

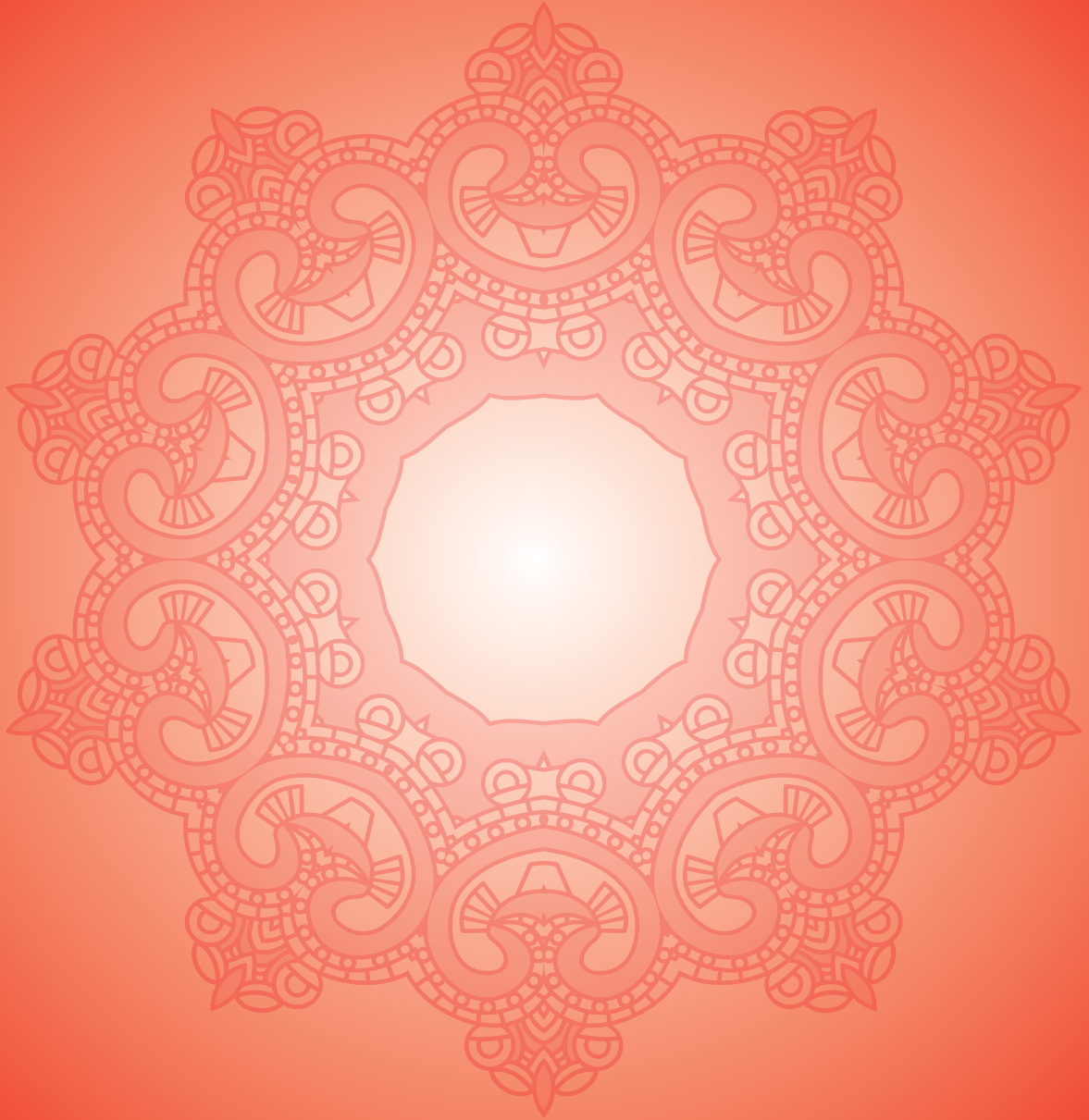


Islamic Development Bank

Awqaf Properties Investment Fund

Twelfth Annual Report
1434H (2013G)





