



Islamic Development Bank



Awqaf Properties Investment Fund

**Eighth Annual Report
1430H (2009G)**







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APIF Mission



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

Presentation of information

Basis of Presentation

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

Currency of Presentation

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

Certain Definitions and Glossary

The Fund adopts the Hijri calendar for its reporting. Therefore, the fiscal year ended 30 Dhul Hijjah 1430H is referred to as the eighth 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. Financial statements means the Fund's financial statements for the year ended 30 Dhul Hijjah 1430H and 30 Dhul Hijjah 1429H included in this report.

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 1430H is, or should be taken as, an offer of units or securities in the Awqaf Properties Investment Fund for issue or sale, or an invitation to apply for the issue or for the repurchase of such units or securities.

Glossary

Term used	Brief description
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
Awqaf	Real property held as permanent waqf
APIF	Awqaf Properties Investment Fund
Approval	Amount of money approved by the Mudarib for a project or operation.
Bank	Islamic Development Bank
Beneficiary	A recipient of financing
BLT	Build-Lease-Transfer
BOT	Build-Operate-Transfer
CIT	Countries In Transition
Equity	Participant's contribution to capital
Fund	Awqaf Properties Investment Fund
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IDB	Islamic Development Bank
LDMC	Least Developed Member Countries
Lease	Medium term finance or capital lease
LIBOR	London Inter-Bank Offered Rate
Mark-up	Profit margin earned on financing operations
MC	Management Committee
MDGs	Millennium Development Goals
MENA	Middle East and North Africa Region
Mudarib	Islamic Development Bank
NAV	Net Asset Value
Nazer	Trustee or Manager of a waqf
ODA	Official Development Assistance
SSA	Sub-Saharan Africa
Sukuk	Asset-backed Shariah-compatible bond
Waqf	An asset being donated for general charitable purposes such as the relief of poverty, the relief of the needs of the aged, the relief of sickness or distress, the advancement of religion, the advancement of education and other purposes beneficial to the Islamic community.
WWF	World Waqf Foundation

IDB-Board of Executive Directors



Statement of the Mudarib

In The Name of Allah The Beneficent The Merciful

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

Dear Brothers

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank, the Mudarib of the Fund, I am pleased to present to your Honourable Committee the eighth annual report of the Awqaf Properties Investment Fund. The report has been prepared in accordance with Article 17 of the Fund's Regulations and includes the operations, activities and financial statements of the Fund for the Hijri year ending on 30 Dhul Hijjah 1430H.

I am pleased to report that the Fund has delivered satisfactory results despite the financial crisis and the net income for the year was US\$2.044 million. Accordingly, the Mudarib of the Fund is pleased to announce the decision of the IDB-Board of Executive Directors to declare a dividend of US\$1.523 million representing 2.5 % of the paid-up capital of the Fund.

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

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

Thank you for your continued support.

Yours sincerely,



Dr. Ahmad Mohamed Ali

President, Islamic Development Bank Group
Chairman, Supervisory Committee of the
Awqaf Properties Investment Fund

Shariah Advisor's Report on APIF for 1430H

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

Assalamu Alaikum Warahmatullah Wabarakatuh,

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

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

I have reviewed the data pertaining to the processes of the Fund's eight projects in 1430H. I have also listened to the clarifications presented by the management which confirm that it applied the Bank's approved contracts as well as the Fatwas which I issued previously.

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



Report of the Shariah Adviser to the.doc

In my opinion:

- a) The contracts, operations and transactions concluded by APIF during 1430H and which I have reviewed have been implemented in conformity with Shariah rules and principles.
- b) Distribution of dividends and charging losses to the investment certificates have been carried out pursuant to the rules approved in conformity with Shariah principles.
- c) No benefits have accrued through prohibited sources or methods that might be expended on charitable causes.
- d) Because the management of APIF is not authorized to give Zakat, it is the duty of private sector corporations and organizations to do so. Government and waqf organizations are not required to give Zakat because their financial resources are utilized for the public good and charitable causes.

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

Wa Assalam...

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



Report of the Shariah Adviser to the doc

Economic Highlights

Economic Performance of Member Countries

During the last two years, member countries felt the impact of the financial and economic crisis through a number of channels including reduction in export demand, commodity prices, foreign direct investment, tourism, ODA flows, workers' remittances and employment. However, as expected, the impact of the financial and economic crisis was more severe in 2009 comparing that in 2008. On average, the economic growth of member countries dropped from 6.1 percent in 2007 to 4.6 percent in 2008 and further declined to 1.2 percent in 2009. On average, the economic growth of oil-exporting and non-oil exporting member countries decelerated from 5.2 percent and 3.9 percent in 2008, respectively, to 1.6 percent and 0.8 percent in 2009.

The economic growth of 28 Least Developed Member Countries (LDMCs), which has been rising in recent years, slowed down from 8.1 percent in 2007 to 6.6 percent in 2008 and decelerated to 5.1 percent in 2009, mainly due to the shortage of the financial flows as an effect of the global economic downturn. By their nature, the economies of LDMCs have inherent structural weaknesses such as lack of macroeconomic fundamentals for responding to external shocks to minimize their impacts. The economic growth of the non-LDMCs also slowed down from 5.8 percent in 2007 to 4.4 percent in 2008 and further dropped to 0.8 percent in 2009, mainly due to lower export earnings which were adversely affected by the global financial and economic crisis.

The global economic slowdown threatens to reverse the gains made in terms of social development in member countries. According to IDB estimation, prior to the crisis and despite significant progress, several member countries have not been on track to meet most MDGs. For instance, before the onset of the crises, 26 member countries (22 of which were in the SSA region) were considered off-track of halving the proportion of people living in extreme poverty by 2015. As a consequence of slowdown in economic growth, more member countries are now likely to join the off-track member countries. With the current economic growth, the member countries as a group will not be able to achieve the MDG target of full employment by 2015. It will only be possible by 2020 if member countries are able to achieve and maintain real output growth of 8 percent.

