

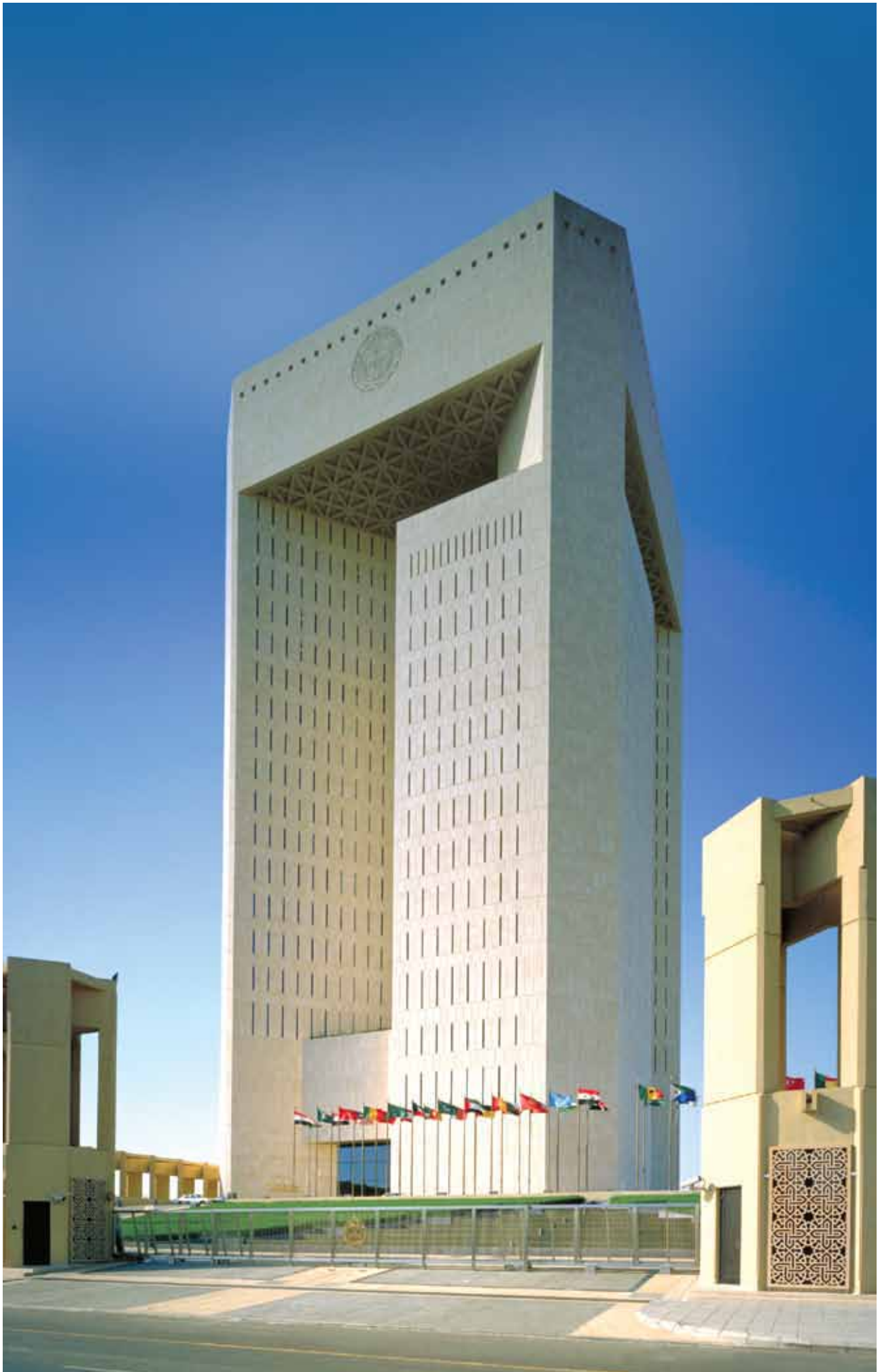


Islamic Development Bank



# **Awqaf Properties Investment Fund**

Ninth Annual Report  
1431H (2010G)









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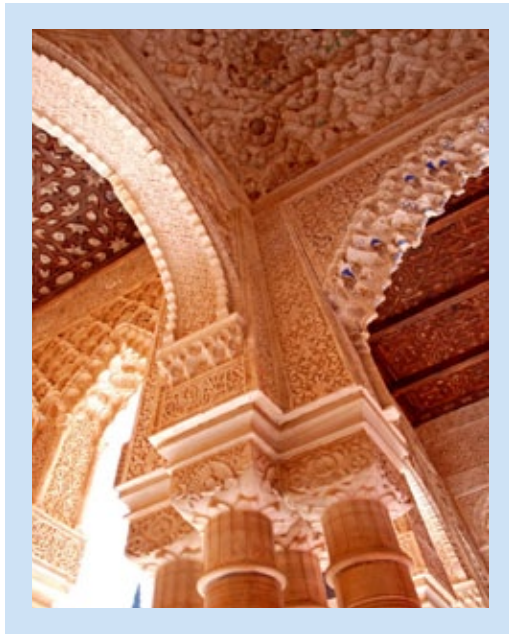
**Annexure-I** : APIF Participants and their Contribution in the Paid up Capital.

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# APIF MISSION



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

# PRESENTATION OF INFORMATION

## **Basis of Presentation**

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

## **Currency of Presentation**

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

## **Certain Definitions and Glossary**

The Fund adopts the Hijri calendar for its reporting. Therefore, the fiscal year ended 30 Dhul Hijjah 1431H is referred to as the ninth 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 years ended 30 Dhul Hijjah 1431H and 30 Dhul Hijjah 1430H included in this report.

