



Islamic Development Bank



Awqaf Properties Investment Fund

Tenth Annual Report
1432H (2011G)







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APIF MISSION



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

PRESENTATION OF INFORMATION

Basis of Presentation

This annual financial report is prepared in accordance with the accounting standards of the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shariah rules and principles as determined by the Shariah Board of the Islamic Development Bank (the Mudarib). The Fund has also followed other accounting measurement, recognition, presentation and disclosure of matters not covered by the AAOIFI standards.

Currency of Presentation

All currency amounts are expressed in US dollars unless otherwise stated.

Certain Definitions and Glossary

The Fund adopts the Hijri calendar for its reporting. Therefore, the fiscal year ended 30 Dhul Hijjah 1432H is referred to as the tenth year and subsequent years will be referred to in a corresponding manner. "Financial statements" means the Fund's financial statements for the years ended 29 Dhul Hijjah 1432H and 30 Dhul Hijjah 1431H included in this report.

A glossary of some of the key terms used in this annual report is page 5.

Forward Looking Statements

This annual report contains certain 'forward looking statements'. The intention of these statements is to provide prospective information about the Fund. They are not meant to be guarantees of future performance or budgetary forecasts.

Nothing in this Annual Report 1432H is, or should be taken as, an offer of units or securities in the Awqaf Properties Investment Fund for issue or sale, or an invitation to apply for the issue or for the repurchase of such units or securities.

GLOSSARY

Term used	Brief description
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
Awqaf	Real property held as permanent waqf
APIF/FUND	Awqaf Properties Investment Fund
Approval	Amount of money approved by the Mudarib for a project or operation.
Bank	Islamic Development Bank
Beneficiary	A recipient of financing
BLT	Build-Lease-Transfer
BOT	Build-Operate-Transfer
CIT	Countries in Transition
Equity	Participant's contribution to capital
Fund	Awqaf Properties Investment Fund
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IDB	Islamic Development Bank
LDMC	Least Developed Member Countries
Lease	Medium term finance or capital lease
LIBOR	London Inter-Bank Offered Rate
Mark-up	Profit margin earned on financing operations
MC	Management Committee
MDGs	Millennium Development Goals
MENA	Middle East and North Africa Region
Mudarib	Islamic Development Bank
NAV	Net Asset Value
Nazer	Trustee or Manager of a waqf
ODA	Official Development Assistance
SSA	Sub-Saharan Africa
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



STATEMENT OF THE MUDARIB

In The Name of Allah The Beneficent The 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 tenth annual report of the Awqaf Properties Investment Fund. The report has been prepared in accordance with Article 17 of the Fund's Regulations and includes the operations, activities and financial statements of the Fund for the Hijri year ending on 29 Dhul Hijjah 1432H.

I am pleased to report that despite the financial crisis, the Fund has delivered satisfactory results and the net income for the year was US\$1.923 million. Accordingly, the Mudarib of the Fund is pleased to announce the decision of the IDB-Board of Executive Directors to declare a dividend of US\$ 1.795 million representing 2.5% of the paid-up capital of the Fund.

The Fund is performing well and has a clear strategy for continuous growth. The strategic framework is outlined in this year's annual report and will be further developed over the coming years.

I would like to thank all staff for their work and commitment, our members for their contribution and the IDB Board of Executive Directors for its vision and guidance.

Thank you for your continued support.

Yours sincerely,



Dr. Ahmed Mohamed Ali
Chairman, Supervisory Committee of the
Awqaf Properties Investment Fund

SHARIAH ADVISOR'S REPORT ON APIF FOR 1432H

To: The Chairman and Members of the
Board of Governors, Islamic Development Bank.

Assalamu Alaikum Warahmatullah Wabarakatuh,

In accordance with the second principle of the governance statement of the Fund which stipulates that the Fund shall ensure its commitment to Shariah through an independent Shariah advisor, I hereby submit the following report in fulfilment of my commission.

I have considered the applicable principles, the contracts governing the transactions and the applications devised by APIF during the period in question to determine whether APIF has complied with Shariah principles and precepts in conformity with decisions made by the International Islamic Fiqh Academy, edicts (fatwas) issued by the Shariah Committee of the Islamic Development Bank.

I have reviewed the data pertaining to the processes of the Fund's six projects in 1432H. I have also listened to the clarifications presented by the management which confirm that it applied the Bank's approved contracts.

The compatibility of the execution of operations with the principles and rules of Shariah is the responsibility of the Fund's management. My own responsibility is confined to making an independent judgment based on my review of the requisite data that is sufficient for making a reasonable assertion that the Fund has not contravened Shariah rules and principles.

In my opinion:

- a) The contracts, operations and transactions concluded by APIF during 1432H and which I have reviewed have been implemented in conformity with Shariah rules and principles.
- b) Distribution of dividends and charging losses to the investment certificates have been carried out pursuant to the rules approved in conformity with Shariah principles.

- c) No benefits have accrued through prohibited sources or methods that might be expended on charitable causes.
- d) Because the management of APIF is not authorized to give Zakat, it is the duty of private sector corporations and organizations to do so. Government and waqf organizations are not required to give Zakat because their financial resources are utilized for the public good and charitable causes.

We pray to Allah Almighty that He may grant the Fund and its founders success in their endeavours.

Wa Assalam...



Dr. Abdel Sattar Abu Ghuddah
Shariah Advisor to
Awqaf Properties Investment Fund

HISTORICAL OVERVIEW OF AWQAF

The history of awqaf dates back to the early days of Islam. Awqaf have been recognized by Islamic tenets as a Sunnah and sadaka jariah (perpetual charity). This permanent nature of waqf resulted in the accumulation of waqf properties all over the Muslim world. The Awqaf were founded for the service of pilgrims and umrah visitors. Many other Awqaf were established for a variety of objectives that include relief of the sick and the poor, the handicapped and the needy, the widows and the underprivileged. Special Waqf were established for building, renovating and preserving mosques. However, over the years and for many reasons such as wars and political changes, a large number of awqaf have been lost, destroyed, confiscated, sequestered or encroached upon.

