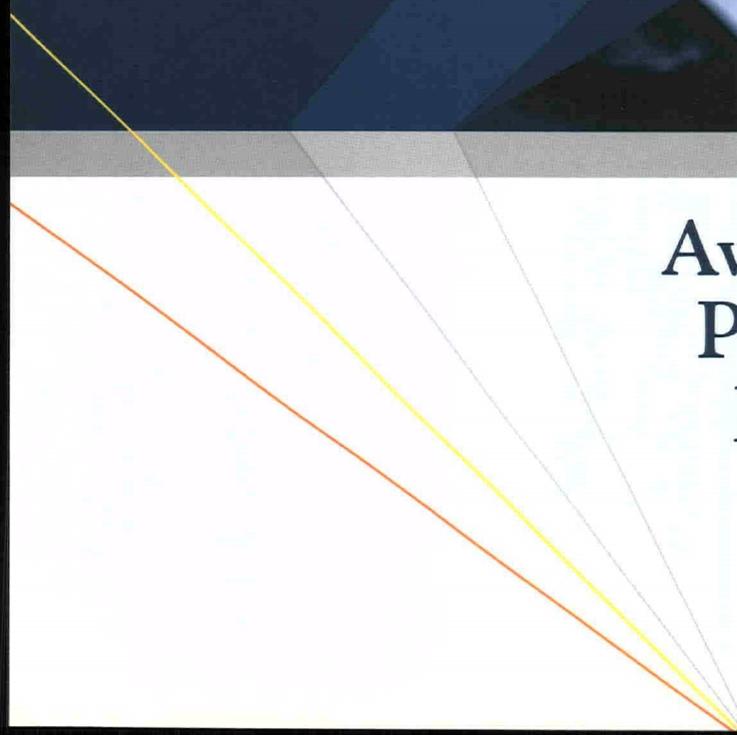


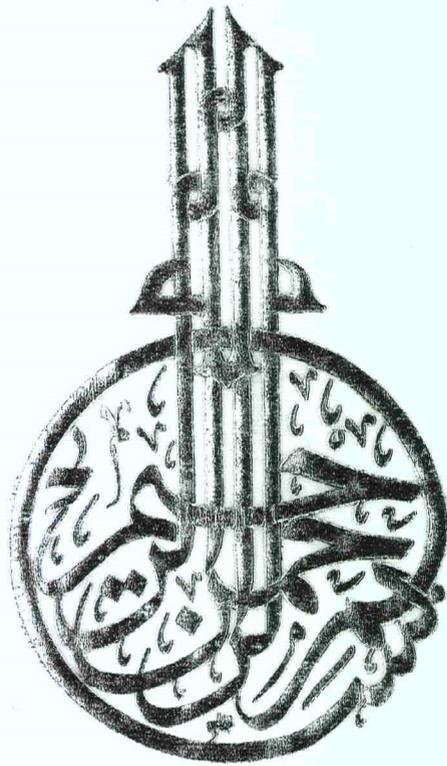
Annual Report 1426H-(2005-2006)



Awaqaf Properties Investment Fund



ANNUAL REPORT 1426H-(2005-2006)



ISLAMIC DEVELOPMENT BANK

**AWQAF PROPERTIES
INVESTMENT FUND**

**ANNUAL REPORT 1426H
(2005-2006)**



ISLAMIC DEVELOPMENT BANK

Awqaf Properties Investment Fund

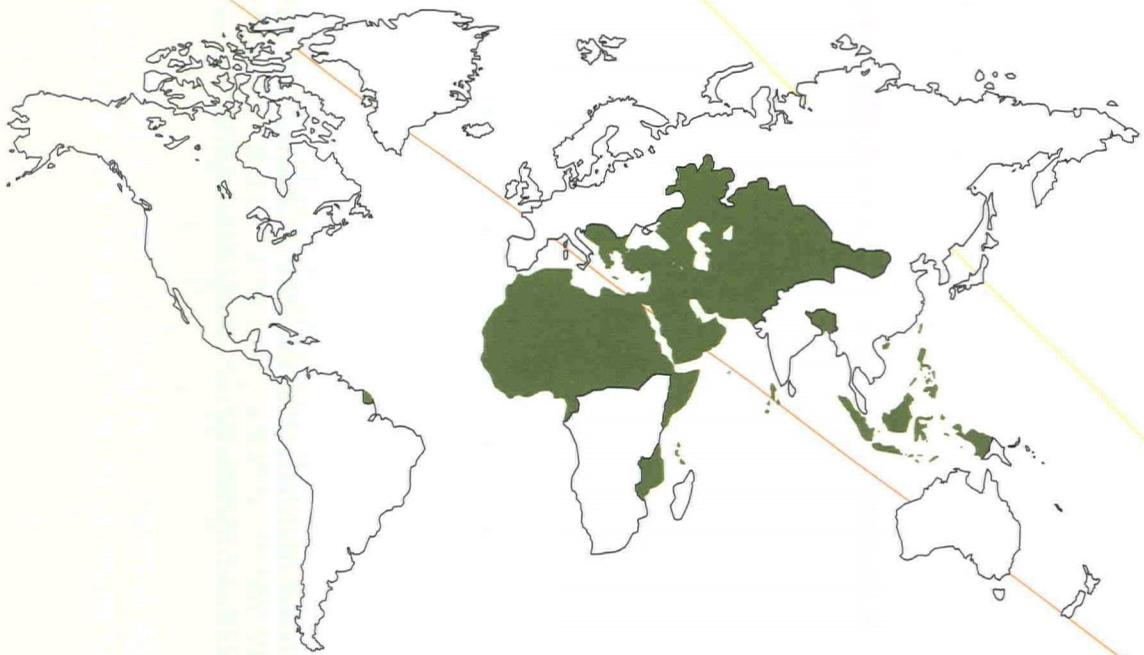
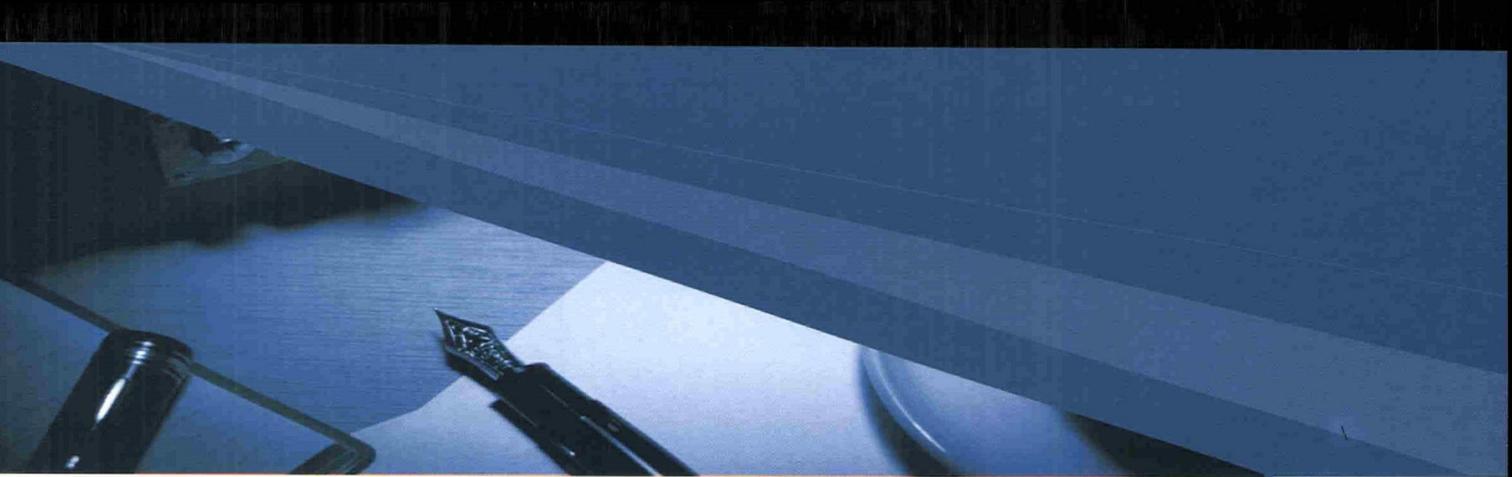
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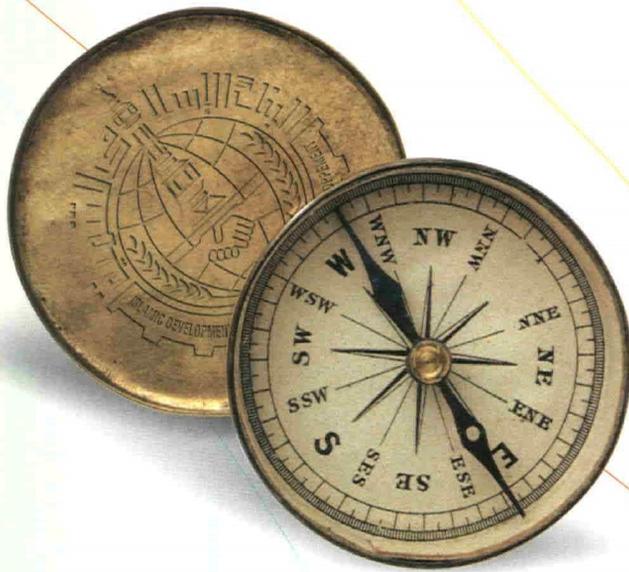
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BANK