٤٠ عاماً من العطاء

40 years of dedicated service

40 ans d'efforts soutenus



Islamic Development Bank

Awqaf Properties Investment Fund

**Twelfth Annual Report
1434H (2013G)**

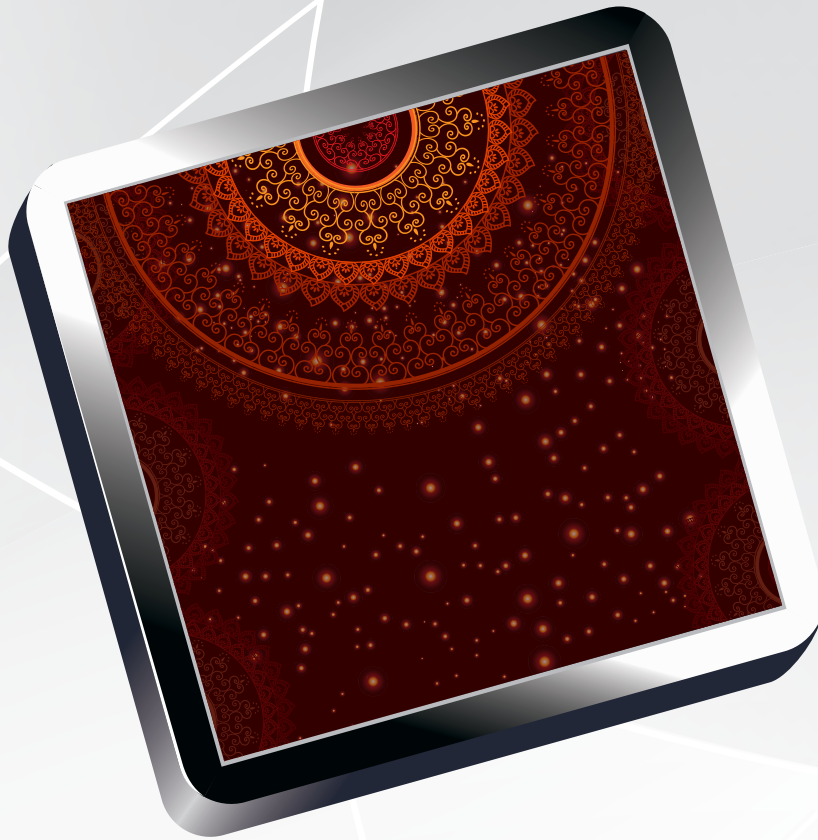
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APIF Mission



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

Glossary

Term used	Brief description
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
Awqaf	Plural of Waqf - Real property held as permanent waqf.
The Fund	Awqaf Properties Investment Fund (APIF)
Approval	Amount of money approved by the Mudarib for a project or operation.
Bank/IDB	Islamic Development Bank
Beneficiary	A recipient of APIF or IDB financing
Equity	Participant's contribution to capital
Leasing	Sale of usufruct of an asset for which the lessor retains the ownership, together with all rights and responsibilities
Istisna'a	A contract whereby a manufacturer agrees to produce and deliver a good, at a given price on a given date in future according to the specification
LIBOR	London Inter-Bank Offered Rate
Mark-up	Profit margin earned on financing operations
MC	Management Committee
Mudarib	Islamic Development Bank, as Manager of the Fund
NAV	Net Asset Value
Nazer	Trustee or Manager of a waqf (also known as Mutawaili)
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

Members of the Board of Executive Directors of the Islamic Development Bank



In the name of Almighty Allah, The Most Beneficent and The Most Merciful

Statement of Mudarib

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

Dear Brothers

Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Islamic Development Bank, the Mudarib of the Fund, I am pleased to present to your Honourable Committee the Twelfth Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ended on 29 Dhul Hijjah 1434H. The report has been prepared in accordance with Article 17 of the Fund's Regulations and contains an overview of the Fund, its approved operations and audited financial statements.

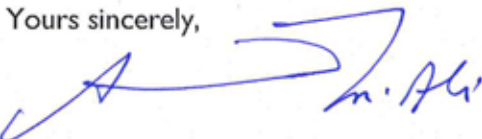
In terms of performance during the year 1434H, the Fund approved eight *waqf* projects for an aggregate value of US\$214.40 million. These approvals include four projects for US\$128.15 million in member countries (Egypt, Indonesia, Morocco and Saudi Arabia) and four projects for US\$ 86.29 million in non-member countries (Germany, Macedonia, United Kingdom and United States of America). Despite the lingering effects of the financial crisis, the Fund has delivered satisfactory results and the net income for the year was US\$ 1.653 million. Accordingly, the Mudarib of the Fund is pleased to announce the distribution of a dividend of 2.5% of the paid-up capital of the Fund.

The above achievements reflect APIF's efforts particularly towards portfolio diversification, deployment of resources in different geographical locations and penetration into new markets for development of *waqf* sector. APIF has a clear strategy for continuous growth and will, Insha Allah, continue to pursue all possible efforts to meet the objectives set by the shareholders.

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

Thank you for your continued support.

Yours sincerely,



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

In the name of Almighty Allah, The Most Beneficent and The Most Merciful

Shariah Advisor's Report – 1434H

Awqaf Properties Investment Fund

To: The Chairman and Honourable Members of the
Participants Committee of the
Awqaf Properties Investment Fund

Assalamu Alaikum Warahmatullah Wabarakatuh,

In accordance with the second principle of the governance statement of the Awqaf Properties Investment Fund (the Fund) which stipulates that the Fund shall ensure its commitment to Shariah through an independent Shariah advisor, I hereby submit the report in fulfilment of my duties and responsibilities as a Shariah Advisor.

I have examined the applicable principles used and contracts governing the transactions and the applications developed by the Fund during the period. I have carried out necessary audit to express my opinion as to whether the Fund has compiled with Shariah principles in conformity with decisions made by the International Islamic Fiqh Academy, edicts (fatwas) issued by the Shariah Committee of the Islamic Development Bank.

I have reviewed the data pertaining to the eight projects of the Fund in 1434H. I have also listened to the clarifications presented by the management which confirmed that it applied the Bank's approved contracts.

The management of the Fund bears the responsibility to ensure that its operational activities are carried out in accordance with the principles of Shariah. My responsibility is limited to express an independent opinion based on my audit following the review of all necessary information which 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 the Fund during 1434H and which I have reviewed have been implemented in conformity with Shariah rules and principles.

