



ANNUAL REPORT 2017

Awqaf Properties Investment Fund



IsDB 
البنك الإسلامي للتنمية
Islamic Development Bank



Awqaf Properties Investment Fund

Sixteenth Annual Report-2017
(From 01/01/2017 to 31/12/2017)



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^ Mission

Mission Statement

Awqaf Properties Investment Fund (APIF) aims at reviving the Islamic Sunnah of waqf by developing Awqaf properties around the world to increase their returns and thereby contribute to the socio-economic development of the Ummah.

Glossary

Term used	Brief description
AAOIFI >	Accounting and Auditing Organization for Islamic Financial Institutions
Awqaf >	Plural of Waqf
The Fund >	Awqaf Properties Investment Fund (APIF)
Approval >	Amount approved by the Mudarib for financing a project or operation
Bank/IDB >	Islamic Development Bank
Beneficiary >	A recipient of APIF or IDB financing
Equity >	Participant's contribution to capital
Leasing >	Sale of usufruct of an asset for which the lessor retains the ownership, together with all rights and responsibilities
Istisna'a >	A contract whereby a manufacturer agrees to produce and deliver a good, at a given price on a given date according to the specification
LIBOR >	London Inter-Bank Offered Rate
Mark-up >	Profit margin earned on financing operations
MC >	Management Committee
Mudarib >	Islamic Development Bank, as Manager of the Fund
NAV >	Net Asset Value
Nazer >	Trustee or Manager of a waqf (also known as Mutawaili)
Sukuk >	Asset-backed Shariah-compatible bond
Waqf >	An asset being donated for general charitable purposes such as the relief of poverty, the relief of the needs of the aged, the relief of sickness or distress, the advancement of religion, the advancement of education and other purposes beneficial to the Islamic community.
WWF >	World Waqf Foundation

IDB-Board of Executive Directors



H.E. Dr. Bandar M. H. Hajjar
President, IDB and Chairman, Board of Executive Directors



Hon. Dr. Hamad Bin
Suleiman Al Bazai



Hon. Dr. Abdalnaser
Abouzkeh



Hon. Dr. Hosein
Ghazavi Khourasgani



Hon. Ali Hamdan
Ahmed



Hon. Bader Ahmed
Al Qayed



Hon. Mohammed
Gambo Shuaibu



Hon. Zeinhom Zahran



Hon. Wisam Jasem
Al-Othman



Hon. Osman Celik



Hon. Isa
Rachmatarwata



Hon. Kazi Shafiquel
Azam



Hon. Mohamed
Zemmouri



Hon. Dr. Mohamed
Ahmed Hassan Al-Afandi



Hon. Mrs. Zourehatou
Kassah - Traore



Hon. Dr. Hisham
Alshaar



Hon. Dr. Zul Kifl Salami



Hon. Ulan Aiylchiev



Hon. Abdirahman
Sharif

STATEMENT OF MUDARIB

In the name of Almighty Allah, The Most Beneficent and The Most Merciful

The Honourable Members of the
Participants Committee of the
Awqaf Properties Investment Fund

Dear Brothers

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank, the Mudarib of the Fund, I am pleased to present to your Honourable Committee the Sixteenth Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ended on 31 December, 2017. The report has been prepared in accordance with Article 17 of the Fund's Regulations and contains an overview of the Fund, its approved operations and audited financial statements.

As regards the overall performance since its inception, the Fund has approved 55 projects in 30 countries globally, having a total value of US\$1.1 billion. The impact of these projects is considerable. Firstly, their social impact is very significant as the income generated by them is used to support comprehensive human development in education, health and religious fields, as well as other charitable activities, thereby complementing the Will of the Waqif. Secondly, all these projects also provide jobs for people and ensure sustainability of livelihoods for them and their families. Thirdly, the value of the waqf property is increased many times and from being idle, the property is turned into fully income generating asset of high standing.

In terms of performance during the period from 01/01/2017 to 31/12/2017, the Fund has approved seven waqf projects having a total value of US\$74.21 million. These approvals include three projects in member countries (Bangladesh, Djibouti and Uganda) and four projects in non-member countries (Kenya, Fiji and Bosnia Herzegovina).

Financially also, the Fund has achieved satisfactory results and the net income for the year was US\$2.78 million. Accordingly, the Islamic Development Bank in its capacity as Mudarib of the Fund is pleased to announce the decision of the Board of Executive Directors for the distribution of a dividend of 2.50 % of the paid-up capital of the Fund.

All these achievements reflect APIF's efforts, with the support of the Participants, particularly towards portfolio diversification, deployment of resources in different geographical locations and penetration into new markets for development of waqf sector. APIF has achieved these objectives within its clear strategy for continuous growth and will, Insha Allah, continue to pursue all possible efforts to meet the objectives set by the shareholders. As such, we should all take pride in the leading role that APIF is playing in the revival of the Sunnah of Waqf and raising awareness about this noble cause.

I take this opportunity to express my sincere thanks and deep appreciation to the IDB Board of Governors and Executive Directors for their vision and guidance, our Members for their contribution and support, and all staff for their work and commitment.

Thank you for your continued support.

Yours sincerely,



Dr. Bandar M.H. Hajjar

Chairman, Supervisory Committee of the
Awqaf Properties Investment Fund

SHARI'AH AUDITOR'S REPORT – 2017

To: The Chairman and Honourable Members of the
Participants Committee of the
Awqaf Properties Investment Fund

Assalamu Alaikum Warahmatullah Wabarakatuh,

In accordance with the second principle of the governance statement of the Awqaf Properties Investment Fund (the Fund) which stipulates that the Fund shall ensure its commitment to Shari'ah through an independent Shari'ah advisor, I hereby submit the report in fulfillment of my duties and responsibilities in my capacity as Shari'ah Advisor.

I have examined the applicable principles used and contracts governing the transactions and the applications developed by the Fund during the period. I have carried out the necessary audit to express my opinion as to whether the Fund has complied with Shari'ah principles in conformity with resolutions issued by the International Islamic Fiqh Academy and decision (fatawa) made by the Shari'ah Board of the Islamic Development Bank Group.

I have reviewed two of the projects approved and two financing agreements signed during the period 1/01/2017 to 31/12/2017. I have also listened to the clarifications presented by the Management which confirmed that it applied the Bank's approved contracts in accordance with Shari'ah principles.

The management of the Fund bears the responsibility to ensure that its operational activities are carried out in accordance with the principles of Shari'ah. My responsibility is limited to express an independent opinion based on my audit following the review of all the necessary information which is sufficient for making a reasonable assertion that the Fund has not contravened Shari'ah rules and principles. In my opinion:

- a) The contracts, operations and transactions concluded by the Fund during the period 01/01/2017 to 31/12/2017 and which I have reviewed have been implemented in conformity with Shari'ah rules and principles.
- b) The distribution of dividends and charging of losses to the investment certificates comply with the approved rules in accordance with Shari'ah principles.
- c) There were no gains derived from sources or prohibited means that may be spent on charitable purposes.
- d) Since the Management of the Fund is not authorized to give Zakat, it is the responsibility of the institutions and bodies of the private sector to do so. Government and Waqf organizations are exempted from Zakat as their financial resources are utilized for the interests of the public or charitable purposes.

I pray to Allah Almighty to grant the Fund and its founders success in their endeavours.



Aboubacar Salihou KANTE
IDB Group Internal Shari'ah Auditor



THE ROLE OF AWQAF IN IMPROVING THE SOCIO-ECONOMIC CONDITIONS OF THE MUSLIM UMMAH

Islamic institutions like Zakat and Awqaf are very important economic tools that, should they be implemented well, will not only help to eradicate poverty from the Muslim Communities but will reduce government spending, reduce the need for taxes and contribute towards better socio-economic justice and development. They have the potential to alleviate high unemployment and acute poverty, narrow the gap between rich and poor, and complement government's efforts in providing health, education and other social services to the population.