Contribution of Awqaf in the social and economic development

Recently, the role of awqaf has been recognized as a major contributor to the social and economic development of the Ummah. Many Muslim countries have revived awqaf and have set up ministries and special governmental agencies to develop and oversee the sector. Large Awqaf developmental projects have been springing all over the Islamic world, especially in the Kingdom of Saudi Arabia and the GCC countries. Kuwait, in particular, has a well organized and active Awqaf organization. In Iran, Awqaf is a major economic force that dovetails into every sector of the economy. Information extracted from the registers of Iran's Awqaf and Charity Organization shows that as at the end of 1999 there were more than 92,871 waqfs and 660,356 sites whose current value was conservatively estimated at US\$ 8.00 billion. Information extracted from the registers of Awqaf in Turkey, Egypt, Syria, and Jordan, indicates that lands of Awqaf cover considerable proportions of cultivated areas and prime urban locations. It has been stated that nearly a quarter of the Turkish land area is waqf. In Egypt an early survey showed that 600,000 feddan (1 feddan=0.95 Acre) out of a total of 2.5 million feddans is waqf. Some of the Awqaf properties in Syria, Iraq, Jordan and Lebanon date back to the Ayubites and Mamluke rulers.

Legal Status and Management of Awqaf

In principle, the founder of the waqf (waqif) determines the type of management of the waqf. The waqf manager (nazer) has the responsibility to administer the waqf property to the best interests of the beneficiaries. In many Muslim countries, government ministries or agencies were established for Awqaf. On the other hand, Muslim communities in non-Muslim countries have organized their Awqaf in accordance with Islamic Shariah within the limits of prevailing laws and regulations. For instance in, India, where there is a relatively large Muslim minority, a waqf act was adopted at the federal level in 1954 and the Union Minister of Law was made the supervisory authority on waqf. In the United States of America, Canada, Australia and other western countries, Muslim communities administer their waqf properties in accordance with the "foundation acts" and laws regulating trusts and general charitable organizations.

From a legal point of view, the ownership of waqf property lies outside the person who created the waqf. Some Muslim jurists argue that the right of ownership of waqf belongs to Allah.. Others believe that it belongs to the beneficiaries, although their ownership is not complete in the sense that they are not permitted to dispose of the property or use it in a way different from what was decreed by the founder. This underlies the perpetuity of the waqf that once an asset is legated as a waqf, it remains a waqf for ever. This perpetuity concept necessitates that a waqf should be a non-perishable property whose benefit can be extracted without consuming the property itself.

Awqaf as a Socio-Economic Sector

Awqaf (singular, waqf) is- an Arabic word meaning assets that are donated, bequeathed, or purchased for the purpose of being held in perpetual trust for general or a specific charitable cause that Islam regards as socially beneficial. This condition of perpetuity of awqaf has led over the years to a considerable accumulation of societal wealth such that awqaf has become an important economic sector dedicated to the improvement of the socio-economic welfare of the Muslim society. Awqaf supporting causes are the alleviation of poverty, disaster relief, health and wellness, the advancement of religion, the advancement of education and other purposes beneficial to the Islamic community. These purposes are not limited to a finite list, and may include Islamic heritage, culture, the environment, flora and fauna

Awqaf Organizations

Awqaf organizations are not-for-profit entities that are established to oversee, promote, manage, or carry out activities, facilities, projects or properties that are founded as awqaf. Entities for these purposes include trusts, corporations, unincorporated associations or government agencies. Some operate under a legal framework. Others may be incorporated through some form of federal or local law or other legislation. Although Awqaf organizations are not financial institutions per se, they nonetheless, act as custodians and managers of a plethora of diverse assets and cash flows, and cross-border investments.

Awqaf as a Business Sector

Awqaf in the past ten years has been one of the major growth sectors. It has generated interest well beyond the confines of philanthropic activists and fiqh academics. With a broader business focus, it quickly became clear that the sector was in fact an industry with serious economic as well as social significance. Awqaf organizations are undertaking a wider range of activities such as project management, raising of finance and the maintenance of key banking relationships. It is no longer enough for awqaf organizations to consider only the social aspects of their business. They are strengthening their links between philanthropic objectives and long-term business investments. Their operations, although are not-for-profit, but also are not for loss. Awqaf trustees are quickly becoming strategic business managers as awqaf now require practical business skills and acumen together with a strategic and informed approach to charter their continued survival.

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 awqaf 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 economic and social development of the Islamic society. Nine other founding institutions shared the Bank's view and saw the opportunity to create a fund that would provide long-term financing support from a stable base and a global footprint.

During the Fund's inaugural meeting which took place on 9.11.1421H (3.2.2001), 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 in accordance with the procedures provided for in the By-Laws of the Fund.

Purpose of the Fund

The purpose of the Fund is to invest and develop in accordance with the principles of Islamic Shariah, awqaf real estate properties that are socially, economically, 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, 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 sector of Awqaf provides a full spectrum of real estate business opportunities from development, asset management to complex project financing initiatives. Our operations span nineteen countries providing geographical spread, diverse investment and financing platform across the risk/return dimensions tailored to the needs of awqaf institutions and charitable organisation worldwide. Key sectors include residential, commercial, retail and industrial facilities.

The main focus of the Mudarib is the long term success of the Fund for the benefit of all stakeholders: waqifs, nazers, beneficiaries, unitholders 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. The Fund pursues a global strategy giving priority to: (1) APIF's participating countries; followed by (2) IDB member countries; and (3) other countries.
- **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 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 1432H amounted to US\$71.8 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\$ 200,000 for technical assistance to be used for preparing feasibility studies, concept and preliminary designs 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 also 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. To achieve this objective, the IDB established the World Waqf Foundation (WWF) which aims to establish a network of waqf institutions that would undertake Shariah compatible charity activities, support waqf institutions, contribute to the alleviation of poverty, etc.

THE YEAR UNDER REVIEW

During the year 1432H, 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 especially with the impact of financial crisis reflecting negatively on the real estate sector, the Fund has been able to approve six projects for an aggregate value of US\$178.8 million for Libya, Bahrain, South Africa, Bangladesh, Mauritius and Turkey. 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\$79.968 million at the end of 1432H compared to US\$80.775 million at the end of last year. Table-1 summarizes the asset composition for 1432H/1431H:

Table-1: Asset Composition
As at 29th Dhul Hijjah, 1432H

(US\$ '000)

	1432H		1431H	
	Amount	%	Amount	%
Cash & Cash Equivalent	29,865	37.4	37,863	46.9
Investments-Ijarah Muntahia Bittamleek	19,662	24.6	21,998	27.2
Investments-Islamic Ijarah Sukkuks	10,660	13.3	5,944	7.3
Investments-Islamic Lease Fund	1,913	2.4	0	0
Receivables-Murabaha Syndications	341	0.4	473	0.6
Receivables-Istisna'a	436	0.5	517	0.6
Financing-Musharakah	5,022	6.3	5,181	6.5
Accrued income and other assets	10,853	13.6	8,780	10.9
Due from a related party	1,216	1.5	0	0
Total Assets	79,968	100	80,756	100

Financial Indicators

The financial performance indicators of the Fund for the year 1432H in comparison with the 1431H are presented in Table-2.

