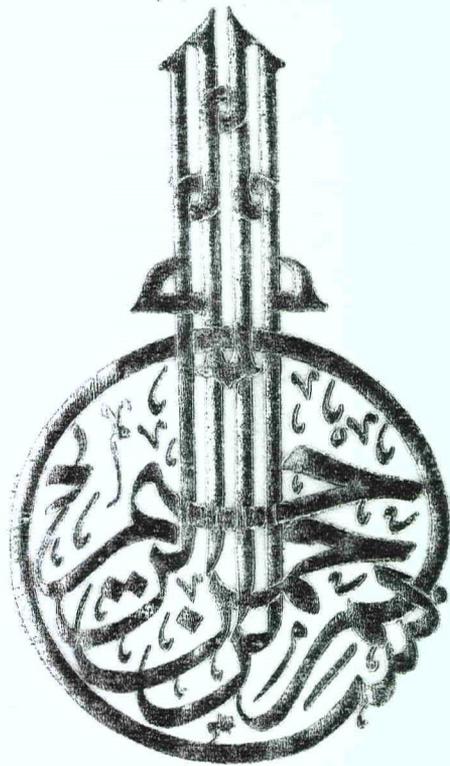




AWQAF PROPERTIES INVESTMENT FUND



ANNUAL REPORT
1423H 2002-2003



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ANNUAL REPORT 1423H (2002-2003)



Contents

| | | |
|-------------|---|----|
| | Mission Statement | 2 |
| | Statement of the Mudarib | 3 |
| Chapter-I | Establishment of the Fund | 4 |
| | I) Introduction | |
| | II) Inaugural Meeting | |
| | III) Purpose of the Fund | |
| | IV) Financial Resources of the Fund | |
| | V) Subscription in the Capital Stock of the Fund | |
| | VI) IDB Support | |
| Chapter-II | The Year Under Review | 8 |
| | I) Financial Performance of the Fund | |
| | II) Approved and Disbursed Amounts | |
| Chapter-III | Future Plans and Outlook | 13 |
| Chapter-IV | Corporate Governance | 14 |
| | I) Regulatory Governance | |
| | II) Corporate Governance | |
| | III) Objective of Sound Corporate Governance | |
| Chapter-V | Data and Documentation Required for consideration Of Applications to Finance Waqf Projects | 22 |
| Chapter-VI | Audited Financial Statements | 24 |

Annexes

| | |
|--------------|---|
| Annexure-I | Subscription paid to the Fund's Capital Stock |
| Annexure-II | Members of the APIF Participants Committee |
| Annexure-III | Members of the APIF Supervisory Committee |
| Annexure-IV | Members of the APIF Management Committee |
| Annexure-V | IDB Shariah Committee |



Mission Statement

The Awqaf Properties Investment Fund (APIF) in line with its objectives, strive to mobilize funds to promote and develop the Awqaf properties worldwide and revive awareness of Islamic *Sunnah* of Waqf and to augment the IDB goals of social and economic development of its member countries and other societies.



In The Name of Allah The Beneficent The Merciful

STATEMENT OF THE MUDARIB

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 (IDB), the *Mudarib* of the Fund, I am pleased to present to your Honourable Committee the Awqaf Properties Investment Fund's first report on its operations and activities for the period 1st Rajab, 1422H to 30th Dhul Hijjah, 1423H.

This report also includes the financial statements of the Fund in accordance with Article 17 of the Fund's Regulations.

Please accept the assurances of my highest consideration.

Dr. Ahmad Mohamed Ali
President, Islamic Development Bank
Chairman, Supervisory Committee
Awqaf Properties Investment Fund



CHAPTER I Establishment of the Fund

I. Introduction

Throughout Islamic history, the institution of Waqf has played an important role in the economic and social development of the Islamic society. It represents a permanent source of financing of socio-economic projects that aim at helping people in necessitous circumstances. However, the waqf as an Islamic institution, over the years, has been adversely affected by negligence and lackadaisical effort such that *awqaf* properties in many countries are lying idle or are generating below market return due to lack of funding and technical support. Hence came the idea of establishing The Awqaf Properties Investment Fund (APIF).

During the 6th Conference of Awqaf and Islamic Affairs Ministers of OIC Member Countries, which was held in Jakarta, Indonesia, during the period 29th October – 1st November 1997, the Islamic Development Bank presented a Paper on the need of an Investment Fund and recommended the establishment of a fund for the development of, and investment in Islamic *waqfs* in all countries. This recommendation came out of IDB's conviction that the goals of the waqf institutions which can be achieved are very much depending on the development of *awqaf* properties.

In implementing the decisions of the 6th Conference of Awqaf and Islamic Affairs Ministers of OIC Member Countries, IDB organized a workshop, which was held at the IDB headquarters in Jeddah during the period 20-21/8/1419H (9-10/12/1999). The Workshop was attended by representatives of some ministries of *Awqaf*, in addition to representatives of some Islamic banks. The Workshop recommended establishment of a fund aiming at investment of *awqaf* properties under the management of IDB as a Mudarib (Manager) in accordance with the provisions of Article 23 of the IDB Articles of Agreement. The workshop also recommended establishment of a technical committee to formulate the proposed by-laws and memorandum of understanding. The feasibility study was prepared by Islamic Corporation for the Development of Private Sector (ICD) and reviewed by Arthur Andersen in June, 2000.

In its 185th Meeting, the IDB Board of Executive Directors approved establishment of the Fund as per Resolution No. BED/15/02/420(185)26. The IDB also approved in the said Board of Executive Directors (BED) meeting the By-Laws (Regulations) of the Fund and the Memorandum of Understanding signed between the IDB and the Ministries/Departments/Institutions of *Awqaf* and Islamic banks and financial institutions.



II. Inaugural Meeting

The Fund's inaugural meeting took place on 9.11.1421H (3.2.2001G). It was attended by all ten founding members. At the meeting, the founding subscribers signed the Memorandum of Understanding for the establishment of the Fund. Their total subscriptions amounted to US\$ 51 million. The Fund is open for others to subscribe in accordance with the procedures provided for in the By-Laws of the Fund.

Two installments of the subscribed capital were called. Each installment represented 20% of the subscribed capital of the Fund (Annex 1). The third instalment has fallen due since the date of this report which increased the paid up capital of the Fund to US\$33 million.

III. Purpose of the Fund

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

IV. Financial Resources of the Fund

The Fund's Regulations have set the initial capital of the Fund at US\$ 50 million, divided into 5,000 certificates, with par value of US\$ 10,000 each. The Regulations also provided that the minimum subscription in the Fund is to be US\$1 million. The Regulations stipulated that twenty percent of the Fund subscribed capital to be paid within thirty days from the effective date of the Memorandum of Understanding and the balance to be paid in four equal yearly installments. The Fund is authorized to mobilize additional resources in the form of *Muqarada* Certificates, Leasing Certificates and Co-financing.