A glossary of some of the key terms used in this annual report is mentioned at 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 1431H 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 ninth 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 1431H.

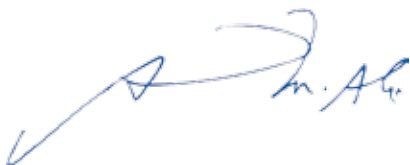
I am pleased to report that despite the financial crises, the Fund has delivered satisfactory results and the net income for the year was US\$2.017 million. Accordingly, the Mudarib of the Fund is pleased to announce the decision of the IDB-Board of Executive Directors to declare a dividend of US\$1.795 million representing 2.5% of the paid-up capital of the Fund.

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

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

Thank you for your continued support.

Yours sincerely,



**Dr. Ahmad Mohamed Ali**

Chairman, Supervisory Committee of the  
Awqaf Properties Investment Fund

## 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



**Br. Khalid bin Saleh Al Fareh**

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

Member



**Mr. Abdulrahman bin Syed Al Hazmy**  
General Manager for Ministry Branch in Makkah Region,  
Ministry of Islamic Affairs, Awqaf, Da'wah & Guidance,  
Saudi Arabia

Member



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

Member



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

Member



**Mr. 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

# 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 fulfilment of my commission.

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

I have reviewed the data pertaining to the processes of the Fund's five projects in 1431H. 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.

In my opinion:

- a) The contracts, operations and transactions concluded by APIF during 1431H and which I have reviewed have been implemented in conformity with Shariah rules and principles.
- b) Distribution of dividends and charging losses to the investment certificates have been carried out pursuant to the rules approved in conformity with Shariah principles.





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

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

Wa Assalam...



Sd:/

**Dr. Abdel Sattar Abu Ghuddah**

Shariah Adviser to

Awqaf Properties Investment Fund

# ECONOMIC HIGHLIGHTS

## Economic Performance of Member Countries

The 56 IDB member countries as a group recorded a significant real GDP growth of 5.3 percent in 2010 compared to 2 percent in 2009. Although this growth achievement is below the average growth registered by emerging and developing economies of 7.1 percent, it is slightly better than the world's growth of 4.8 percent. The 22 oil-exporting member countries recorded growth of 4.7 percent in 2010 from 2.1 percent in 2009 while the 34 non-oil exporting member countries recorded growth of 6 percent in 2010 compared to 2 percent in 2009. The relatively lower growth performance of the group of oil-exporting member countries is attributable to the waning effect of oil exports on growth in the immediate post-crisis global economic landscape, despite rising prices of oil in the international market.

The 22 Sub-Saharan African (SSA) member countries, on average, grew by 5.9 percent in 2010, slightly up from 5 percent in 2009. The 6 oil-exporting member countries in the group recorded higher growth of 6.2 percent compared to the growth of 4.7 percent achieved by the 16 non-oil exporters in the group. In 2009, the oil exporters in the group achieved a growth of 5.4 percent while the non-oil exporters achieved 3.8 percent growth.

The Middle East and North Africa (MENA) member countries grew at an average of 4.8 percent in 2010, much stronger than the 0.6 percent growth in recorded 2009. This remarkable achievement is attributed to the spill over effects of the global recovery. In particular, the 11 oil exporting member countries in the MENA recorded 4 percent growth compared to 1.6 percent in 2009 while the eight non-oil exporters in the group recorded 6.8 percent growth as compared to 1.7 percent decline in 2010, indicating that non-oil exporters in the group recovered faster and stronger than the oil exporters.

The 8 Asian member countries as a group grew by 5.8 percent in 2010 compared to 3.5 percent in 2009. The group has only one oil exporter, which emerged from a 1.7 percent decline in 2009 to a growth of 6.7 percent in 2010. The 7 non-oil exporting member countries grew by 5.6 percent in 2010, up from the 4.6 percent growth in the previous year. The seven countries in transition (CIT) sustained their modest growth achievement with a marginal improvement from 4.7 percent in 2009 to 5.6 percent in 2010.

## Prospects of Consolidation for Member Countries

From the analysis of economic growth and selected macroeconomic performances of member countries, it is obvious that consolidation of recovery in member countries is relatively slower. The short-term growth prospects of member countries indicate that growth in 2011 is expected to decelerate slightly to 5.1 percent from 5.3 percent in 2010 and remain sluggish in 2012. The outlook of other macroeconomic indicators suggests a similar pattern of slowness and uncertainty. In the post-crisis world, lethargic economic performance will tend to exacerbate the poverty and related social problems, especially those development themes specified in the Millennium Development Goals (MDGs).

The relatively slower recovery momentum of member countries compared to emerging and developing economies' performance highlights the deepness of commodity dependence of many member countries. The global trade rebound, a crucial pillar of recovery, has been more favourable to advanced and emerging industrialized economies due to relatively higher benefits associated with trade in value-added commodities than primary commodities with little or no value-addition.

Therefore, the key challenge facing member countries is how to enhance the vibrancy of their economies through increase in production of value-added goods in alignment with domestic and regional consumption needs to expand market opportunities. To address this, member countries would need to initiate and implement policies to diversify their economic activities to engender structural transformation of their economies through increasing manufacturing activities to form the pillar of inclusive growth. Member countries need to adopt aggressive development strategies through incentives for Small and Medium Scale Enterprises to evolve and transform into robust manufacturing enterprises. This is the most viable route for attaining economic vibrancy to consolidate current economic gains through higher growth and expansion of employment opportunities for effective and sustainable poverty reduction.

### **Development Challenges Facing Member Countries**

Addressing global imbalances and bolstering private sector activities are crucial for global recovery and mitigating unemployment. During the year, global trade rebounded along with trade financing after the crisis-induced slump, giving rise to the need to strengthen trade financing to enhance trade benefits of member countries.