Table-2: Financial Indicators

(US\$'000)

Financial Indicators	1432H	1431H
Net Assets	77,334	77,398
Net Income before Mudarib's share	1,923	2,316
Mudarib's share of net income	192	224
Transfer to General Reserve	384	448
Dividend	1,795	1,795
Dividend/Paid-up Capital - Declared Dividend	2.5%	2.5%
Average LIBOR (%)	0.80%	0.94%
Net Asset Value Per Certificate	10.771	10.780

The earning per certificate, after Mudarib's share of net income, amounted to US\$241 in 1432H compared to US\$290 in 1431H.

Dividend Distribution

In accordance with Article 19.0 of the Fund's Regulations, the Fund has distributed a dividend of 2.5% for the year ending 29 Dhul Hijjah 1432H. In the previous year also, a dividend at the rate of 2.5% was distributed to the Unit holders.

Operational Performance

In the year 1432H, the Fund approved six projects amounting to US\$ 178.8 million for different IDB member and non-member countries. Table-3 shows the details.

Table-3: List of APIF Projects Approved During 1432H

(Amounts in US\$ million)

No	Project Name	Total Cost	APIF	IDB Line	Others
1.	Abu Millian Waqf Commercial Building – Tripoli, Libya	21.00	5.00	9.00	7.00
2.	Construction of Serviced Apartment Building, Manama - Bahrain	25.00	7.00	9.00	9.00
3.	Acquisition of Existing Commercial Center, Lenesia, South Africa	27.00	5.00	5.00	17.00
4.	IUCT Tower – 2 Chittagong, Bangladesh	16.50	4.50	7.00	5.00
5.	Highlands Shopping Complex, Mauritius	6.10	3.00	2.00	1.10
6	International Trade Center, Ankara, Turkey	83.20	7.00	10.00	66.2
Total:		178.80	31.50	42.00	105.30

A brief description of each project is given below:

1. Abu Millian Waqf Commercial Building, Tripoli – Libya:

(Beneficiary: General Authority of Awqaf and Zakat Affairs)

The project entails the construction of a 16-storey commercial office building that will comprise retail space on the ground floor, 56 offices and 56 car parking spaces. The building will have a total area of 13,225 sq. m. and it will be built on a plot of land measuring 1,067 sq. m. The estimated cost of the project is US\$ 21.0 million which will be financed by APIF (US\$5.0 million) and APIF line (US\$9.0 million). The remaining amount of US\$7.0 million will be contributed by the beneficiary.

2. Construction of Serviced Apartment Building, Manama – Bahrain:

(Beneficiary: Ministry of Awqaf and Islamic Affairs)

The project comprises the construction of a 13-storey apartment building in Manama. The total built up area will 18,234 sq. m. The total estimated cost is US\$25.0 million with contribution by APIF (US\$7.0 million) and APIF line (US\$9.0 million); the balance of US\$9.0 million will be contributed by the beneficiary.

3. Acquisition of Existing Commercial Center, Lenesia – South Africa:

(Beneficiary: Awqaf SA)

The project will facilitate the acquisition of an existing commercial property comprising land, shops, and offices. The land has an area of six hectares and the lettable area of the buildings is 17,000 sq. m. The property is located in Lenesia, 35 km from Johannesburg. The total cost of the project is US\$ 27.0 million which will be financed by APIF (US\$5.0 million) and APIF line (US\$5.0 million); the balance of US\$17.0 million will be jointly financed by the beneficiary and other co-financiers.

4. IUCT Tower-2, Chittagong – Bangladesh:

(Beneficiary: International Islamic University-Chittagong)

The project aims at constructing a 19-storey commercial building having a total built-up area of 33,830 sq. m. The total cost of the project is estimated at US\$16.50 million, which will be financed by APIF (US\$4.5 million) and APIF line (US\$7.0 million), with the balance of US\$5.0 million being contributed by the beneficiary.

5. Highlands Shopping Complex, Curepipe – Mauritius:

(Beneficiary: The Education Trust)

The project consists of the construction of a commercial complex having a supermarket, retail units & shops, and food court. The total estimated cost of the project is US\$6.1million, which will be financed by APIF (US\$3.0 million) and APIF line (US\$2.0 million), while the remaining amount of US\$1.1million will be contributed by the beneficiary.

6. International Trade Center, Ankara, Turkey:

(Beneficiary: General Directorate of Foundations)

The project consists of seven parcels of land having the total area of 28, 535 sq. m. In order to optimize the utilization of the site, the project is divided into four major blocks, named A , (A1, A2, A3 & A4), B, and C respectively.

Block A will comprise four 16-storey buildings having each three basements, ground floor and 12 typical recurring floors. Blocks "A1, A2, A3 & A4" will be four buildings surrounding the Block "A". Each of them will consist of nine floors divided in three basements, ground floor and five recurring floors. Block B will comprise a 7-storey building having a basement, ground floor and five recurring floors. Block C will be an 8- storey building having a basement, ground floor and five recurring floors.

The total cost of the project is US\$83.2 million and will be financed by APIF (US\$7.0 million), APIF line (US\$10.0 million), IDB (US\$ 23 million) and the beneficiary (US\$43.2 million.)

FUTURE PLANS AND OUTLOOK



APIF has well a defined plan, strong balance sheet and an outstanding pipeline of business growth prospects. During 1432H it has maintained momentum in building a long term pipeline of high quality projects spanning fifteen IDB member and non member countries. With projects in the pipeline having total developmental value of more than US\$ 300 million, the Fund is well positioned for future profit growth and operating synergies. The year 1433H is already shaping up as a very exciting one for APIF with a target approved project value of US\$ 180 million. The Mudarib and the Fund's management team have the strategy and commitment to ensure continued growth.

APIF will continue to respond to a range of needs and challenges. At the same time, it will continue to build a sector that is a relevant and vital part of the development of the Ummah. The strategic framework identifies the means by which the Fund will deliver on the promise of its mission through operational efficiency, managing its extensive portfolio and perusing innovative ways to develop the Fund.

Among the most ambitious strategies of the Fund is to evolve into an International Awqaf Development Financing Institution. This idea was inspired by Vision 1440H of the Islamic Development Bank which recognizes Awqaf as an important institution for alleviating poverty and enhancing social welfare.

In order to activate this vision, the Bank invited scholars and practitioners working on research and development of Awqaf to a brainstorming session about the proposal of establishing an international Awqaf development bank. The attendees exchanged the ideas and opinions about the proposal and confirmed the pressing need for establishing an entity under the umbrella of IDB which will be dedicated to the development of awqaf. In order to move forward IDB has decided to appoint a consultancy firm to carry out the feasibility study of the proposed bank. Moreover, Bank is also considering holding an international conference in Jeddah in 1433H to solicit ideas from experts involved in waqf sector.