Historically, institutions like Zakat and Awqaf have contributed greatly to the advancement of knowledge, establishment of hospitals, orphanages, schools, universities, etc., in Muslim countries and led to a great civilization that spread from Indonesia to Andalusia.

Should these institutions be revived and reactivated, they may be able to contribute significantly in solving many of the socio-economic problems prevailing among Muslim societies, reduce the burden on government expenditures and lead to a better life for the communities and ultimately to the improvement of the socio-economic conditions of the Muslim Ummah.

Keeping in view the importance of the waqf sector, the IDB established the Awqaf Properties Investment Fund as a means to reviving the Sunnah of waqf. The Fund has, since its inception in 2001, helped to develop numerous idle waqf properties in various parts of the world, both in IDB member countries and non-member countries. Today, these properties are generating income that are being used for the welfare of the under-privileged segments of the society.

LEGAL STATUS AND MANAGEMENT OF AWQAF

From a legal point of view, the ownership of a waqf property is surrendered by the person who created the waqf. Some Muslim jurists argue that the right of ownership of waqf belongs to Allah Almighty, in the sense that the beneficiaries are not permitted to dispose of the property or use it in a way that is different from what was decreed by the founder. This underlies the perpetuity of the waqf that once an asset is registered as waqf, it remains a waqf forever.

In principle, the founder of the waqf (waqif) determines the type of management of the waqf. The waqf manager (nazer or mutawalli) has the responsibility to administer the waqf property in the best interests of the beneficiaries designated by the waqif.

In many Muslim countries, government ministries /corporations or specialized agencies play the role of nazer. In countries where the waqf may be unfamiliar, Muslim communities have been able to organise and manage their awqaf in accordance with Islamic Shariah within the limits of prevailing laws and regulations governing foundations, trusts and charitable organisations.



ESTABLISHMENT OF THE FUND

During the 6th Conference of Awqaf and Islamic Affairs of OIC member countries which were held in Jakarta, Indonesia on 29th October 1997, the Islamic Development Bank articulated its vision of a global fund for the development of, and investment in, Islamic endowment properties. This vision came from the Bank's own mission as an Islamic developmental institution and its recognition of the important role that the waqf has played in the socio-economic development of the Islamic society in favour parts of the world. Nine other founding institutions shared the Bank's view and saw the opportunity to create a fund that would provide long-term financing support to the sector from a stable base and a global footprint.

During the Fund's inaugural meeting which took place on 9.11.1421H (3.2.2001G), all ten founding institutions signed the Memorandum of Understanding for the establishment of the Fund. Their total subscriptions amounted to US\$ 50 million. The door was left open for other organizations and institutions to subscribe to the Fund in accordance with the procedures provided in the byelaws of the Fund.

Purpose of the Fund

The purpose of the Fund is to invest in and develop, in accordance with the principles of Islamic Shariah, awqaf real estate properties that are socially and financially viable, in the member countries of IDB and Islamic communities in non-member countries.

As manager of the Fund, the Mudarib (IDB) certainly seeks to ensure that participants are well rewarded for their investment in a manner consistent with the risks involved and comparable with other similar investments, but APIF goes further than that. As a fund dedicated to the development of Islamic awqaf, it owes responsibility to the ultimate beneficiaries of the waqf, i.e. the needy, the destitute, the orphaned, the elderly and the handicapped.

Operational Strategies of the Fund

The Fund provides a full spectrum of real estate business opportunities from development and asset management to complex project financing initiatives. Its operations provide diverse investments spread over in various countries and financing platform across the risk/return dimensions tailored to the needs of awqaf institutions and charitable organizations worldwide. Key sectors include residential, commercial, retail and mixed-use facilities.

The focus of the Mudarib is the long-term success of the Fund for the benefit of all stakeholders: waqifs, nazers, beneficiaries, unit holders and the public at large.

The following are the key elements of the Fund's strategy:

Global reach: The geographical spread of APIF's operations, which are not confined to IDB member countries, underlines the global platform for the Fund's operations.

Integrated services: The Fund seeks to partner with capital providers: APIF's own capital resources, IDB departments and financing windows, other Islamic banks and financial institutions, conventional investors and BOT operators looking for developmental opportunities.

Financial packaging: The Fund harmonizes the interplay between capital requirements, technical and design work, revenue and ongoing property management in order to optimize the facilities delivered to awqaf customers and enhance the returns to investors and eventually to the ultimate beneficiaries of the waqfs.



Financial Resources of the Fund

The Fund's Regulations set the initial capital of the Fund at US\$50 million, divided into 5,000 certificates, having a value of US\$10,000 each. The Regulations also provided for the minimum subscription in the Fund to be US\$1 million. The Participants' Committee has since approved increasing the capital of the Fund to US\$100 million.

The IDB Board of Executive Directors, in its 185th meeting, approved the subscription of IDB by an amount of US\$20 million representing 40% of the total subscribed capital of the Fund. Fourteen other participants including Ministries of Awqaf, Awqaf Organizations and Islamic banks have subscribed in the capital of the Fund. The paid-up capital of the Fund as of end 31/12/2017 amounted to US\$76.410 million. The names of participants and the amounts subscribed are given in Annex-I.

IDB Support

To support the activities of the Fund, the IDB has provided a line of financing of US\$100 million to the Fund. In addition, the Bank has approved an amount of US\$475,000 for providing technical assistance for preparing feasibility studies and concept and preliminary design of qualifying projects.

IDB, as part of its commitment to the development of Awqaf properties, has made significant efforts on research and publications, and has convened conferences aimed at the revival of the Sunnah of Waqf. IDB has also been instrumental in developing Awqaf as a modern institution at the macro level. It is also willing to assist its member countries to establish the appropriate level and financial framework to promote the development of the waqf sector in these countries. To support this objective, the IDB established the World Waqf Foundation (WWF), which aims to establish a network of waqf institutions that would undertake Shariah compliant charitable activities, support waqf institutions, contribute to the alleviation of poverty, etc.



Commercial Waqf Building for Towfiq Trust - Nairobi, Kenya

THE YEAR UNDER REVIEW

During the year 2017, the Fund has delivered good results especially on the operational side despite difficulties in obtaining co-financing for awqaf projects from other financial institutions.

Although it has been a challenging year, the Fund was able to approve financing for seven projects having total value of US\$ 74.21 million for Fiji, Bangladesh, Uganda, Kenya, Djibouti and Bosnia and Herzegovina. In the course of managing its liquidity, the Fund also invested in short-term Murabaha operations, Ijarah sukuk and non-waqf operations.

Financial Performance of the Fund

Assets of the Fund

APIF remains in a firm financial position underpinned by its strong balance sheet and the improved quality of its earnings, though the task ahead is to improve the return on capital. Total assets of the Fund amounted to US\$ 88, 742 million at the end of 2017 compared to US\$ 90,018 million as at 31/12/2016. The table below summarizes the asset composition at 31/12/2017 and 31/12/2016

Table-1: Asset Composition (US\$ thousand)

	As at 31/12/2017		As at 31/12/2016	
	Amount	%	Amount	%
Cash & Cash Equivalent	9,542	10.7	8,031	17.9
Investments–Ijarah Muntahia Bittamleek	26,588	29.9	27,144	28.9
Investments–Islamic Ijarah Sukkuks	34,492	38.9	39,406	38.4
Investments–Islamic Lease Fund	1,137	1.3	1,087	1.3
Receivables–Murabaha Syndications	0	0	0	0
Receivables-Line of Financing	2,829	3.2	2,478	3.1
Receivables–Istisna’a	5,125	5.8	5,235	5.2
Financing-Musharakah	2,486	2.8	2,486	2.8
Instalment Sale	2,750	3.1	0	0
Accrued Income and Other Assets	3,793	4.3	4,151	2.4
Total Assets	88,742	100	90,018	100

Financial Indicators

The financial performance indicators of the Fund for the year 2017 in comparison with the period of 2016 are presented in the following Table:

Table-2: Financial Indicators (US\$ million)

Financial Indicators	31/12/2017	31/12/2016
Net Assets	88.74	90.02
Net Income before Mudarib's share	3.08	3.20
Mudarib's share of net income	0.31	0.32
Transfer to General Reserve	0.432	0.319
Dividend	2.31	1.91
Dividend/Paid-up Capital - Declared Dividend	3.02%	2.50%
Average LIBOR (%)	1.79%	1.38%
Net Asset Value Per Certificate	11,399	11,338

The earning per certificate, after Mudarib's share of net income amounted to US\$363 in 2017

Dividend distribution

In accordance with Article 19.0 of the Fund's Regulations, the Fund has declared a dividend of 2.5% of the paid-up capital for the year ended 31/12/2017.