# 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 first waqf before Islam was the Sacred Mosque (Almasjid Alharaam) and Qiba'a Mosque in AlMadinah Almounawarah founded by the Prophet (PBUH) then the waqfs established by 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 widows 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.

## **Contribution of Awqaf in the social and economic development**

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

## **Legal Status and Management of Awqaf**

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

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

### **Awqaf as a Socio-Economic Sector**

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

### **Awqaf Organizations**

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

### **Awqaf as a Business Sector**

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



# ESTABLISHMENT OF THE FUND

During the 6<sup>th</sup> Conference of Awqaf and Islamic Affairs of OIC member countries which were held in Jakarta, Indonesia on 29<sup>th</sup> 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 other organizations and institutions to subscribe in accordance with the procedures provided for in the By-Laws of the Fund.

## **Purpose of the Fund**

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

As manager of the Fund, the Mudarib (IDB) certainly seeks to ensure that participants are well rewarded for their investment, consistent with the risks involved and comparable with other similar investments, but APIF goes further than that. As a fund dedicated to the development of Islamic awqaf, it owes responsibility to the ultimate beneficiaries of the 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 nineteen countries providing geographical spread, diverse investment and financing platform across the risk/return dimensions tailored to the needs of awqaf institutions and charitable organisation worldwide. Key sectors include residential, commercial, retail and industrial facilities.

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

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

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

### Financial Resources of the Fund

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

The IDB Board of Executive Directors, in its 185th meeting, approved the subscription of IDB by an amount of US\$ 20 million representing 40% of the total subscribed capital of the Fund. Fourteen other participants including ministries of awqaf, awqaf organizations and Islamic banks have subscribed in the capital of the Fund. The paid up capital of the Fund as of end 1431H amounted to US\$71.8 million. The names of participants and the amounts subscribed are given in **Annex-I**.

### IDB Support

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

IDB, as part of its commitment to the development of Awqaf properties, has made significant efforts on research and publications, and has also convened conferences aimed at the revival of the Sunnah of Waqf. IDB has also been instrumental in developing Awqaf as a modern institution at the macro level. To achieve this objective, the IDB established the World Waqf Foundation (WWF) which aims to establish a network of waqf institutions that would undertake Shariah compatible charity activities, support waqf institutions, contribute to the alleviation of poverty, etc.

# THE YEAR UNDER REVIEW

During the year 1431H, the Fund has delivered good results especially on the operational side despite difficulties in obtaining co-financing for awqaf projects from other financial institutions.

Although it has been a challenging year especially with the impact of financial crisis reflecting negatively on the real estate sector; however, the Fund has been able to approve five projects for an aggregate value of US\$109.9 million for Lebanon, Qatar, Tatarstan, Sudan and United Arab Emirates. In the course of managing its liquidity, the Fund has invested in short term murabaha operations, ijarah sukuk and non-waqf operations.

## Financial Performance of the Fund

### Assets of the Fund

APIF remains in a firm financial position underpinned by its strong Balance Sheet and the improved quality of its earnings, though the task ahead is to improve the return on capital. Total assets of the Fund amounted to US\$79.987 million at the end of 1431H compared to US\$68.243 million at the end of last year, registering an increase of about 17.2%. The table below summarizes the asset composition for 1431H-1430H:

**Table 1: Asset Composition  
As at 30 Dhul Hijjah, 1431H**

( US\$ '000)

	1431H		1430H	
	Amount	%	Amount	%
Cash & Cash Equivalent	37,863	47.3	23,028	46.8
Investments-Ijarah Muntahia Bittamleek	21,998	27.5	24,753	37.3
Investments-Islamic Ijarah Sukkuks	5,175	6.5	5,175	0
Receivables-Murabaha Syndications	473	0.59	3,520	0
Receivables-Istisna'a	517	0.64	1,000	1.4
Financing-Musharakah	5,181	6.6	3,686	5.4
Accrued income and other assets	8,780	10.9	7,081	9.1
<b>Total Assets</b>	<b>79,987</b>	<b>100</b>	<b>68,243</b>	<b>100</b>

### Financial Indicators

The financial performance indicators of the Fund for the year 1431H in comparison with the same period in 1430H are presented in the following Table:

**Table 2: Financial Indicators**

(US\$'000 )

Financial Indicators	1431H	1430H
Net Assets	78,424	64,622
Net Income before Mudarib's share	2,241	2,271
Mudarib's share of net income	224	227
Transfer to General Reserve	448	454
Dividend	1,795	1,523
Dividend/Paid-up Capital - Declared Dividend	2.5%	2.5%
Average LIBOR (%)	0.94%	1.7%
<b>Net Asset Value Per Certificate</b>	<b>10.923</b>	<b>10.611</b>

The earning per certificate, after Mudarib's share of net income amounted to US\$281 in 1431H compared to US\$335 in 1430H.

#### **Dividend distribution**

In Accordance with Article 19.0 of the Fund's Regulations, the Fund has distributed a dividend of 2.5% for the year ending 30 Dhul Hijjah 1431H. Previous year also a dividend at the rate of 2.5% was distributed to the Unit holders.