The Mission

APIF Mission

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





In the name of Allah the Beneficent the Merciful

The Honourable Members of
The Board of Executive Directors
Islamic Development Bank

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 fourth 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 Dhul Hijjah 1426.

I am pleased to report to you that the Fund has completed its fourth year of operations with substantially improved results. The Islamic Development Bank, the Mudarib of the Fund, maintained its focus of consolidating the Fund's strategy and building up its pipeline of potential projects. A total of five projects were approved for financing of an aggregate value of US\$63.88 million.

The year 1427 promises to be a good year for the Fund. The aggregate value of projects in the pipeline exceed US\$350 million of which six projects valued at US\$115 million are at an advanced stage of readiness and are expected to be approved during the year.

Thank you for your continued support.

Yours sincerely,

Dr. Ahmad Mohamed Ali

President, Islamic Development Bank

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Basis of Presentation

This annual financial report is prepared in accordance with AAOIFI standards which differ in some respects from the IAS. Comparative amounts have been reclassified to accord with presentations made in fiscal year 1424, except where otherwise stated

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 Dhul 1426 (corresponding to the period February 10, 2005-January 30, 2006) is referred to as the fourth year and subsequent years will be referred to in a corresponding manner. The abbreviations \$m and \$bn represent millions and thousand of millions (i.e. billions) of US dollars respectively.

A glossary of some of the key terms used in this annual report is contained in 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 1426 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.



<u>Term used</u>	<u>Brief description</u>
AAOIFI	Accounting and Auditing Organization of Islamic Financial Institutions
Awqaf	Real property held as permanent waqf
APIF	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
BOT	Build – Operate -Transfer
Direct financing	Non-equity financing in which funds are provided from the Fund's own resources
Equity	Participant's contribution to capital
Fund	Awqaf Properties Investment Fund
IAS	International Accounting Standards
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
Mudarib	Islamic Development Bank
NAV	Net asset value
Nazer	Trustee or manager of a waqf
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.

Economic Performance of the IDB Member Countries

The current economic performance and future prospects in IDB member countries are largely influenced by a combination of country-specific factors and global developments, particularly in the major industrial countries and emerging economies. Similar to other regions of the world, the growth pattern of IDB member countries was uneven in 2005. It was high and significant in some member countries from Asia and oil-exporting countries, while slow and at times weak in others.

Table-2.1 below highlights some selected economic indicators of IDB member countries as compared to the developing countries as a whole:

Table-1.1: Selected Economic Indicators

	2001	2002	2003	2004	2005*	2006*
Real GDP Growth Rate (%)						
IDB member countries	2.89	4.78	6.1	6.24	5.55	5.81
LDMC's	5.67	5.16	5.63	6.41	6.30	7.89
Developing Countries	4.05	4.80	6.49	7.28	6.39	6.11
Inflation (%)						
IDB member countries	11.57	10.92	8.00	7.18	8.38	7.34
LDMC's	7.34	7.53	6.35	6.54	7.72	6.45
Developing Countries	6.74	5.94	5.99	5.78	5.87	5.71
Gross National Savings (% of GDP)						
IDB member countries	23.72	23.32	24.36	26.18	27.72	28.18
LDMC's	15.64	17.11	17.79	19.27	19.15	20.29
Developing Countries	24.73	25.94	27.71	29.35	30.93	31.34
Trade Balance (% of GDP)						
IDB member countries	8.99	7.90	9.10	10.08	13.52	14.88
LDMC's	(3.96)	(3.68)	(3.79)	(2.58)	(1.72)	0.97
Developing Countries	2.62	3.07	3.47	3.95	5.02	5.18

* Projected

Source: IMF (October 2004)

Real- GDP Growth Rates

The real GDP growth rate of IDB member countries increased from an average of 2.9 percent in 2001 to 6.2 percent in 2004 and fell back to 5.5 percent in 2005 (Table 1.1). It is expected that the growth will slightly increase to 5.8 percent in 2006. Although the overall economic performance of member countries, in terms of GDP growth rate, was higher than the average growth rate of



the world as a whole, the former continued to remain 15 percent below the average for developing countries. The current projections show that there will be a slight downward trend in their GDP growth in 2006 as well. Two facts emerge from the above trends. First, the impact of the global developments has been more profound in IDB member countries in recent years; and second, GDP growth rates of the member countries seem to be getting closer to the growth rates achieved by developing countries.

Inflation

The inflation rate in IDB member countries, though significantly in a decreasing trend since 2001, is still well above the world and the developing countries averages. The inflation rate was reduced from 11.6 percent in 2001 to 7.2 percent in 2004, but started to pick up in 2005 and reached 8.4 percent this year (Table 1.1).

Saving and Investment Rates

Table 1.1 also gives statistics on national saving rates by different groupings during the period 2000-2006. The national saving rate as a percentage of GDP for IDB member countries, though slightly lower, have followed the same pattern for developing countries during 2000-2005. The rate for IDB member countries has been fluctuating around 24 percent from 2000 to 2003, and has risen steadily to almost 28 percent ever since.

The investment rate, defined as the ratio of gross fixed capital formation to the GDP (current prices) has remained constant around 20 percent over the period 2000-2005. The trend is not compatible with the performance of the developing countries as a whole, where the latter had an increase over the same period from 24.6 percent in 2000 to 29.1 percent in 2005.

Trade and Current Account Balances

The IDB member countries had the same pattern of current account balance surplus since 2000. The magnitude of the current account balance recorded a sharp jump in 2003 from \$78.4 billion to \$239.1 billion in 2005. As a share of GDP, the current account balance of IDB member countries followed a negative trend from 2000 to 2003, but increased considerably thereafter. The ratio witnessed a sharp rise, and almost doubled, from 5.5 percent to 9.5 percent in 2004- 2005.

The trade surplus of IDB member countries as a percentage of their GDP has experienced some fluctuations since the turn of the century. The ratio declined from 10.7 percent in 2000 to 7.9 percent in 2002 and started to pick up thereafter. The trend is on the rise and the ratio witnessed a jump from 10 percent in 2004 to 13.5 percent in 2005. The trade surplus of IDB member countries experienced a growth rate of 105 percent over the period 2003-2005, while the same figure for the developing countries was estimated to be around 99 percent. The trade surplus of IDB member countries in 2005 was around \$338 billion. It should, however, be noted that the trade deficit of LDMCs as a percentage of their GDP, which was stagnating around 3.6 percent over the period of 2000 to 2003, has started to decrease considerably to 2.58 percent in 2004 and 1.72 percent in 2005.