- b) The distribution of dividends and charging of losses to the investment certificates confirms to the approved rules in accordance with Shariah principles.
- c) There were no gains which derive from sources or prohibited means that may be spent on charitable purposes.
- d) Since the Management of the Fund is not authorized to give Zakat, it is the responsibility of the institutions and bodies of the private sector to do so. Government and waqf organizations are exempted from Zakat as their financial resources are utilized for the interests of the public and charitable purposes.

I pray to Allah Almighty to grant the Fund and its founders success in their endeavours.

A handwritten signature in blue ink, followed by the date "13-1-2014" written in blue ink.

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

The Role of Awqaf in Improving the Socio-Economic Conditions of the Muslim Ummah

Islamic institutions like Zakat and Awqaf are very important economic tools that, if implemented well, will not only help to eradicate poverty from Islamic societies but reduce government spending, reduce the need for taxes and contribute towards better socio-economic justice and development. They have the potential to alleviate high unemployment and acute poverty, narrow the gap between rich and poor, and complement government's efforts in providing health, education and other social services to the population.

Historically, institutions like Zakat and Awqaf have contributed greatly to the advancement of knowledge, establishment of hospitals, orphanages, schools, universities, etc., in Muslim countries and led to a great civilization that spread from Indonesia to Andalusia.

Should these institutions be revived and reactivated, they may be able to contribute significantly in solving many of the socio-economic problems prevailing among Muslim societies, reduce the burden on government expenditures and lead to a better life for the communities and ultimately to the improvement of the socio-economic conditions of the Muslim Ummah.

Keeping in view the importance of the waqf sector, the IDB established the Awqaf Properties Investment Fund as a means of reviving the Sunnah of waqf. The Fund has, since its inception, helped to develop numerous idle waqf properties in various parts of the world, both in IDB member countries and non-member countries. Today, these properties are generating income that are used for the welfare of the under privileged members of the society.

Legal status and management of awqaf

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

In principle the founder of the waqf (waqif) determines the type of management of the waqf. The waqf manager (nazer or mutawalli) has the responsibility to administer the waqf property to the best interests of the beneficiaries designated by the waqif. In many Muslim countries, government ministries/corporations or specialized agencies play the role of nazer. In non-muslim countries where the waqf is unknown, Muslim communities have been able to organise and manage their awqaf in accordance with Islamic Shariah within the limits of prevailing laws and regulations governing foundations, trusts and charitable organisations generally.

Establishment of the Fund

During the 6th Conference of Awqaf and Islamic Affairs of OIC member countries which were held in Jakarta, Indonesia on 29th October 1997, the Islamic Development Bank (IDB) 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), the ten founding institutions signed the Memorandum of Understanding for the establishment of the Fund. Their total subscriptions amounted to US\$ 50 million. The door was left open for other organizations and institutions to subscribe in accordance with the procedures provided for in the By-Laws of the Fund.

Purpose of the Fund

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

As manager of the Fund, the Mudarib (IDB) certainly seeks to ensure that participants are well rewarded for their investment, consistent with the risks involved and comparable with other similar investments, but APIF goes further than that. As a fund dedicated to the development of Islamic awqaf, it owes responsibility to the ultimate beneficiaries of the waqf, i.e. the needy, the destitute, the orphaned, the elderly and the handicapped.

Operational Strategies of the Fund

The Fund provides a full spectrum of real estate business opportunities from development, asset management to complex project financing initiatives. Our operations provide diverse investments spread over in various countries 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, unit holders 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. Fifteen 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 1434H amounted to US\$76.410 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, and contribute to the alleviation of poverty, etc.

The Year under Review

During the year 1434H, 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 recent financial crisis still reflecting negatively on the real estate sector, the Fund was able to approve eight projects for an aggregate value of US\$ 214.4 million, in Saudi Arabia, USA, UK, Morocco, Egypt, Germany, Macedonia and Indonesia. In the course of managing its liquidity, the Fund also invested in short-term murabaha operations, ijarah sukuk and non-waqf operations.

Financial Performance of the Fund

Assets of the Fund

APIF remains in a firm financial position underpinned by its strong Balance Sheet and the improved quality of its earnings, though the task ahead is to improve the return on capital. Total assets of the Fund amounted to US\$ 85.762 million at the end of 1434H compared to US\$ 80.719 million at the end of last year, registering an increase of about 6.24%. The table below summarizes the asset composition for 1434H-1433H:



Agreement signing ceremony for the "Construction of Bazrkan Commercial Center Project in Beirut, Lebanon"

Table 1
Asset Composition as at 29th Dhul Hijjah, 1434H

(Amounts in US\$ million)

	1434H		1433H	
	Amount	%	Amount	%
Cash & Cash Equivalent	1,168	1.4	30,566	37.9
Investments–Ijarah Muntahia Bittamleek	16,084	18.8	17,079	21.2
Investments–Islamic Ijarah Sukkuks	38,226	44.6	17,926	22.2
Investments–Islamic Lease Fund	1,806	2.1	1,950	2.4
Receivables–Murabaha Syndications	14,368	16.7	1,385	1.7
Receivables–Istisna'a	298	0.3	348	0.4
Financing-Musharakah	2,486	2.9	3,204	4.0
Accrued income and other assets	11,325	13.2	8,261	10.2
Total Assets	85,761	100	80,719	100