#### **Operational Performance**

In the year 1431H, the Fund approved five projects amounting to US\$ 109.9 million for different IDB member and non-member countries. The table below gives the details:

**Table-3: List of APIF Projects Approved During 1431H**

(Amounts in US\$ Million)

No	Project Name	Total Cost	APIF	IDB Line	Others
1.	Construction of a Commercial Building, Fujairah, UAE	20.00	3.00	3.00	14.00
2.	Ablan Residential Complex, Doha Qatar.	56.4	5.00	10.00	41.40
3.	Addawah Furnished Apartment Tower Khartoum, Sudan	7.00	1.00	3.30	2.70
4.	Extension and Renovation of Bazerkan Commercial Center, Beirut – Lebanon.	21.50	4.00	1.00	16.50
5.	Commercial & Residential Center Kazan Tatarstan.	5.00	1.00	2.00	2.00
<b>Total:</b>		<b>109.9</b>	<b>14.00</b>	<b>19.30</b>	<b>76.60</b>

A brief description of each project is given below:

#### **1. Construction of Commercial Building, Fujairah - UAE:**

The project entails construction of a 17 storey commercial building with a built up area of 20,384 sqm. It will be built on a piece of land measuring 1,120 sqm. The estimated cost of the project is US\$ 20 million which will be financed by APIF US\$3.0 million, APIF line US\$3.0 million, US\$14.0 million will be contributed by the beneficiary.

#### **2. Ablan Residential & Commercial Complex, Doha - Qatar:**

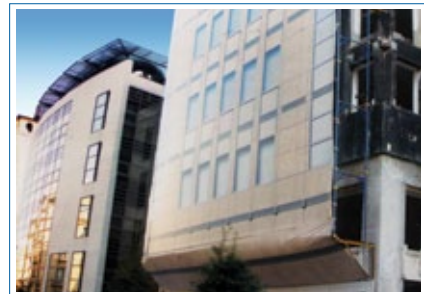
The project entails construction of a multi-storey residential building in Doha. The total built up area will 43,564 sqm. The total cost is US\$56.4 million with contribution by APIF \$5.0 million, APIF line \$10.0 million, the balance will be contributed by the beneficiary.

#### **3. Addawah Furnished Apartment Tower, Khartoum - Sudan:**

The project entails construction of a 112 furnished apartment tower in Khartoum Sudan. The total cost of the project is US\$ 7.0 million which will be financed by APIF US\$1.0 million, APIF line US\$3.30 million and the balance amount of US\$2.70 million will be financed by the beneficiary

#### **4. Extension & Renovation of Bazerkan Commercial Center, Beirut – Lebanon:**

The project aims at extending, renovating and putting back in gainful use an existing unused building known as Bazerkan Commercial Centre located in a prominent area of Beirut. The total cost of the project is 21.50 million, which will be financed by APIF US\$4.0 million, APIF line US\$1.0 million and the balance amount of US\$16.5 million will be contributed by the beneficiary.



#### **5. Construction of a Commercial & Residential Center, Kazan - Tatarstan:**

The project was reappraised due to the change in the scope of the civil works. The revised scope entails construction of a five storey commercial and residential building comprising of service apartments, cafe, restaurant and parking space. The total cost of the project is US\$5.0 million, which will be financed by APIF US\$1.0 million, APIF line US\$2.0 million and the balance amount of US\$2.0 million will be contributed by the beneficiary.



Agreement signing ceremony - Hayat Addawa Project, Sudan



# FUTURE PLANS AND OUTLOOK



APIF is performing well. The fund has well a defined plan, strong balance sheet and an outstanding pipeline of business growth prospects. During 1431H it has maintained momentum in building a long term pipeline of high quality projects spanning fifteen IDB member and non member countries. With projects in the pipeline having total developmental value of more than US\$ 442 million, the Fund is well positioned for future profit growth and operating synergies. The year 1432H is already shaping up as a very exciting one for APIF with a target value of US\$ 120 million. The Mudarib and the Fund's management team have the strategy and commitment to ensure continued growth.

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

Among the most ambitious strategies of the Fund is to evolve into an International bank of Awqaf. This idea was inspired by vision 1440H of the Islamic Development Bank which recognizes Awqaf as an important institution for alleviating poverty and enhancing social welfare. In order to realize this initiative, a quick win team was formed under the Islamic Financial Services Industries Department of IDB to prepare the necessary groundwork leading to the establishment of the Awqaf International Bank.

In order to activate this vision, the Bank invited scholars and practitioners working on research and development of Awqaf to a brainstorming session about the proposal of establishing an international Awqaf development bank. The attendees exchanged the ideas and opinions about the proposal and confirmed the pressing need for establishing an entity under the umbrella of IDB which will be dedicated to the development of awqaf. In order to move forward IDB has decided to appoint a consultancy firm to carry out the feasibility study of the proposed bank. Moreover, Bank is also considering holding an international conference in Jeddah in 1432H to solicit ideas from experts involved in waqf sector.

# CORPORATE GOVERNANCE

## Corporate Governance Statement

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

### Principle 1: Lay Solid Foundations for Management and Oversight

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

### The Board of Executive Directors

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

### Participants Committee

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

### Supervisory Committee

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

## 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 III**.

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

## **Principle 5: Risk Management**

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

## **Principle 6: Make Timely and Balanced Disclosures**

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

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

# FINANCIAL STATEMENTS & AUDITOR'S REPORT



30 Dhul Hijjah 1431H  
( 6 December 2010)





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**AUDITORS' REPORT TO THE:  
YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS OF THE BOARD OF GOVERNORS  
ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT 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 Hijjah 1431H and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of 30 Dhul Hijjah 1431H, the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