The Islamic Development Bank and nine founding subscribers from ministries/ departments/institutions of awqaf and Islamic banks and financial institutions signed the Memorandum of Understanding on 9.11.1421H. The Memorandum of Understanding became effective given that two conditions were satisfied as follows:-

1. No less than 10 parties should sign the Memorandum of Understanding
2. The total of their subscription amounting to no less than US\$ 25 million.

The Memorandum of Understanding became duly effective as from the date it was signed.



V. Subscription in the Capital Stock of the Fund

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. IDB also reserved the right to reduce its contribution in the subscribed capital in case of increasing the Fund's capital.

The Islamic Development Bank invited a number of *Awqaf* ministries and *Awqaf* institutions, as well as many Islamic financial institutions to subscribe in the capital of the Fund. A number of these institutions responded immediately to the invitation; others joined after the convening of the inauguration of the Fund.

The following table gives the names of *Awqaf* ministries and organizations, and the Islamic financial institution that have subscribed in the capital stock of the Fund and the amounts subscribed by each:

Table-1
Subscribers List

| No. | Name of Subscribing Institution | Amount Subscribed | Remarks |
|-----|--|-------------------|---|
| 1 | The Islamic Development Bank, Jeddah | US\$ 20 m. | Subscribers from 1-10 have subscribed their share in the capital on 9.11.1421H when the Inaugural Meeting of Fund Subscribers was held. |
| 2 | Ministry of Islamic Affairs, Endowments, Da'wah and Guidance, Saudi Arabia | US\$ 15 m. | |
| 3 | Kuwait Awqaf Public Foundation | US\$ 5 m. | |
| 4 | Kuwait Finance House | US\$ 5 m. | |
| 5 | Ministry of Awqaf, Islamic Affairs and Holy Shrines, Jordan | US\$ 1 m. | |
| 6 | Jordan Islamic Bank for Finance and Investment, Jordan | US\$ 1 m. | |
| 7 | Shamil Bank, Bahrain | US\$ 1 m. | |
| 8 | Al-Baraka Islamic Bank, Bahrain | US\$ 1 m. | |
| 9 | Bahrain Islamic Bank, Bahrain | US\$ 1 m. | |
| 10 | Tadamon Islamic Bank, Sudan | US\$ 1m. | |
| 11 | Faisal Islamic Bank, Egypt | US\$ 2 m. | 11 and 12 subscribed after the said Inaugural Meeting. |
| 12 | General Endowments Authority, UAE | US\$ 2 m. | |
| | Total | US\$ 55 m. | |



VI. IDB Support

IDB, as part of its commitment to the development of Awqaf properties, has made significant efforts on research, publications and has convened conferences aiming 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 World Waqf Foundation (WWF) which aims to establish a network of waqf institutions that would undertake Shariah compatible charity activities, support waqf institutions, coordinate activities, provide expertise, contribute to the alleviation of poverty and provide relief aid and develop educational, health and other social programs.

To support the activities of the Fund, the IDB has provided a US\$50.0 million line of financing . In addition, the Bank has approved an amount of US\$250,000 for technical assistance for worthy projects to be used for preparing feasibility studies, project design concepts and preliminary drawings.



CHAPTER II The Year Under Review

The period from 1/6/1422 to 30/12/1423H represents the first 18 months of operations. This period was one of both challenges and achievements as the Fund was building the foundations for its operations:

I. Financial Performance of the Fund

i. Assets of the Fund

Total assets of the Fund amounted to US\$ 22.269 million as on 30 Dhul Hijjah 1423H, out of which US\$ 18.743 million were invested in short-term murabaha investments, US\$ 2.5 million in *Ijarah sukuk* issued by the Malaysian Government and US\$ 1.0 million in Musharaka. The financial position of the Fund is shown in Chapter V.

ii. Earnings and Returns on Capital

Total income during the first financial period of 18 months from 1st Rajab 1422H to 30th Dhul Hijjah 1423H was US\$ 466,111. Return on paid up capital stood at 2.14% for this period. On an annual basis the return on paid up capital is 1.43% per annum.

This return should not be taken as an indication of the future performance of APIF; it is rather an indication of the market returns on liquid assets. It may be noted that the project development cycle of real-estate projects is 2-4 years. In order to alleviate the impact of these factors, APIF is considering to finance newly built up waqf properties and to adopt BOT as a mode of financing for suitable projects with due attention to risks. The rate of return is expected to improve accordingly.

iii. Operational Performance

The APIF's first 18 months of operation showed a reasonable achievement. APIF participated in 8 real estate projects during the period under review, as shown in the following paragraphs:



A. *APIF projects jointly financed with IDB (1422H)*

During its first six months of operations, APIF acquired shares in three waqf property projects that were previously approved by the IDB management. The APIF participation is equivalent to US\$ 1 million in each project as shown in the table-1:

Table-1
List of Projects Approved in 1422H

(Amounts in US\$ Million)

| No | Project | Country | Mode of Financing | Beneficiary | Project Cost | APIF Contribution | IDB Contribution | Awqaf Authorities |
|---------------|--|------------|---|---------------------------------------|--------------|-------------------|------------------|-------------------|
| 1 | Awqaf Commercial Tower (As-Salam Tower). | Kuwait | Financed by way of diminishing participation. Project is completed | Kuwait Awqaf Public Foundation | 33.5 | 1.0 | 16.3 | 16.2 |
| 2 | Expansion of Awqaf Comml. Complex. | Kuwait | Financed by way of diminishing participation. Project is under implementation | Kuwait Awqaf Public Foundation | 20.7 | 1.0 | 14.7 | 5.0 |
| 3 | Awqaf Comml. Building | Ajman, UAE | Financed by way of Istisna'. Project is under implementation | Ministry of Justice & Islamic Affairs | 3.45 | 1.0 | 2.15 | 0.30 |
| Total: | | | | | 57.65 | 3.0 | 33.15 | 21.50 |

B. *APIF projects jointly financed with IDB (1423H)*

The second group of projects under Table-2 are those that were identified, appraised and approved by APIF in 1423H. The total cost of the 5 projects is US\$28.26 million, where APIF participated with US\$8.0 million . The balance financing was provided from the IDB-Line (US\$11.03 million) and the respective Awqaf authorities (US\$9.23 million). The projects details are shown in table-2:



Table-2
List of Approved Projects in 1423H

(Amounts in US\$ Million)

| No | Project Name | Country | Mode of Financing | Beneficiary | Project Cost | APIF Contribution | IDB Contribution | Awqaf Authorities |
|--------|---------------------------------------|--------------|----------------------------|---|--------------|-------------------|------------------|-------------------|
| 1 | Housing Project in Al Khan Area. | Sharjah, UAE | Financed by way of Ijarah. | Awqaf General Trust Sharjah | 3.41 | 2.0 | 1.0 | 0.41 |
| 2 | Waqf Building at the Central District | KSA | Financed by way of Ijarah. | AlMadinah AlMunawarah Research & Studies Center | 7.84 | 2.0 | 1.7 | 4.14 |
| 3 | AlAwqaf Commercial Complex in AlQuds | Palestine | Financed by way of Ijarah. | Ministry of Awqaf & Religious Affairs | 3.8 | 1.0 | 2.1 | 0.7 |
| 4 | Juffair Office Tower Project | Bahrain | Financed by way of Ijarah. | Ministry of Islamic Affairs- Sunni Waqf Directorate | 8.98 | 2.0 | 4.69 | 2.29 |
| 5 | AlRashidiyah Islamic School Project | Ajman, UAE | Financed by way of Ijarah. | Al-Rashidiyah Islamic School | 4.23 | 1.0 | 1.54 | 1.69 |
| Total: | | | | | 28.26 | 8.00 | 11.03 | 9.23 |

iv. APIF's Operational Plan

The table-3 below is showing the comparison of APIF Operational Plan against actual approved projects during 1422-1423H:

Table-3
Operational Plan Versus ACTUAL Approved Projects 1422-1423H

(Amounts in US\$ Million)

| No | Year | Operational Plan | Total Cost of Projects* | APIF Contribution | IDB Contribution | Total APIF Financing | % of APIF contribution to the budget | % of IDB Group financing to the total projects cost |
|----|-------------------|------------------|-------------------------|-------------------|------------------|----------------------|--------------------------------------|---|
| 1 | 1422 H (6 Months) | 10.0 | 57.65 | 3.0 | 16.30 | 19.30 | 30% | 33.5% |
| 2 | 1423 H. | 50.0 | 28.26 | 8.0 | 11.03 | 19.03 | 38% | 67.3% |
| | Total (18 Months) | 60.0 | 85.91 | 11.0 | 27.3 | 38.3 | 63.8% | 44.6% |

* Including land cost.



In 1422, the first six months of APIF's operations, APIF approved three awqaf projects for US\$3.0 million which represents 30% of the operational plan of US\$10.0 million. IDB contribution was US\$19.3 million which represents 1.93 times the operational target.

In 1423H, a total of five projects were approved by APIF Management Committee. The total approvals in 1423H were US\$ 19.03 million, representing 38% of the operational target of US\$50.0 million.

In total, during 18 months period, the approvals of US\$ 22.03 (US\$ 11.0 million from APIF and US\$ 11.03 from IDB Line) represents 36.6% of the budget of US\$ 60 million for the same period. The contribution of APIF in the approved projects is amounting to US\$ 11.0 million which represents 50% of its paid up capital (US\$22.0 million) as of 30/12/1423H.

The following table-4 is showing the APIF Operational Plan for 1424H:

**Table-4
Operational Plan 1424H**

(Amounts in US\$ '000)

| No | Year | Operational Plan | | APIF Contribution | | IDB Line | | Client | | Others | |
|----|--------|------------------|------------|-------------------|------------|----------|------------|--------|------------|--------|------------|
| | | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| 1 | 1424 H | 53.0 | 100% | 10.0 | 19% | 20.0 | 38% | 10.0 | 19% | 13.0 | 24% |

II. Approved and Disbursed Amounts

The amounts approved and disbursed as of 30 Dhu AlHijjah, 1423H are shown in table-5 below:

- Amounts approved for financing Awqaf projects stood at US\$ 27.03 million (US\$22.03 million for project financing and US\$5.0 million for Ijara sukuk).
- Amounts disbursed for projects and sukuk stood at US\$ 3.5 million.



Table-5
Approvals & Disbursements

(Amount in US\$ Million)

| No. | Project | Country | Approved Amount | Disbursed Amount |
|--------------|---|--------------|-----------------|------------------|
| 1 | Malaysian Government Sukuk | Malaysia | 5.0 | 2.5 |
| 2 | Awqaf Commercial Tower (As-Salam Tower) | Kuwait | 1.0 | 1.0 |
| 3 | Expansion of the Awqaf Commercial Complex | Kuwait | 1.0 | -- |
| 4 | Awqaf Commercial Building, Ajmain, UAE | UAE | 1.0 | -- |
| 5 | Housing Project in Al Khan Area. | Sharjah, UAE | 3.0 | -- |
| 6 | Waqf Building at the Central District | KSA | 3.7 | -- |
| 7 | AlAwqaf Commercial Complex in AlQuds | Palestine | 3.1 | -- |
| 8 | Juffair Office Tower Project | Bahrain | 6.69 | -- |
| 9 | AlRashidiyah Islamic School Project | Ajman, UAE | 2.54 | -- |
| TOTAL | | | 27.03* | 3.5 |

* Total approvals includes (a) US\$5.0 million Sukuk and (b) projects of US\$22.03 million)



CHAPTER III Future Plans and Outlook

The Fund is now well positioned to take advantage of future opportunities, being well diversified with a strong balance sheet. The Fund has built a pipeline of more than fifty projects at various stages of readiness. These projects are in commercial, residential and special-purpose buildings and are spread over more than twenty countries.

Table-6 below shows the details of real estate projects that are at their advance stage of approval process:

**Table-6
Project Pipeline**

(Amounts US\$ Million)

| No. | Project | Country | Project Cost | Proposed Fund Contribution | Proposed Contribution from an IDB Line to the Fund |
|--------------|---|----------------------------|--------------|----------------------------|--|
| 1 | Extension of London Muslim Center | England- London | 14.4 | 2.0 | 5.0 |
| 2 | Office & Commercial Building- Parliament street | Khartoun, Sudan | 4.0 | 2.0 | 1.0 |
| 3 | Residential Complex Project- New Cairo | Alexandria – Egypt | 20.0 | 3.0 | 5.0 |
| 4 | Beirut Arab University Hospital | Lebanon- Beirut | 49.4 | 2.0 | 6.0 |
| 5 | Abi-Zaar Waqf- Sudanese Awqaf | KSA- AlMadinah AlMunawarah | 18.0 | 2.0 | 4.0 |
| 6 | Shopping Centre | Turkey | 24.0 | 2.0 | 3.0 |
| 7 | Housing Comlex | New Zealand | 14.0 | 2.0 | 3.0 |
| 8 | Al Dirah Commercial Centre | Kuwait | 16.0 | 2.0 | 2.0 |
| 9 | Commercial Building – Government Road | Bahrain | 3.5 | 2.0 | 1.0 |
| 10 | King Abdulaziz Library | KSA- AlMadinah AlMunawarah | 30.0 | 5.0 | 10.0 |
| TOTAL | | | 193.3 | 24.0 | 40.0 |

IDB, the Mudarib will continue to focus on active management of the portfolio of the Fund's assets and seek opportunities that improve the diversification of the portfolio and maintain consistent performance in terms of income and distribution growth.

The Fund is planning to form an alliance with an international real estate company to provide property management services for the Fund's portfolio. This relationship will provide significant efficiency benefits, particularly in relation to the procurement of services and in the provision of information necessary to invest and effectively manage the portfolio.