Member Countries Responses:

At the national level, many countries around the world have implemented rescue plans to stabilize their economies in the face of global financial and economic crisis. Global rescue plans are estimated to exceed \$3 trillion.

In line with global efforts, many member countries have taken several appropriate counter-cyclical fiscal and monetary measures to mitigate the impact of the crisis on their economies. The most common measures which have been taken by member countries are: (i) applying expansionary fiscal policies to boost domestic demand; (ii) injecting liquidity to the banking sector through rescue packages, thus restoring confidence in the banking and financial sector; (iii) lowering the repo rate and reducing reserve requirements to alleviate liquidity bottlenecks; (iv) declaring their readiness to protect national banks from credit risks and providing deposit guarantees; and (v) developing initiatives to improve the "doing business" environment.

The Awqaf Sector

Awqaf has been a feature of the socio-economic makeup of the Muslim communities. Awqaf as an Islamic institution to combat poverty and enhance welfare has a developmental role which fits in perfect harmony with the objectives of the Islamic Development Bank. Financiers divide their world of organisations into government and private sectors. IDB recognised awqaf as an important third sector representing a market niche with huge potential. The importance of the sector is seen in terms of the huge assets it controls, in its social expenditure, in the number of people it employs, in its charitable ethos, and in its significant contribution to the economy.

IDB's Efforts in Developing Awqaf

In recognition of the importance of awqaf, the Islamic Development Bank has established two institutions to promote, develop and bring about harmony and uniformity to this important sector: Awqaf Properties Investment Fund (APIF) with the objective of developing awqaf properties; and World Waqf Foundation (WWF) with the objective of developing the sector through institutional development.

Challenges Facing the Awqaf Sector

Awqaf is generally viewed as a social sector that lacks the operational discipline of commercial organizations which are driven by profit maximization. Awqaf organizations' objectives are often a product of a mix of influencing factors. The stakeholders include governments, waqifs, nazirs, beneficiaries, clients, employees, volunteers and special groups.

In order to secure funding for their programs, waqf organizations need to generate sufficient cash from the assets in custody, or appeal to donors who may have their own particular view of what objectives and strategies a waqf organization should be pursuing and what services it should be providing. But, donations are uncertain and waqf organizations have to expand their revenue base to include steadier forms of income from commercial activity and investments. It is not enough for awqaf to consider only the social aspects of their business. They must acquire managerial skills and business acumen to support their role in the increasingly competitive environment of the marketplace. At the same time, they must maintain a balance of being financially efficient and socially effective. There is little use in being a highly cost efficient operation if the organization is ineffective in operational terms. Likewise, an awqaf organization that is highly effective in meeting its operational objectives, but which is inefficient financially, soon finds itself unable to continue delivering its services as resources drain to critical levels.

Establishment of the Fund

During the 6th Conference of 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 has played in the economic and social development of the Islamic society. Nine other founding institutions shared the Bank's view and saw the opportunity to create a fund that would provide long-term financing support from a stable base and a global footprint.

During the Fund's inaugural meeting which took place on 9.11.1421H (3.2.2001), all ten founding institutions signed the Memorandum of Understanding for the establishment of the Fund. Their total subscriptions amounted to US\$ 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.

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 goes further than that. As a fund dedicated to the purpose of Islamic awqaf, the Fund owes responsibility to the ultimate beneficiaries of the waqfs, i.e. the needy, the destitute, the orphaned, the elderly and the handicapped.

Operational Strategies of the Fund

The sector of Awqaf provides a full spectrum of real estate business opportunities from development, asset management to complex project financing initiatives. Our operations span twelve countries providing geographical spread, diverse investment and financing platform across the risk/return dimensions tailored to the needs of awqaf institutions worldwide. Key sectors include residential, commercial, retail and industrial facilities.

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

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

- **Global reach:** The geographical spread of APIF's operations which are not confined to IDB member countries, underlines the global platform for the Fund's operations. The Fund pursues a global strategy giving priority to: (1) APIF's participating countries; followed by (2) IDB member countries; and (3) other countries.
- **Integrated services:** The Fund seeks to partner with capital providers: APIF's own capital resources, IDB Departments and financing windows, other Islamic banks and financial institutions, conventional investors and BOT operators looking for developmental opportunities.
- **Financial packaging:** The Fund harmonizes the interplay between capital requirements, technical and design work, revenue and ongoing property management in order to optimize the facilities delivered to awqaf customers and enhance the returns to investors and eventually to the beneficiaries of the waqfs.

Financial Resources of the Fund

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

The IDB Board of Executive Directors, in its 185th meeting, approved the subscription of IDB by an amount of US\$ 20 million representing 40 % of the total subscribed capital of the Fund. Fourteen other participants including ministries of awqaf, awqaf organizations and Islamic banks have subscribed in the capital of the Fund. The paid up capital of the Fund as of end 1430H amounted to US\$60.9 million. The names of participants and the amounts subscribed are given in **Annex-I**.

IDB Support

To support the activities of the Fund, the IDB has provided a line of financing of US\$ 100 million to the Fund. In addition, the Bank has approved an amount of US\$ 200,000 for technical assistance to be used for preparing feasibility studies, 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

During the year 1430H, the Fund has delivered good results especially on the operational side despite having difficulties encountered in obtaining financing from other financial institutions.