Operational Performance

During the year 2017, the Fund has approved seven projects having a total project amount of US\$74.21 million for different IDB member and non-member countries. The table below gives the details:

Table-3: List of APIF Projects Approved From 01/01/2017 to 31/12/2017 (US\$ million)

#	Project Name	APIF	IDB Line	Beneficiary	Total
1	Construction of Waqf Commercial and Residential Complex in Suva City in favour of Fiji Muslim League	4.00	7.60	6.40	18.00
2	Construction of Anjuman Jamilur Rahman Waqf Tower in Dhaka, Bangladesh	3.00	3.00	20.60	26.60
3	Construction of Waqf Residential Complex in Kampala, Uganda in favour of Mogadishu University	2.66	8.00	4.44	15.10
4	Construction of Mixed Use Waqf Building in Nairobi, Kenya in favour of Zamzam Foundation	2.00	4.50	3.40	9.90
5	Construction of Waqf Commercial and Residential Complex in Djibouti (Supplementary Financing)	0.65	0.92	-	1.57
6	Construction of a Waqf Residential Building in favour of the Awqaf Authority in Mostar, Bosnia	1.18	1.18	-	2.36
7	Construction of a Waqf Commercial Property in favour of the Awqaf Authority in Mostar, Bosnia	0.34	0.34	-	0.68
	Total Amount	13.83	25.54	34.84	74.21



A brief description of each project is given below:

1 - Construction of Waqf Commercial and Residential Complex in, Suva City - Fiji

The objective of the project is to generate a regular income in favour of Fiji Muslim League that will serve to enhance its activities in the educational, social and religious fields.

The project is located on a Waqf land having an area of 55,000 m² in the Capital Suva. The project entails the construction of a residential building of 7 floors comprising 38 apartments and a commercial building comprising 35 retail units, with total construction area of 6,300 m².

The estimated cost of the project is US\$18.00 million to be financed by APIF: US\$4.0 million, APIF Line: US\$7.6 million, whereas the Fiji Muslim League will participate with US\$6.40 million.

2 - Construction of Anjuman Jamilur Rahman Waqf Tower in Dhaka, Bangladesh

The objective of the project is to generate a regular income for Anjuman Mufidul Islam Society that will serve to enhance its activities and operations in the educational and social fields in Bangladesh. This will be achieved through the construction of an office tower on a piece of land of 1,600 m². The project would comprised of three basements for car parking and 15 floors for offices with having a total construction area of 19,800 m².

The total cost of the project is estimated at US\$ 26.6 million. IDB will finance an amount of US\$6.0 million (APIF: US\$3.0 million and APIF Line: US\$3.0 million) and the beneficiary will contribute the remaining amount of US\$20.6 million (including US\$16.0 million value of land).

3 - Construction of a Waqf Residential Complex in Kampala, Uganda

The project aims at the construction of a residential complex in Kampala, which will provide a continuous source of income for the educational programs of the Mogadishu University.

The project would be constructed on a land having an area of 6,070 m². Following its construction, the project will provide a total construction area of 20,800 m². The project entails the construction of a housing complex that would comprised of three eight floors residential buildings. The buildings will accommodate 96 residential apartments in it.

The total cost of the project is estimated at US\$15.1 million. IDB will finance part of the cost of the project for an amount of US\$10.66 million (APIF: US\$2.66 million and APIF Line: US\$8.00 million). The Beneficiary will contribute the remaining amount of US\$4.44 million.

4 - Construction of Mixed Use Waqf Building in Nairobi, Kenya in favour of Zamzam Foundation, Somalia

The project is located in Nairobi and its income will be used to finance part of Zamzam Foundation's charitable activities in Somalia, particularly in the field of education, health, water supply, support to orphans and emergency relief. The project will be constructed on a piece of land measuring an area of 1,266 m². It entails the construction of a mixed-use 14-storey building comprising 2 floors of retail units, 2 floors of office units and 10 floors of furnished apartments with a total construction area of 9,660 m². The total cost of the project is estimated at US\$ 9.90 million. IDB will finance part of the cost of the project for an amount of US\$6.50 million (APIF: US\$2.0 million and APIF Line: US\$4.50 million). The beneficiary will contribute the remaining amount of US\$3.40 million.

5 - Construction of Waqf Commercial and Residential Complex in Djibouti

The objective of the project is to generate income for the Ministry of Islamic Affairs and Awqaf Properties, Djibouti, to enhance its capacity in delivering its mandate in the social and religious spheres.

IDB previously approved a financing for US\$8.5 million for the construction of a shopping complex, residential apartments and offices. During the implementation, some improvements were desirable that would make the project more attractive to potential users. Therefore, IDB approved an additional financing of US\$1.57 million in 2017, which includes a contribution US\$0.65 million from APIF and US\$0.92 million from the IDB Line.

6 - Construction of a Waqf Residential Building in favour of Majlis Mostar, Bosnia Herzegovina.

The objective of the project is to generate a regular income to support the financial position of the Islamic Community of Mostar and activities of the Waqf Directorate, Bosnia & Herzegovina.

The project entails the construction of four residential buildings, which will have a total construction area of 2,600 m². The project will be used as elderly housing for the citizens of Bosnia and Herzegovina. The total cost of the construction is estimated at US\$2.36 million, which will be fully financed by IDB (APIF: US\$1.18 million: APIF Line US\$1.18 million). The beneficiary will contribute the project land.

7 - Construction of a Waqf Commercial Property in favour of Majlis Mostar, Bosnia Herzegovina

The objective of the project is to generate a regular income to support the financial position of the Islamic Community of Mostar and activities of the Waqf Directorate, Bosnia & Herzegovina.

The project entails the construction of one storey commercial building comprised of shops and restaurants. The building will have a total construction area of 1,100 m².

The total cost of the project construction is estimated at US\$0.68 million, which will be financed by IDB (APIF: US\$0.34\$ million; APIF Line: US\$0.34\$ million). The beneficiary will contribute with the project land.



Agreement Signing Ceremony for Commercial Waqf Project
for Zamzam Foundation, Nairobi, Kenya

FUTURE PLANS AND OUTLOOK

Awqaf Properties Investment Fund (APIF) was established for the development of Waqf properties globally. APIF played a pivotal role in the development of Waqf sector by providing technical and financial assistance for the promulgation of Waqf laws in the IDB member countries. Additionally, since its inception in 2001, APIF has approved 55 projects, worth of US\$1.1 billion in 30 IDB member and non-member countries.

Despite its limited resources, APIF has achieved numerous accomplishments and milestones; nonetheless, there is worth billions of dollars of awqaf properties that could be effectively used to fight poverty and promote human development.

In consideration of the above, the IDB, as Manager of the Fund, is planning to increase the magnitude of Awqaf operations manifold. In order to achieve this objective, APIF has launched several novel initiatives, which includes,

but is not limited to, carefully reviewing its existing business model and formulating a strategy that will realize the IDB Management's vision in to reality.

In this context, new opportunities for resource mobilization are being explored, which include reaching to potential donors and investors who strongly believe in the potential of Waqf, partnering with sovereign wealth & pension funds, crowd funding, consorting with Export Credit Agencies for syndication and co-financing of APIF projects based on the deal driven approach.