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 President, IDB, 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 the Fund's investments. The members of the Management Committee are listed in Annex-IV.

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

The external audit is undertaken by Deloitte & Touche who conduct their audit once at the end of the financial year and review the quarterly accounts.

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

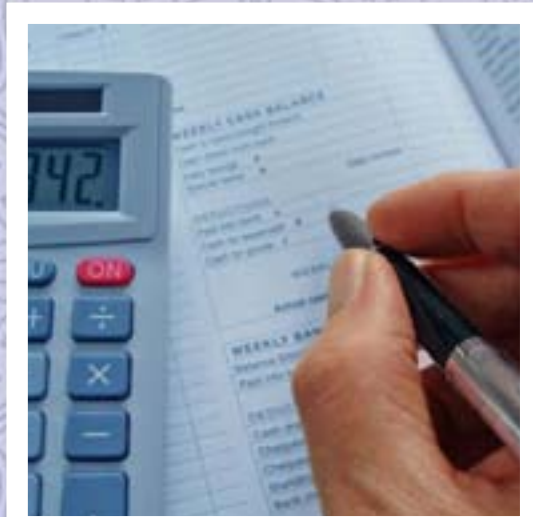
The Mudarib of the Fund has a formal Group-wide risk management program, based on proactive rather than reactive management of risk. This program is supported by IDB's Risk Management Policy which has been endorsed by the Board of Executive Directors. The Group Risk Management Department overviews and 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 participants on quarterly basis.

The Fund's liquid balance, hedging programs 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.

FINANCIAL STATEMENTS & AUDITOR'S REPORT



29 Dhul Hijjah 1432H
(25 November 2011G)

AUDITORS' REPORT

The Chairman and Members
of the Board of Governors,
Islamic Development Bank
Awqaf Properties Investment Fund,
Jeddah, Saudi Arabia

Scope of Audit

We have audited the accompanying statements of net assets and portfolio investments, receivables and financing of Islamic Development Bank - Awqaf Properties Investment Fund (the "Fund") as at 29 Dhul Hijjah 1432H 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 Islamic 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 the 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of 29 Dhul Hijjah 1432H, the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Deloitte & Touche
Bakr Abdulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296
26 Rabi' I, 1433
February 18, 2012

Member of Deloitte Touche Tohmatsu Limited

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF NET ASSETS
AS OF 29 DHUL HIJJA 1432H
(Expressed in thousands of US Dollars)**

	Note	1432	(Restated) 1431
ASSETS			
Cash and balances with banks	3	29,865	37,863
Investments:			
Ijarah Muntahia Bittamleek, net	4	19,662	21,998
Islamic Ijarah Sukuks	5	10,660	5,944
Islamic Lease Fund		1,913	-
Receivables:			
Murabaha syndications		341	473
Istisna'a		436	517
Financing:			
Musharaka		5,022	5,181
Accrued income and other receivables		10,853	8,780
Due from <u>Islamic Development Bank – Ordinary Capital Resources</u>		1,216	-
TOTAL ASSETS		79,968	80,756
LIABILITIES			
Payable to Islamic Development Bank – <u>Ordinary Capital Resources</u>		-	1,239
<u>Payable to Special Account Resources Waqf Fund</u>		472	-
Accrued expenses and other payables		30	27
Accrued Mudarib's share of income		192	224
Dividends payable		1,940	1,868
TOTAL LIABILITIES		2,634	3,358
NET ASSETS		77,334	77,398
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	7	71,800	71,800
Premium on certificates		956	956
General reserve		4,210	3,826
Retained earnings		368	816
TOTAL CERTIFICATE HOLDERS' EQUITY		77,334	77,398
NUMBER OF CERTIFICATES OUTSTANDING	7	7,180	7,180
NET ASSET VALUE PER CERTIFICATE		10.771	10.780

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING
FOR THE YEAR ENDED 29 DHUL HIJJAH 1432H
(Expressed in thousands of US Dollars)**

	<u>1432</u>		<u>(Restated) 1431</u>	
	<u>Amount</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>% of Portfolio</u>
INVESTMENTS				
Ijarah Muntahia Bittamleek	19,662	51.7%	21,998	64.49%
Islamic Ijara Sukuks	10,660	28.0%	5,944	17.42%
Islamic Lease Fund	1,913	5.0%	-	-
RECEIVABLES				
Murabaha syndications	341	0.9%	473	1.38%
Istisna'a	436	1.2%	517	1.52%
FINANCING				
Musharaka	5,022	13.2%	5,181	15.19%
Total	38,034	100%	34,113	100%

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1432H
(Expressed in thousands of US Dollars)**

	Note	1432	(Restated) 1431
INCOME FROM INVESTMENTS, RECEIVABLES AND FINANCING			
Investments:			
Ijarah Muntahia Bittamleek, net		4,666	6,713
Islamic Ijara Sukuks		295	502
Islamic Lease Fund		28	-
		<u>4,989</u>	<u>7,215</u>
Receivables:			
Murabaha syndications		124	152
Istisna'a		19	18
		<u>143</u>	<u>170</u>
Financing:			
Musharaka		97	110
Total income from investments, receivables and financing		<u>5,229</u>	<u>7,495</u>
Expenses:			
Depreciation- Ijarah Muntahia Bittamleek	4	(3,746)	(5,741)
Administrative expenses		(67)	(41)
Total expenses		<u>(3,813)</u>	<u>(5,782)</u>
Net income from investments, receivables and financing		1,416	1,713
Income from cash and cash equivalents		338	378
Other income		143	350
Exchange gain/(loss)		26	(125)
Net income before provision for impairment of Ijarah Muntahia Bittamleek		<u>1,923</u>	<u>2,316</u>
Provision for impairment of Ijarah Muntahia Bittamleek		-	-
Net income before Mudarib's share of income		<u>1,923</u>	<u>2,316</u>
Mudarib's share of net income	9	(192)	(224)
Increase in net assets representing net income for the year		<u>1,731</u>	<u>2,092</u>
Earning per certificate		<u>0.241</u>	<u>0.291</u>