26 February 2011  
Manama, Kingdom of Bahrain

## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF NET ASSETS

As at 30 Dhul Hijjah 1431H

	Note	<u>1431</u> US\$ '000	<u>1430</u> US\$ '000
<b>ASSETS</b>			
Cash and balances with banks	3	37,863	23,028
Investments:			
Ijarah Muntahia Bittamleek, net	4	21,998	24,753
Islamic Ijara Sukkuks		5,175	5,175
Receivables:			
Murabaha syndications		473	3,520
Istisna'a		517	1,000
Financing:			
Musharaka		5,181	3,686
Accrued income and other receivables		<u>8,780</u>	<u>7,081</u>
<b>TOTAL ASSETS</b>		<u>79,987</u>	<u>68,243</u>
<b>LIABILITIES</b>			
Payable to Islamic Development Bank – ordinary capital resources		1,239	1,836
Accrued expenses and other payables		27	35
Accrued Mudarib's share of income		224	227
Dividends payable		<u>1,868</u>	<u>1,523</u>
<b>TOTAL LIABILITIES</b>		<u>3,358</u>	<u>3,621</u>
<b>NET ASSETS</b>		<u>76,629</u>	<u>64,622</u>
<b>NET ASSETS REPRESENTED BY:</b>			
Certificate holders' contribution	5	71,800	60,900
Premium on certificates		956	71
General reserve		3,826	3,378
Retained earnings		<u>47</u>	<u>273</u>
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<u>76,629</u>	<u>64,622</u>
<b>NUMBER OF CERTIFICATES OUTSTANDING</b>	5	<u>7,180</u>	<u>6,090</u>
<b>NET ASSET VALUE PER CERTIFICATE</b>		<u>10.673</u>	<u>10.611</u>

The financial statements were authorized by the Fund's management on 23 Rabi Awwal 1432H corresponding to 26 February 2011.

## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING As at 30 Dhul Hijjah 1431H

	<u>1431</u>		<u>1430</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>
<b>INVESTMENTS</b>				
Ijarah Muntahia Bittamleek	21,998	66.0%	24,753	64.9%
Islamic Ijara Sukkuks	5,175	15.5%	5,175	13.6%
<b>RECEIVABLES</b>				
Murabaha syndications	473	1.4%	3,520	9.2%
Istisna'a	517	1.6%	1,000	2.6%
<b>FINANCING</b>				
Musharaka	5,181	15.5%	3,686	9.7%
<b>Total</b>	<u>33,344</u>	<u>100%</u>	<u>38,134</u>	<u>100%</u>

## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF OPERATIONS

For the year ended 30 Dhul Hijjah 1431H

	<u>1431</u> US\$ '000	<u>1430</u> US\$ '000
<b>INCOME FROM INVESTMENTS, SALES AND FINANCING</b>		
<b>Investments:</b>		
Islamic Ijarah Sukkuks	427	210
Ijarah Muntahia Bittamleek	<u>6,713</u>	<u>5,980</u>
	<u>7,140</u>	<u>6,190</u>
<b>Sales:</b>		
Murabaha syndications	152	110
Istisna'a	<u>18</u>	<u>53</u>
	<u>170</u>	<u>163</u>
<b>Financing:</b>		
Musharaka	<u>110</u>	<u>99</u>
<b>Total income from investments, sales and financing</b>	<u>7,420</u>	<u>6,452</u>
<b>Expenses:</b>		
Depreciation- Ijarah Muntahia Bittamleek (note 4)	(5,741)	(4,509)
Administrative expenses	<u>(41)</u>	<u>(25)</u>
<b>Total expenses</b>	<u>(5,782)</u>	<u>(4,534)</u>
Net income from investments, sales and financing	1,638	1,918
Income from cash and cash equivalents	378	553
Other income	350	-
Exchange (loss)/ gain	<u>(125)</u>	<u>42</u>
<b>Net income before provision for impairment of</b>		
Ijarah Muntahia Bittamleek	2,241	2,513
Provision for impairment of Ijarah Muntahia Bittamleek	<u>-</u>	<u>(242)</u>
<b>Net income before Mudarib's share of income</b>	2,241	2,271
Mudarib's share of net income	<u>(224)</u>	<u>(227)</u>
<b>Increase in net assets representing net income for the year</b>	<u>2,017</u>	<u>2,044</u>
<b>Earning per certificate</b>	<u>0.281</u>	<u>0.340</u>



## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 Dhul Hijjah 1431H

		US\$ '000			
	Note	Certificate holders' contribution	Premium on certificates	General reserve	Retained earnings
					Total
Balance at 30 Dhul Hijjah 1429H		61,300	73	2,924	137
					64,434
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
Certificate holder's contribution		10,900	885	-	-
Net income for the year before Mudarib's share		-	-	-	2,241
Mudarib's share of net income	7	-	-	-	(224)
Dividends		-	-	-	(1,795)
Transfer to general reserve		-	-	448	(448)
Balance at 30 Dhul Hijjah 1431H		71,800	956	3,826	47
					78,424

## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF CASH FLOWS

For the year ended 30 Dhul Hijjah 1431H

	<u>1431</u> <u>US\$ '000</u>	<u>1430</u> <u>US\$ '000</u>
<b>OPERATING ACTIVITIES</b>		
Net income after Mudarib's fee	2,017	2,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,741	4,509
Mudarib's share of net income	224	227
Provision for impairment of Ijarah Muntahia Bittamleek	-	242
Changes in operating assets and liabilities:		
Murabaha syndications	3,047	(3,520)
Accrued income and other receivables	(1,699)	(583)
Payable to Islamic Development Bank - ordinary capital resources	(597)	(2,255)
Accrued expenses and other payables	(8)	(94)
Mudarib's share of income paid	(227)	(348)
<b>Net cash from operating activities</b>	<u>8,498</u>	<u>222</u>
<b>INVESTING ACTIVITIES</b>		
Ijarah Muntahia Bittamleek	(2,986)	(2,848)
Musharakah	(1,495)	164
Short term commodity transactions	8,892	(3,888)
Istisna'a	483	-
Islamic Ijarah Sukuk	-	(5,175)
<b>Net cash from / (used in) investing activities</b>	<u>4,894</u>	<u>(11,747)</u>
<b>FINANCING ACTIVITIES</b>		
Certificate holders' contribution / (redemption)	10,900	(400)
Premium on certificates	885	(2)
Dividends paid	(1,450)	(2,413)
<b>Net cash from / (used in) financing activities</b>	<u>10,335</u>	<u>(2,815)</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,727</b>	<b>(14,340)</b>
Cash and cash equivalents at beginning of the year	<u>1,281</u>	<u>15,621</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 3)</b>	<u><b>25,008</b></u>	<u><b>1,281</b></u>