Financial Indicators

The financial performance indicators of the Fund for the year 1434H in comparison with 1433H are presented in the following Table:

Table 2
Financial Indicators

(Amounts in US\$ million)

Financial Indicators	1434H	1433H
Net Assets	82,621	77,878
Net Income before Mudarib's share	1,836	2,599
Mudarib's share of net income	183	260
Transfer to General Reserve	83	169
Dividend	1,910	1,795
Dividend/Paid-up Capital - Declared Dividend	2.5%	2.5%
Average LIBOR (%)	0.72%	1.03%
Net Asset Value Per Certificate	10,813	10,846

The earning per certificate, after Mudarib's share of net income, amounted to US\$ 216 in 1434H compared to US\$ 326 in 1433H.

Dividend Distribution

In accordance with Article 19.0 of the Fund's Regulations, the Fund has declared to distribute to the Participants a dividend of 2.5% (1433H : 2.5%) of the paid up capital of the Fund for the year ended 29 Dhul Hijjah 1434H.

Operational Performance

In the year 1434H, the Fund approved financing for eight projects having a total amount of US\$ 214.44 million for different IDB member and non-member countries. Table 3 gives the details:

Table-3
List of APIF Projects Approved During 1434H

(Amounts in US\$ million)

No	Project Name	Total Cost	APIF	IDB Line	Others
1.	Construction of a student hostel in Mohammadiyah, Morocco.	15.75	4.0	1.65	10.1
2.	Construction of CAIR Plaza in Washington DC, USA	30.60	5.0	11.0	14.6
3.	Construction of waqf commercial complex in Cairo, Egypt.	38.10	4.0	6.15	27.95
4.	Purchase of an existing building in Dresden, Germany.	13.44	3.0	3.40	7.04
5.	Construction of an office building in Jakarta Indonesia.	48.00	5.0	10.5	32.5
6.	Construction of a waqf commercial center in Gostivar, Macedonia.	13.33	3.0	4.0	6.33
7.	Construction of a commercial and residential waqf project in Manchester, UK	28.92	5.0	6.0	17.92
8.	Construction of a commercial and residential complex in Jeddah, KSA	26.30	6.0	6.0	14.30
Total		214.44	35.0	48.7	130.74

A brief description of each project is given below:

1) Construction of a Student Hostel in Mohammadiyah, Morocco

The objective of the project is to generate income for the Ministry of Awqaf and Islamic Affairs of the Kingdom of Morocco, which will be used to finance its social and religious activities. The project is located in Mohammadia. The total area of the waqf land is 10,158 m².

The project will comprise eight 5-storey residential buildings which will be used to accommodate 872 students and consists of 48 single bedrooms, 408 double bedrooms and 8 apartments for students requiring special needs. Shops space will be available on the ground floor. The total area of buildings is 16,120 m². The estimated cost of the project is US\$ 15.8 million with the contribution by APIF (US\$5.75 million), APIF Line (US\$4.0 million); the balance amount (US\$ 10.1 million) will be financed by other windows of IDB and the beneficiary.

2) Construction of CAIR Plaza in Washington DC, USA

The project's objective is to provide income for the Council of American Islamic Relations (CAIR) to support its activities in the field of defending the civil rights and liberties of American Muslims and disseminating a true image of Islam and its principles of tolerance.

The project has an excellent location in Washington DC opposite the main train station. The land area is 880 m². The project includes the establishment of a residential/commercial building with a total area of 8,400 m², consisting of 74 apartments, office space of 2,030 m² and car parking lots.

The estimated cost of the project is US\$ 30.6 million which will be financed by APIF (US\$ 5.0 million), APIF line (US\$ 11.0 million), while the balance amount (US\$ 14.6 million) will be contributed by the beneficiary.

3) Construction of a Waqf Commercial Complex in Cairo, Egypt

Al-Azhar University is the beneficiary of the project which aims to generate a regular income to support Al-Azhar Center for Teaching the Arabic Language to Non-Arabic Speakers.

The project is located in Cairo on a land having an area of 7,585 m². It entails the construction of a three floor shopping mall and two levels of basement with gross built-up area of 30,567 m². The estimated cost of the project is US\$ 38.1 million which will be financed by APIF (US\$ 4.0 million), APIF line (US\$ 6.15 million) and donations (US\$ 10.15 million). The beneficiary will contribute with the project land having an estimated value at US\$ 17.8 million.

4) Purchase of an Existing Building in Dresden, Germany

The project's objective is to support the activities of the Islamic Trust for Education and Culture (Elyas Ar Rumi Waqf), Germany. The Trust is involved in the arrangement of educational and cultural programs for the Muslim community in Germany, integration of the Muslim Community into German society, improving the social conditions of Muslims, and funding research and activities aiming at improving the image of Islam.

The building to be purchased is located in the historic city of Dresden (165 km south of Berlin). It is constructed on one third area of the 6,329 m² of land, leaving the opportunity for future expansion. It is included in the list of heritage buildings in Germany. The building is unique in its Islamic architecture having eight minarets and a glass dome. It was constructed in 1907 and was renovated in 1996. It has six storeys and a basement with the total construction area of 10,590 m². Presently it is being used as office building.