THE AWQAF SECTOR

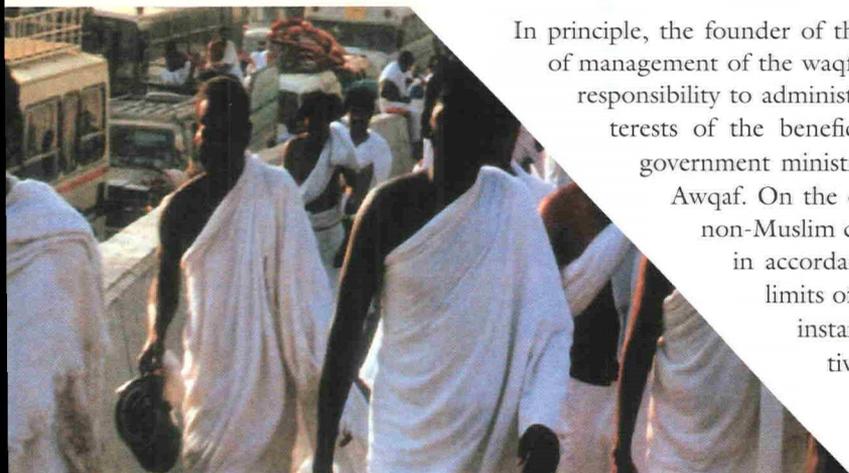
Historical Overview of Awqaf

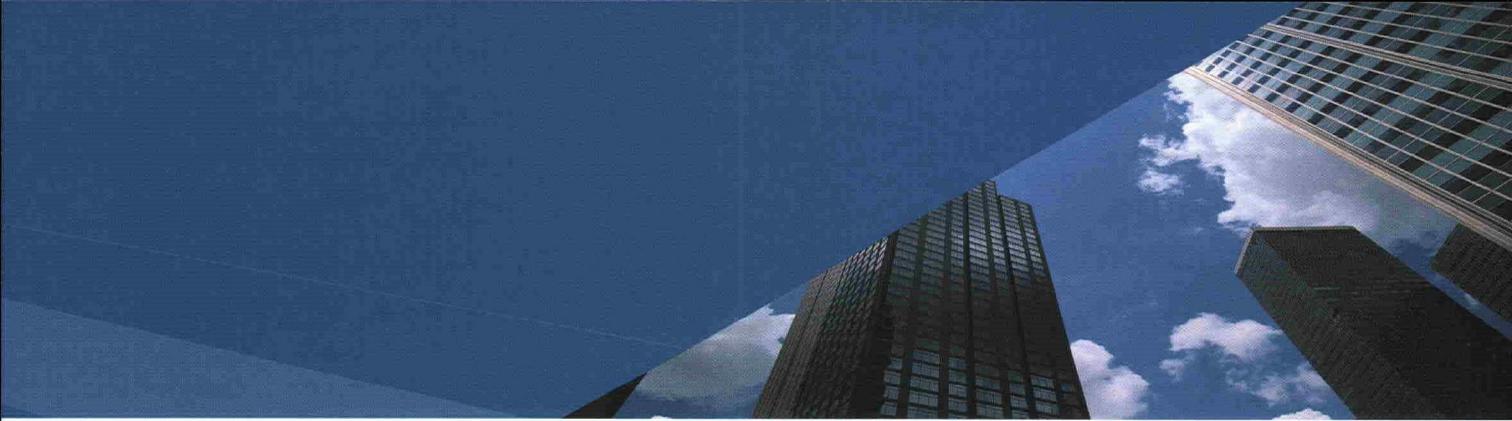
The history of awqaf dates back to the early days of Islam. Awqaf have been recognized by Islamic tenets as a sunnah and sadaka jariah (perpetual charity). This permanent nature of waqf resulted in the accumulation of waqf properties all over the Muslim world. It has been stated that Islam's first waqfs were the two holy Harams and the waqfs founded by the Prophet (PBUH) and his Sahaba (companions). Other waqfs were founded for the service of pilgrims and umrah visitors. Many other waqfs were established for a variety of objectives that include relief of the sick and the poor, the handicapped and the needy, the widowed and the underprivileged. Special waqfs were established for building, renovating and preserving mosques, shrines and holy places. 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.

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 set to revive 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 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 show that as at the end of 1999 there were more than 92,871 waqfs and 660,356 sites whose current value is conservatively estimated at US\$8 billion, not counting the priceless treasures found in awqaf shrines and museums. Many of these awqaf date back to the reign of the Safavids who ruled Persia (1502-1736). 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 cashflows, 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

Introduction

During the 6th Conference of the Ministers Awqaf and Islamic affairs of OIC member countries which was 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 as an Islamic financial institution, 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.

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

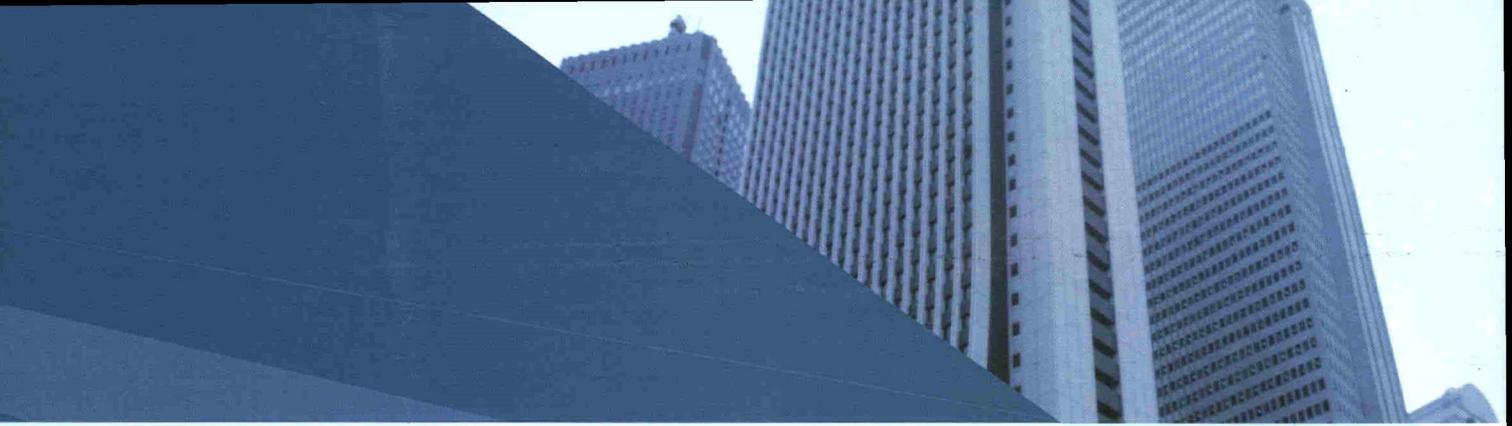
Purpose of the Fund

The purpose of the Fund is to develop and invest 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.

APIF aims to look at the big picture and the social benefits it offers to individuals, families and societies, instead of being locked into a narrow and short term focus on profits. As manager of the Fund, the Mudarib 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 must also be true to its mission values and the basic tenets in relation to these is-



Al-Khan Residential Building, Sarjah, UAE



sues. This means putting our corporate principles into practice and considering not only the economic, but also the social impact of our operations in a way that maximizes benefits to the ultimate beneficiaries of the waqfs.

Capital Resources of the Fund

The Fund's authorized capital is US\$100 million divided into 10,000 certificates, with a nominal value of US\$ 10,000 each. The Regulations also provided that the minimum subscription in the Fund is US\$ 1 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. 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. The names of Awqaf ministries and organizations, and the Islamic financial institutions that have subscribed in the capital stock of the Fund and the amounts subscribed are given in Annex-I.



Women Center for Memorization of the Holy Quran, Qatar

IDB Support

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

It has been a challenging year for the business of APIF, but also one of significant achievement as we introduced new modes of financing and adopted new approaches to developing awqaf properties. We have also begun reviewing processes and systems from awqaf perspective. To keep us focused on developing awqaf projects, we are establishing a specialized real estate services company as an operating arm of the Fund to carry out project supervision and management. While this has affected our operating results, it also goes a long way in turning around our performance, improving the way we do business and generating future growth. The year under review was the third full year of operations of the Fund. We continued to build up the resource and asset base as well as the project pipeline.