CHAPTER IV Corporate Governance

I. Regulatory Governance

The Islamic Development Bank (IDB) played a very major role in developing the Islamic financial industry through regulatory governance. This goes back to 1988 where IDB commissioned a study for establishing the accounting and auditing standards body supported by major Islamic financial institutions. The said study resulted in the creation of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Subsequently, it was followed by the creation of International Islamic Financial Market (IIFM), the International Islamic Rating Agency (IIRA) and lately, the Islamic Financial Services Board (IFSB).

II. Corporate Governance

The corporate governance adopted by the Bank and its Trust Funds aims at achieving the efficient use of resources and to cater as much as is practicable, to the interest of its stakeholders (APIF shareholders, Trust Fund investors, financial clients and Societies of its member countries). The Fund's key governance practices are based on the following five components:

A) Governing Structure

The Fund is governed by the following hierarchy to ensure decentralization of powers as well as checks and balance through its governance system to achieve fairness, transparency, compliance and accountability to its stakeholders:

a) IDB-Board of Executive Directors (BED) - (The *Mudarib*)

The Islamic Development Bank is the Mudarib and Responsible Entity for the Fund and assumes custody of the Fund's assets. The Fund's Regulations specify that in conformity with the principles of mudarabah, the Islamic Development Bank manages the Fund as a Mudarib and assumes the powers and functions and be subject to the responsibilities of a Mudarib. Thus, the Board of Executive Directors of the Bank has the overall responsibility for the business of the Fund. It approves strategic directions and financial objectives and monitors progress against these objectives and ensures regulatory compliance and compliance with prudential regulations and standards, validates and approves business strategy and business plans, reviews business results and monitors budgetary controls (if required) directly and through committees.



b) Participants Committee (PC)

The Participants Committee was established pursuant to provisions of the By-Laws. The Committee has the power to ascertain implementation of the provisions of the By-Laws and the guidelines for investment of the Fund's financial resources, in addition to looking into the Annual Report and final accounts of the Fund after their approval by the Board of Executive Directors. Annexure-II shows the names and addresses of the Participants Committee.

c) Supervisory Committee (SC)

This comprises of the President of the Bank, three members from the Board of Executive Directors selected by their colleagues in the Board, 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 less US\$ 5 million. This Committee is responsible for examining the quarterly accounts of the Fund and for proposing guidelines and policies of the Fund, which the President submits to the Board of Executive Directors for discussion and approval. 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. Annexure-III shows the names and addresses of the Supervisory Committee.

d) The Management Committee (MC)

The IDB as Mudarib and manager of the Fund established an APIF Management Committee chaired by the President, IDB and including senior staff from various departments of the Bank. The Management Committee has a responsibility to ensure the 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 Management Committee considers due diligence reports and issues relating to the Fund's investments. Annexure-IV shows the composition of the APIF Management Committee.

e) The Mudarib of the Fund

The Islamic Development Bank manages the Fund in its capacity as Manager (Mudarib). For this purpose, the President of the Bank conducts the business of the Fund, makes the decisions pertaining to investment of its resources in accordance with the guidelines and policies approved by the Board of Executive Directors and the Supervisory Committee of the Fund.



f) The IDB Management

The President, IDB representing the *Mudarib* has been delegated adequate authority to manage the Fund effectively through the Bank's approval process.

It may be noted that IDB, the Mudarib, has obtained triple A (AAA) rating from Standard & Poor's and double A (AA) rating from Fitch in 2002.

B) Portfolio Compliance

The Mudarib sets a number of compliances including Shariah compliance, Accounting compliance, Regulations and Risk Management and others. These are enumerated below:

a) Shariah Compliance

Shariah compliance of the Fund is assured by the Mudarib in accordance with the rulings of the Fiqh Academy, the Shariah Committee and Shariah advisers. The Fund strictly adheres to the Shariah compliance of the Mudarib.

b) Accounting and Auditing Standards

The Fund adopted the Accounting and Auditing Standards issued by the AAOIFI and International Accounting Standards since inception.

d) IDB Regulations and Code of Conduct

The Fund strictly complies with the Regulations of the Bank. In addition, the IDB (the Mudarib) has an internal code of conduct which is provided to all staff and which requires observance of strict ethical guidelines. The Code of Conduct covers personal conduct, honesty, relations with investors and borrowers, prevention of fraud, conflict of interest and disclosure.

e) APIF Regulations/Resolutions of the BED/PC/SC/MC

The Fund strictly complies with the Regulations of APIF and Resolutions adopted by the IDB-Board of Executive Directors (BED), APIF-Participants Committee (PC), APIF-Supervisory Committee (SC) and the APIF-Management Committee (MC).



C) **Strategy and Investment Policy**

a) **Investment Strategy/Business Plan**

The Fund Management (the *Mudarib*) adopts investment strategy/business plan duly cleared/approved by the APIF-Participants Committee / Supervisory Committee and the IDB-Board of Executive Directors.

b) **Rules and Investment Criteria**

The Fund's Regulations and its Participants Committee's/Supervisory Committee's Resolutions constitute the basis for investment selection. In order to maintain the conservative risk profile of the Fund, financing is mainly extended to viable awqaf projects with guarantees from well-established and acceptable financing institutions.

The Fund follows a policy of diversification in order to mitigate risks and effectively develop a spectrum of market segments. Consequently, it has established company, sector and country exposure limits to ensure that operations fall within the Fund's risk profile and to avoid over exposure to any one segment.

Given its conservative stance, the Fund gives preference to expansion and modernisation projects of existing facilities/companies that have proven a successful track record. However, other proposals are carefully considered to ensure that the Fund's money is utilised effectively and in diverse sectors.

c) **Procedures Followed by the Fund**

- Project identification through the applications received from waqf managers and waqf institution and through field official missions.
- Project preparation through study of the project's documentation and completion of all the necessary basic information about the project through official missions during project preparation.
- In case the project meets the established investment requirements, the applicant for financing would be informed about the proposed mode of financing the project, the financing terms and conditions and the gurantees required to be furnished in order to send a mission for the evaluation of the project.



- The project evaluation mission would then prepare its evaluation report and submits it to the Assets Management Department then to the Trade and Financing Committee of the IDB. Finally, the report is submitted to the Fund Management Committee. If it approves it, the project would be submitted to the President of the Bank through the Vice President for Trade for final approval.

D) Risk Management & Control

a) Risk Management Control System

The *Mudarib* of the Fund has adopted an integrated IDB Group-wide risk management system, based on proactive rather than reactive management of risk. The identification, quantification and proper management of risk are important priorities for the *Mudarib* in managing the Fund. Each investment operation is screened for viability and is protected by adequate guarantees and other securities. The Risk Management and Control Office of IDB overviews and monitors the risk profile of existing and new business relations.

b) Approval System of Investment and Financing Proposals

The approval system of investment and financing proposals is run by a highly qualified professional team including the directors through the following committees:

i) AMD Credit Committee

The Assets Management Department (AMD) being the *Mudarib* is managing all the activities of the Portfolio including investment and financing proposals. All the trade and project financing proposals are initially presented to the AMD Credit Committee for discussion and clearance. Based on the scrutiny/clearance, the proposal(s) is then submitted to the Technical Credit Review Committee (TCRC), APIF-Management Committee and to the President, IDB for further consideration and approval.

ii) Technical Credit Review Committee (TCRC)

The Technical Credit Review Committee (TCRC) is composed of senior professional staff of various departments. It considers all financing proposals submitted to the Trade and Investment Committee.