APIF is also partnering with the Islamic Solidarity Fund for Development (ISFD) which already has special agreements with several IDB member countries that will enable ISFD to receive Waqf lands in order to develop them into revenue generating assets. Additionally, a pipeline of high quality waqf projects associated with the philanthropic organizations, NGOs and Ministries based in IDB member and non-member countries has been developed. These projects will assist the governments and the philanthropic organizations to perform their human development role in a sustainable way.

Regional funds are being established to support the local Waqf properties. As a pilot project, a special fund for Saudi Arabia is being studied at the Bank. The fund will be used for the development of Waqf properties in the Kingdom. Upon successful implementation of the Fund, the model will be replicated in other regions and counties also.

The idea of establishing an Awqaf Capital Fund (ACAP) is also envisioned. This Fund will provide a global investment platform for Waqf donors, charity organizations and investors and will generate income that will be used in the field of socio-economic development.



Al Azhari Commercial & Residential Complex Khartoum , Sudan
(Project financed by APIF in favour of National Student Welfare Fund, Sudan)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

IDB is a leading advocate of sound corporate governance. As the Mudarib and being the responsible entity for APIF, it has established the best principles and practices of corporate governance for the Fund. It has adopted systems of control and accountability as the basis of the administration and management of the Fund. This statement outlines the main corporate governance practices that were in place or adopted during the year.

➤ **Principle 1: Lay Solid Foundations for Management and Oversight**

The Bank manages the Fund in accordance with the principles of Mudarabah. Thus, the Fund is managed as a financially and administratively separate organization with due regard to all of the Fund's stakeholders and its role in awqaf affairs. IDB's functions as Mudarib include custody of the Fund's assets and monitoring the Fund's operations to ensure compliance with the Regulations. It is also responsible for the strategic direction and management of the Fund's portfolio, as well as the day to day administration of the Fund.

- The Board of Executive Directors

The Bank's Board of Executive Directors has the overall responsibility of the business of the Fund. It validates and approves business strategy and business plans, reviews business results and monitors budgetary controls and ensures compliance with the Fund's Regulations, the policies and the approved investment guidelines and compliance with the rulings of the International Islamic Fiqh Academy, the standards of AAOIFI and the regulations of the various jurisdictions where it operates.

- Participants Committee

The Participants Committee has the advisory and control powers to ensure implementation of the provisions of the Fund's Regulations and the guidelines for investment of the Fund's financial resources, in addition to reviewing and approving the Annual Report and final accounts of the Fund. The Members of the Participants Committee during the year are listed in Annex-II.

- Supervisory Committee

The Supervisory Committee is composed of the President of the Bank, three members of IDB Board of Executive Directors, two members nominated by every participant holding certificates with a nominal value of US\$ 10 million or more and a member for each participant holding certificates with a nominal value of US\$ 5 million or more but less than US\$10 million. This Committee is responsible for examining the quarterly accounts of the Fund and for proposing guidelines and policies for the Fund. This Committee is also responsible for periodic review of the performance of the Fund and for submitting reports on such performance to the Participants Committee and the Board of Executive Directors. The Members of the Supervisory Committee are listed in Annex III.

- Management Committee

The Management Committee (MC) is chaired by the Vice President (Finance) and CFO, and includes senior staff from the various departments of the Bank. The MC has the responsibility to ensure full compliance with the Regulations and Investment Guidelines, and the requirements of the statutory authorities in the countries of the Fund's operations. In addition, the MC considers due diligence reports and issues relating to the Fund's investments. The members of the Management Committee are listed in Annex-IV.

- Technical Review Committee

The Technical Review Committee (TRC) is responsible to review every project proposal submitted to APIF covering, inter alia, financial, legal and risk related issues, prior to submission of the projects to the Management Committee (MC) for clearance. The members of the Technical Review Committee are listed in Annex-V.

Other Committees

Other committees are established from time to time as required to consider matters of special importance including capital strategies, major investments and commitments, capital expenditure, staff appointments and the allocation of resources.

➤ Principle 2 : Ensure Shariah compliance

The Bank's policy and practice is not to deviate from the Shariah in any way. Shariah compliance of the Fund is assured by the Shariah Auditor who reviews each transaction for compliance with the rulings and decisions of the International Islamic Fiqh Academy and the fatwas of the Shariah Committee of the Bank. As a fund with a mission, every project must be properly justified as a service to the Ummah.

➤ Principle 3: Internal Audit and Control

The Fund's internal audit function is a component of the Bank's internal control environment. Internal audit operates within the framework of the Bank's policy on internal audit which aims at ensuring the continuous and effective operation of internal controls across the IDB Group. The policy gives authority to the internal audit function based on the principles of independence, compliance with standards, internal control, and practice methodologies, reporting and external audit liaisons within which internal audit operates.

The Group Internal Audit Department (GIAD) of IDB liaises with the Management of the Fund to identify areas of procedural efficiency and improvement. The GIAD has direct access to all employees (and the external auditors) without management interference.

In addition, the external audit is also undertaken by the external auditors once at the end of the financial year.

➤ Principle 4: Promote Ethical and Responsible Decision Making

Staff members are required to meet high standards of honesty and integrity. IDB has adopted a "Code of Conduct" that outlines standards of behaviour to be met by all employees. The rules of the Code of conduct are published in the IDB three working languages. These rules require the observance of strict ethical guidelines. They cover personal conduct, honesty, relations with investors and borrowers, prevention of fraud, conflict of interest and disclosure.



➤ Principle 5: Risk Management

The Mudarib of the Fund has a formal Group-wide risk management program, based on proactive rather than reactive management of risk. This program is supported by IDB's Risk Management Policy which has been endorsed by the Board of Executive Directors. The Group Risk Management Department overviews and monitors the risk profile of existing and future business operations. Each investment operation is screened for viability and is protected by adequate guarantees and insurance programs. The internal audit team reports to the Audit Committee of the Mudarib on the nature and materiality of risks. The external auditor also reports findings on relevant risk issues to the Board of Executive Directors and the Participants Committee.

➤ Principle 6: Make Timely and Balanced Disclosures

The Mudarib has a commitment to a high level of disclosure to the market and its participants. As a result to this commitment and rigorous internal procedures, quarterly actual results of the Fund are reported against budget and monitored by Management. The Fund reports to the Supervisory Committee on quarterly basis and to the Participants Committee on yearly basis.

The Fund's liquid balance and foreign exchange positions are managed by the IDB Treasury Department, which, after consultation with the Fund, determines position taking with external organizations. Funding, cash management, financial instruments and commodity hedging tools are managed through policies, procedures and limits that are subject to internal and external review.

➤ Principle 7: Post Evaluation of Completed Operations

The Mudarib's Group Operations Evaluation (GOE) Department is responsible to enhance the development effectiveness of the IDB Group's interventions by promoting learning and accountability. In this regard, the GOE Department conducts post-evaluation of completed operations for the purpose of assessing the development results and drawing lessons and recommendations that feed into the planning of new projects for effective development efforts.

As such, the GOE Department is involved in conducting post-evaluation of APIF operations and communicates evaluation results and impact of APIF interventions, identifies lacking areas/gaps and lessons learned, and makes recommendations to the Management for improvements, as required, towards achieving the targeted goals with quality and efficiency.





Financial Statements and Auditors' Report

For the Year ended
31 December 2017G



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INDEPENDENT AUDITOR'S REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah
Kingdom of Saudi Arabia

Report on the financial statements

We have audited the accompanying statement of net assets and portfolio investments, receivables and financing of Islamic Development Bank – AWQAF Properties Investment Fund (the "Fund") as of 31 December 2017 and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31 December 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank and the financial accounting standards issued by the AAOIFI.