Financial Performance of the Fund

Assets of the Fund

Total assets of the Fund amounted to US\$ 59.7 million at the end of 1426H, compared to US\$ 47.3 million as at the end of 1425H, registering an increase of about 26%. The table below summarizes the asset breakup for 1424H-1426H:

Table 4.1: Asset Composition

(US\$ '000)

As at the end of	1426H		1425H		1424H	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	32,769	54.8	17,731	37.4	13,360	38.0
Investments	15,126	25.3	13,959	29.5	13,042	37.1
Receivables	2,485	4.1	10,233	21.6	4,885	14.0
financing	1,892	3.1	1,892	4.0	2,000	5.7
Other	7,518	12.7	3,502	7.5	1,836	5.2
Total	59,790	100.1	47.317	100.0	35,123	100.0

The Fund has succeeded in employing part of its liquid funds for Ijarah in order to enhance the return on the capital and hence increase the shareholders' value.

The addition of Build-Own-Transfer (BOT) to the investment guidelines has given the Fund an extensive foot print in Awqaf financing. As growth through BOT investments can carry certain risks, the Mudarib is taking a disciplined approach to ensure that all BOT investments would generate additional value for participants.



Hotel Project for Al-Madinah Al-Munawrah Research and Studies Center, Saudi Arabia



Financial Indicators

The financial performance indicators of the Fund for the year 1426H in comparison with the same period in 1424-25H are presented in the following Table:

Table 4.2: Financial Indicators

	(US\$ '000)		
Financial Indicators	1426H	1425H	1424H
Net Assets	57,863	47,064	34,984
Weighted average net assets*	52,464	41,024	30,679
Net Income	1,455	717	1,093
provision for Mudarib's fee	146	72	110
Transfer to General Reserve	291	143	197
Net Income available to Certificate holders	1,018	502	786
Return on weighted average net assets (%)	2.77	1.74	3.56
Average LIBOR (%)	4.10	2.18	1.31
Net Assets Value (NAV)	10.151	10.276	10.413

* The weighted average net assets are calculated on a periodic basis by weighing the outstanding balance of the capital contributions.

The rate of return (before deduction of Mudarib's share and transfer to general reserve) on weighted average net assets of the Fund for the year is 2.77% as compared to an average US\$ LIBOR of 4.10% during the year.

Operational Performance

During 1426H, the Fund approved 5 projects for Awqaf development in Canada, Iran, Qatar and UAE as detailed in the following table:



THE YEAR UNDER REVIEW

Table 4.3: Projects Approved in 1426H for Awqaf Development

(US\$ Million)

Project Name	Country	Beneficiary	Project Cost	APIF Contribution	IDB *
Expansion of the Women Center for memorization of Quran	Qatar	Directorate of Awqaf / Min.of Awaf & Islamic Affairs	1.50	0.71	0.79
Al-Khan Residential Building – Sharjah (Additional Financing)	U.A.E.	Awqaf General Trust Sharjah	0.44	0.22	
Construction of School Building in Edmonton	Canada	Arab Muslim Association	18.04	5.00	5.00
Development of Residential Complex in Mashhad	Iran	Iran's Endowment Fund	22.70	3.00	7.00
Residential & Commercial Complex in Semnan	Iran	Iran's Endowment Fund	14.20	5.00	3.00
Total			56.88	13.93	15.79

* Including IDB line for APIF

In addition to the above, 3 operations for liquidity management were also approved in 1426H wherein the total APIF contribution was US\$ 7.5 million as given in the following table:

Table 4.4 : PROJECTS APPROVED IN 1426H FOR LIQUIDITY MANAGEMENT

Project Name	Country	Mode of Financing	APIF Contribution
Saad Trading & Contracting Co.	Saudi Arabia	Murabaha	2.00
Min.of Power,Energy & Mineral Resources	Bangladesh	Murabaha	2.00
Establishment of Real Estate Company for APIF	Saudi Arabia	Equity	3.50
TOTAL			7.50

Project-wise details of approvals since APIF's inception are given in Annex-II.

Declaration of Dividend

Although the Fund is still in its formative period and needs to build up its asset base as well as augment its resource position, the shareholders need to be compensated for their investment in the Fund. As such, a dividend of 3% is proposed for the year under review (nil in 1425H). However, as the activities of the Fund gather momentum and projects under implementation are completed and start functioning, the shareholders can expect higher returns on their investment in the Fund. Needless to mention, the Mudarab (IDB) would exert all efforts to ensure that the resources of the Fund are effectively and efficiently utilized and the shareholders are more than adequately compensated for the confidence reposed in it by them.

CHAPTER 5

FUTURE PLANS AND OUTLOOK

It appears that the Fund has turned the corner and is now well on its way to achieving its vision. While there will always be more work that can be done, the Fund is now well placed for a viable and continuous operation over the next few years. In a relatively short time since inception, the Fund is shaping into an asset class. It 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 ten countries.

The core strategy for the Fund is to invest in awqaf real estate properties, focusing on assets that can demonstrate consistent and growing income over the long to medium term. Achieving the investment goals of the Fund's capital participants and the developmental goals of the awqaf clients is essential to the Fund's success. The Fund's focus on general charitable awqaf organizations, gives it unparalleled access to real estate opportunities around the world. The Mudarib's policy is to seek active opportunities that improve diversification of the portfolio and maintain performance in terms of income and distribution growth consistent with the objectives of adding value to awqaf properties.

APIF is currently involved in a number of large development projects including a hotel project in Al-Madinah Al-Munawwarah, Saudi Arabia, a university hospital in Beirut, Lebanon, a residential/commercial project in Birmingham, UK and three residential/commercial complexes in Iran. Other smaller projects are also on the drawing board in Malaysia, Bangladesh and the UAE. These are mainly residential developments but include commercial, industrial and retail outlets.

The outlook for APIF remains strong with new projects valued at more than US\$250 million. In 1427H our aspiration is to establish a real estate services company that will provide project management and property management services for the Fund's portfolio. As the operating arm of APIF, the company 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.

To capitalize on its strengths and to continue to play an increasingly important role in Awqaf development, the Fund has developed a clear and simple strategy having the following major components:



King Abdul Aziz Library Project,
Saudi Arabia

FUTURE PLANS AND OUTLOOK

- i) ***BOT & Other Product Innovations:*** Deployment of BOT mode will form the core strategy of APIF as this is the most suitable structure for developing long-term, low return projects. Apart from BOT, APIF will also develop new financial products in the form of *Istis'na Sukuk, Musharakah Sukuk* etc.
- ii) ***Real Estate Company:*** Since real estate development is the core objective of APIF, it is in the process of setting up a specialized real estate management company that would add value to the technical and financial functioning of APIF and enhance returns on investment.
- iii) ***Market Development:*** APIF will aggressively strive to educate the markets in member countries about the significance of *the Awqaf* sector for the overall socio-economic development of Muslim societies.
- iv) ***Strategic Alliances:*** APIF is developing strategic alliances with local endowments and Awqaf ministries in order to generate future financial resources and also develop quality deal flow.
- v) ***Regional Awqaf Funds:*** After expanding its capital base in the next 2-3 years, APIF will begin acting as a 'Fund of Funds', in that it will promote/invest in regional social sector funding vehicles. This will open up new revenue generation avenues for APIF, and help expand the *Awqaf* sector more rapidly.
- vi) In 2008, APIF will reassess its strategy in the light of experiences accumulated by then and will begin to develop APIF into a full-fledged *Awqaf* Bank, Insha'Allah.

The implementation of the APIF 5 year Strategic Plan would not only enable it to contribute effectively to the development of Waqf in countries around the world, but would also provide its shareholders with above-market returns.

CORPORATE GOVERNANCE

The Board of Executive Directors of the Islamic Development Bank is responsible for the corporate governance of the Fund. Corporate governance practices are undertaken with due regard to the Fund's stakeholders and its role in the awqaf affairs. The Bank manages the Fund in accordance with the principles of Mudarabah. Thus, the Fund is managed as a financially and administratively separate organization. The main corporate governance practices that were in place during the year upto 30 Dhul Hijjah 1426H are discussed in this section.

The Mudarib of the Fund

IDB, as the Mudarib, is the responsible entity for the Fund. It serves the interests of all stakeholders, being the unitholders, customers, regulators, staff and the communities in the geographic regions in which the Fund invests.

The Bank's Board of Executive Directors has approved the corporate governance guidelines which set out the specific roles, duties and responsibilities of the various committees. It validates and approves business strategy and business plans, reviews business results and monitors budgetary controls and ensures compliance with the Fund's regulations, policies, investment guidelines, Shariah rulings, AAOIFI standards and the regulations of the various jurisdictions where it operates.