Although it has been a challenging year especially when the impact of financial crisis reflected negatively on the real estate sector, however, the Fund has been able to approve eight projects of an aggregate value of US\$155.0 million for Saudi Arabia, Sudan, Sri Lanka, Niger, Djibouti, UAE and Yemen. During the year, and in the course of managing its liquidity, the Fund invested in short term murabaha operations, ijarah sukuk and non-waqf operations.

Financial Performance of the Fund

Assets of the Fund

APIF remains in a firm financial position underpinned by its strong Balance Sheet and the improved quality of its earnings, though the task ahead is to improve the return on capital. Total assets of the Fund amounted to US\$68.243 million at the end of 1430H compared to US\$71.484 million at the end of last year, registering a decrease of about 4.5 %. The table below summarizes the asset composition for 1429H-1430H:

**Table 1: Asset Composition
As at 30 Dhul Hijjah, 1430H**

(US\$ '000)

	1430H		1429H	
	Amount	%	Amount	%
Cash & Cash Equivalent	23,028	33.7	33,480	46.8
Investments–Ijarah Muntahia Bittamleek	24,753	36.3	26,656	37.3
Investments–Islamic Ijarah Sukkuks	5,175	7.6	0	0
Receivables–Murabaha Syndications	3,520	5.2	0	0
Receivables–Istisna'a	1,000	1.5	1,000	1.4
Financing-Musharakah	3,686	5.4	3,850	5.4
Accrued income and other assets	7,081	10.3	6,498	9.1
Total Assets	68,243	100	71,484	100

Financial Indicators

The financial performance indicators of the Fund for the year 1430H in comparison with the same period in 1429H are presented in the following Table:

Table 2: Financial Indicators

(US\$'000)

Financial Indicators	1430H	1429H
Net Assets	64,622	64,434
Net Income before Mudarib's share	2,271	3,484
Mudarib's share of net income	227	348
Transfer to General Reserve	454	697
Dividend	1,523	2,482
Dividend/Paid-up Capital - Declared Dividend	2.5 %	3.9 %
Average LIBOR (%)	1.7 %	3.09 %
Net Asset Value Per Certificate	10.611	10.511

The earning per certificate, after Mudarib's share of net income, amounted to US\$340 in 1430H compared to US\$515 in 1429H.

Dividend distribution

In Accordance with Article 19-1 of the Fund's Regulations, the Fund has distributed a dividend of 2.5 % for the year ending 30 Dhul Hijjah 1430H. Last year, a dividend at the rate of 3.96 % was distributed to the Unitholders.

Operational Performance

In the year 1430H, the Fund approved eight projects amounting to US\$ 155.0 million for different IDB member and non-member countries. The table below gives the details:

Table 3: List of APIF Projects Approved During 1430H

(Amounts in US\$ Million)

No	Project Name	Total Cost	APIF	IDB Line	Others
1.	Nama Commercial & Residential Building, Fujairah, UAE	18.00	3.00	6.00	9.00
2.	Construction of a Residential Waqf Building Project, Riyadh, Saudi Arabia.	12.00	1.00	4.00	7.00
3.	Construction of a Commercial Center in Sana'a – Yemen.	30.00	5.00	10.00	15.00
4.	Construction of Makola Twin Tower Commercial Complex, Colombo, Sri Lanka.	19.50	5.00	5.00	9.50
5.	Construction of a Commercial & Residential Complex, Niamey, Niger.	26.00	5.00	10.00	11.00
6.	Construction of Commercial & Residential Complex in Djibouti.	10.00	3.50	5.00	1.50
7.	Construction of Commercial, Residential & Hajj Complex in Jeddah. (Sudanese Project).	30.00	5.00	10.00	15.00
8.	Construction of Commercial & Residential Complex (Al Magzoub) in Khartoum, Sudan.	9.50	1.00	6.50	2.00
Total:		155.0	28.5	56.5	70.0

A brief description of each project is given below:

1- Nama Commercial & Residential Building, Fujairah, UAE:

The project entails construction of a 23 storey commercial and residential building with a built up area of 27,600 sqm. It will be built on a piece of land measuring 1,200 sqm. The estimated cost of the project is US\$ 18 million which will be financed by APIF US\$3.0 million, APIF line US\$6.0 million, US\$9.0 million will be contributed by the beneficiary (Fujairah Welfare Association).



Fujairah, UAE: Nama Commercial & Residential Building

2- Al-Malaz Residential Building, Riyadh, Saudi Arabia:

The project entails construction of a multi-level residential building in Riyadh on a 5025 sqm plot. The estimated current market value of the land is US\$4.35 million. The total cost is US\$12 million with contribution by APIF \$1.0 million, APIF line \$4.0 million and the balance will be contributed by the beneficiary. The project aims at establishing an investment waqf to provide Ibn Taimiah Mosque with a sustainable source of income to support its Da'awah and Charity activities.

3- Construction of Commercial Center, Yemen:

The project entails construction of a six storey commercial building in Sana. The total cost of the project is US\$ 30.0 million which will be financed by APIF US\$5.0 million, APIF line US\$10.0 million and the balance amount of US\$15.0 million will be financed by the beneficiary (Ministry of Awqaf & Guidance, Yemen).

4- Construction of Makola Twin Tower Commercial Complex, Sri Lanka:

The project entails construction of a twin tower commercial complex (Yathama Tower) on a waqf land measuring 2,200 sqm located in the capital district of Colombo. The total cost of the project is 19.5 million, which will be financed by APIF US\$5.0 million, APIF line US\$5.0 million and the balance amount of US\$9.5 million will be contributed by the beneficiary (Makola Muslim Orphanage).