## Islamic Development Bank - Awqaf Properties Investment Fund

### STATEMENT OF FINANCIAL HIGHLIGHTS

For the year ended 30 Dhul Hijjah 1431H

	<u>1431</u> US\$ '000	<u>1430</u> US\$ '000
<b>DATA PER CERTIFICATE</b>		
Net assets value - beginning of the year	<u>10.611</u>	<u>10.511</u>
Dividend payable relating to certificates redeemed transferred to retained earnings	-	0.011
Movement in certificate holders' contribution	<u>0.031</u>	<u>0.004</u>
	<u>0.031</u>	<u>0.015</u>
Net income from investments, sales, financing and cash and cash equivalents	0.312	0.372
Less: Mudarib share of income	<u>(0.031)</u>	<u>(0.037)</u>
Net income from investments, sales, financing and cash and cash equivalents after Mudarib share	<u>0.281</u>	<u>0.335</u>
Dividends	<u>(0.250)</u>	<u>(0.250)</u>
Net assets value - end of the year	<u><u>10.673</u></u>	<u><u>10.611</u></u>

The data per certificate are calculated using the number of certificates outstanding at 30 Dhul Hijjah 1431H and 1430H, which were 7,180 and 6,090 certificates, respectively.

### FINANCIAL RATIOS/SUPPLEMENTARY DATA:

Total net assets - end of the year	76,629	64,622
Average of net assets	70,626	64,528
Ratio of expenses to average of net assets	8.2%	7.0%
Annual rate of return	2.8%	3.1%

## **Islamic Development Bank - Awqaf Properties Investment Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

At 30 Dhul Hijjah 1431H

#### **1. ORGANIZATION AND ACTIVITIES**

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (“the Fund”) for the year ended 30 Dhul Hijjah 1431H, were authorized for issue by the Fund’s Management on 23 Rabi Awal 1432H corresponding to 26 February 2011. 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). For matters which are not covered by AAOIFI standards, the Fund uses the relevant International Financial Reporting Standards [“IFRS”] issued by the International Accounting Standards Board [“IASB”].

##### **Accounting convention**

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

##### **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)

At 30 Dhul Hijjah 1431H

#### 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 Musharaka capital.

##### **General reserve**

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



## Islamic Development Bank - Awqaf Properties Investment Fund

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 Dhul Hijjah 1431H

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *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.

##### **Impairment of financial assets**

An assessment is made at each reporting period date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets are calculated as the difference between the asset's carrying amount and its 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>1431</u> US\$ '000	<u>1430</u> US\$ '000
Cash in bank	25,008	1,281
Funds placed with Islamic banks	11,171	10,797
Investments in short-term commodity transactions with banks	<u>1,684</u>	<u>10,950</u>
	37,863	23,028
Funds placed as investments in short-term commodity transactions with original maturity greater than 90 days	<u>(12,855)</u>	<u>(21,747)</u>
Cash and cash equivalents	<u>25,008</u>	<u>1,281</u>

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)

At 30 Dhul Hijjah 1431H

#### 4. IJARAH MUNTAHIA BITTAMLEEK, NET

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

	<u>1431</u>	<u>1430</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>
<b>Cost</b>		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	12,485	9,637
Additions	2,986	2,848
Transfer to assets in repayment period	<u>(8,389)</u>	<u>-</u>
Balance at end of the year	<u>7,082</u>	<u>12,485</u>
Assets in repayment period:		
Balance at beginning of the year	36,086	36,086
Transfer from non repayment status	<u>8,389</u>	<u>-</u>
Balance at end of the year before provision	44,475	36,086
Less: Provision	<u>(242)</u>	<u>(242)</u>
Balance at end of the year after provision	<u>44,233</u>	<u>35,844</u>
<b>Total costs</b>	<u>51,315</u>	<u>48,329</u>
<b>Accumulated depreciation:</b>		
Balance at beginning of the year	23,576	19,067
Charge for the year	<u>5,741</u>	<u>4,509</u>
Balance at end of the year	<u>29,317</u>	<u>23,576</u>
<b>Net book value</b>	<u>21,998</u>	<u>24,753</u>

Future rentals receivable related to Ijarah Muntahia Bittamleek at 30 Dhul Hijjah 1431H are estimated to be US\$ 28 million (1430H: US\$ 22 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>1431</u>	<u>1430</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>
<b>Issued and subscribed:</b>		
7,180 certificates of US \$ 10,000 each (1430H – 6,090 certificates of US \$ 10,000 each)	<u>71,800</u>	<u>60,900</u>
<b>Paid up:</b>		
7,180 certificates of US \$ 10,000 each (1430H – 6,090 certificates of US \$ 10,000 each)	<u>71,800</u>	<u>60,900</u>

## Islamic Development Bank - Awqaf Properties Investment Fund

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 Dhul Hijjah 1431H

#### 6. RELATED PARTY TRANSACTIONS

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

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

As at 30 Dhul Hijjah 1431H and 1430H, 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 stated 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 manages 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 concentration of risk with individuals or customers in specific locations or industry sectors.