Participants Committee

The Participants Committee has the power to insure implementation of the provisions of the Fund's Regulations and the guidelines for investment of the Fund financial resources, in addition to reviewing and ratifying the Annual Report and final accounts of the Fund after their approval by the Board of Executive Directors. The Members of the Participants Committee during the year, are listed in Annex-III.

Supervisory Committee

The Supervisory Committee is comprised of the President of the Bank, three members from the 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 less than US\$ 5 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 Participants Committee during the year, or since, are listed in Annex IV

The Management Committee

The IDB as mudarib and manager of the Fund established a Fund Management Committee chaired by the President, IDB, and includes senior staff from various departments of the Bank. The

CORPORATE GOVERNANCE

Management Committee 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 Management Committee considers due diligence reports and issues relating to the Fund's investments. The members of the Management Committee are listed in Annex-V

Other Committees

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

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 of the Fiqh Academy and the Shariah Committee of the Bank. As a Fund with a mission, every project must be properly justified as a service to the Ummah.

Ethical standards

IDB regards ethics as being of intrinsic value to all funds under management. The IDB expresses its commitment to ethics in many different ways that include maintaining high professional standards, focusing on improving the reporting and auditing process and providing clear and professional guidance on ethical issues. For example, the Bank's rules of conduct are published in three languages. These rules apply to all employees of the Group, as well as to directors and casual workers. The 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. These are important, but equally important is the encouragement of ethical conduct not just by edict but also by example from all involved in the Fund. It's the Mudarib's objectives that all dealings with staff, with beneficiaries, with regulatory authorities and with the community should be conducted honestly, fairly, diligently and in accordance with all applicable laws. Any departure from such practice is treated very seriously.

Risk management program

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 Bank's Risk Management and Control Office 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.

Internal Control and reporting

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 reports to unitholders 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 positions to be taken with external organizations. Funding, cash management, financial instruments and commodity derivatives are managed through policies, procedures and limits 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 external audit is undertaken by Ernst & Young who conduct their audit once at the end of the financial year and review the quarterly accounts.

**ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND
FINANCIAL STATEMENTS**

30 Dhul Hijjah 1426 (30 January 2006) Together with
AUDITORS' REPORT

AUDITORS' REPORT

**YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS
OF THE BOARD OF GOVERNORS
ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENTS FUND**

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 30 Dhul Hijja 1426 and the related statements of operations, changes in net assets, cash flows and selected 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 the 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, presents fairly, in all material respects, the financial position of the fund as at 30 Dhul Hijja 1426 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah board of the fund.

We also draw the attention that the Fund has followed other accounting standards with respect to accounting, measurement, recognition, presentation and disclosure of matters not covered by the AAOIFI standards, which are disclosed in Note 3.

**Sami E. Farah, Abdulhamid M. Bushnaq
& Partner**

**Sami Farah
Licence No. 168**

**7 April 2006
Jeddah, Kingdom of Saudi Arabia**

**ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND**

**STATEMENT OF NET ASSETS
As at 30 Dhul Hijjah 1426**

		(In Thousands US Dollars)	
	Note	1426	1425
ASSETS			
Cash and cash equivalents	4	32,769	17,731
Investments:			
Islamic Ijarah Sukuks		2,500	2,500
Ijarah Muntahia Bittamleek, net	5	12,626	11,459
Receivables:			
Murabaha syndications		1,485	9,233
Istisna'a		1,000	1,000
Financing:			
Musharaka		1,892	1,892
Receivables from Islamic Development Bank			
- Ordinary Capital Resources		5,605	2,143
Accrued income and other assets		1,913	1,359
TOTAL ASSETS		59,790	47,317
LIABILITIES			
Accrued expenses and other credits		71	71
Accrued Mudarib's share of income		146	182
Dividends Payable		1,710	-
Total liabilities		1,927	253
Net assets		57,863	47,064
Net assets represented by:			
Certificate holders' contribution	6	57,000	45,800
General reserve		733	442
Retained earnings		130	822
TOTAL CERTIFICATE HOLDERS' EQUITY		57,863	47,064
NUMBER OF CERTIFICATE OUTSTANDING		5,700	4,580
NET ASSET PER CERTIFICATE (US\$)		10.151	10.276

The financial statement were authorized for issue in accordance with a resolution of the Board of Directors on 7 April 2006.

ISLAMIC DEVELOPMENT BANK AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING As at 30 Dhul Hijja 1426

(In Thousands of U.S. Dollars)

	1426		1425	
	Amount	% of Portfolio	Amount	% of Portfolio
Investments:				
Islamic Ijarah Sukuks	2,500	12.8%	2,500	9.6%
Ijarah Muntahia Bittamleek	12,626	64.7%	11,459	43.9%
Receivables:				
Murabaha syndications	1,485	7.6%	9,233	35.4%
Istisna'a	1,000	5.2%	1,000	3.8%
Financing:				
Musharaka	1,892	9.7%	1,892	7.3%
Total	19,503	100%	26,084	100%

The financial statement were authorized for issue in accordance with a resolution of the Board of Directors on 7 April 2006.

**ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND**

**STATEMENT OF OPERATIONS
For the Year ended Dhul Hijjah 30, 1426**

	(In Thousands US Dollars)	
Note	<u>1426</u>	<u>1425</u>
INCOME FROM INVESTMENTS, SALES AND FINANCING:		
Investments:		
Islamic Ijarah Sukuks	150	76
Ijarah Muntahia Bittamleek	3,299	3,184
	<u>3,449</u>	<u>3,260</u>
Sales:		
Murabaha syndications	363	117
Istisna'a	54	53
	<u>417</u>	<u>170</u>
Financing:		
Musharaka financing	-	49
	<u>-</u>	<u>49</u>
Total income from investments, sales and financing	<u>3,866</u>	<u>3,479</u>
Expenses:		
Depreciation	(3,076)	(3,065)
Administrative expenses	(174)	(32)
Total expenses	<u>(3,250)</u>	<u>(3,097)</u>
Net income from investments, sales and financing	616	382
Income from cash and cash equivalents	839	335
Net income before Mudarib fee	<u>1,455</u>	<u>717</u>
Mudarib's share of net income	(146)	(72)
	<u>(146)</u>	<u>(72)</u>
Increase in net assets representing net income for the year	<u>1,309</u>	<u>645</u>
Earning per certificate (US\$)	<u>0.23</u>	<u>0.14</u>

**ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND**

**STATEMENT OF CHANGES IN NET ASSETS
For the Year ended 30 Dhul Hijjah 1426**

(In Thousand of US Dollars)

	Note	Certificate holders' contribution	General reserve	Retained earnings	Total
Balance at 29 Dhul Hijjah 1424		33,600	299	1,085	34,984
Capital contributions from issuance of certificates		12,200	-	-	12,200
Net income for the year		-	-	717	717
Mudarib's share of net income	8	-	-	(72)	(72)
Dividends		-	-	(765)	(765)
Transfer to general reserve		-	143	(143)	-
Balance at 29 Dhul Hijjah 1425		45,800	442	822	47,064
Capital contribution from issuance of certificates		11,200	-	-	11,200
Net income for the period		-	-	1,455	1,455
Mudarib's share of net income	8	-	-	(146)	(146)
Dividends		-	-	(1,710)	(1,710)
Transfer to general reserve		-	291	(291)	-
Balance at 30 Dhul Hijjah 1426		57,000	733	130	57,863

ISLAMIC DEVELOPMENT BANK AWQAF PROPERTIES INVESTMENT FUND

STATEMENT OF CASH FLOWS For the Year ended 30 Dhul Hijjah 1426

	(In Thousands of US Dollars)	
	1426	1425
OPERATING ACTIVITIES		
Net income after Mudarib's fee	1,309	645
Adjustments for:		
Depreciation	3,076	3,065
Mudarib's share of net income	146	72
Change in operating assets and liabilities:		
Receivable from Islamic Development Bank - Ordinary		
Capital Resources	(3,462)	(2,114)
Murabaha syndications	7,748	(5,348)
Accrued income and other assets	(554)	448
Accrued expenses and other credits	-	42
Accrued Mudarib's share of income paid	(182)	-
Net cash provided by (used in) operating activities	8,081	(3,190)
INVESTING ACTIVITIES		
Ijarah Muntahia Bittamleek	(4,243)	(3,982)
Net cash used in investing activities	(4,243)	(3,982)
FINANCING ACTIVITIES		
Musharaka financing	-	108
Capital contribution from issuance of certificates	11,200	12,200
Dividends paid	-	(765)
Net cash provided by financing activities	11,200	11,543
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,038	4,371
Cash and cash equivalents at beginning of the period	17,731	13,360
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32,769	17,731
Supplemental Information for non-cash Transaction		
Dividends Declared	1,710	-