For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

15 March 2018
27 Jumada II 1439 H

Jeddah
17/404/00



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF NET ASSETS
AS AT 31 DECEMBER 2017
(Expressed in thousands of US Dollars)

	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	3	9,542	8,031
Investments:			
Ijarah muntahia bittamleek, net	4	26,588	27,144
Islamic Ijara sukuk	5	34,492	39,406
Islamic lease fund		1,137	1,087
Receivables:			
Istisna'a		5,125	5,235
Instalment sales		2,750	-
Financing			
Line of financing		2,829	2,478
Musharaka		2,486	2,486
Accrued income and other receivables		535	3,933
Due from related parties	7	3,258	218
TOTAL ASSETS		88,742	90,018
LIABILITIES			
Due to a related party	7	-	1,073
Accrued expenses and other payables		1,330	1,385
Accrued Mudarib's share of income		309	560
Dividends payable		-	364
TOTAL LIABILITIES		1,639	3,382
NET ASSETS		87,103	86,636
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	6	76,410	76,410
Premium on certificates		1,346	1,346
General reserve		5,501	5,069
Retained earnings		3,846	3,811
TOTAL CERTIFICATE HOLDERS' EQUITY		87,103	86,636
NUMBER OF CERTIFICATES OUTSTANDING	6	7,641	7,641
NET ASSET VALUE PER CERTIFICATE		11.399	11.338

The accompanying notes from 1 to 19 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING
AS AT 31 DECEMBER 2017
(Expressed in thousands of US Dollars)

	31 December 2017		31 December 2016	
	Amount	% age of Portfolio	Amount	% age of Portfolio
INVESTMENTS				
Ijarah muntahia bittamleek	26,588	35%	27,144	35%
Islamic ijara sukuk	34,492	46%	39,406	51%
Islamic lease fund	1,137	1%	1,087	1%
RECEIVABLES				
Istisna'a	5,125	7%	5,235	7%
Instalment sales	2,750	4%	-	-
FINANCING				
Line of financing	2,829	4%	2,478	3%
Musharaka	2,486	3%	2,486	3%
Total	75,407	100%	77,836	100%

The accompanying notes from 1 to 19 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF OPERATIONS
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

	Notes	For the year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
INCOME FROM INVESTMENTS, RECEIVABLES AND FINANCING			
Investments:			
Ijarah muntahia bittamleek	4	3,079	6,249
Depreciation - Ijarah muntahia bittamleek		(2,112)	(3,809)
Islamic Ijara sukuk		1,291	1,435
Islamic lease fund		80	112
		2,338	3,987
Receivables:			
Istisna'a		188	160
Murabaha syndications		-	19
		188	179
Total income from investments, receivable and financing		2,526	4,166
Income from cash and cash equivalents		24	6
Other income		72	50
Reversal / (Provision) for impairment		53	(377)
Administrative expenses		(100)	(93)
Exchange gain / (loss)		508	(550)
Net income before Mudarib's share of income		3,083	3,202
Mudarib's share of net income	8	(308)	(320)
Increase in net assets representing net income for the year / period		2,775	2,882
Earning per certificate		0.363	0.377

The accompanying notes from 1 to 19 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

	Notes	Certificate holders' contribution	Premium on certificate	General reserve	Retained earnings	Total
Balance at 13 October 2015		76,410	1,346	4,750	3,156	85,662
Net income for the period before Mudarib's share		-	-	-	3,202	3,202
Mudarib's share of net income	8	-	-	-	(320)	(320)
Dividends*	8	-	-	-	(1,908)	(1,908)
Transfer to general reserve*		-	-	319	(319)	-
Balance at 31 December 2016		76,410	1,346	5,069	3,811	86,636
Net income for the year before Mudarib's share		-	-	-	3,083	3,083
Mudarib's share of net income	8	-	-	-	(308)	(308)
Dividends*	8	-	-	-	(2,308)	(2,308)
Transfer to general reserve*		-	-	432	(432)	-
Balance at 31 December 2017		76,410	1,346	5,501	3,846	87,103

* Represents appropriations of the net income of the previous period. Appropriations from net income of the current year will be reflected in the first day of the following year.

The accompanying notes from 1 to 19 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

	Notes	For the year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
OPERATING ACTIVITIES			
Net income after Mudarib's fee		2,775	2,882
Adjustments of non-cash items:			
Depreciation of Ijarah assets	4	2,112	3,809
Mudarib's share of net income		308	320
(Reversal) / Provision for impairment	4	(53)	377
<i>Changes in operating assets and liabilities:</i>			
Murabaha syndications		-	1,993
Accrued income and other receivables		3,398	(1,961)
Due from related parties		(3,040)	3,198
Due to a related party		(1,073)	1,073
Accrued expenses and other payables		(55)	649
Cash from operations		4,372	12,340
Mudarib's share of income paid		(559)	-
Net cash from operating activities		3,813	12,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Ijarah Muntahia Bittamleek		(1,503)	(6,306)
Investment in leasing funds		(50)	174
Instalment sales		(2,750)	-
Istisna'a		110	(3,671)
Islamic Ijarah Sukuk		4,914	(10,371)
Line of financing		(351)	473
Net cash from / (used in) investing activities		370	(19,701)
FINANCING ACTIVITY			
Dividends paid		(2,672)	(1,953)
Net cash used in financing activities		(2,672)	(1,953)
Net change in cash and cash equivalents		1,511	(9,314)
Cash and cash equivalents at the beginning of the year / period		8,031	17,345
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	9,542	8,031

The accompanying notes from 1 to 19 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017

(Expressed in thousands of US Dollars)

DATA PER CERTIFICATE

Net Assets value – beginning of the year
 Net Income before Mudarib's share of Income
 Less : Mudarib share of Income
 Net Income after Mudarib's share of Income
 Dividends
 Net assets value – end of the year

For the year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
11.338	11.211
0.403	0.419
(0.040)	(0.042)
0.363	0.377
(0.302)	(0.250)
11.399	11.338

The data per certificate is calculated using the number of certificates outstanding at 31 December 2017 and 31 December 2016, which were 7,641 certificates.

	For the year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
FINANCIAL RATIOS/SUPPLEMENTARY DATA:		
Net assets - end of the year / period	87,103	86,636
Average of net assets	86,870	86,149
Ratio of expenses to average of net assets	2.55%	3.75%
Annual rate of return	3.55%	3.07%

The accompanying notes from 1 to 19 form an integral part of these financial statements.



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

Notes to the Financial Statements

For the year ended 31 December 2017

(Expressed in thousands of US Dollars)

1. ORGANIZATION AND ACTIVITIES

The Fund is a trust fund established under Article numbers 2 and 23 of the Articles of Agreement of Islamic Development Bank (IDB or the Bank) based in Jeddah, Saudi Arabia and pursuant to the memorandum of understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries in 1422H (corresponding to 2001). The certificate holders in the Fund are the Bank, participating institutions and religious authorities in the Islamic countries. The Fund commenced operations on 1 Rajab 1422H (corresponding to 19 September 2001). The Fund operates within certain conditions and restrictions as stipulated in its regulations.

The objective of the Fund is to invest in financially viable projects for the development of Awqaf real estate properties in the member countries of the Organization of the Islamic Conference ("OIC") and other countries. The Fund has been established for an extendable period of thirty years, unless terminated earlier, in accordance with the conditions laid down in its regulations.

The Fund is managed by the Bank as Mudarib in accordance with the rulings and principles of Shari'ah. The Fund has Supervisor Committee ("the Committee") selected by the founding members of the Fund. The Committee oversees the actions of the Mudarib and the general policies of the Fund.

The Fund is a specialized trust fund established to operate in accordance with the principles of Islamic Shari'ah.

The Board of Governors of IDB passed a resolution BG/4-436 approving the use of the Solar Hijri calendar in determining the start and end dates of the financial year whilst maintaining the Lunar Hijri as the official calendar of the Bank. Thus, all financial reporting periods of the Bank and its trust and special funds covers the period equivalent from 1st January to 31st December. As a result of this transition of the financial year, the prior year financial statements covered a period of 444 days from 14th October 2015 to 31st December 2016 ("period ended 31 December 2016"). As a result, the corresponding figures are not comparable with the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The Fund adopts the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters which are not covered by AAOIFI standards, the Fund seeks guidance from the relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept, except for Investment in Sukuk which is carried at fair value. The financial statements have been presented in thousands of US Dollars.

c) Investment in Sukuk

Investments in Sukuk are debt-type instruments classified as either measured at amortised cost or at fair value through income statement (statement of operations).