The principal function of the TCRC is to assess the viability of the projects and submitted to it with emphasis on the following:



- (i) Compliance with the relevant IDB policies, procedures and guidelines with respect to product eligibility, pricing, security and exposure limits.
- (ii) Appropriateness of the amount of financing needed in light of the enterprise's financial strength and operational need.
- (iii) Incorporation of major risks and mitigants.
- (iv) Quality of accounting data presented in the financial statements as certified by the external accounts i.e. clean or qualified.
- (v) Sufficiency of the number of years of financial statements analyzed and financial indicators and ratios as revealed by the analysis (profitability, liquidity, solvency, growth prospects and operational efficiency).
- (vi) Reasonableness of the underlying assumptions of the projected financial statements and Cash Flow, IRR, Sensitivity Analysis and Business Plan (for start ups).

iii) *APIF Management Committee*

The APIF Management Committee is chaired by the President, IDB and comprises Adviser to the President, IIBI, Adviser (Policy), Adviser - World Waqf Foundation, Adviser-in-Charge, Assets Management Department, Director, Country Operations Department-3 and the Director, Islamic Banks Office.

The principal function of the APIF Management Committee is to assess the viability and creditworthiness of credit application. It applies the Bank's lending policy and acts within limits of authority approved by the Board.

The APIF Management Committee considers all financing proposals requiring the President's or the Board's approval.



E) Internal and External Audit

The internal and external control for managing the Fund is to ensure efficiency, transparency and accountability through the following internal and external audit system.

a) Internal Audit

The Mudarib has a commitment to a high level of disclosure to the market and unitholders. As a consequence to this commitment and rigorous internal procedures, quarterly actual results of the Fund are reported against budget and monitored by Management.

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

The Internal Audit Office of IDB (the Mudarib) liaises with the Management of the Fund to identify areas of procedural efficiency and improvements. The Internal Audit Office has direct access to all employees (and the external auditors) without management influence.

The independent audit is undertaken by Al-Juraid & Company (a member firm of PricewaterhouseCoopers) who conducts their audit once at the end of the financial year.

b) External Audit

The Fund's external auditors "Al-Juraid & Company" (a member firm of PricewaterhouseCoopers) who conducts their audit once at the end of the financial year.

c) Adoption of AAOIFI Standards

To ensure transparency in financial reporting, the Fund adopted the AAOIFI and International Accounting Standards to ensure timely delivery of information to the Participants and financial disclosure and transparency of the Fund's accounts and activities.



III. Objective of Sound Corporate Governance

The main objective of sound corporate governance and framework adopted by IDB is to achieve efficient utilization of resources and align as much as possible the interest of stakeholders which will achieve the following main four objectives:

i) Accountability

Strong commitment to maintain proper balance between the Fund stakeholders interest, investors, banks and shareholders

ii) Compliance

To achieve compliance of all strategies and regulations of the Fund and Bank's policies, rules and regulations.

iii) Fairness

To ensure the fair dealing and protection of the Participants rights.

iv) Transparency

To ensure accurate and timely disclosure of information about the Fund financial statements and other activities.



CHAPTER V

Data and Documentation Required for Consideration of Applications to Finance Waqf Projects

Due to the fact that the Awqaf Properties Investment Fund aims at investment in awqaf real estate projects that are financially viable in order to achieve growth of such property, realize a reasonable financial return on investments that would enable the endower to spend it on the goals and purposes for which the property was endowed, the Fund gives special attention to ensuring that the projects it finances meet certain qualitative criteria and the generation of a suitable financial return on the investment made in these projects.

Therefore, consideration of a project submitted to the Fund for financing would require availability of the required information on the basis of which the study could be prepared and an informed decision on the financing of the project could be made. Thus the following documents and information are usually required by the Fund for study and evaluation:

- i. A comprehensive project feasibility study that would include the following components:
 - Description of the project and its components (its location, planning regulations and urban design, components and phases of the engineering study)
 - Construction costs (land and construction).
 - Schedule for implementing the project.
 - Market study, supply and demand and the general level of rent in the area of the project.
 - Occupancy rates and expected returns.
 - Administrative and operational costs.
 - Financial study and basic assumptions on which they rest, financial statements and the internal rate of return of the project, sensitivity analysis in case of cost overruns by 10% or decrease of returns by 10%.
- ii. Basic information about the waqf:
 - This should include the basic information pertaining to the waqf and the supply of a copy of the waqf official deed.
- iii. Basic information about the entity in charge of the waqf:

This should include supplying the basic information about the entity in charge of the waqf, along with the annual audited statements of such entity.



- iv. The basic information related to similar projects that have been completed by the same entity in charge of the waqf being considered for financing.

This should include the name of the similar completed waqf project, its description, use, location and the date it was completed, the cost of the project and its returns.



CHAPTER VI

Audited Financial Statements

For the period from the date of inception
01 Rajab 1422H (18 September 2001) to 30 Dhul Hijjah 1424H
(03 March 2003)





AWQAF PROPERTIES INVESTMENT FUND

Financial Statements for the Period from 01 Rajab 1422H (18 September 2001) (date of inception) to 30 Dhul Hijjah 1423H (03 March 2003) and Independent Auditors' Report



AWQAF PROPERTIES INVESTMENT FUND

Dhul Hijjah 30, 1423H (March 3, 2003)

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report _____ | 27 |
| Statement of Net Assets _____ | 28 |
| Statement of Operations _____ | 29 |
| Statement of Changes in Net Assets _____ | 30 |
| Statement of Cash Flows _____ | 31 |
| Statement of Investments and Financing _____ | 32 |
| Statement of Financial Highlights _____ | 33 |
| Notes to Financial Statements _____ | 34-39 |



INDEPENDENT AUDITORS' REPORT

April 7, 2003

Your Excellencies the Chairman and
the Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of net assets of Awqaf Properties Investment Fund (the "Fund") as of Dhul Hijjah 30, 1423H (March 3, 2003) and the related statements of operations, changes in net assets, cash flows, investments and financing, and financial highlights, and the related notes for the period from Rajab 1, 1422H (September 18, 2001) (date of inception) to Dhul Hijjah 30, 1423H (March 3, 2003). These financial statements 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Fund as of Dhul Hijjah 30, 1423H (March 3, 2003) and the results of its operations, the changes in its net assets, cash flows, investments and financing, and financial highlights for the period from Rajab 1, 1422H (September 18, 2001) (date of inception) to Dhul Hijjah 30, 1423H (March 3, 2003) in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