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1432H**

(Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificates	General reserve	Retained earnings	Total
Balance at 30 Dhul Hijjah 1430H		60,900	71	3,378	273	64,622
Certificate holder's contribution		10,900	885	-	-	11,785
Restatement of 1430H		-	-	-	694	694
Net income for the year before Mudarib's share		-	-	-	2,316	2,316
Mudarib's share of net income	9	-	-	-	(224)	(224)
Dividends		-	-	-	(1,795)	(1,795)
Transfer to general reserve		-	-	448	(448)	-
Balance at 30 Dhul Hijjah 1431H		71,800	956	3,826	816	77,398
Certificate holder's contribution		-	-	-	-	-
Net income for the year before Mudarib's share		-	-	-	1,923	1,923
Mudarib's share of net income	9	-	-	-	(192)	(192)
Dividends		-	-	-	(1,795)	(1,795)
Transfer to general reserve		-	-	384	(384)	-
Balance at 29 Dhul Hijjah 1432H		71,800	956	4,210	368	77,334

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 DHUL HIJJA 1432H
(Expressed in thousands of US Dollars)**

	1432	(Restated) 1431
OPERATING ACTIVITIES		
Net income after Mudarib's fee	1,731	2,092
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,746	5,741
Mudarib's share of net income	192	224
Provision for impairment of Ijarah Muntahia Bittamleek	-	-
Changes in operating assets and liabilities:		
Murabaha syndications	132	3,047
Accrued income and other receivables	(2,073)	(1,699)
Due from Islamic Development Bank – Ordinary Capital Resources	(1,216)	-
Payable to Islamic Development Bank – Ordinary Capital Resources	(1,239)	(597)
Payable to Special Account Resources Waqf Fund	472	-
Accrued expenses and other payables	3	(8)
Cash from operations	1,748	8,800
Mudarib's share of income paid	(224)	(227)
Net cash from operating activities	1,524	8,573
INVESTING ACTIVITIES		
Ijarah Muntahia Bittamleek	(1,410)	(2,986)
Musharakah	159	(1,495)
Short term commodity transactions	(10,158)	-
Investment in leasing funds	(1,913)	8,892
Istisna'a	81	483
Islamic Ijarah Sukuk	(4,716)	(75)
Net cash (used in)/from investing activities	(17,957)	4,819
FINANCING ACTIVITIES		
Certificate holders' contribution / (redemption)	-	10,900
Premium on certificates	-	885
Dividends paid	(1,723)	(1,450)
Net cash (used in)/from financing activities	(1,723)	10,335
Net change in cash and cash equivalents	(18,156)	23,727
Cash and cash equivalents at the beginning of the year	25,008	1,281
CASH AND CASH EQUIVALENTS THE END OF THE YEAR (NOTE 3)	6,852	25,008

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**STATEMENT OF FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1432H
(Expressed in thousands of US Dollars)**

	1432	(Restated) 1431
DATA PER CERTIFICATE		
Net assets value - beginning of the year	10.780	10.611
Dividend payable relating to certificates redeemed transferred to retained earnings	-	-
Movement in certificate holders' contribution		0.181
Net income from investments, sales, financing and cash and cash equivalents	0.268	0.323
Less: Mudarib share of income	(0.027)	(0.031)
Net income from investments, sales, financing and cash and cash equivalents after Mudarib share	0.241	0.291
Dividends	(0.25)	(0.250)
Net assets value - end of the year	10. 771	10.780

The data per certificate are calculated using the number of certificates outstanding at 29 Dhul Hijjah 1432H and 30 Dhul Hijjah 1431H, which were 7,180 for both years.

	1432	(Restated) 1431
FINANCIAL RATIOS/SUPPLEMENTARY DATA:		
Total net assets - end of the year	77,334	77,398
Average of net assets	77,366	70,626
Ratio of expenses to average of net assets	4.9%	8.2%
Annual rate of return	2.2%	2.9%

ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND (THE FUND)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJAH 1432H

(Expressed in thousands of US Dollars)

1. ORGANIZATION AND ACTIVITIES

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (“the Fund”) for the year ended 29 Dhul Hijjah 1432H, were authorized for issue by the Fund’s Management on 26 Rabi Awwal 1433H corresponding to 18 February 2012. The Fund is a trust fund established under Articles 2 and 23 of the Articles corresponding to 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. The certificate holders in the Fund are the Bank, participating institution and religious authorities in the Islamic countries. The Fund commenced operations on 1 Rajab 1422H.

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 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 Shariah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 uses the relevant International Financial Reporting Standards [“IFRS”] issued by the International Accounting Standards Board [“IASB”].

Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept. The financial statements have been presented in thousands of US Dollars.

Adoption of the new Accounting Standard

The Fund has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of this standard has an impact on the classification of investments and adjustment to the reported balance of retained earnings as disclosed in note 6.

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJA 1432H

(Expressed in thousands of US Dollars)

Islamic Ijarah Sukuk

Investments in Sukuk are classified as Fair Value through Income Statement. These investments 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.

Ijarah Muntahia Bittamleek

This represents assets purchased 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 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 date of the statement of net assets. The assets are depreciated using the straight-line method over the related lease period. A provision for doubtful receivable is made if, in the opinion of management, the outstanding rentals net of security, are doubtful of recovery.

Participation in Murabaha syndication

The Fund's participation in Murabaha syndication is stated at amortized cost less provision for impairment.

Istisna'a contract

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

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.

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.

Foreign currencies

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

Revenue recognition

Islamic Ijarah Sukuk

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

Ijarah Muntahia Bittamleek

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

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJA 1432H

(Expressed in thousands of US Dollars)

Murabaha syndications

Income from investment in Murabaha syndications is accrued from the date of actual disbursement of the funds to the repayment date on a time apportionment basis.

Istisna'a

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

Musharaka

Income on Musharaka financing is recognized 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.

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.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets are calculated as the difference between the asset's carrying amount and its recoverable amount and is included in the statement of operations.

Cash and cash equivalents

3. CASH AND CASH EQUIVALENTS

	1432H	(Restated) 1431H
Cash in bank	4,857	25,008
Funds placed with Islamic banks	10,964	11,171
Investments in short-term commodity transactions with banks	14,044	1,684
	29,865	37,863
Funds placed as investments in short-term commodity transactions with original maturity greater than 90 days	(23,013)	(12,855)
Cash and cash equivalents	6,852	25,008

Funds placed with Islamic banks have been utilized by the respective banks in the purchase and sale of commodities. Such funds are maintained to meet the obligation under approved investment operations.