The estimated cost of the project is US\$ 13.44 million, which will be financed by APIF (US\$ 3.0 million), APIF line (US\$ 3.4 million) while the remaining (US\$ 7.04 million) will be provided by the beneficiary through donations.

5) Construction of an Office Building (Waqf Project) in Jakarta, Indonesia

The project objective is to support the educational and charitable activities of the Raudhatul Muta'allimin Foundation, Indonesia, which is involved in the field of education, health care, religious activities and support to tsunami and earthquake displaced people.

The project will be constructed on a waqf land measuring 4,645 m², located in the south central region of Jakarta. It entails establishment of a 22 - level office building consisting of three basements and nineteen floors having a total built-up area of 24,400 m². The estimated cost of the project is US\$ 48 million which will be financed by APIF (US\$ 5.0 million), APIF line (US\$ 10.5 million) and the beneficiary (US\$ 32.5 million).

6) Construction of a Waqf Commercial Centre in Gostivar, Macedonia

The project's objective is to provide continuous financial support to the Islamic schools and the Faculty of Islamic Studies in the Republic of Macedonia.

The project will be located on a waqf land having an area of 3,114 m² in the city of Gostivar. The property was returned to the Muslim Community in 2010, under the Macedonian Law of Denationalization. The project entails the construction of a shopping center comprising three upper floors and two basements (parking lots) with a total area of 11,731m². The estimated cost of the project is US\$ 13.3 million to be financed by APIF (US\$ 3.0 million), APIF line (US\$ 4 million) and the beneficiary (US\$ 6.33 million).

7) Construction of a Commercial and Residential Waqf Project in Manchester, United Kingdom

The British Muslim Heritage Centre, UK is the beneficiary of the project. It provides a forum for the Muslim community in Manchester to promote dialogue and understanding between civilizations, and organizing seminars, lectures and educational & cultural programs,

The project is located in Manchester on a waqf land having an area of 32,375 m². The land has a three-storey historical building with a total area of 5,785 m². The building is included in the list of British heritage properties. Project will be implemented in two phases. In the first phase, renovation of the three-storey heritage building be completed and it will be used as furnished rooms for short term leasing purposes, whereas in the second phase three new residential apartment buildings will be constructed. The new construction will provide 78 residential apartments having total area of 6,200 m² which will be rented on long term basis.

The estimated cost of the project is (US\$ 28.9 million) to be financed by APIF (US\$ 5 million) and APIF line (US\$ 6.0 million) while the beneficiary will contribute (US\$ 17.9 million).

8) Construction of a Residential and Commercial Project in Jeddah, Kingdom of Saudi Arabia

The project's objective is to generate regular income for the philanthropic activities of the Charitable Society for the Memorization of the Holy Quran based in Jeddah. The society is offering its services to 13,000 students through the provision of 1,000 teachers.

The project will be located on a waqf land measuring 7,380 m². It entails construction of three commercial and residential buildings, comprising show-rooms, furnished residential apartments, and offices. Following its construction, an area of 18,140 m² will be available for residential and commercial purposes. The estimated cost of the project is (US\$ 26.3 million) to be financed by APIF (US\$ 6.0 million), APIF line (US\$ 6.0 million) while the beneficiary will provide (US\$ 14.3 million).



Agreement signing ceremony for the “Construction of an Office Building (Waqf Project) in Jakarta, Indonesia”.

Future Plans and Outlook



APIF has a well-defined plan, strong balance sheet and an outstanding pipeline of business growth prospects. During 1434H, it has maintained momentum in building a long term pipeline of high quality projects in IDB member and non-member countries. With development projects in the pipeline having total value of more than US\$ 450 million, the Fund is well positioned for future growth and operating synergies. The year 1435H is already shaping up as a very exciting one for APIF with a target value of new approvals of US\$ 230 million. The Mudarib and the Fund's management team have the strategy and commitment to ensure continued growth.

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

In this regard, APIF has started and will continue to explore the possibility of expanding its activities in new geographical areas where a lot of idle or lost awqaf properties are located. At the same time, APIF will continue to work with countries in Africa to help them create the appropriate enabling environment for development of the waqf sector. APIF will also draw on reverse linkages as a powerful means of transferring knowledge and expertise from countries that are more advanced in the management of awqaf to less advanced countries.

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 of the Fund and day to day management of its portfolio.

The Board of Executive Directors

The IDB 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, monitors budgetary controls and ensures compliance with the Fund's Regulations, policies and investment guidelines, as well as 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. It 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 to the Fund's investments. The members of the Management Committee are listed in **Annex-IV**.

Technical Review Committee

The Technical Review Committee (TRC) is responsible to review every project proposal submitted to APIF covering, inter alia, financial, legal and risk related issues, prior to submission of the projects to the Management Committee (MC) for clearance. The members of the Technical Review Committee are listed in **Annex-V**.

Other Committees

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

Principle 2: Ensure Shariah compliance

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

Principle 3: Internal Audit and Control

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

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

In addition, the external audit is also undertaken by the external auditors once at the end of the financial year.