AL JURAID & COMPANY

By: 
Penrhyn Wilson III
License Number 182



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF NET ASSETS 30 DHUL HIJJAH 1423H

| | <u>Notes</u> | |
|--|--------------|-------------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | 3 | US\$ 18,743,638 |
| Investments in Ijarah Sukuk | | 2,500,000 |
| Musharaka financing | | 1,000,000 |
| Accrued income | | <u>25,978</u> |
| TOTAL ASSETS | | <u>22,269,616</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES: | | |
| Accrued expenses and other liabilities | 4 | 23,892 |
| Accrued Mudarib's share of income | 5, 7 | <u>44,575</u> |
| Total liabilities | | <u>68,467</u> |
| NET ASSETS | | <u>US\$ 22,201,149</u> |
| NUMBER OF CERTIFICATES | | <u>2,180</u> |
| OUTSTANDING | | |
| NET ASSET VALUE PER CERTIFICATE | | <u>US\$ 10,184</u> |

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM 01 RAJAB 1422H (18 SEPTEMBER 2001) (DATE OF INCEPTION) TO 30 DHUL HIJJAH 1423H (03 MARCH 2003)

| | <u>Notes</u> | |
|--|--------------|---------------------|
| <i>Income from:</i> | | |
| <i>Cash and cash equivalents</i> | | US\$ 397,331 |
| Investments in Ijara Sukuk | | <u>68,780</u> |
| Total income | | 466,111 |
| General and administrative expenses | | <u>(20,362)</u> |
| Net income before Mudarib's share | | 445,749 |
| Mudarib's share of net income | 5, 7 | <u>(44,575)</u> |
| Increase in net assets from operations | | <u>US\$ 401,174</u> |

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM RAJAB 1, 1422H (SEPTEMBER 18, 2001) (DATE OF INCEPTION) TO DHUL HIJJAH 30, 1423H (MARCH 3, 2003)

| | Participants' capital US\$ | General reserve US\$ | Retained earnings US\$ | Total US\$ |
|---|----------------------------------|----------------------------|------------------------------|-------------------|
| Capital contributions from issuance of certificates (Notes 6 and 7) | 21,799,975 | - | - | 21,799,975 |
| Increase in net assets from Operations | - | - | 401,174 | 401,174 |
| Transfers to general reserve (Note 5) | - | <u>80,235</u> | <u>(80,235)</u> | - |
| Balance at Dhul Hijjah 30, 1423H | <u>21,799,975</u> | <u>80,235</u> | <u>320,939</u> | <u>22,201,149</u> |

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 01 RAJAB 1422H (18 SEPTEMBER 2001) (DATE OF INCEPTION) TO 30 DHUL HIJAH 1423H (03 MARCH 2003)

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|----------------|
| Net income before Mudarib's share | US\$ 445,749 |
| Changes in operating assets and liabilities: | |
| Accrued income | (25,978) |
| Accrued expenses and other current liabilities | <u>23,892</u> |
| Net cash provided by operating activities | <u>443,663</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---------------------------------------|--------------------|
| Investments in Ijara Sukuk | (2,500,000) |
| Musharaka financing | <u>(1,000,000)</u> |
| Net cash used by investing activities | <u>(3,500,000)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES -

| | |
|---|------------------------|
| Capital contributions from issuance of certificates | <u>21,799,975</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 18,743,638 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>US\$ 18,743,638</u> |

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF PORTFOLIO INVESTMENTS AND FINANCING FOR THE PERIOD FROM 01 RAJAB 1422H (18 SEPTEMBER 2001) (DATE OF INCEPTION) TO 30 DHUL HIJJAH 1423H (03 MARCH 2003)

| | | <u>Percentage of total</u> |
|-----------------------------|-----------------------|--------------------------------|
| Investments in Ijarah Sukuk | US\$ 2,500,000 | 71 |
| Musharaka financing | <u>1,000,000</u> | <u>29</u> |
| Total | <u>US\$ 3,500,000</u> | <u>100</u> |

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF FINANCIAL HIGHLIGHTS FOR THE PERIOD FROM 01 RAJAB 1422H (18 SEPTEMBER 2001) (DATE OF INCEPTION) TO 30 DHUL HIJJAH 1423H (03 MARCH 2003)

(Data per Share in United States Dollars)

| | |
|--|---------------|
| Net assets value at beginning of period | - |
| Total income from investments and financing before Mudarib's share | 204 |
| Less : Mudarib's share | <u>(20)</u> |
| Net income from investments and financing after Mudarib's share | 184 |
| Capital contributions from issuance of certificates | <u>10,000</u> |
| Net assets value at end of period | <u>10,184</u> |

Financial ratios

| | |
|---|------------|
| Net assets at end of period | 22,201,149 |
| Weighted-average net assets | 16,253,743 |
| Ratio of expenses to weighted-average net assets (%) | 0.13 |
| Turnover rate of portfolio of investments and financing (%) | 13.32 |
| Rate of return (%) | 2.87 |

The weighted average net assets are calculated on a periodic basis by weighing the outstanding balance of the capital contributions from Rajab 1, 1422H (September 18, 2001) (date of inception) to Dhul Hijjah 30, 1423H (March 3, 2003).

The accompanying notes from 1 to 11 form an integral part of these financial statements.



AWQAF PROPERTIES INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM RAJAB 1, 1422H (SEPTEMBER 18, 2001) (DATE OF INCEPTION) TO DHUL HIJJAH 30, 1423H (MARCH 3, 2003)

1. NATURE AND PURPOSE OF ESTABLISHING THE FUND

Awqaf Properties Investment Fund (the "Fund") is a close-ended investment trust fund established under Articles 2 and 23 of the Articles of Agreement of Islamic Development Bank (the "Bank") and pursuant to the Memorandum of Understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries in 1422H. The Fund is a trust fund within the Bank and is subject to its Articles of Agreement and Regulations.

The Fund operates in accordance with the terms and conditions contained 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 principles of Shari'ah. The Fund has a Supervisory Committee (the "Committee") chosen by the founding members of the Fund. The Committee oversees the actions of the Mudarib and the general policies of the Fund.

The unit of account of the Fund is United States Dollar (functional currency). The Fund's records and books are administered by the Mudarib. The Mudarib carries out its business activities in Jeddah, Saudi Arabia.

As a trust fund of the Bank, the Fund is not subject to an external regulatory authority.

The financial year of the Fund is the lunar Hijra year.

Any liability for zakat and income tax is the responsibility of the individual participants.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General

- i) In developing the accounting policies, the Fund is guided by the standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standards exists, the Fund uses the relevant International Accounting Standard.



- ii) The Fund uses historical cost convention and accrual basis of accounting in recording its assets, liabilities, revenue and expenses, except for certain investments, which are measured at amortized cost.