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJAH 1432H

(Expressed in thousands of US Dollars)

4. IJARAH MUNTAHIA BITTAMLEEK, NET

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

	1432H	(Restated) 1431H
Cost		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	7,082	12,485
Additions	1,410	2,986
Transfer to assets in repayment period	(8,250)	(8,389)
Balance at end of the year	242	7,082
Assets in repayment period:		
Balance at beginning of the year	44,475	36,086
Transfer from non-repayment status	8,250	8,389
Balance at end of the year before provision	52,725	44,475
Less: Provision	(242)	(242)
Balance at end of the year after provision	52,483	44,233
Total costs	52,725	51,315
Accumulated depreciation:		
Balance at beginning of the year	29,317	23,576
Charge for the year	3,746	5,741
Balance at end of the year	33,063	29,317
Net book value	19,662	21,998

Future rentals receivable related to Ijarah Muntahia Bittamleek at 29 Dhul Hijjah 1432H are estimated to be US\$ 36 million (1431H: US\$ 28 million). The precise amount receivable at end of any period is only known prior to the commencement of the period/year, as most of the rentals are determined based on prevailing London Inter-Bank Offer Rate (LIBOR).

5. INVESTMENTS IN SUKUK

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

Investments in Sukuk at 29 Dhul Hijjah comprise of the following:

	1432H	(Restated) 1431H
Government	5,625	5,944
Financial Institutions	5,035	-
Investment in Sukuk – at fair value (Note 6)	10,660	5,944

The movement in Sukuk investments is summarized as follows:

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJA 1432H

(Expressed in thousands of US Dollars)

	1432H	(Restated) 1431H
Balance at the beginning of the year	5,943	5,868
Additions during the year	5,066	-
Fair value (loss) gains	(349)	76
Balance at the end of the year	10,660	5,944

6. PRIOR-YEAR ADJUSTMENT

The Fund has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions. Following is the impact on the classification of Sukuk Investments:

Type	Note	Before adopting FAS 25	On adopting FAS 25	Impact
Sukuk Investments	Note 5	Held to maturity	Fair value through statement of income	See below

The financial statements for the year ended 30th Dhul Hijjah 1431H have been restated to account for the impact on the balance of Investment in Sukuk as a result of the implementation of the new standard. Furthermore, the Fund has increased the Opening Retained Earnings and Investment in Sukuk balance at the beginning of 1431H by the amount of the adjustment relating to years prior to 1431H. The effect of the restatement on the financial statements is summarized below:

	ID thousands
Effect on years prior to 1431H:	
Increase in Investment in Sukuk	693
Increase in Opening balance of Retained Earnings	693
Effect on 1431H:	
Increase in the income from Investment in Sukuk	76
Increase in the Investment in Sukuk	76

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJAH 1432H

(Expressed in thousands of US Dollars)

7. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 29 Dhul Hijjah comprise the following:

	1432H	(Restated) 1431H
Authorized: 20,000 certificates of US \$ 10,000 each	200,000	200,000
Issued, subscribed and paid up:		
7,180 certificates of US \$ 10,000 each		
(1431H – 7,180 certificates of US \$ 10,000 each)	71,800	71,800

8. RELATED PARTY TRANSACTIONS

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 29 Dhul Hijjah 1432H, IDB held 2,950 (1431H: 2,000) of the subscribed certificates

9. 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%

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

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 29 DHUL HIJJAH 1432H
(Expressed in thousands of US Dollars)**

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 29 Dhul Hijjah is analyzed as under:

1432H					
Description	Cash and balances with banks	Investments	Receivables and financing	Other	Total
Africa	-	12,734	-	-	12,734
Asia	29,865	28,834	5,798	2,737	67,234
Total assets	29,865	41,568	5,798	2,737	79,968

(Restated) 1431H					
Description	Cash and balances with banks	Investments	Receivables and financing	Other	Total
Africa	-	4,034	-	-	4,034
Asia	37,863	23,908	6,171	8,780	76,722
Total assets	37,863	27,942	6,171	8,780	80,756

11.2 An analysis of the Fund's assets by industry at 29 Dhul Hijjah is as follows:

1432H					
Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and balances with banks	-	-	29,865	-	29,865
Investments	10,896	21,579	-	9,093	41,568
Receivables and financing	436	2,826	2,536	-	5,798
Accrued income and other assets	0	0	0	2,737	2,737
Total assets	11,332	24,405	32,401	11,830	79,968

(Restated) 1431H					
Description	Real estate	Public utilities	Financial institutions	Other	Total
Cash and balances with banks	-	-	37,863	-	37,863
Investments	8,418	13,215	229	6,080	27,942
Receivables and financing	517	2,959	1,020	1,675	6,171
Accrued income and other assets	-	-	-	8,780	8,780
Total assets	8,935	16,174	39,112	16,535	80,756

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJA 1432H

(Expressed in thousands of US Dollars)

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 summarizes 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 at the balance sheet date to the contractual maturity date.

The contractual maturities of the Fund's assets and liabilities according to their respective periods to maturity at 29 Dhul Hijjah are as follow:

Description	1432H				Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 year	
Assets					
Cash and balances with banks	15,821	14,044	-	-	29,865
Investments	11,296	4,830	23,289	2,153	41,568
Receivables and financing	-	340	2,972	2,486	5,798
Accrued income and other receivables	-	2,737	-	-	2,737
Total assets	27,117	21,951	26,261	4,639	79,968
Liabilities					
Payable to <u>Special Account</u> <u>Resources Waqf Fund</u>	-	472	-	-	472
Accrued expenses and other payables	-	30	-	-	30
Accrued Mudarib's share of income	-	192	-	-	192
Dividends payable	-	1,940	-	-	1,940
Total liabilities	-	2,634	-	-	2,634
Net assets	27,117	19,317	26,261	4,639	77,334

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJA 1432H

(Expressed in thousands of US Dollars)

Description	(Restated) 1431H				Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 year	
Assets					
Cash and balances with banks	25,008	12,855	-	-	37,863
Investments	1,151	3,867	8,454	14,470	27,942
Receivables and financing	-	473	4,023	1,675	6,171
Accrued income and other receivables	-	8,780	-	-	8,780
Total assets	26,159	25,975	12,477	16,145	80,756
Liabilities					
Payable to IDB - Ordinary Capital Resources	-	1,239	-	-	1,239
Accrued expenses and other payables	-	27	-	-	27
Accrued Mudarib's share of income	-	224	-	-	224
Dividends payable	-	1,868	-	-	1,868
Total liabilities	-	3,358	-	-	3,358
Net assets	26,159	22,617	12,477	16,145	77,398

13. CURRENCY RISK

Currency risk is the risk that value of the financial assets 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 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.

The Fund operates solely in the Kingdom of Saudi Arabia and, as such, no geographical segment information is presented.

**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND
(THE FUND)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 DHUL HIJJAH 1432H

(Expressed in thousands of US Dollars)

15. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability can be 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 29 Dhul Hijjah 1432H, the undisbursed commitments for investments amounted to US\$ 157 million (1431H: US\$ 52.2 million).