## Islamic Development Bank - Awqaf Properties Investment Fund

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 Dhul Hijjah 1431H

#### 9. CONCENTRATION OF ASSETS (continued)

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

Description	1431 (US\$ '000)				
	Cash and balances with banks	Investments	Receivables and financing	Other	Total
Africa	-	4,034	-	-	4,034
Asia	37,863	23,139	6,171	8,780	75,953
<b>Total assets</b>	<b>37,863</b>	<b>27,173</b>	<b>6,171</b>	<b>8,780</b>	<b>79,987</b>

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

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

Description	1431 (US\$ '000)				
	Real estate	Public utilities	Financial institutions	Other	Total
Cash and balances with banks	-	-	37,863	-	37,863
Investments	8,418	12,446	229	6,080	27,173
Receivables and financing	517	2,959	1,020	1,675	6,171
Accrued income and other assets	-	-	-	8,780	8,780
<b>Total assets</b>	<b>8,935</b>	<b>15,405</b>	<b>39,112</b>	<b>16,535</b>	<b>79,987</b>

Description	1430 (US\$ '000)				
	Real estate	Public utilities	Financial institutions	Other	Total
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
<b>Total assets</b>	<b>12,433</b>	<b>22,855</b>	<b>25,495</b>	<b>7,460</b>	<b>68,243</b>

## Islamic Development Bank - Awqaf Properties Investment Fund

### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 Dhul Hijjah 1431H

#### 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 Dhul Hijjah are as follow:

<i>Description</i>	<i>1431 (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>
<b>Assets</b>					
Cash and balances with banks	25,008	12,855	-	-	37,863
Investments	1,151	3,098	8,454	14,470	27,173
Receivables and financing	-	473	4,023	1,675	6,171
Accrued income and other receivables	-	8,780	-	-	8,780
<b>Total assets</b>	<b>26,159</b>	<b>25,206</b>	<b>12,477</b>	<b>16,145</b>	<b>79,987</b>
<b>Liabilities</b>					
Payable to IDB - ordinary capital resources	-	1,239	-	-	1,239
Accrued expenses and other payables	-	27	-	-	27
Accrued Mudarib's share of income	-	224	-	-	224
Dividends payable	-	1,868	-	-	1,868
<b>Total liabilities</b>	<b>-</b>	<b>3,358</b>	<b>-</b>	<b>-</b>	<b>3,358</b>

<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>
<b>Assets</b>					
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 receivables	-	7,081	-	-	7,081
<b>Total assets</b>	<b>1,281</b>	<b>35,561</b>	<b>6,504</b>	<b>24,897</b>	<b>68,243</b>
<b>Liabilities</b>					
Payable to IDB - ordinary capital resources	-	1,836	-	-	1,836
Accrued expenses and other payables	-	35	-	-	35
Accrued Mudarib's share of income	-	227	-	-	227
Dividends payable	-	1,523	-	-	1,523
<b>Total liabilities</b>	<b>-</b>	<b>3,621</b>	<b>-</b>	<b>-</b>	<b>3,621</b>

## **Islamic Development Bank - Awqaf Properties Investment Fund**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 30 Dhul Hijjah 1431H

#### **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 1431H, the undisbursed commitments for investments amounted to US\$ 52.2 million (1430H: US\$ 37.8 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	22.0
2	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	15.0
3	OIC - Islamic Solidarity Fund	Saudi Arabia	10.9
3	Kuwait Awqaf Public Foundation	Kuwait	5.0
4	Kuwait Finance House	Kuwait	5.0
6	Faisal Islamic Bank	Egypt	3.0
5	Iran Endowment Fund	Iran	2.9
8	Al-Baraka Islamic Bank	Bahrain	1.0
9	Bahrain Islamic Bank	Bahrain	1.0
10	Shamil Bank of Bahrain	Bahrain	1.0
11	Islamic Tadamun Bank	Sudan	1.0
12	Jordan Islamic Bank	Jordan	1.0
13	Arab Islamic Bank	Palestine	1.0
14	Ministry of Awqaf and Islamic Affairs	Jordan	1.0
15	Amanah Raya Bhd	Malaysia	1.0
	<b>Total</b>		<b>71.8</b>

# ANNEX-II

## Members of the Participants Committee of the Awqaf Properties Investment Fund

<b>Mr. Abdulhamid Abu Mousa</b> Governor, Faisal Islamic Bank, Egypt	<b>Chairman</b>
<b>H.E. Mr. Abdus Salam Daoud Al Abaadi</b> Minister of Awqaf and Islamic Affairs and Holy Shrines, Jordan	Member
<b>Dr. Ahmad Mohamed Ali</b> President of the Islamic Development Bank Group, Saudi Arabia	Member
<b>Br. Khalid bin Saleh Al Fareh</b> Director General, General Dept. for Investment Ministry of Islamic Affairs, Endowments, Da'wah & Guidance, Riyadh, Saudi Arabia	Member
<b>Mr. Mohammed Abdul Ghaffar Sharif</b> Secretary General, Kuwait Awqaf Public Foundation, Kuwait	Member
<b>Mr. Meshal Abdulaziz Al Nassar</b> Senior Investment Manager Kuwait Finance House, Kuwait	Member
<b>Mr. Mohammed Bucheerei</b> General Manager, Shamil Bank of Bahrain	Member
<b>Mr. Musa Shehadeh</b> Vice Chairman of the Board of Directors and Director General Jordan Islamic Bank for Finance & Investment, Amman, Jordan	Member
<b>H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi</b> Chairman of the Council of the OIC-Islamic Solidarity Fund	Member
<b>Mr. Ibrahim Abdullah Al-Khuzayem</b> Executive Director OIC-Islamic Solidarity Fund	Member
<b>Mr. Mohamed Ibrahim Mohamed</b> Executive President, Bahrain Islamic Bank	Member
<b>Mr. Mohamed Issa Al Mutaweh</b> Chief Executive Officer and Board Member, Al Baraka Islamic Bank, Bahrain	Member
<b>Mr. Abdulla Nugdulla Ahmaidi Abdelkarim</b> General Manager, Tadamon Islamic Bank, Khartoum, Sudan	Member
<b>Mr. Waleed Toufiq Fakhouri</b> Managing Director, Arab Islamic Bank, Ramallah, Palestine	Member
<b>Mr. Hadi Askari Tabatabeyi</b> General Manager, Iran Endowment Fund, Tehran, Iran	Member
<b>Dato Ahmad Rodzi Pawanteh</b> 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 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. Walid Abdelwahab**  
Director  
Infrastructure Department