Sukuk is measured at amortised cost only if it is managed on a contractual yield basis or it is not held for trading and has not been designated at fair value through the income statement (statement of operations).

Sukuk classified and measured at fair value through income statement (statement of operations) are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss recognized in the income statement (statement of operations). Transaction costs are expensed immediately on the date the contract is entered into.



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Ijarah Muntahia Bittamleek

This represents assets owned by the Fund and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries in the form of grant or symbolic sale at the end of the lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the reporting date. Ijarah assets are depreciated on the estimated

Ijarah assets under construction are stated at the cost of asset's manufacturing or acquisition. Assets under construction are not depreciated. No rental income is recognised on the assets during the period of construction/manufacturing.

A provision for doubtful receivable is made if, in the opinion of management, the outstanding rentals net of security, are doubtful of recovery.

e) Istisna'a contract

Receivable from Istisna'a contracts represents the disbursements made as of the reporting date against the assets acquired for an Istisna'a project plus income recognized.

f) Instalment sales

Instalment sale agreement are deferred sale agreements whereby the fund sells an asset, which the fund has purchased and acquired based on a promise from the customer to buy. The selling price comprises the cost, plus an agreed profit margin. Amounts receivable from the instalment sale transactions are stated at selling price, less unearned income, less repayments and provision for impairment (if any).

g) Musharaka financing

Musharaka financing is partnership in which the Fund contributes capital. Musharaka financing is stated at cost less received amounts as a repayment of the Musharaka capital.

h) General reserve

In accordance with the regulations of the Fund, the Mudarib is authorized by the Participants, before paying any dividends, to set aside, from the net income of the Fund such sums as it thinks proper, as general reserve to strengthen and support the Fund, provided it does not exceed 20% of the net income of the year, until such reserve equals 50% of the Fund's capital.

i) Foreign currencies

Transactions in foreign currencies are recorded in US Dollars at the rate of exchange ruling at the date of the transaction. Any monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of operations.

j) Revenue recognition

Islamic Ijarah Sukuk

Income from investments in Islamic Ijarah Sukuk is accrued on a time apportionment basis using the effective rate of return.

Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is recognised on a time-apportioned basis over the lease term.

Istisna'a

Income from Istisna'a is recognized using the percentage of completion method based on return stipulated in the Istisna'a agreement.



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

(Expressed in thousands of US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Revenue recognition (continued)

Instalment sale

Income from instalment sale are recognised using the effective yield over the period of respective transactions.

Musharaka

Income on Musharaka financing is recognised when the right to receive payment is established or on distribution. The Fund's share of loss is recognized in the period in which the losses are deducted from its share of Musharaka capital.

Cash and cash equivalents

Income from cash and cash equivalents is recognized when such income is earned. Income from short-term commodity transactions is accrued evenly over the period from actual disbursement date of the funds to the maturity date.

k) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of operations. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

l) Cash and cash equivalents

For the purpose of Statement of Cash Flows, "cash and cash equivalents" consist of cash at bank and short-term investments with original maturities of 90 days or less.

m) Zakat and tax

The Fund is considered a Bait-ul-Mal (public money), hence is not subject to Zakat or any Taxes.

n) Subsequent event

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

Critical accounting judgments and estimates

The preparation of financial statements in accordance with FAS issued by AAOIFI requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and incomes and expenses. It also requires Management to exercise its judgment in the process of applying the Fund's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarised below:

Significant Judgments

Functional and presentation currency: Since most of the operations are conducted in USD and disbursements are made in USD, Fund's functional and presentation currency is USD.

Going concern: The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Significant estimates

Provision for impairment of financial assets: The Fund exercises judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is set out in the Significant Accounting Policies section "Impairment of financial assets".

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and estimates (continued)

Fair value of financial Instruments: The fair values of financial instruments that are not quoted in active markets is measured by using valuation techniques which require a certain degree of judgement and estimation.

3. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in bank	6,202	8,031
Investments in short-term commodity placements with banks	3,340	-
Cash and cash equivalents	9,542	8,031

4. IJARAH MUNTAHIA BITTAMLEEK, NET

The movement in Ijarah Muntahia Bittamleek during the year / period is as follows:

	For the Year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
Cost		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year / period	12,318	8,355
Additions	3,018	3,963
Balance at end of the year / period	15,336	12,318
Assets in repayment period:		
Balance at beginning of the year / period	61,180	57,686
Adjustments	-	3,494
Balance at end of the year before allowance for impairment	61,180	61,180
Total costs	76,516	73,498
Accumulated depreciation:		
Balance at beginning of the year / period	49,952	46,143
Charge for the year / period	2,112	3,809
Balance at end of the year / period	52,064	49,952
Net book value	24,452	23,546
Plus: Ijarah overdue receivables	3,268	4,783
Less: Allowance for impairment	(1,132)	(1,185)
Total Investment in Ijarah assets	26,588	27,144

The movement in allowance for impairment against Ijarah assets is summarized as follows:

	For the year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
Balance at the beginning of the period	1,185	808
(Reversal) / charge for the year / period	(53)	377
Balance at the end of the year / period	1,132	1,185

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

5. INVESTMENTS IN ISLAMIC IJARAH SUKUK

Investment in Islamic Ijarah Sukuk certificates represents a share in the Sukuk issued by various governments, financial institutions and certain other entities.

Investments in Islamic Ijarah Sukuk are classified as follows:

	31 December 2017	31 December 2016
Governments	29,263	29,323
Other Entities	5,229	10,083
	34,492	39,406

Investments in Islamic Ijarah Sukuk as at 31 December comprised the following:

	31 December 2017	31 December 2016
Sukuk classified as fair value through income statement	19,789	24,754
Sukuk classified at amortised cost	14,703	14,652
Total	34,492	39,406

The movement during the year / period is as follows:

	For the Year ended 31 December 2017	For the period from 14 October 2015 to 31 December 2016
Balance at beginning of the year / period	39,406	29,035
Additions	-	14,501
Redemptions	(5,000)	(4,232)
Fair value gain / (loss)	36	(49)
Coupon accrual on sukuk classified at amortised cost	(1)	89
Amortization of discount	51	62
Balance at end of the year / period	34,492	39,406

6. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 31 December 2017 comprise the following:

Authorized: 20,000 certificates of US \$ 10,000 each

Issued, subscribed and paid-up:

7,641 certificates of US \$ 10,000 each
(2017 – 7,641 certificates of US \$ 10,000 each)

31 December 2017	31 December 2016
200,000	200,000
76,410	76,410

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

7. RELATED PARTY BALANCES AND TRANSACTIONS

As per the regulations of the Fund, IDB is entitled to 10% share of net income of the Fund as Mudarib, which is separately shown in the statement of operations.

Under the terms of the Fund's Regulations, in its capacity as Mudarib, IDB provides certain administration facilities and personnel to the Fund for which no separate charge is made to the Fund.

As at 31 December 2017 and 31 December 2016, IDB held 2,950 of the subscribed certificates.

The Fund is managed by the IDB and its transactions are done through the IDB and its related entities. Principal arrangements related to investment in Sukuk are between IDB and its related entities and counter parties. The bank account of the Fund is in the name of IDB.

In the ordinary course of its activities, the Fund has certain transactions with entities in the IDB - Ordinary Capital Resources (IDB-OCR) and Special Account Resources Waqf Fund (Waqf Fund) and Islamic Solidarity Fund for Development.