5- Commercial & Residential Complex, Niger:

The project entails construction of a commercial and residential building on a waqf land located in the capital city of Niamey. The land, in a strategic position in the centre of the city of Niamey, has a total surface area of 10,000 m². The total cost of the project is US\$26.0 million which will be financed through APIF US\$5 million, APIF line US\$10.0 million and the balance amount of US\$11.0 million will be financed by the beneficiary (University of Niger)

6- Construction of a Commercial & Residential Complex, Djibouti:

The project entails construction of a commercial and residential complex on Waqf land. The land is composed of two parcels separated by a plot of land owned by Djibouti Telecom. The plots are known as Site A and Site B. The surface area of site A is 10,164 m² and site B is 5,987 m². The total cost of the project is 10.0 million, which will be financed by APIF US\$3.5 million, APIF line US\$5.0 million and the balance amount of US\$1.5 million will be contributed by the beneficiary (Directorate of Waqf Properties of the Djiboutian Ministry of Muslim Affairs and Waqfs Properties).

7- Sudan Consulate & Hajj Mission Commercial & Residential Complex in Jeddah, Saudi Arabia:

The project entails demolition of the existing buildings of the Sudan Consulate and Hajj Mission offices and to construct a commercial and residential complex. The surface area of Consulate land and Hajj Mission offices are 4,485m² and 2,854m² respectively. The plots are located in the Khozam District, Jeddah. The total cost of the project is 30.0 million, which will be financed by APIF US\$3.0 million, APIF line US\$12.0 million and the balance amount of US\$15.0 million will be contributed by the beneficiary (The Islamic National Waqf Chamber (INWC) which works under the umbrella of the Ministry of Guidance and Al-Awqaf, Sudan).

8- Construction of Commercial & Residential Complex (Al Magzoub), Sudan:

The project entails construction of a nine storey commercial and residential complex on a waqf land measuring 1,518 sqm located in Khartoum, Sudan. The total cost of the project is US\$9.5 million, which will be financed by APIF US\$1.0 million, APIF line US\$6.5 million and the balance amount of US\$2.0 million will be contributed by the beneficiary (Almagzoub Organization).



Agreement signing ceremony – Al-magzoub Project, Sudan

Future Plans and Outlook

The Operational plan for 1431H aims at promoting the Fund, attracting new investors, establishing strategic alliances with awqaf organizations and Islamic banks, identifying new projects and investment opportunities. In particular, the marketing program aims to reinforce the added value of APIF to the awqaf sector.

The Fund is now well positioned to take advantage of future opportunities, being well diversified with strong balance sheet. It has built a pipeline of more than 40 real estate projects at various stages of readiness, located in member and non-member countries.

In order to develop awqaf sector, APIF will aggressively strive to educate the relevant awqaf entities about the significance of awqaf sector for the overall social economic development of Muslim societies. In the long run, this will have positive effect on both assets and liabilities sides of the APIF balance sheet.

Technology is playing an increasingly a vital role in the overall development of civil societies. This is enhancing productivity and efficiencies. In view of this concept, APIF is in the process of developing its own website to facilitate all awqaf organizations to have easy access on information related to the Fund.



Corporate Governance

Corporate Governance Statement

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

Principle 1: Lay Solid Foundations for Management and Oversight

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

The Board of Executive Directors

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

Participants Committee

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

Supervisory Committee

The Supervisory Committee is 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 US\$ 5 million or more but less than US\$10 million. This Committee is responsible for examining the quarterly accounts of the Fund and for proposing guidelines and policies for the Fund. This Committee is also responsible for periodic review of the performance of the Fund and for submitting reports on such performance to the Participants Committee and the Board of Executive Directors. The Members of the Supervisory Committee are listed in **Annex III**.

Management Committee

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

Other Committees

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

Principle 2: Ensure Shariah compliance

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

Principle 3: Internal Audit and Control

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

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

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

Principle 4: Promote Ethical and Responsible Decision Making

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

Principle 5: Risk Management

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

Principle 6: Make Timely and Balanced Disclosures

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

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

Financial Statements & Auditor's Report



30 Dhul Hijjah 1430
(17 December 2009)

**AUDITORS' REPORT TO THE:
YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS
OF THE BOARD OF GOVERNORS
ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND**

Introduction

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 Hijjah 1430H and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope of 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 degree of assurance to enable us to express an opinion on the financial statements.

Opinion

In our opinion, the financial statements taken as a whole, presents fairly, in all material respects, the financial position of the Fund as at 30 Dhul Hijjah 1430H 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 Islamic Development Bank (the Mudarib).

Emphasis of matter

We draw 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, as disclosed in Note 2 to these financial statements.

for Ernst & Young



Ahmed I. Reda
Certified Public Accountant
Licence No. 356



4 Safar 1431H
20 January 2010

Jeddah

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Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF NET ASSETS

As at 30 Dhul Hijjah 1430H

	Note	<u>1430</u> US\$ '000	<u>1429</u> US\$ '000
ASSETS			
Cash and balances with banks	3	23,028	33,480
Investments:			
Ijarah Muntahia Bittamleek, net	4	24,753	26,656
Islamic Ijara Sukkuks		5,175	-
Receivables:			
Murabaha syndications		3,520	-
Istisna'a		1,000	1,000
Financing:			
Musharaka		3,686	3,850
Accrued income and other assets		<u>7,081</u>	<u>6,498</u>
TOTAL ASSETS		<u>68,243</u>	<u>71,484</u>
LIABILITIES			
Payable to Islamic Development bank –			
Ordinary Capital Resources		1,836	4,091
Accrued expenses and other credits		35	129
Accrued Mudarib's share of income		227	348
Dividends payable		<u>1,523</u>	<u>2,482</u>
TOTAL LIABILITIES		<u>3,621</u>	<u>7,050</u>
NET ASSETS		<u>64,622</u>	<u>64,434</u>
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	5	60,900	61,300
Premium on certificates		71	73
General reserve		3,378	2,924
Retained earnings		<u>273</u>	<u>137</u>
TOTAL CERTIFICATE HOLDERS' EQUITY		<u>64,622</u>	<u>64,434</u>
NUMBER OF CERTIFICATES OUTSTANDING	5	<u>6,090</u>	<u>6,130</u>
NET ASSET VALUE PER CERTIFICATE (US\$)		<u>10.611</u>	<u>10.511</u>

The financial statements were authorized by the Fund's management on 4 Safar 1431 H corresponding to 20 January 2010.

Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
As at 30 Dhul Hijja 1430H

	<u>1430</u>		<u>1429</u>	
	<u>Amount</u>	<u>% of</u>	<u>Amount</u>	<u>% of</u>
	<u>US\$ '000</u>	<u>Portfolio</u>	<u>US\$ '000</u>	<u>Portfolio</u>
INVESTMENTS				
Ijarah Muntahia Bittamleek	24,753	64.9%	26,656	84.6%
Islamic Ijara Sukkuks	5,175	13.6%	-	-
RECEIVABLES				
Murabaha syndications	3,520	9.2%	-	-
Istisna'a	1,000	2.6%	1,000	3.2%
FINANCING				
Musharaka	<u>3,686</u>	<u>9.7%</u>	<u>3,850</u>	<u>12.2%</u>
Total	<u>38,134</u>	<u>100%</u>	<u>31,506</u>	<u>100%</u>

Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF OPERATIONS

For the year ended 30 Dhul Hijjah 1430H

	<u>1430</u> <u>US\$ '000</u>	<u>1429</u> <u>US\$ '000</u>
INCOME FROM INVESTMENTS, SALES AND FINANCING		
Investments:		
Islamic Ijarah Sukkuks	210	-
Ijarah Muntahia Bittamleek	<u>5,980</u>	<u>6,536</u>
	<u>6,190</u>	<u>6,536</u>
Sales:		
Murabaha syndications	110	29
Istisna'a	<u>53</u>	<u>53</u>
	<u>163</u>	<u>82</u>
Financing:		
Musharaka	<u>99</u>	<u>341</u>
Total income from investments, sales and financing	<u>6,452</u>	<u>6,959</u>
Expenses:		
Depreciation- Ijarah Muntahia Bittamleek	(4,509)	(4,241)
Administrative expenses	<u>(25)</u>	<u>(58)</u>
Total expenses	<u>(4,534)</u>	<u>(4,299)</u>
Net income from investments, sales and financing	1,918	2,660
Income from cash and cash equivalents	553	1,007
Exchange gain / (loss)	<u>42</u>	<u>(183)</u>
Net income before provision for impairment of		
Ijarah Muntahia Bittamleek	2,513	3,484
Provision for impairment of Ijarah Muntahia Bittamleek	<u>(242)</u>	<u>-</u>
Net income before Mudarib's share of income	2,271	3,484
Mudarib's share of net income	<u>(227)</u>	<u>(348)</u>
Increase in net assets representing net income		
for the year	<u>2,044</u>	<u>3,136</u>
Earning per certificate	<u>0.340</u>	<u>0.512</u>

Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF CHANGES IN NET ASSETS For the year ended 30 Dhul Hijjah 1430H

		US\$ '000			
	Note	Certificate holders' contribution	Premium on certificates	General reserve	Retained earnings
Balance at 30 Dhul Hijjah 1428H		59,100	-	2,227	127
Capital contribution from issuance of certificates		2,200	73	-	-
Net income for the year before Mudarib's share		-	-	-	3,484
Mudarib's share of net income	7	-	-	-	(348)
Dividends		-	-	-	(2,429)
Transfer to general reserve		-	-	697	(697)
Balance at 30 Dhul Hijjah 1429H		61,300	73	2,924	137
Certificate holder's redemption		(400)	(2)	-	-
Net income for the year before Mudarib's share		-	-	-	2,271
Mudarib's share of net income	7	-	-	-	(227)
Unpaid dividend transferred to retained earning		-	-	-	69
Dividends		-	-	-	(1,523)
Transfer to general reserve		-	-	454	(454)
Balance at 30 Dhul Hijjah 1430H		60,900	71	3,378	273
					64,622

Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF CASH FLOWS

For the year ended 30 Dhul Hijjah 1430H

	<u>1430</u> US\$ '000	<u>1429</u> US\$ '000
OPERATING ACTIVITIES		
Net income after Mudarib's fee	2,044	3,136
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,509	4,241
Mudarib's share of net income	227	348
Provision for impairment of Ijarah Muntahia Bittamleek	242	-
Changes in operating assets and liabilities:		
Murabaha syndications	(3,520)	4,550
Accrued income and other assets	(583)	(102)
Payable to Islamic Development Bank - Ordinary Capital Resources	(2,255)	(747)
Accrued expenses and other credits	(94)	33
Mudarib's share of income paid	(348)	(424)
Net cash provided by operating activities	<u>222</u>	<u>11,035</u>
INVESTING ACTIVITIES		
Ijarah Muntahia Bittamleek	(2,848)	(4,735)
Early settlement of Ijarah Muntahia Bittamleek	-	2,277
Musharakah	164	376
Short term commodity transactions	(3,888)	(17,859)
Islamic Ijarah Sukuk	(5,175)	-
Net cash used in investing activities	<u>(11,747)</u>	<u>(19,941)</u>
FINANCING ACTIVITIES		
Certificate holders' (redemption)/ contribution	(400)	2,200
Premium on certificates	(2)	73
Dividends paid	(2,413)	(3,116)
Net cash used in financing activities	<u>(2,815)</u>	<u>(843)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(14,340)</u>	<u>(9,749)</u>
Cash and cash equivalents at beginning of the year	<u>15,621</u>	<u>25,370</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 3)	<u><u>1,281</u></u>	<u><u>15,621</u></u>