Member



**Mr. Hassan Demirhan**  
Acting Director  
Treasury Department

Member



**Mr. Ahmed Murad Hammouda**  
Acting Director  
Group Risk Management Department

Member



**Dr. Mohamed Habib Djarraya**  
Acting Director  
Islamic Financial Services Industry Dept.

Member

## ANNEX-IV

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

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#### **Dr. Essamaldine Al-Kalyoubi**

Senior Legal Expert  
General Counsel's Office

**Chairman**

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#### **Dr. Mohamadou GAMDJI**

Legal Department

Member

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#### **Mr. Atiq-ur-Rahman Chowdhury**

Group Risk Management Department

Member

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#### **Mr. Abdullah Mohammed Saeed**

Infrastructure Department

Member

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#### **Mr. Diab Karrar Ahmed**

Islamic Financial Services Industry Department

Member

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#### **Mr. Syed Muhammad Asim Raza**

Islamic Financial Services Industry Department

Member

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#### **Mr. Hamza Taha**

Treasury Department

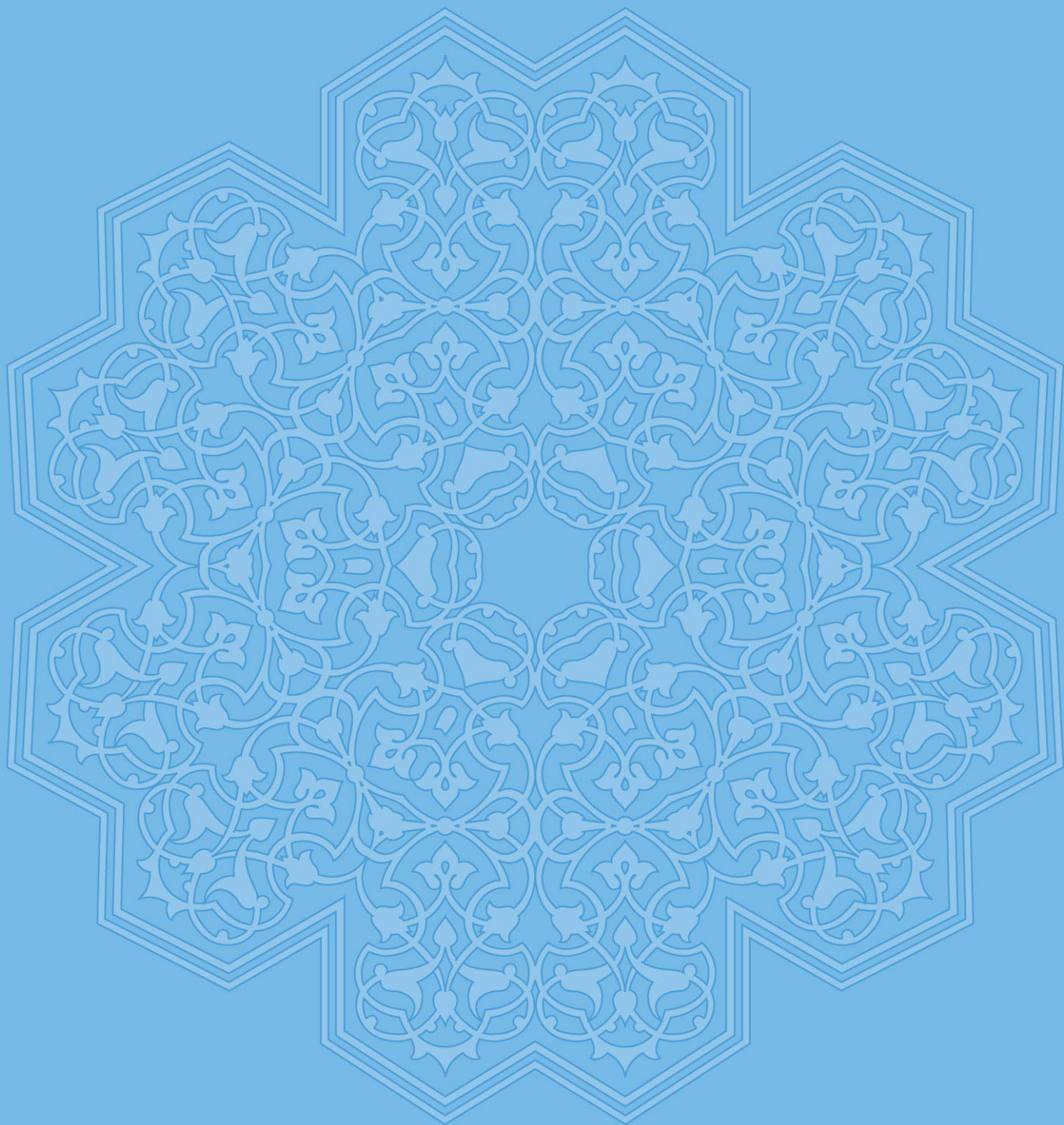
Member

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## APIF STAFF MEMBERS







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