The net balance due from/to related parties at end of the period are as follows:

(i) Due from related parties

IDB – OCR
Waqf Fund
Islamic Solidarity Fund For Development

31 December 2017	31 December 2016
2,880	-
378	164
-	54
3,258	218

(ii) Due to a related party

IDB - OCR

31 December 2017	31 December 2016
-	1,073
-	1,073

8. DISTRIBUTION OF NET INCOME

As per the Regulations of the Fund, subject to the transfer to general reserve as stated in note 2, the net income for each financial year shall be distributed as follows:

Mudarib 10%
Certificate holders 90%

9. SHARI'AH BOARD

The Fund's business activities are subject to the supervision of the IDB's Shari'ah Board consisting of members appointed by the Bank's General Assembly. Shari'ah Board for the Bank, its affiliates and trust funds was established pursuant to the Board Resolution. Members of the Shari'ah Board of the Bank, its affiliates and trust funds are appointed for a period of 3 years renewable.

The Board has the following functions:

- to consider all products introduced by the Bank, its affiliates and trust funds for use for the first time and rule on their conformity with the principles of the Shari'ah, and lay down basic principles for drafting of related contracts and other documents;

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

9. SHARI'AH BOARD (continued)

- to give its opinion on the Shari'ah alternatives to conventional products which the Bank, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the Bank's, its affiliates' and trust funds' experience in this regard;
- to respond to the Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the Bank, its affiliates and trust funds;
- to contribute to the Bank, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the Bank, its affiliates and trust funds a comprehensive report showing the measure of the Bank's, its affiliates' and trust funds' commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

10. CREDIT RISK

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund manages credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

11. CONCENTRATION OF CREDIT RISK

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographic location. The Fund seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentration of risk with individuals or customers in specific locations or industry sectors.

11.1 Concentration of assets by geographical areas at 31 December is analyzed as under:

31 December 2017					
Description	Cash and cash equivalents	Investments	Receivables and financing	Other	Total
Africa	-	12,670	4,197	-	16,867
Asia	9,542	49,547	8,993	3,793	71,875
Total Assets	9,542	62,217	13,190	3,793	88,742

31 December 2016					
Description	Cash and Cash Equivalents	Investments	Receivables and Financing	Other	Total
Africa	-	15,176	-	-	15,176
Asia	8,031	52,461	10,199	4,151	74,842
Total Assets	8,031	67,637	10,199	4,151	90,018

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

11. CONCENTRATION OF CREDIT RISK (continued)

11.2 An analysis of the Fund's assets by industry at 31 December is as follows:

31 December 2017

Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and cash equivalents	-	-	9,542	-	9,542
Investments	23,805	14,647	23,765	-	62,217
Receivables and financing	7,875	2,486	-	2,829	13,190
Accrued income and other assets	-	-	-	3,793	3,793
Total assets	31,680	17,133	33,307	6,622	88,742

31 December 2016

Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and cash equivalents	-	-	8,031	-	8,031
Investments	22,277	16,717	28,643	-	67,637
Receivables and financing	5,235	2,486	-	2,478	10,199
Accrued income and other assets	-	-	-	4,151	4,151
Total assets	27,512	19,203	36,674	6,629	90,018

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
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12. LIQUIDITY RISK

Liquidity risk is the risk that the Fund will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease immediately. To guard against this risk, assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The table below summarises the maturity profile of the Fund's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period from, the reporting date to the contractual maturity date

The contractual maturities of the Fund's assets and liabilities according to their respective periods to maturity are as follows:

Description	31 December 2017				Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	
Assets					
Cash and cash Equivalents	9,542	-	-	-	9,542
Investments	8,237	2,240	11,414	40,326	62,217
Receivables and financing	-	-	2,829	10,361	13,190
Accrued income and other receivables	3,793	-	-	-	3,793
Total assets	21,572	2,240	14,243	50,687	88,742
Liabilities					
Accrued expenses and other payables	-	1,330	-	-	1,330
Accrued Mudarib's share of income	-	309	-	-	309
Dividends payable	-	-	-	-	-
Total liabilities	-	1,639	-	-	1,639
Net Assets	21,572	601	14,243	50,687	87,103

Description	31 December 2016				Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	
Assets					
Cash and cash Equivalents	6,057	1,974	-	-	8,031
Investments	5,948	2,336	11,183	48,170	67,637
Receivables and financing	-	39	2,478	7,682	10,199
Accrued income and other receivables	4,151	-	-	-	4,151
Total assets	16,156	4,349	13,661	55,852	90,018
Liabilities					
Accrued expenses and other payables	-	2,458	-	-	2,458
Accrued Mudarib's share of income	-	560	-	-	560
Dividends payable	-	364	-	-	364
Total liabilities	-	3,382	-	-	3,382
Net Assets	16,156	967	13,661	55,852	86,636

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
(Expressed in thousands of US Dollars)

13. CURRENCY RISK

Currency risk is the risk that value of a financial asset of the Fund will fluctuate due to changes in foreign exchange rates. The Fund did not undertake significant transactions in currencies other than US Dollars, during the year, and therefore it was not exposed to significant currency risk.

14. SEGMENTAL INFORMATION

The main activity of the Fund is to invest in projects for the development of Awqaf real estate properties in the member countries of the Organization of the Islamic Cooperation ("OIC") and other countries and the management views its investments and financing as one segment. Therefore, any segmentation of operating income, expenses, assets and liabilities is not applicable to the Fund.

15. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The fair values of the Fund's financial assets and liabilities are not materially different from their carrying values at the reporting date.

16. COMMITMENTS

As at 31 December 2017, the undisbursed commitment' amounted to USD 35.51 million (2016 USD: 37.94 million).

17. FAIR VALUES OF FINANCIAL ASSETS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

31 December 2017

Assets

Financial assets at fair value through income statement (statement of operations):

Investments in sukuk

Total

Level 1	Level 2	Level 3	Total
19,789	-	-	19,789
19,789	-	-	19,789

31 December 2016

Assets

Financial assets at fair value through income statement (statement of operations):

Investments in sukuk

Total

Level 1	Level 2	Level 3	Total
24,754	-	-	24,754
24,754	-	-	24,754



ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
Notes to the Financial Statements (continued)
For the year ended 31 December 2017
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18. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards have been issued except for FAS 29 "Sukuk issuances" which is in the stage of exposure draft and is expected to be issued in near future. The Fund intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

(i) Financial Accounting Standard – 30 "Impairment and credit losses"

FAS 30 will be replacing FAS 11 "Provisions and Reserves" and has been developed on the new approach towards identification and recognition of impairment and credit losses, in particular the forward looking expected losses approach, as introduced under International Financial Reporting Standard (IFRS) 9 "Financial Instruments". FAS 30 shall also apply to off-balance sheet exposures.

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

(ii) Financial Accounting Standard – 28 "Murabaha and other deferred payment sales"

FAS 28 intends to define the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. Additionally, the earlier standards did not discuss the issue of accounting for the purchaser in Murabaha and deferred payment sales transactions for which there was a dire need to prescribe accounting principles. This standard supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sales".

This standard shall be effective on the financial statements of the Fund beginning on or after 1 January 2019. Early adoption of the standard is permitted.

(iii) Financial Accounting Standard - 29 "Sukuk Issuances"

The standard aims to provide guidance for accounting, classification and presentation for Sukuk issuances primarily based on the Sukuk structure, which may include on balance sheet, as well as, off balance sheet accounting. These classifications depend on the control of such assets comprising of power to control and nature of control i.e. for risks and rewards as well as varying benefits to the institution or the fiduciary responsibility on behalf of the Sukuk-holders. This standard shall be applied for accounting and financial reporting for Sukuk issuance in the books of the issuer.

This standard shall be applicable on the financial statements of the Fund for the periods beginning on or after 1 January 2019.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 25 February 2018 (corresponding to 9 Jumada II 1439H).