Islamic Development Bank - Awqaf Properties Investment Fund

STATEMENT OF FINANCIAL HIGHLIGHTS

For the year ended 30 Dhul Hijjah 1430H

	<u>1430</u> US\$ '000	<u>1429</u> US\$ '000
DATA PER CERTIFICATE		
Net assets value - beginning of the year	<u>10.511</u>	<u>10.025</u>
Dividend payable relating to certificates redeemed transferred to retained earnings	<u>0.011</u>	-
Certificate holders' redemption/contribution during the year	<u>0.004</u>	<u>0.371</u>
	<u>0.015</u>	<u>0.371</u>
Net income from investments, sales, financing and cash and cash equivalents	<u>0.372</u>	<u>0.569</u>
Less: Mudarib share of income	<u>(0.037)</u>	<u>(0.057)</u>
Net income from investments, sales, financing and cash and cash equivalents after Mudarib share	<u>0.335</u>	<u>0.512</u>
Dividends	<u>(0.250)</u>	<u>(0.397)</u>
Net assets value - end of the year	<u>10.611</u>	<u>10.511</u>

The data per certificate are calculated using the number of certificates outstanding at 30 Dhul Hijjah 1430H and 1429H, which were 6,090 and 6,130 certificates, respectively.

FINANCIAL RATIOS/SUPPLEMENTARY DATA:

Total net assets - end of the year	64,622	64,434
Average of net assets	64,528	62,944
Ratio of expenses to average of net assets	7.0%	6.8%
Annual rate of return	3.1%	4.9%

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS

30 Dhul Hijjah 1430H

1. ORGANIZATION AND ACTIVITIES

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (“the Fund”) for the year ended 30 Dhul Hijjah 1430H, were authorized for issue by the Fund’s Management on 4 Safar 1431 H corresponding to 20 January 2010. The Fund is a trust fund established under Articles 2 and 23 of the Articles corresponding to Agreement of Islamic Development Bank (IDB or the Bank) based in Jeddah, Saudi Arabia and pursuant to the memorandum of understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries in 1422H. The certificate holders in the Fund are the Bank, participating institution and religious authorities in the Islamic countries. The Fund commenced operations on 1 Rajab 1422H.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Musharaka financing

Musharaka financing are partnership in which the Fund contributes capital. Musharaka 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, until such reserve equals 50% of the fund capital.

Foreign currencies

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

Revenue recognition

Islamic Ijarah Sukuk

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

Ijarah Muntahia Bittamleek

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

Murabaha syndications

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

Istisna'a

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

Musharaka

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

Cash and cash equivalents

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 funds to the maturity date.

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

3. CASH AND BALANCES WITH BANKS

	<u>1430</u> US\$ '000	<u>1429</u> US\$ '000
Cash in bank	1,281	-
Liquid funds placed with Islamic banks	10,797	15,621
Investments in short-term commodity transactions with bank	<u>10,950</u>	<u>17,859</u>
	23,028	33,480
Liquid funds placed as investments in short-term commodity transactions with original maturity of greater than 90 days	<u>(21,747)</u>	<u>(17,859)</u>
Cash and cash equivalents	<u><u>1,281</u></u>	<u><u>15,621</u></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 (continued)

30 Dhul Hijjah 1430H

4. IJARAH MUNTAHIA BITTAMLEEK, NET

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

	<u>1430</u>	<u>1429</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Cost		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	9,637	4,902
Additions	<u>2,848</u>	<u>4,735</u>
Balance at end of the year	<u>12,485</u>	<u>9,637</u>
Assets in repayment period:		
Balance at beginning of the year	36,086	43,363
Assets completed during the year	-	(5,000)
Early payment of assets	<u>-</u>	<u>(2,277)</u>
Balance at end of the year before provision	36,086	36,086
Less: Provision	<u>(242)</u>	<u>-</u>
Balance at end of the year after provision	<u>35,844</u>	<u>36,086</u>
Total costs	<u>48,329</u>	<u>45,723</u>
Accumulated depreciation:		
Balance at beginning of the year	19,067	19,826
Charge for the year	4,509	4,241
Assets completed during the year	<u>-</u>	<u>(5,000)</u>
Balance at end of the year	<u>23,576</u>	<u>19,067</u>
Net book value	<u>24,753</u>	<u>26,656</u>

Future rentals receivable related to Ijarah Muntahia Bittamleek at 30 Dhul Hijjah 1430H are estimated to be US\$ 22 million (1429: US\$ 28 million). The precise amount receivable at end of any period is only known prior to the commencement of the period/year, as most of the rentals are determined based on prevailing London Inter-Bank Offer Rate (LIBOR).

5. CERTIFICATE HOLDERS' CONTRIBUTION

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

	<u>1430</u>	<u>1429</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
Authorized: 20,000 certificates of US \$ 10,000 each	<u>200,000</u>	<u>200,000</u>
Issued and subscribed:		
6,090 certificates of US \$ 10,000 each (1429H - 6,130 certificates of US \$ 10,000 each)	<u>60,900</u>	<u>61,300</u>
Paid up capital:		
6,090 certificates of US \$ 10,000 each (1429H - 6,130 certificates of US \$ 10,000 each)	<u>60,900</u>	<u>61,300</u>

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

6. RELATED PARTY TRANSACTIONS

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

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.

As at 30 Dhul Hijjah 1430H and 1429H, IDB held 2,000 of the subscribed certificates.