(b) Cash and cash equivalents

Cash and cash equivalents mainly represent highly liquid short-term investments that are readily convertible to known amount of cash.

(c) Investments

All investments are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investments. Premiums are amortized and discounts are accreted on a systematic basis to their maturity.

Investments, which have fixed or determinable payments and are intended to be held to maturity, are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of operations when the investment is derecognized or impaired.

(d) Revenue recognition

Cash and cash equivalents - Income from liquid funds is recognized when accrued by the investee banks. Income from Sharia'h compliant short-term commodity transactions with Islamic and other banks are recognized on time apportionment basis.

Investments - Income from investments in Ijarah Sukuk is accrued on a time apportionment basis over the period from the disbursements of funds to the scheduled repayment of installments.

Musharaka financing - Income from Musharaka financing is recognized in the accounting period in which the profits are distributed by the Musharaka partner. The Fund's share of losses for any period is recognized in the accounting period in which the losses are deducted for its share of Musharaka capital.

(e) Impairment of financial assets

An assessment is made at the date of each statement of net assets 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 carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of operations.



(f) Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the respective transactions. Monetary assets and liabilities of the Fund in foreign currencies at the date of the statement of net assets are translated to United States Dollars at the exchange rates prevailing at that date. The resultant profits or losses are recognized in the statement of operations.

(g) General reserve

In accordance with the Regulations of the Fund, the Mudarib is authorized by the Participants to set aside, before paying any dividends, an amount as it thinks fit, as General Reserve from the net income of the Fund until such reserve equals 50% of the capital of the Fund (see Note 5). However, the amount set aside cannot exceed 20% of the annual net income.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at Dhul Hijjah 30, 1423H are comprised of the following:

| | |
|---|-------------------------------|
| Investment in short-term commodity transactions with banks | US\$ 18,662,439 |
| Liquid funds with Islamic banks | <u>81,199</u> |
| Total | <u>US\$ 18,743,638</u> |

Liquid funds maintained with Islamic banks are utilized by the respective banks in the purchase and sale of commodities. Such funds are maintained to meet approved investment operations.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at Dhul Hijjah 30, 1423H are comprised of the following:

| | |
|-------------------|---------------------------|
| Other liabilities | US\$ 15,892 |
| Accrued expenses | <u>8,000</u> |
| Total | <u>US\$ 23,892</u> |

Other liabilities represent amounts earned by the Fund, which are not Shari'ah compliant. The Fund has not recognized such amounts as income in the accompanying financial statements. The management of the Fund will dispose of such amounts in an appropriate manner during 1424H.



5. DISTRIBUTION OF NET INCOME

As per the Regulations of the Fund, net income for each financial year is to be distributed as follows:

| | |
|-------------------------------|--|
| Mudarib's share of net income | 10% |
| Transfer to general reserve | Upto 20% of net income at the discretion of the Mudarib |
| Dividends | From 70% to 90% subject to the transfer to general reserve |

The Fund transferred 20% of net income to general reserve for the period ended Dhul Hijjah 30, 1423H.

6. PARTICIPANTS' CAPITAL

Participants' capital at Dhul Hijjah 30, 1423H is comprised of the following:

| | Value per certificate US\$ | Number of certificates | Value US\$ |
|-----------------------|----------------------------------|---------------------------|-------------------|
| <u>Capital:</u> | | | |
| Authorized | <u>10,000</u> | <u>5,500</u> | <u>55,000,000</u> |
| Issued and subscribed | <u>10,000</u> | <u>5,500</u> | <u>55,000,000</u> |
| Called | <u>10,000</u> | <u>2,200</u> | <u>22,000,000</u> |
| Paid-up | <u>10,000</u> | <u>2,180</u> | <u>21,799,975</u> |

The outstanding amount of US\$ 200,025 was paid by the participants during Safar 1424H.

7. TRANSACTIONS WITH RELATED PARTIES

In accordance with the Regulations of the Fund, the Fund pays 10% of its net income as a fee to the Mudarib. The Fund also enters into certain investments and financing transactions jointly with the Mudarib.

At Dhul Hijjah 30, 1423H, 800 of the subscribed certificates were held by the Bank.



8. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at Dhul Hijjah 30, 1423H are as follows:

| | Less than <u>1 month</u> (US\$) | 1 to 12 <u>months</u> (US\$) | 1 to 5 <u>years</u> (US\$) | Over 5 <u>years</u> (US\$) | <u>Total</u> (US\$) |
|--|---------------------------------------|------------------------------------|----------------------------------|----------------------------------|------------------------|
| Assets | | | | | |
| Cash and cash equivalents | 15,719,742 | 3,023,896 | - | - | 18,743,638 |
| Investments in Ijarah Sukuk | - | - | 2,500,000 | - | 2,500,000 |
| Musharaka financing | - | - | - | 1,000,000 | 1,000,000 |
| Accrued income | <u>7,928</u> | <u>18,050</u> | <u>-</u> | <u>-</u> | <u>25,978</u> |
| Total assets | <u>15,727,670</u> | <u>3,041,946</u> | <u>2,500,000</u> | <u>1,000,000</u> | <u>22,269,616</u> |
| Liabilities | | | | | |
| Accrued expenses and other current liabilities | 23,892 | - | - | - | 23,892 |
| Accrued Mudarib's share of income | <u>44,575</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,575</u> |
| Total liabilities | <u>68,467</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>68,467</u> |

9. CONCENTRATION OF ASSETS

The analysis of assets by economic sector at Dhul Hijjah 30, 1423H is as follows:

| | <u>Real Estate</u> | <u>Financial institutions</u> | <u>Total</u> |
|-----------------------------|-----------------------|-------------------------------|------------------------|
| Cash and cash equivalents | US\$ - | US\$ 18,743,638 | US\$ 18,743,638 |
| Investments in Ijarah Sukuk | - | 2,500,000 | 2,500,000 |
| Musharaka financing | 1,000,000 | - | 1,000,000 |
| Accrued income | <u>-</u> | <u>25,978</u> | <u>25,978</u> |
| Total assets | <u>US\$ 1,000,000</u> | <u>US\$ 21,269,616</u> | <u>US\$ 22,269,616</u> |



The geographical locations of assets at Dhul Hijjah 30, 1423H are as follows:

| | Cash and cash equivalents US\$ | Investments in Ijara Sukuk US\$ | Musharaka financing US\$ | Total US\$ |
|----------------------|---|--|--------------------------------|-------------------|
| Saudi Arabia | 6,058,322 | - | - | 6,058,322 |
| Netherlands | 5,038,423 | - | - | 5,038,423 |
| Bahrain | 3,079,734 | - | - | 3,079,735 |
| United Kingdom | 3,023,626 | - | - | 3,023,625 |
| United Arab Emirates | 1,543,533 | - | - | 1,543,533 |
| Malaysia | - | 2,500,000 | - | 2,500,000 |
| Kuwait | - | - | 1,000,000 | 1,000,000 |
| Total | <u>18,743,638</u> | <u>2,500,000</u> | <u>1,000,000</u> | <u>22,243,638</u> |
| Accrued income | | | | <u>25,978</u> |
| Total assets | | | | <u>22,269,616</u> |

10. REDEMPTION OF CERTIFICATES

The Fund's certificates cannot be redeemed by the Fund. However, the participant is entitled to transfer certificates held by him in accordance with the Regulations of the Fund.