ANNEXES



ANNEX-I

APIF Participants and their Contribution in the Paid-up Capital as at end 1432H

(US\$ million)

No.	Name of participant	Country	Paid-up Capital
1	Islamic Development Bank	Saudi Arabia	29.5
2	OIC – Islamic Solidarity Fund	Saudi Arabia	10.9
3	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	7.5
4	Kuwait Awqaf Public Foundation	Kuwait	5.0
5	Kuwait Finance House	Kuwait	5.0
6	Faisal Islamic Bank	Egypt	3.0
7	Iran Endowment Fund	Iran	2.9
8	Al-Baraka Islamic Bank	Bahrain	1.0
9	Bahrain Islamic Bank	Bahrain	1.0
10	Investment Bank of Bahrain	Bahrain	1.0
11	Islamic Tadamun Bank	Sudan	1.0
12	Jordan Islamic Bank	Jordan	1.0
13	Arab Islamic Bank	Palestine	1.0
14	Ministry of Awqaf and Islamic Affairs	Jordan	1.0
15	Amanah Raya Bhd	Malaysia	1.0
Total			71.8

ANNEX-II

Members of the Participants Committee of the Awqaf Properties Investment Fund

Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt.	Chairman
Dr. Ahmad Mohamed Ali President of the Islamic Development Bank Group, Saudi Arabia	Member
Dr. Abdul Salam Al-Abbadi Minister of Awqaf and Islamic Affairs and Holy Shrines, Jordan	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
Br. Khalid bin Saleh Al Fareh Director General, General Dept. for Investment Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Riyadh, Saudi Arabia	Member
Dr. Abdulmohsin Al Kharafi Secretary General, Kuwait Awqaf Public Foundation, Kuwait	Member
Mr. Meshal Abdulaziz Al Nassar Senior Investment Manager Kuwait Finance House, Kuwait	Member
Mr. Mohammed Bucheerei Chief Executive Officer Investment Bank of Bahrain	Member
Mr. Musa Shehadeh Vice Chairman of the Board of Directors and Director General Jordan Islamic Bank for Finance & Investment, Amman, Jordan	Member
Mr. Mohamed Ibrahim Mohamed Executive President, 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, Khartoum, Sudan	Member
Mr. Waleed Toufiq Fakhouri Managing Director, Arab Islamic Bank, Ramallah, Palestine	Member
Mr. Abdoreza Abed Managing Director, Iran Endowment Fund, Tehran, Iran	Member
Dato Ahmad Rodzi Pawanteh Managing Director, Amanah Raya Berhad, Malaysia	Member

ANNEX-III

Members of The Supervisory Committee of The Awqaf Properties Investment Fund



Chairman

H.E. Dr Ahmad Mohamed Ali
President, IDB Group.



Member

Hon. Abdulwahab Saleh Al Muzaini
Executive Director,
Islamic Development Bank



Member

Hon. Bader Abdullah S. Abuaziza
Executive Director,
Islamic Development Bank



Member

Hon. Mohammed Gambo Shuaibu
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

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



Member

Mr. Iyad Nasser Al-Ibrahim
Director, Real Estate Investment Department
Kuwait Awqaf Public Foundation, Kuwait



Member

Mr Meshal Abdulaziz Al-Nassar
Senior Investment Manager,
Kuwait Finance House, Kuwait



Member

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

ANNEX-IV

Members of the Management Committee of The Awqaf Properties Investment Fund



Chairman

H.E. Dr Ahmad Mohamed Ali
President, IDB Group



Member

Mr. Abdul Aziz Al-Hinai
Vice President (Finance)



Member

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



Member

Dr. Hamza Kunna
Acting Director, Legal Department



Member

Dr. Bashir Omar Fadlallah
Director, Islamic Solidarity Fund for Development (ISFD)



Member

Mr. Adil Al-Sharif

Executive Director, World Waqf Foundation



Member

Dr. Walid Abdelwahab

Director, Infrastructure Department



Member

Mr. Hassan Demirhan

Acting Director, Treasury Department



Member

Mr. Ahmed Murad Hammouda

Acting Director, Group Risk Management Department



Member

Dr. Mohamed Habib Djarraya

Acting Director, Islamic Financial Services Industry Dept.

ANNEX-V

Members of the Technical Review Committee of The Awqaf Properties Investment Fund

Dr. Essamaldine Al-Kalyoubi Senior Legal Expert General Counsel's Office	Chairman
Mr. Ahmed Jabri Legal Department	Member
Mr. Seedy Mohammed Njie Group Risk Management Department	Member
Mr. Abdullah Mohammed Saeed Infrastructure Department	Member
Mr. Diab Karrar Ahmed Islamic Financial Services Industry Department	Member
Mr. Syed Muhammad Asim Raza Islamic Financial Services Industry Department	Member
Mr. Hamza Taha Treasury Department	Member

APIF STAFF MEMBERS



APIF PROJECTS IN PICTURES



Foundation Stone Laying Ceremony for the Commercial and Residential Complex Project for the Ministry of Awqaf and Islamic Affairs, Djibouti