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 the Supervisory Committee on quarterly basis and to the Participants Committee on yearly basis.

The Fund’s liquid balance 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 and Auditor's Report

For the Year Ended 29 Dhul Hijjah 1434H (2013G)



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

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED 29 DHUL HIJJA 1434H**

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AUDITORS' REPORT

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

Scope of Audit

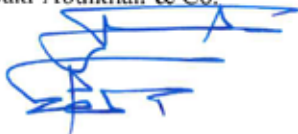
We have audited the accompanying statements of net assets and portfolio investments, receivables and financing of Islamic Development Bank - Awqaf Properties Investment Fund (the "Fund") as at 29 Dhul Hijjah 1434H and the related statements of operations, changes in net assets, cash flows and financial highlights for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah rules and principles are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of 29 Dhul Hijjah 1434H, the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296
3 Rabi'l, 1435
January 4, 2014

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

STATEMENT OF NET ASSETS

AS OF 29 DHUL HIJJA 1434H

(Expressed in thousands of US Dollars)

	Note	1434	1433
ASSETS			
Cash and balances with banks	3	1,168	30,566
Investments:			
Ijarah Muntahia Bittamleek, net	4	16,084	17,079
Islamic Ijara Sukkuks	5	38,226	17,926
Islamic Lease Fund		1,806	1,950
Receivables:			
Murabaha syndications		14,368	1,385
Istisna'a		298	348
Financing:			
Musharaka		2,486	3,204
Accrued income and other receivables		9,517	8,261
Due from Islamic Development Bank - Ordinary Capital Resource (IDB-OCR)		1,808	-
TOTAL ASSETS		85,761	80,719
LIABILITIES			
Payable to Special Account Resources Waqf Fund		401	607
Accrued expenses and other payables		196	34
Accrued Mudarib's share of income		415	260
Dividends payable		2,128	1,940
TOTAL LIABILITIES		3,140	2,841
NET ASSETS		82,621	77,878
NET ASSETS REPRESENTED BY:			
Certificate holders' contribution	6	76,410	71,800
Premium on certificates		1,346	956
General reserve		4,462	4,379
Retained earnings		403	743
TOTAL CERTIFICATE HOLDERS' EQUITY		82,621	77,878
NUMBER OF CERTIFICATES OUTSTANDING	6	7,641	7,180
NET ASSET VALUE PER CERTIFICATE		10.813	10.846

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

**STATEMENT OF PORTFOLIO INVESTMENTS, RECEIVABLES AND FINANCING
AS OF 29 DHUL HIJJA 1434H**

(Expressed in thousands of US Dollars)

	<i>1434</i>		<i>1433</i>	
	<u>Amount</u>	<u>%age of Portfolio</u>	<u>Amount</u>	<u>%age of Portfolio</u>
INVESTMENTS				
Ijarah Muntahia Bittamleek	16,084	22%	17,079	41%
Islamic Ijara Sukuks	38,226	52%	17,926	43%
Islamic Lease Fund	1,806	3%	1,950	5%
RECEIVABLES				
Murabaha syndications	14,368	20%	1,385	3%
Istisna'a	298	-	348	-
FINANCING				
Musharaka	2,486	3%	3,204	8%
Total	<u>73,268</u>	<u>100%</u>	<u>41,892</u>	<u>100%</u>

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 29 DHUL HIJJA 1434H
(Expressed in thousands of US Dollars)

	Note	1434	1433
INCOME FROM INVESTMENTS, RECEIVABLES AND FINANCING			
Investments:			
Ijarah Muntahia Bittamleek, net		5,097	5,296
Islamic Ijara Sukuks		(515)	1,049
Islamic Lease Fund		81	86
		<u>4,663</u>	<u>6,431</u>
Receivables:			
Murabaha syndications		232	82
Istisna'a		24	15
		<u>256</u>	<u>97</u>
Financing:			
Musharaka		371	94
		<u>371</u>	<u>94</u>
Total income from investments, receivable and financing		<u>5,290</u>	<u>6,622</u>
Expenses:			
Depreciation- Ijarah Muntahia Bittamleek	4	(3,617)	(3,710)
Administrative expenses		(26)	(53)
Impairment provision		-	(566)
Total expenses		<u>(3,643)</u>	<u>(4,329)</u>
Net income from investments, receivables and financing		<u>1,647</u>	<u>2,293</u>
Income from cash and cash equivalents		183	402
Other income		82	-
Exchange loss		(76)	(96)
Net income before Mudarib's share of income		<u>1,836</u>	<u>2,599</u>
Mudarib's share of net income	8	<u>(183)</u>	<u>(260)</u>
Increase in net assets representing net income for the year		<u>1,653</u>	<u>2,339</u>
Earning per certificate		<u>0.216</u>	<u>0.326</u>