**ISLAMIC DEVELOPMENT BANK
AWQAF PROPERTIES INVESTMENT FUND**

**STATEMENT OF FINANCIAL HIGHLIGHTS
For the Year ended Dhul Hijjah 30, 1426**

(In Thousands of US Dollars)

	<u>1426</u>	<u>1425</u>
DATA PER CERTIFICATE		
Net assets value - beginning of the year	8.257	7.638
Certificate holders contribution during the year	<u>1.965</u>	<u>2.664</u>
Net income from investments, sales, financing and cash and cash equivalents	0.255	0.157
Less: Mudarib share of profit	<u>(0.026)</u>	<u>(0.016)</u>
Net income from investments, sales, financing and cash and cash equivalents after Mudarib share	0.230	0.141
Dividends	<u>0.300</u>	<u>(0.167)</u>
Net assets value - end of the year	<u><u>10.151</u></u>	<u><u>10.276</u></u>

The data per certificate are calculated using the number of certificates outstanding at Dhul Hijjah 30, 1426H, which were 5,700 certificates (1425H - 4,580 certificates).

FINANCIAL RATIOS/SUPPLEMENTARY DATA:

Total net assets - end of the year	57,863	47,064
Average of net assets	52,464	41,024
Ratio of expenses to average of net assets	6.2%	7.5%
Annual rate of return	2.5%	1.6%

1. ORGANIZATION AND ACTIVITIES

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (the Fund) for the year ended Dhul Hijjah 30, 1426, were authorized for issue by the Fund's Management on March 29, 2006. 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 Rajab 1, 1422.

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") chosen 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. BASIS OF PRESENTATION

The Fund adopts the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards where AAOIFI standards do not exist.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is held to maturity and is carried at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition.

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.

Participation in Murabaha syndication

The Fund 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.

Musharak financing

Musharak financing is stated at cost less received amounts as a repayment of the Musharak 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 before Mudarib fees, until such reserve equals 50% of the capital of the fund (Note 8).

Foreign currencies

Transactions in foreign currencies are recorded in US Dollars at the appropriate rates prevailing at the time of transactions. Assets and liabilities in foreign currencies at balance sheet date are translated at the corresponding rates of exchange at that date. Exchange differences are reported as part of the results for the period.

Revenue recognition

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

Income from Ijarah Muntahia Bittamleek is accrued based on the lease agreement.

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

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

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 loss is recognized in the accounting period in which the losses are deducted from its share of Musharaka capital.

Cash and cash equivalents income 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 fund to the maturity date.

Impairment of financial assets

An assessment is made at each financial position 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 is calculated as the difference between the asset's carrying amount and its fair value and is included in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and bank balances and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 Dhul Hijjah comprise the following:

	(In Thousands of US\$)	
	1426	1425
Liquid funds placed with Islamic banks	5,646	562
Investment in short-term commodity transactions with bank	27,123	17,169
	<u>32,769</u>	<u>17,731</u>

Liquid 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

NOTES TO THE FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

5. IJARAH MUNTAHIA BITTAMLEEK

The movement in Ijarah Muntahia Bittamleek during the year ended 30 Dhul Hijjah, comprise the following:

	(In Thousands of US\$)	
	1426	1425
Cost		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	3,982	-
Additions	4,243	3,982
Balance at end of the year	8,225	3,982
Assets in repayment period:		
Balance at beginning of the year	12,350	15,359
Transferred to beneficiaries during the year	-	(3,009)
Balance at end of the year	12,350	12,350
Total costs	20,575	16,332

	(In Thousands of US\$)	
	1426	1425
Accumulated depreciation:		
Balance at beginning of the year	4,873	4,817
Charge for the year	3,076	3,065
Transferred to beneficiaries during the year	-	(3,009)
Balance at end of the year	7,949	4,873
Net book value	12,626	11,459

Future rentals receivable related to Ijarah Muntahia Bittamleek at 30 Dhul Hijjah 1426 are estimated to be US\$ 13.2 million (1425: US\$ 12.5 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).

6. CERTIFICATE HOLDERS' CONTRIBUTION

Certificate holders' contributions at 30 Dhul Hijjah comprise the following:

	(In Thousands of US\$)	
	1426	1425
Authorized: 20,000 certificates of US Dollars 10,000 each	<u>200,000</u>	<u>200,000</u>
Issued and subscribed:		
5,700 certificates of 10,000 US Dollars each (1425 - 5,600 certificates of US Dollars 10,000 each)	<u>57,000</u>	<u>56,000</u>
Paid up capital:		
5,700 certificates of US Dollars 10,000 each (1425 - 4,580 certificates of US Dollars 10,000 each)	<u>57,000</u>	<u>45,800</u>

7. RELATED PARTY TRANSACTIONS

IDB is entitled to 10% share of net income of the Fund as a Mudarib; this amount is separately shown as an appropriation of net income.

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

At 30 Dhul Hijjah 1426H, IDB held 2,000 of the subscribed certificates (1425H: 1,600 certificate).

8. DISTRIBUTION OF NET INCOME

As per the regulations of the Fund, subject to the transfer to general reserve as indicated in (Note 3g), the net income for each financial year shall be distributed as follows:

Mudarib	10%
Certificate holders	90%

ISLAMIC DEVELOPMENT BANK AWQAF PROPERTIES INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS 30 Dhul Hijjah 1426H (30 January 2006)

9. CONCENTRATION OF ASSETS

9.1 Concentration of assets by geographical areas at 30 Dhul Hijjah is analyzed as under:

(In Thousands of US Dollars)					
1426	Cash & cash equivalents	Investments	Receivables & financing	Other	Total
Asia	32,769	15,126	4,377	7,518	59,790
Total assets	32,769	15,126	4,377	7,518	59,790

(In Thousands of US Dollars)					
1425	Cash & cash equivalents	Investments	Receivables & financing	Other	Total
Africa	-	1,215	-	-	1,215
Asia	17,731	12,744	12,125	3,502	46,102
Total assets	17,731	13,959	12,125	3,502	47,317

9.2 An analysis of the Fund's assets by industry at 30 Dhul Hijjah is as follows:

	1426				
	Real estate	Public utilities	Financial institutions	Other	Total
Cash & cash equivalents	-	-	32,769	-	32,769
Investments	-	12,626	2,500	-	15,126
Receivables and financing	2,892	-	-	1,485	4,377
Receivable from Islamic Development Bank - Ordinary Capital Resources	-	-	5,605	-	5,605
Accrued income and other assets	-	-	-	1,913	1,913
Total assets	2,892	12,626	40,874	3,398	59,790

	1425				Total
	Real estate	Public utilities	Financial institutions	Other	
Cash & cash equivalents	-	-	17,731	-	17,731
Investments	-	11,459	2,500	-	13,959
Receivables and financing	2,892	2,000	-	7,233	12,125
Accrued income and other assets	53	1,135	2,251	63	3,502
Total assets	<u>2,945</u>	<u>14,594</u>	<u>22,482</u>	<u>7,296</u>	<u>47,317</u>

10. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Fund's assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at 30 Duhl Hijjah are as follow:

1426	(In Thousands of US Dollars)				Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Assets					
Cash and cash equivalents	32,769	-	-	-	32,769
Investments	-	3,915	8,332	2,879	15,126
Receivables and financing	1,485	-	-	2,892	4,377
Receivables from IDB - Ordinary Capital Resources	5,605	-	-	-	5,605
Accrued income and other assets	-	1,913	-	-	1,913
Total Fund's assets	<u>39,859</u>	<u>5,828</u>	<u>8,332</u>	<u>5,771</u>	<u>59,790</u>
Liabilities					
Accrued expenses and other credits	-	71	-	-	71
Accrued Mudarib's share of income	-	146	-	-	146
Total Fund's liabilities	<u>-</u>	<u>217</u>	<u>-</u>	<u>-</u>	<u>217</u>

ISLAMIC DEVELOPMENT BANK AWQAF PROPERTIES INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

(In Thousands of US Dollars)

1425	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	16,187	1,544	-	-	17,731
Investments	-	-	9,977	3,982	13,959
Receivables and financing	253	8,980	-	2,892	12,125
Accrued income and other assets	3,502	-	-	-	3,502
Total Fund's assets	<u>19,942</u>	<u>10,524</u>	<u>9,977</u>	<u>6,874</u>	<u>47,317</u>
Liabilities					
Accrued expenses and other credits	-	71	-	-	71
Accrued Mudarib's share of income	-	182	-	-	182
Total Fund's liabilities	<u>-</u>	<u>253</u>	<u>-</u>	<u>-</u>	<u>253</u>

11. FAIR VALUES

The fair values of the Fund's financial assets and liabilities are not materially different from their carrying values at the statement of net assets date.