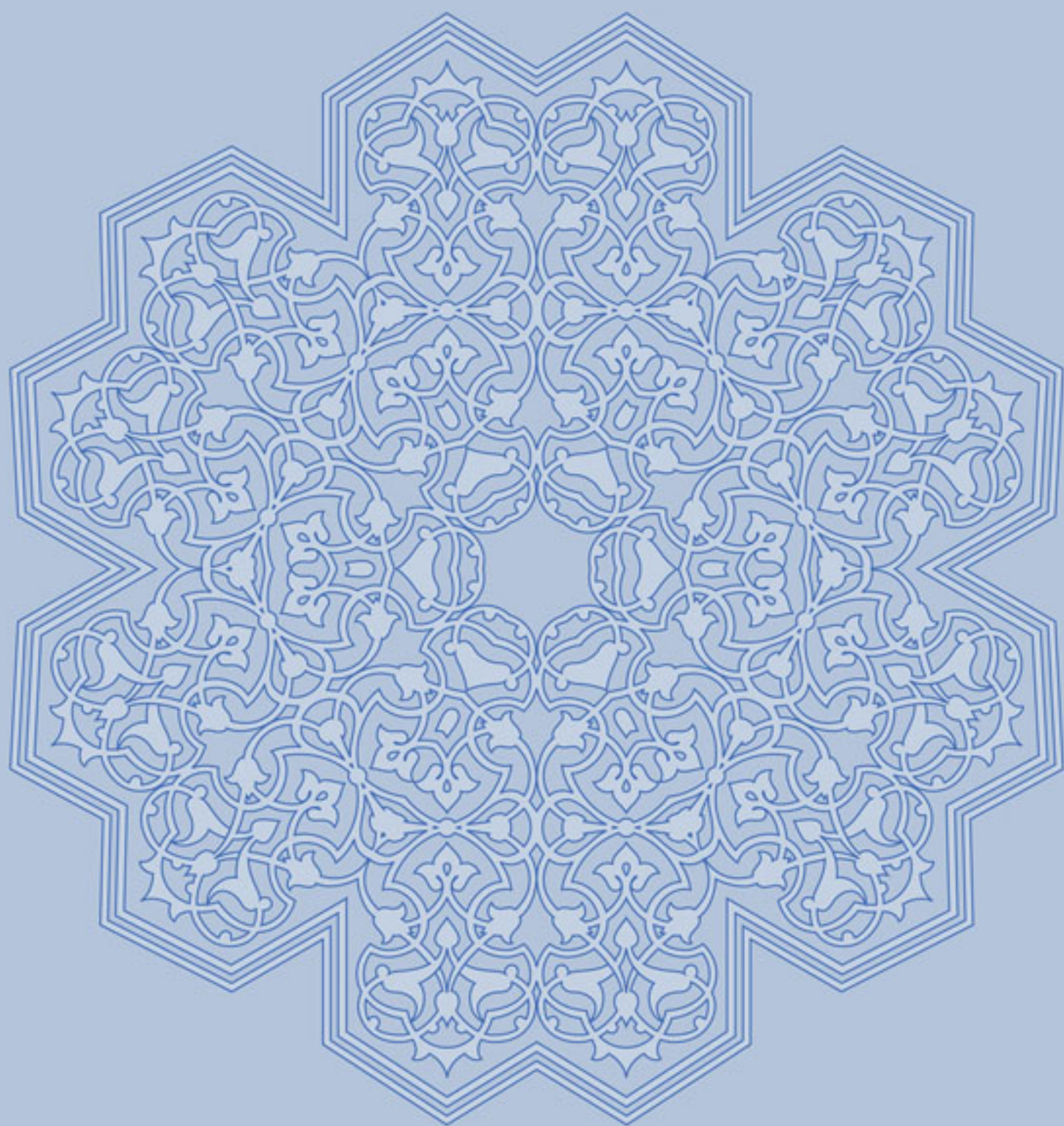
Civil Works in Progress for the Commercial and Residential Building for Al-Magzoub Organisation, Khartoum, Sudan

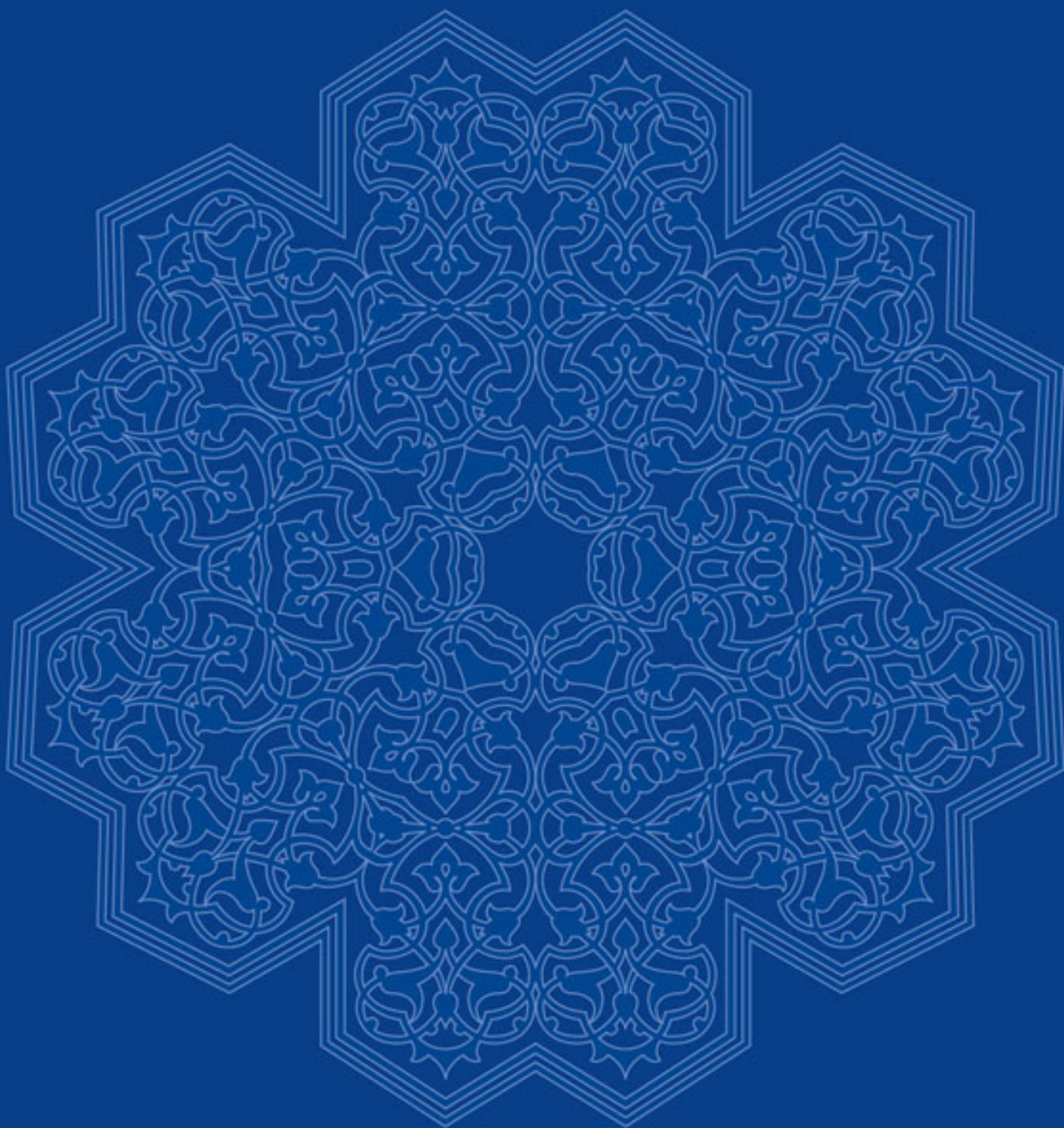


Office Tower Project for the International Islamic University of Chittagong, Bangladesh.



Parliament Street Waqf Commercial and Residential Tower Project for the Ministry of Guidance and Awqaf, Khartoum, Sudan





Islamic Development Bank

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