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H**
(Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificates	General reserve	Retained earnings	Total
Balance at 29 Dhul Hijjah 1432H		71,800	956	4,210	368	77,334
Net income for the year before Mudarib's share		-	-	-	2,599 (260)	2,599 (260)
Mudarib's share of net income	8	-	-	-	-	-
Dividends		-	-	-	(1,795)	(1,795)
Transfer to general reserve		-	-	169	(169)	-
Balance at 29 Dhul Hijjah 1433H		71,800	956	4,379	743	77,878
Certificate Holders ' Contributions		4,610	390	-	-	5,000
Net income for the year before Mudarib's share		-	-	-	1,836	1,836
Mudarib's share of net income	8	-	-	-	(183)	(183)
Dividends		-	-	-	(1,910)	(1,910)
Transfer to general reserve		-	-	83	(83)	--
Balance at 29 Dhul Hijjah 1434H		76,410	1,346	4,462	403	82,621

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 DHUL HIJAH 1434H
(Expressed in thousands of US Dollars)

	1434	1433
OPERATING ACTIVITIES		
Net income after Mudarib's fee	1,653	2,339
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,617	3,710
Mudarib's share of net income	183	260
Unrealized fair value loss/(gain)	2025	(302)
Changes in operating assets and liabilities:		
Murabaha syndications	(12,983)	(1,044)
Accrued income and other receivables	(1,256)	2,592
Due from Islamic Development Bank - Ordinary Capital Resources	(1,808)	1,216
Payable to Special Account Resources Waqf fund	(206)	135
Accrued expenses and other payables	162	4
Cash (used in)/from operations	(8,613)	8,910
Mudarib's share of income paid	(28)	(192)
Net cash (used in)/from operating activities	(8,641)	8,718
INVESTING ACTIVITIES		
Ijarah Muntahia Bittamleek	(2,622)	(1,127)
Musharakah	718	1,818
Short term commodity transactions	9,200	13,813
Istisna'a	50	88
Islamic Ijarah Sukuk	(22,325)	(6,964)
Islamic Lease Fund	144	(37)
Net cash (used in)/from investing activities	(14,835)	7,591
FINANCING ACTIVITIES		
Certificate Holders Contributions	5,000	-
Dividends paid	(1,722)	(1,795)
Net cash from/(used in) financing activities	3,278	(1,795)
Net change in cash and cash equivalents	(20,198)	14,514
Cash and cash equivalents at the beginning of the year	21,366	6,852
CASH AND CASH EQUIVALENTS AS AT 29 DHUL HIJAH (NOTE 3)	1,168	21,366

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

**STATEMENT OF FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H
(Expressed in thousands of US Dollars)**

	<u>1434</u>	<u>1433</u>
DATA PER CERTIFICATE		
Net assets value - beginning of the year	<u>10.846</u>	10.771
Net income before Mudarib's share of income	<u>0.241</u>	0.362
Less: Mudarib share of income	<u>(0.024)</u>	(0.036)
Net income after Mudarib's share of income	<u>0.217</u>	0.326
Dividends	<u>(0.250)</u>	(0.250)
Net assets value - end of the year	<u>10,813</u>	<u>10.846</u>

The data per certificate are calculated using the number of certificates outstanding at 29 Dhul Hijjah 1434H and 1433H, which were 7,641 and 7,180 respectively.

	<u>1434</u>	<u>1433</u>
FINANCIAL RATIOS/SUPPLEMENTARY DATA:		
Net assets - end of the year	82,621	77,878
Average of net assets	80,250	77,606
Ratio of expenses to average of net assets	4.54%	5.58%
Annual rate of return	2.06%	3.01 %

The accompanying notes from 1 through 15 form an integral part of these financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H
(Expressed in thousands of US Dollars)**

1. ORGANIZATION AND ACTIVITIES

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (“the Fund”) for the year ended 29 Dhul Hijjah 1434H, were authorized for issue by the Fund’s Management on 3 Rabi’I, 1435H corresponding to January 4, 2014) The Fund is a trust fund established under Articles 2 and 23 of the Articles corresponding to Agreement of Islamic Development Bank (IDB or the Bank) based in Jeddah, Saudi Arabia and pursuant to the memorandum of understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries in 1422H. The certificate holders in the Fund are the Bank, participating institution and religious authorities in the Islamic countries. The Fund commenced operations on 1 Rajab 1422H.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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”].

b) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept, except for Investment in Sukuk which is carried at fair value. The financial statements have been presented in thousands of US Dollars. The Fund’s financial year is the lunar Hijra year.

c) Investment in Sukuk

Investments in Sukuk are classified as Fair Value through Income Statement. These investments are initially recognized at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period with the resulting gain or loss netted off from the coupon income recognized in the statement of operations.

d) 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 reporting date. 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
(THE FUND)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H**

(Expressed in thousands of US Dollars)

e) Participation in Murabaha syndication

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

f) Istisna'a contract

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

g) Musharaka financing

Musharaka financing is partnership in which the Fund contributes capital. Musharaka financing is stated at cost less received amounts as a repayment of the Musharaka capital.

h) General reserve

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

i) 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 reporting date. All differences are taken to the statement of operations.

j) 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

Income from cash and cash equivalents is recognized when such income is earned. Income from short-term commodity transactions is accrued evenly over the period from actual disbursement date of the funds to the maturity date.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJA 1434H**