7. DISTRIBUTION OF NET INCOME

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

Mudarib	10%
Certificate holders'	90%

8. CREDIT RISK

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

9. CONCENTRATION OF CREDIT RISK

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

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

9. CONCENTRATION OF ASSETS (continued)

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

<i>Description</i>	<i>1430 (US\$ '000)</i>				
	<i>Cash and balances with banks</i>	<i>Investments</i>	<i>Receivables and financing</i>	<i>Other</i>	<i>Total</i>
Africa	-	2,040	-	-	2,040
Asia	23,028	27,888	8,206	7,081	66,203
Total assets	23,028	29,928	8,206	7,081	68,243

<i>Description</i>	<i>1429 (US\$ '000)</i>				
	<i>Cash and balances with banks</i>	<i>Investments</i>	<i>Receivables and financing</i>	<i>Other</i>	<i>Total</i>
Africa	-	1,407	-	-	1,407
Asia	33,480	25,249	4,850	6,498	70,077
Total assets	33,480	26,656	4,850	6,498	71,484

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

<i>Description</i>	<i>1430 (US\$ '000)</i>				
	<i>Real estate</i>	<i>Public utilities</i>	<i>Financial institutions</i>	<i>Other</i>	<i>Total</i>
Cash and balances with banks	-	-	23,028	-	23,028
Investments	11,433	16,849	1,267	379	29,928
Receivables and financing	1,000	6,006	1,200	-	8,206
Accrued income and other assets	-	-	-	7,081	7,081
Total assets	12,433	22,855	25,495	7,460	68,243

<i>Description</i>	<i>1429 (US\$ '000)</i>				
	<i>Real estate</i>	<i>Public utilities</i>	<i>Financial institutions</i>	<i>Other</i>	<i>Total</i>
Cash and balances with banks	-	-	33,480	-	33,480
Investments	11,374	12,802	2,015	465	26,656
Receivables and financing	1,365	1,000	2,485	-	4,850
Accrued income and other assets	-	-	-	6,498	6,498
Total assets	12,739	13,802	37,980	6,963	71,484

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

10. LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to cease immediately. To guard against this risk, assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarises the maturity profile of the Fund's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.

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

<i>Description</i>	<i>1430 (US\$ '000)</i>				
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 year</i>	<i>Total</i>
Assets					
Cash and balances with banks	1,281	21,747	-	-	23,028
Investments	-	3,212	6,504	20,212	29,928
Receivables and financing	-	3,521	-	4,685	8,206
Accrued income and other assets	-	7,081	-	-	7,081
Total funds' assets	1,281	35,561	6,504	24,897	68,243
Liabilities					
Payable to IDB - Ordinary Capital Resources	-	1,836	-	-	1,836
Accrued expenses and other credits	-	35	-	-	35
Accrued Mudarib's share of income	-	227	-	-	227
Dividends payable	-	1,523	-	-	1,523
Total Funds' liabilities	-	3,621	-	-	3,621

<i>Description</i>	<i>1429 (US\$ '000)</i>				
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 year</i>	<i>Total</i>
Assets					
Cash and balances with banks	15,620	17,860	-	-	33,480
Investments	256	4,818	14,875	6,707	26,656
Receivables and financing	-	-	-	4,850	4,850
Accrued income and other assets	-	6,498	-	-	6,498
Total funds' assets	15,876	29,176	14,875	11,557	71,484
Liabilities					
Payable to IDB - Ordinary Capital Resources	-	4,091	-	-	4,091
Accrued expenses and other credits	-	129	-	-	129
Accrued Mudarib's share of income	-	348	-	-	348
Dividends payable	-	2,482	-	-	2,482
Total Funds' liabilities	-	7,050	-	-	7,050

Islamic Development Bank - Awqaf Properties Investment Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Dhul Hijjah 1430H

11. CURRENCY RISK

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

12. SEGMENTAL INFORMATION

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

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

13. FAIR VALUES

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

14. COMMITMENTS

As at 30 Dhul Hijjah 1430H, the undisbursed commitments for investments amount to US\$ 37.8 million (1429: US\$ 35.8 million).

ANNEXES



Annex-I

APIF Participants and their Contribution in the Paid-up Capital as of end 1430H

(US\$ million)

No.	Name of Participant	Country	Paid-up Capital
1	Islamic Development Bank	Saudi Arabia	20
2	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	15
3	Kuwait Awqaf Public Foundation	Kuwait	5
4	Kuwait Finance House	Kuwait	5
5	Iran Endowment Fund	Iran	2.9
6	Faisal Islamic Bank	Egypt	3
7	General Endowment Authority	UAE	2
8	Al-Baraka Islamic Bank	Bahrain	1
9	Bahrain Islamic Bank	Bahrain	1
10	Shamil Bank of Bahrain	Bahrain	1
11	Islamic Tadamun Bank	Sudan	1
12	Jordan Islamic Bank	Jordan	1
13	Arab Islamic Bank	Palestine	1
14	Ministry of Awqaf and Islamic Affairs	Jordan	1
15	Amanah Raya Bhd	Malaysia	1
Total			60.9