11. COMMITMENTS

At Dhul Hijjah 30, 1423H, undisbursed commitments for investments amount to US\$ 25.5 million.



Annex I

Subscription Paid to the Fund's Capital Stock

(Amounts are in Million US Dollars)

| No. | Name of Subscribing Organization | Amount Subscribed in Million US Dollars | First Installment | Second Installment | Total Paid-up Capital |
|-----|---|---|-------------------|--------------------|-----------------------|
| 1 | Islamic Development Bank | 20.000 | 4.000 | 4.000 | 8.000 |
| 2 | Ministry of Islamic Affairs, Endowments, Da'wah and Guidance, KSA | 15.000 | 3.000 | 3.000 | 6.000 |
| 3 | Kuwait Awqaf Public Foundation, Kuwait | 5.000 | 1.000 | 1.000 | 2.000 |
| 4 | Kuwait Finance House, Kuwait | 5.000 | 1.000 | 1.000 | 2.000 |
| 5 | Ministry of Awqaf and Islamic Affairs and Holy Shrines, Jordan | 1.000 | 0.200 | --- | 0.200 |
| 6 | Jordan Islamic Bank for Finance and Investment, Jordan | 1.000 | 0.200 | 0.200 | 0.400 |
| 7 | Al Baraka Islamic Bank, Bahrain | 1.000 | 0.200 | 0.200 | 0.400 |
| 8 | Bahrain Islamic Bank, Bahrain | 1.000 | 0.200 | 0.200 | 0.400 |
| 9 | Shamil Bank, Bahrain | 1.000 | 0.200 | 0.200 | 0.400 |
| 10 | Tadamon Islamic Bank, Sudan | 1.000 | 0.200 | 0.200 | 0.400 |
| 11 | Faisal Islamic Bank, Egypt | 2.000 | 0.400 | 0.400 | 0.800 |
| 12 | General Endowments Authority, UAE | 2.000 | 0.400 | 0.400 | 0.800 |
| | Totals | 55.000 | 11.000 | 10.800 | 21.800 |

* The third installment of capital was called for payment value date, 27 Safar, 1424H. (29/4/2003G).



Annex II

Members of the APIF Participants Committee

- | | | | |
|----|---|----|--|
| 1 | Dr. Ahmad Mohamed Ali President, IDB | 2 | Dr. Abdurrahman Bin Suleiman Al Matrudi, Deputy Minister for Awqaf Affairs, Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Kingdom of Saudi Arabia |
| 3 | Mr. Jassar Dakhil Al Jassar, Director General, Kuwait Finance House, Kuwait | 4 | Dr. Fuad Abdullah Al Omar, Secretary General, Kuwait Awqaf Public Foundation, Kuwait |
| 5 | H.E. Ahmed Moh'd. Hlaiyel, Minister of Awqaf and Islamic Affairs and Holy Shrines, Jordan | 6 | Mr. Abdulhamid Abu Musa, Governor, Faisal Islamic Bank, Egypt |
| 7 | Mr. Adnan Yusuf, Managing Director, Bahrain Islamic Bank, Bahrain | 8 | Mr. Abdullah Nugdullah Ehmedi, Director General, Tadamon Islamic Bank, Sudan |
| 9 | Mr. Musa Shehadeh, Vice Chairman of the Board of Directors and Director General, Jordan Islamic Bank for Finance & Investment, Jordan | 10 | Mr. Salah Zainal Abideen Director General, Al Baraka Islamic Bank, Bahrain |
| 11 | Dr. Said Sa'ad Al Martan Chief Executive Shamil Bank, Bahrain | 12 | Mr. Sultan Mohammed Hussein Al Mulla, Deputy Secretary for Financial Affairs and Administration, General Endowments Authority, UAE |



Annex III

Members of the APIF Supervisory Committee

| No. | Name | Designation | Organization Represented |
|-----|---|---|---|
| 1 | Dr. Ahmad Mohamed Ali President, IDB | Chairman of the Supervisory Committee | Islamic Development Bank (IDB) |
| 2 | Dr. Abdullah bin Ibrahim El- Kuwaiz, Member of the IDB Board of Executive Directors | Member | Islamic Development Bank (IDB) |
| 3 | Mr. Faisal Abdul Aziz Al-Zamil Member of the IDB Board of Executive Directors | Member | Islamic Development Bank (IDB) |
| 4 | Mr. Haji Bin Khalid Bin Haji Ghazali, Member of the IDB Board of Executive Directors | Member | Islamic Development Bank (IDB) |
| 5 | Dr. Abdurrahman Bin Suleiman Al Matrudi, Deputy Minister for Awqaf Affairs | Member | Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, KSA |
| 6 | Mr. Khalid Bin Abdullah Al Abdullatif, Director General, General Department for Investment | Member | Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, KSA |
| 7 | Mr. Mohammed Sa'ad Al Agmi | Member | Kuwait Awqaf Public Foundation, Kuwait |
| 8 | Mr. Anwar Mohamed Al-Badr | Member | Kuwait Finance House, Kuwait |
| 9 | Dr. Ahmad Mohammed Hlaiyyel Minister of Awqaf, Islamic Affairs and Holy Shrines, Jordan | Member | Representative of Awqaf Ministries and Organizations. |
| 10 | Dr. Said Sa'ad Al Martan Chief Executive, Shamil Bank, Bahrain | Member | Representative of Islamic Financial Institutions. |



Annex IV

Members of the APIF Management Committee

| | | |
|---|---|----------|
| 1 | President, Islamic Development Bank | Chairman |
| 2 | Vice President (Trade & Policy) | Member |
| 3 | Adviser – Operations and Planning | Member |
| 4 | Adviser – Treasury Department | Member |
| 5 | Head – Country Operations Department – 3 | Member |
| 6 | Adviser-in-Charge, Assets Management Department | Member |
| 7 | Head, Islamic Banks Office | Member |
| 8 | Adviser – World Waqf Foundation | Member |



Annex V

IDB Shariah Committee Members

1. His Eminence Sheikh Mohamed Al-Mukhtar Al-Salami *Chairman*
2. His Eminence Sheikh Mohamed Ali Al-Taskheeri *Member*
3. His Eminence Dr. Sheikh Mohamed Hashim Yahya *Member*
4. H.E. Sheikh Saleh Bin A.Rahman Bin A. Aziz Al-Haseen *Member*
5. H.E. Dr. Hussain Hamid Hassan *Member*
6. H.E. Dr. Abdul Sattar Abu Ghuddah *Member*
APIF Shariah Advisor

ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND

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