48,383)	(101,619)
Closing share balance	718,062	766,445

13 Related parties transactions

(a) Other related parties

Transactions with related parties of the Co-operative
Transactions with related parties (except otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions. Amounts receivable and payable in respect of transactions between related parties by the Co-operative are disclosed as follows.

During the year MCCA Limited charged a management fee of $180,000 (2022: $60,000) to the Co-operative.

The net unsecured short-term loan to and from related parties is detailed at Note 6(b).

(a) Other related parties (continued)

Transactions with related parties of the Co-operative (continued)
In the prior year, MCCA Co-operative entered into a loan of $1,050,000 from MCCA Income Fund secured against the mortgage of the property located at 169 Sydney Road, Coburg. The loan bears finance charges on arms-length terms. As at 30 June 2023, total outstanding balance of the loan amounts to $983,241 (2022: $990,831).

(b) Loans to directors and key executives

There were no loans made to Directors and specified Executives as at 30 June 2023 (2022: nil).

(c) Directors remuneration

Directors were not paid any amount during 2023 financial year (2022: Nil).

(d) Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel. For details of transactions with KMP refer to note 13(b) and (c).

13 Impact of ongoing migration strategy

The Board has pursued the strategy of migrating from a Co-operative structure governed by the Registrar of Co-operative (Victoria) to that of a company governed by ASIC (Australian Securities & Investments Commission).

As part of this strategy, no further new business has been written by the Co-operative and that all operating activities, expenses and commitments will be undertaken via the new entity, MCCA Limited. The Co-operative will be wound-down over a 2-3 year period with prudent liquidity and marketing strategies in place to ensure risks are minimised.

Up until the Co-operative is wound-down, it will continue to receive income from pre-existing contracts and incur some operational expenses. It is anticipated that the Co-operative will continue to be profitable and solvent.

Members of the existing Co-operative structure have the opportunity to migrate to the new structure.

14 Events occurring after the reporting date

There has been no other significant events that have occurred since balance date which would have a material impact on the financial position of the Co-operative disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Co-operative for the year ended on that date.

15 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (2022: Nil).

DIRECTORS' DECLARATION

In accordance with the resolution of the directors of Muslim Community Co-operative (Australia) Limited (the 'Co-operative'), the directors have determined that Co-Operative is not a reporting entity and this simplified disclosure financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the Co-operative declare that:

(a) the Financial statements and notes, set out on pages 8 to 29 are in accordance with the Co-operatives National Law Application Act 2013 and Co-operative National Regulation and:
   (i) Comply with Australia Accounting Standards – Simplified Disclosure Requirements ; and
   (ii) gives a true and fair view of the Co-operative's financial position as at 30 June 2023 and of its performance for the financial year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

(b) There are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Akhtar Kalam
Akhtar Kalam (Sep 28, 2023 19:33 GMT+10)

Akhtar Kalam
Director
Melbourne
28 September 2023

Kingsley David
Director
Melbourne
28 September 2023

Independent Auditor's Report

To the members of Muslim Community Co-operative (Australia) Limited

Opinion

We have audited the ***Financial Report*** of Muslim Community Co-operative (Australia) Limited (the Co-operative).

In our opinion, the accompanying Financial Report of the Co-operative is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Co-operative's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Simplified Disclosures and the Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2023;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Co-operative in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Muslim Community Co-operative (Australia) Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Simplified Disclosures and the Corporations Act 2001;*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Co-operative's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Co-operative or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Luke Sullivan

Partner

Melbourne
28 September 2023

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