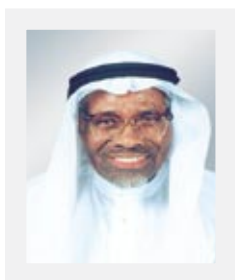
Annex-II

Members of the Participants Committee of the Awqaf Properties Investment Fund

H.E. Abdul Fattah Musa Salah Minister of Awqaf and Islamic Affairs and Holy Shrines, Jordan	Chairman
Dr. Ahmad Mohamed Ali President of the Islamic Development Bank Group, Saudi Arabia	Member
Dr. Abdul Rahman Bin Suleiman Al Matroudi Undersecretary for Awqaf Affairs Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Riyadh, Saudi Arabia	Member
Mr. Mohammed Abdul Ghaffar Sharif Secretary General, Kuwait Awqaf Public Foundation, Kuwait	Member
Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank, Egypt	Member
Mr. Meshal Abdulaziz Al Nassar Senior Investment Manager Kuwait Finance House, Kuwait	Member
Dr. Mohammed Abdul Rahman Hussein Chief Executive Officer, Shamil Bank of Bahrain	Member
Mr. Musa Shehadeh Vice Chairman of the Board of Directors and Director General Jordan Islamic Bank for Finance & Investment, Amman, Jordan	Member
Dr. Hamadan Muslim Maktoum Al Mazroui President, General Endowments Authority, UAE	Member
Mr. Mohamed Ibrahim Mohamed Executive President, Bahrain Islamic Bank	Member
Mr. Mohamed Issa Al Mutaweh Chief Executive Officer and Board Member, Al Baraka Islamic Bank, Bahrain	Member
Mr. Abdulla Nugdulla Ahmaidi Abdelkarim General Manager, Tadamon Islamic Bank, Khartoum, Sudan	Member
Mr. Waleed Toufiq Fakhouri Managing Director, Arab Islamic Bank, Ramallah, Palestine	Member
Mr. Hadi Askari Tabatabeyi General Manager, Iran Endowment Fund, Tehran, Iran	Member
Dato Ahmad Rodzi Pawanteh Managing Director, Amanah Raya Berhad, Malaysia	Member

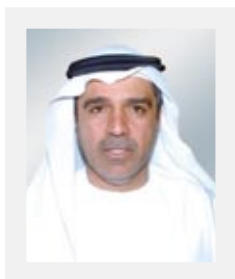
Annex-III

Members of the Supervisory Committee of the Awqaf Properties Investment Fund



Dr. Ahmad Mohamed Ali
President, Islamic Development Bank Group
Jeddah, Saudi Arabia.

Chairman



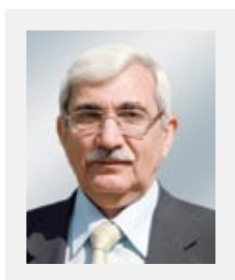
Mr. Abdul Aziz Abdulla Al-Zaabi
Executive Director
Islamic Development Bank

Member



Mr. Faisal Abdul Aziz Al-Zamil
Executive Director
Islamic Development Bank

Member



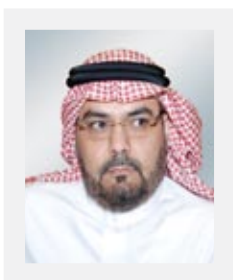
Mr. Hassan Hashim Abdul Hussein Al Haidery
Executive Director
Islamic Development Bank

Member



Dr. Abdul Rahman Bin Suleiman Al Matroudi
Undersecretary for Awqaf Affairs,
Ministry of Islamic Affairs, Awqaf, Da'wah & Guidance, Saudi Arabia

Member



Mr. Khalid Bin Abdullah Al-Abdullatif

Director General, Department for Investment
Ministry of Islamic Affairs, Awqaf, Da'wah & Guidance, Saudi
Arabia

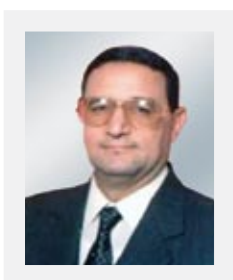
Member



Dr. Hamadan Muslim Maktoum Al Mazroui

President, General Endowments Authority
United Arab Emirates

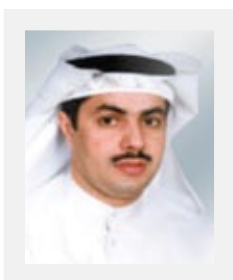
Member



Mr. Abdulhamid Abu Mousa

Governor, Faisal Islamic Bank, Egypt

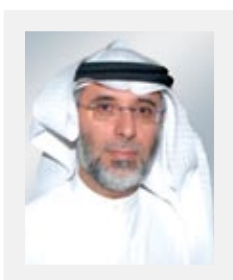
Member



Mr Meshal Abdulaziz Al-Nassar

Senior Investment Manager
Kuwait Finance House, Kuwait

Member



Mr. Iyad Nasser Al-Ibrahim

Director, Real Estate Investment Department
Kuwait Awqaf Public Foundation, Kuwait

Member

Annex-IV

Members of the Management Committee of the Awqaf Properties Investment Fund

Dr. Ahmad Mohamed Ali President, Islamic Development Bank Group	Chairman
Mr. Abdul Aziz Al-Hinai Vice President (Finance)	Member
Mr. Khalid Al-Aboodi Chief Executive Officer and General Manager Islamic Corporation for the Development of Private Sector (ICD)	Member
Dr. Hamza Kunna Acting Director, Legal Department	Member
Dr. Bashir Omar Fadlallah Director, Islamic Solidarity Fund for Development (ISF)	Member
Mr. Adil Al-Sharif Executive Director, World Waqf Foundation	Member
Dr. Rami Mahmoud Saeed Ahmad Director, Country Operations Department	Member
Mr. Hasan Demirhan Acting Director, Treasury Department	Member
Mr. Ahmed Murad Hammouda Acting Director, Group Risk Management Department	Member
Dr. Mohamed Habib Djarraya Acting Director, Islamic Financial Services Industry Dept.	Member

Annex-V

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

Dr. Essamaldine Al-Kalyoubi Senior Legal Expert General Counsels Office	Chairman
Mr. Zaffar Saleem Treasury Department	Member
Dr. Mohamadou GAMDJI Legal Department	Member
Mr. Abdullah Mohammed Saeed Infrastructure Department	Member
Mr. Atiq-ur-Rahman Chowdhury Group Risk Management Department	Member
Mr. Tarek Almaghrabi Islamic Financial Services Industry Department	Member
Mr. Syed Muhammad Asim Raza Islamic Financial Services Industry Department	Member

Islamic Development Bank

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