ANNEXES



Bazerkan Commercial Building
in Beirut, Lebanon



Commemoration plate for the inauguration
of the building (December 2017)

(Project financed by APIF in favour of the Makassed
Philanthropic Islamic Association in Beirut)



Al Ihsan Waqf Tower in Ajman - UAE
(Construction in progress)
(Project financed by APIF in favour of Al Ihsaan Charity Association)

ANNEX-I



APIF Participants and their Contribution in the Paid-up Capital as at 31/12/2017 (US\$ million)



No.	Name of Participant	Country	Paid-up Capital	Percentage
1	Islamic Development Bank	Saudi Arabia	29.50	38.60%
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.51	20.29%
3	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	7.50	9.82%
4	Kuwait Awqaf Public Foundation	Kuwait	5.00	6.54%
5	Kuwait Finance House	Kuwait	5.00	6.54%
6	Faisal Islamic Bank	Egypt	4.00	5.24%
7	Iran Endowment Fund	Iran	2.90	3.80%
8	Al-Baraka Islamic Bank	Bahrain	1.00	1.31%
9	Bahrain Islamic Bank	Bahrain	1.00	1.31%
10	Tadamon Islamic Bank	Sudan	1.00	1.31%
11	Jordan Islamic Bank	Jordan	1.00	1.31%
12	Ministry of Awqaf and Islamic Affairs	Jordan	1.00	1.31%
13	Arab Islamic Bank	Palestine	1.00	1.31%
14	Amanah Raya Bhd	Malaysia	1.00	1.31%
	Total		76.41	100%

ANNEX-II

Members of the Participants Committee of the Awqaf Properties Investment Fund as at 31/12/2017

Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt	Chairman
H.E. Dr. Wael Arabiyat Minister of Awqaf, Islamic Affairs and Holy Places, Jordan	Member
H.E. Dr. Bandar M.H. Hajjar President of the Islamic Development Bank, Saudi Arabia	Member
H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi Chairman of the Council of the OIC-Islamic Solidarity Fund	Member
Mr. Khalid bin Saleh Al Fareh Director General, General Department for Investment Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, KSA	Member
Mr. Raed Khalid Abdullah AlKharafi Deputy Secretary General Kuwait Awqaf Public Foundation, Kuwait	Member
Mr. Meshal Abdulaziz Al Nassar Assistant Vice President, Real Estate Investment Kuwait Finance House, Kuwait	Member
Mr. Musa Abdel Aziz Shihadeh Chairman of the Board of Directors and Director General, Jordan Islamic Bank, Jordan	Member
Mr. Hassan Amin Jarrar Chief Executive Officer, Bahrain Islamic Bank	Member
Mr. Mohamed Issa Al Mutaweh Chief Executive Officer and Board Member Al Baraka Islamic Bank, Bahrain	Member
Mr. Abbas Abdulla Abbas General Manager, Tadamon Islamic Bank, Sudan	Member
Dr. Atef Alawneh Chairman, Board of Directors, Arab Islamic Bank, Ramallah, Palestine	Member
Mr. Ahmed Zarif Jalalians Managing Director, Iran Endowments Reclamation and Development Institute, Tehran, Iran	Member
Mr. Adenan Mohamad Yusof Group Managing Director, Amanah Raya Berhad, Malaysia	Member

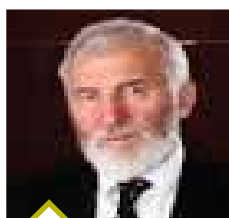


Members of the IDB Group Shariah Committee as at 31/12/2017



**His Eminence
Shaikh Dr. Hussein Hamed Hassan**

Chairman



**His Eminence
Shaikh Dr. Abdulsattar Abughuddah**

Vice Chairman



**His Eminence
Shaikh Abdulla Bin Sulaiman Al Manea**

Member



**His Eminence
Shaikh Muhammad Taqi Usmani**

Member



**His Eminence
Ayatollah Shaikh Mohammad Ali Taskhiri**

Member



**His Eminence
Shaikh Dr. Mohamed Raougui**

Member



**His Eminence
Shaikh Dr. Muhammad Syafii Antonio**

Member

ANNEX-IV

Members of the Supervisory Committee of the Awqaf Properties Investment Fund as at 31/12/2017



H.E. Dr. Bandar M.H. Hajjar
President
Islamic Development Bank

Chairman



Hon. Dr. Abdalnasr Abouzkeh
Executive Director
Islamic Development Bank

Member



Hon. Mohammed Gambo Shuaibu
Executive Director
Islamic Development Bank

Member



Hon. Wisam Jasem Al-Othman
Executive Director
Islamic Development Bank

Member



**H.E. Ambassador
Nasser Bin Abdallah Hamdan Al-Zaabi**
Chairman of the Council
of the OIC-Islamic Solidarity Fund

Member



Mr. Ibrahim Abdullah Al-Khuzayem
Executive Director OIC-Islamic
Solidarity Fund

Member



Mr. Khalid bin Saleh Al Fareh
Director General,
General Department for Investment
Ministry of Islamic Affairs, Awqaf, Da'wah &
Guidance, Saudi Arabia

Member



Mr. Raed Khalid Abdullah AlKharafi
Deputy Secretary General
Kuwait Awqaf Public Foundation, Kuwait

Member



Mr. Meshal Abdulaziz Al-Nassar
Assistant Vice President
Real Estate Investment
Kuwait Finance House, Kuwait

Member



Mr. Abdulhamid Abu Mousa
Governor, Faisal Islamic
Bank of Egypt, Egypt

Member



Mr. Abdel-Monem H. Abdullah Alhyari
General Manager Ministry of Awqaf,
Islamic Affairs and Holy Places, Jordan

Member

ANNEX-V

Members of the Management Committee of the Awqaf Properties Investment Fund as at 31/12/2017



H.E. Dr. Bandar M.H. Hajjar
President,
Islamic Development Bank

Chairman



H.E. Dr. Zamir Iqbal
Vice President (Finance) & CFO
Islamic Development Bank

Vice Chairman



Mr. Khalid Al-Aboodi
Chief Executive Officer & General
Manager, Islamic Corporation for the
Development of Private Sector (ICD)

Member



Dr. Waleed Al-Wohaib
Director General, Islamic Solidarity
Fund for Development (ISF)

Member



Mr. Adil Al-Sharif
Executive Director
World Waqf Foundation

Member



Dr. Walid Abdelwahab
Director
Infrastructure Department



Member



Dr. Mansur. A. Noibi
Director
Legal Department



Member



Mr. Zainol Bin Mohamud
Acting Director
Treasury Department



Member



Mr. Ahmed Arbee
Acting Director
Group Risk Management Department



Member



Mr. Mohamed Hedi Mejai
Acting Director
Islamic Financial Services Department

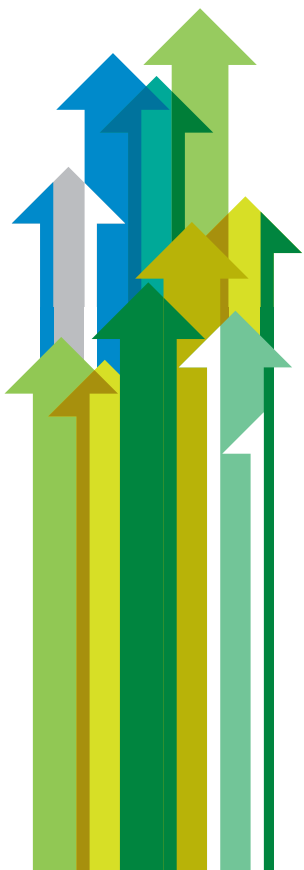


Member

ANNEX-VI

Members of the Technical Review Committee of the Awqaf Properties Investment Fund as at 31/12/2017

Dr. Essamaldine Al-Kalyoubi Chief Compliance Officer Group Integrity & Compliance Office	Chairman
Mr. Saeed Mohamed Infrastructure Department	Member
Dr. Mohamadou Gamdji Legal Department	Member
Mr. Muhammed Yasir Gorpe Treasury Department	Member
Mr. Mohammad Rizwan Eunus Group Risk Management Department	Member
Mr. Syed Muhammad Asim Raza Islamic Financial Services Department	Member



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Islamic Development Bank**

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