12. COMMITMENTS

At 30 Dhul Hijjah 1426, the un-disbursed commitments for investing in operations and other investments amount to US\$ 12 million (1425: US\$ 29 million).

13. RECLASSIFICATIONS

Certain reclassifications have been made to 1425H financial statements to conform to the classification used in 1426H.

ANNEXURES

ANNEX - 1

AWQAF PROPERTIES INVESTMENT FUND PARTICIPANTS' SHARE - HOLDING AS AT END 1426H

SL. NO	NAMES OF THE PARTICIPATING INSTITUTIONS AND RELIGIOUS AUTHORITIES (AWQAF)	TOTAL SUBSCRIBED
1	ISLAMIC DEVELOPMENT BANK	20,000
2	AL-BARAKA ISLAMIC INVESTMENT BANK, BAHRAIN	1,000
3	KUWAIT FINANCE HOUSE	5,000
4	SHAMIL BANK BAHRAIN	1,000
5	FAYSAL ISLAMIC BANK OF EGYPT	2,000
6	JORDAN ISLAMIC BANK FOR FINANCE & INVESTMENT	1,000
7	BAHRAIN ISLAMIC BANK	1,000
8	TADAMON ISLAMIC BANK, SUDAN	1,000
9	MINISTRY OF ISLAMIC AFFAIRS, AWQAF, DA'WA AND GUIDANCE (KSA)	15,000
10	MINISTRY OF AWQAF, ISLAMIC AFFAIRS & HOLY SHRINES (JORDAN)	1,000
11	GENERAL ENDOWMENT AUTHORITY (UAE)	2,000
12	KUWAIT AWQAF PUBLIC FOUNDATION (KUWAIT)	5,000
13	ARAB ISLAMIC BANK	1,000
14	IRAN'S ENDOWMENT FUND	1,000

ANNEX - II-i

AWQAF PROPERTIES INVESTMENT FUND OPERATIONS APPROVED UPTO END 1426H FOR AWQAF DEVELOPMENT

(US\$ Million)

Sr. No.	NAME OF PROJECT	COUNTRY	Mode of Financing	PROJECT COST	APIF Contribution	IDB Contribution*
1	High Rise Awqaf Commercial Center in Fahd Al-Salem Street, Kuwait	Kuwait	Profit Sharing	35.55	1.00	16.29
2	Awqaf Commercial Complex	Kuwait	Profit Sharing	20.77	1.00	14.77
3	Awqaf Commercial Bldg. Ajman	UAE	Istisna'a	3.45	1.00	2.15
4	Al-Khan Residential Bldg. Sharjah	UAE	Leasing	3.41	2.00	1.00
5	Waqf Building, Madinah Research	Saudi Arabia	Leasing	7.84	2.00	1.70
6	Juffair Office Tower	Bahrain	Leasing	8.98	2.00	4.69
7	Al-Rashidiyah Isl. Priv. School	UAE	Leasing	4.23	1.00	1.54
8	Aizarieh Commercial Complex	Palestine	Istisna'a	3.80	1.00	2.10
9	Women Centre for Memorization of Quran	Qatar	Leasing	11.00	4.80	3.70
10	Qureish Street Commercial Complex	Jordan	Musharaka	10.14	1.00	1.00
11	Parliament Avenue Awqaf Commercial Centre	Sudan	Leasing	10.00	3.30	5.70
12	Dev. Of Residential and Commercial Complex, Bandar Abbas	Iran	Leasing	12.63	3.00	5.00
13	Construction of Waqf Bldg. WAMY	Saudi Arabia	Leasing	6.22	3.00	1.00
14	King Abdul Aziz Library, Madinah	Saudi Arabia	Leasing	74.00	5.00	25.00
15	Construction of School in Edmonton, Alberta	Canada	Leasing	18.04	10.00	
16	Dev. of Residential Complex in Mashhad	Iran	Leasing	22.70	10.00	2.00*
17	Residential & Commercial Complex in Semnan	Iran	Leasing	14.20	8.00	
18	Expansion of the Women Center for Memorization of Quran	Qatar	Leasing	1.50	1.50	
19	Al-Khan Residential Building (Additional Financing)	U.A.E.	Leasing	0.44	0.22	
Total				266.90	60.82	87.64

* including IDB Line for APIF

ANNEX - II-ii

AWQAF PROPERTIES INVESTMENT FUND OPERATIONS APPROVED UPTO END 1426H FOR LIQUIDITY MANAGEMENT

(US\$ Million)

Sr. No.	NAME OF PROJECT	COUNTRY	Mode of Financing	APIF Contribution
1	Gum-Arabic Al-Hadha Trading Co.	UAE	Murabaha	0.80
2	Import of Fuel Oil, Govt. of Lebanon Thru CDR	Lebanon	Murabaha	1.00
3	Import of Crude Oil	Indonesia	Murabaha	2.00
4	Malaysian Govt. Global Sukuk Issue thru HSBC	Malaysia	Ijara Sukuk	5.00
5	Import of Wheat & Barley, Min. of Agriculture	Tunisia	Murabaha	2.00
6	Import of Crude Oil & Petroleum Products	Bangladesh	Murabaha	2.00
7	Import of Crude Oil & Petroleum Products	Bangladesh	Murabaha	2.00
8	Import of CKD-Kits, Iran Khodro Co.	Iran	Murabaha	2.00
9	Purchase of Assets from UIF & Specific Deposits	Lebanon	Leasing	3.02
10	Purchase of Assets from UIF & Specific Deposits	Sudan	Leasing	3.26
11	Purchase of Assets from UIF & Specific Deposits	Turkey	Leasing	3.03
12	Purchase of Assets from UIF & Specific Deposits	Saudi Arabia	Leasing	3.05
13	Purchase of Assets from UIF & Specific Deposits	Pakistan	Leasing	3.01
14	Import of Alum. Timber & Sugar, Algosaibi Bros.	Saudi Arabia	Murabaha	3.25
15	Import of Crude Oil	Bangladesh	Murabaha	2.00
16	Import of Crude Oil	Bangladesh	Murabaha	2.00
17	Import of Crude Oil	Bangladesh	Murabaha	1.00
18	Import of Construction materials	Saudi Arabia	Murabaha	2.00
19	Saad Trading & Contracting Co.	Saudi Arabia	Murabaha	2.00
20	Min.of Power,Energy & Mineral Resources	Bangladesh	Murabaha	2.00
21	Establishment of Real Estate Company for APIF	Saudi Arabia	Equity	3.50
Total				49.92

ANNEX - III

MEMBERS OF THE PARTICIPANTS COMMITTEE WITH A BRIEF DESCRIPTION OF THEIR OTHER RESPONSIBILITIES

H.E. Dr. Abdul Salam Al-Abadi (Chairman)
Minister of Awqaf, Islamic Affairs and Holy Places, Amman, Jordan

Dr. Ahmad Mohamed Ali, -
Member of the Participants Committee and President of the Islamic Development Group, Jeddah, Saudi Arabia.

Dr. Abul Rahman Bin Suleiman Al Matrudi -
Chairman of the Participants Committee and Deputy Minister for Awqaf Affairs, Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Riyadh, Saudi Arabia

Mr. Mohammad Bin Hamad Al-Badi Al-Thahiri -
Member of the Participants Committee and Secretary General of the General Endowment Authority, Abu Dhabi, UAE.

Mr. Mohammad Ibrahim Mi'raji
Member of the Participants Committee and General Manager of Iran's Endowment Fund, Tehran, Iran.

Mr. Anwar Mohammad Al-Badr
Member of the Participants Committee and Manager, Kuwait Finance House, Kuwait

Mr. Mohammad Abdul Rahman Hussein -
Member of the Participants Committee and CEO Shamel Bank of Bahrain, Bahrain.

Mr. Musa Chehadeh -
Member of the Participants Committee and Vice Chairman of the Board of Directors and Director General, Jordan Islamic Bank for Finance & Investment, Amman, Jordan

Mr. Yousof Khalaf -
Member of the Participants Committee and CEO, Bahrain Islamic Bank, Bahrain

Mr. Abdulhamid Abu Musa -
Member of the Participants Committee and Governor, Faisal Islamic Bank, Cairo, Egypt

Mr. Salah Zein Al Abideen -
Member of the Participants Committee and Deputy Director General, Al Baraka Islamic Bank, Bahrain

Mr. Abdullah Nugdullah Ahmaid-
Member of the Participants Committee and CEO, Tadamon Islamic Bank, Khartoum, Sudan

Mr. Walid Toufic Fahouri
Member of the Participants Committee and Managing Director of Arab Islamic Bank, Ramallah, Palestine

Mr. Mohammad Abdul Ghaffar Al-Sharif Secretary General
Member of the Participants Committee and Secretary General of Kuwait Awqaf Public Foundation, Kuwait

ANNEX - IV

APIF SUPERVISORY COMMITTEE MEMBERS

Name	Designation	Organization Represented
Dr. Ahmed Mohamed Ali, President, IDB	Chairman	Islamic Development Bank
Br. Ibrahim Mohamed Al Mofleh, Executive Director, IDB	Member	Islamic Development Bank
Br. Faisal Abdul Aziz Al-Zamil, Executive Director, IDB	Member	Islamic Development Bank
Br. Abu Salihu Hj. Mohamed Shariff, Executive Director, IDB	Member	Islamic Development Bank
Dr. Abdurrahman Bin Suleiman Al Matroudi, Deputy Minister for Awqaf Affairs	Member	Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Saudi Arabia
Br. Khalid Bin Abdullah Al Abdullatif, Director General, General Department for Investment	Member	Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Saudi Arabia
Br. Ayyad Nasser Al-Ibrahim Manager- Real Estate Investment Department	Member	Kuwait Awqaf Public Foundation, Kuwait
Br. Anwar Mohamed Al- Badr Manager	Member	Kuwait Finance House, Kuwait
Br. Mohammad Bin Hamad Al-Badi Al-Thahiri, Secretary General, General Endowment Authority, Abu Dhabi, UAE	Member	Representative of Awqaf Ministries and Organizations
Dr. Abdul Hamid Abu Musa Governor, Faisal Islamic Bank, Egypt	Member	Representative of Islamic Financial Institutions

ANNEX - V

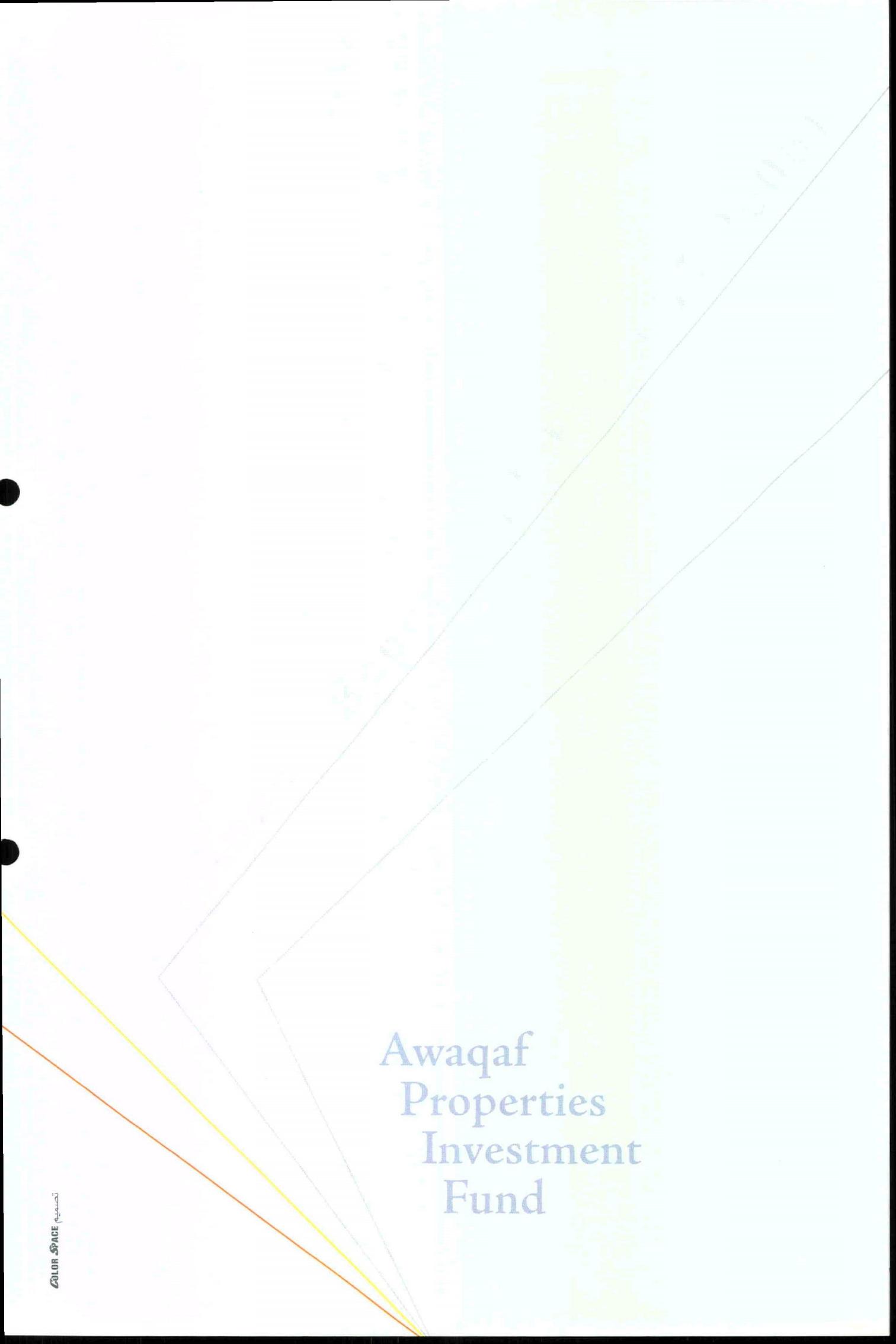
APIF MANAGEMENT COMMITTEE MEMBERS

President, Islamic Development Bank	Chairman
Vice President (Trade & Policy)	Member
Adviser, IBII to the President	Member
Executive Director World Waqf Foundation	Member
Director, Islamic Banks' Office	Member
Adviser Policy, Office of Vice President (Operations)	Member
Adviser-in-Charge, Asset Management Department	Member
The Director, Country Operations Department 3	Member
The Director, Treasury Department	Member

ANNEX - VI

SHARIAH COMMITTEE MEMBERS

Sr. No.	Name	Designation
1.	His Eminence Sheikh Mohammed Al-Mukhtar Al-Salami	Chairman
2.	His Eminence Sheikh Mohammed Ali Al-Taskheeri	Member
3.	His Eminence Dr. Sheikh Mohamed Hashim Yahya	Member
4.	H.E. Sheikh Saleh Bin A.Rehman Bin A. Aziz Al- Haseen	Member
5.	H.E. Dr. Hussain Hamid Hassan	Member
6.	H.E. Dr. Abdul Sattar Abu Ghuddah	Member APIF Sharih Adviser



Awaqaf
Properties
Investment
Fund

ASSET MANAGEMENT DEPARTMENT

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