(Expressed in thousands of US Dollars)

k) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Certain categories of financial assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of assets could include the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of operations. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

l) 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 CASH EQUIVALENTS

	1434	1433
Cash in bank	1,168	797
Funds placed with Islamic banks	-	9,769
Investments in short-term commodity transactions with banks	-	20,000
Cash and balances with banks	1,168	30,566
Funds placed as investments in short-term commodity transactions with original maturity more than 90 days	-	(9,200)
Cash and cash equivalents	1,168	21,366

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H**

(Expressed in thousands of US Dollars)

4. IJARAH MUNTAHIA BITTAMLEEK, NET

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

	1434	1433
Cost		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	1,935	242
Additions	2,622	1,693
Transfer to assets in repayment period	-	-
Balance at end of the year	4,557	1,935
Assets in repayment period:		
Balance at beginning of the year	52,725	52,725
Transfer from non-repayment status	-	-
Balance at end of the year before allowance for impairment	52,725	52,725
Less: Allowance for impairment	(808)	(808)
Balance at end of the year	51,917	51,917
Total costs	56,474	53,852
Accumulated depreciation:		
Balance at beginning of the year	36,773	33,063
Charge for the year	3,617	3,710
Balance at end of the year	40,390	36,773
Net book value	16,084	17,079

Future rentals receivable related to Ijarah Muntahia Bittamleek at 29 Dhul Hijjah 1434H are estimated to be US\$ 25.57 million (1433H: US\$ 29.82 million). The precise amount receivable at end of any period is only known prior to the commencement of the period/year, as most of the rentals are determined based on prevailing London Inter-Bank Offer Rate (LIBOR).

5. INVESTMENTS IN SUKUK

Investment in Sukuk certificates represents a share in the Sukuk issued by various governments, financial institutions and certain other entities. The carrying amount of sukuks includes an amount of unrealized fair value loss of USD 2.02 million (1433H: fair value gain of USD 0.722 million).

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

	1434	1433
Governments	28,490	12,546
Financial Institutions	9,736	5,380
Investment in Sukuk - at fair value	38,226	17,926

The movement in Sukuk investments is summarized as follows:

	1434	1433
Balance at the beginning of the year	17,926	10,660
Additions during the year	23,817	6,964
Redemptions	(1492)	-
Fair value (loss)/gain	(2,025)	302
Balance at the end of the year	38,226	17,926

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H
(Expressed in thousands of US Dollars)**

6. CERTIFICATE HOLDERS' CONTRIBUTION

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

	1434	1433
Authorized: 20,000 certificates of US \$ 10,000 each	<u>200,000</u>	<u>200,000</u>
Issued and subscribed:		
7,641 certificates of US \$ 10,000 each		
(1433H – 7,180 certificates of US \$ 10,000 each)	<u>76,410</u>	<u>71,800</u>
Paid up:		
7,641 certificates of US \$ 10,000 each		
(1433H – 7,180 certificates of US \$ 10,000 each)	<u>76,410</u>	<u>71,800</u>

7. RELATED PARTY TRANSACTIONS

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

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

As at 29 Dhul Hijjah 1434H and 1433H, IDB held 2,950 of the subscribed certificates.

8. 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%

9. 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.

10. CONCENTRATION OF CREDIT RISK

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H**

(Expressed in thousands of US Dollars)

10.1 Concentration of assets by geographical areas at 29 Dhul Hijjah is analyzed as under:

Description	1434				Total
	Cash and balances with banks	Investments	Receivables and financing	Other	
Africa	-	5,949	10,238	-	16,187
Asia	1,168	58,086	6,913	3,407	69,574
Total assets	1,168	64,035	17,151	3,407	85,761

Description	1433				Total
	Cash and balances with banks	Investments	Receivables and Financing	Other	
Africa	-	5,028	-	-	5,028
Asia	30,566	38,878	4,937	1,310	75,691
Total assets	30,566	43,906	4,937	1,310	80,719

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

Description	1434				Total
	Real estate	Public utilities	Financial institutions	Other	
Cash and balances with banks	-	-	1,168	-	1,168
Investments	11,333	29,802	22,899	-	64,034
Receivables and financing	298	16,854	-	-	17,152
Accrued income and other assets	-	-	-	3,407	3,407
Total assets	11,631	46,656	24,067	3,407	85,761

Description	1433				Total
	Real estate	Public utilities	Financial institutions	Other	
Cash and balances with banks	-	-	30,566	-	30,566
Investments	11,069	27,457	5,380	-	43,906
Receivables and financing	348	3,870	719	-	4,937
Accrued income and other assets	-	-	-	1,310	1,310
Total assets	11,417	31,327	36,665	1,310	80,719

11. LIQUIDITY RISK

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

The table below 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 from, the reporting date to the contractual maturity date.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DHUL HIJJAH 1434H
(Expressed in thousands of US Dollars)

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

Description	1434				Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 year	
Assets					
Cash and balances with banks	1,168	-	-	-	1,168
Investments	9,582	11,935	16,031	18,568	56,116
Receivables and financing	-	14,368	298	2,486	17,152
Accrued income & other receivables	9,517	-	-	-	9,517
Due from IDB-OCR	1,808	-	-	-	1,808
Total assets	22,075	26,303	16,329	21,054	85,761
Liabilities					
Payable to special account resources waqf fund	401	-	-	-	401
Accrued expenses and other payables	196	-	-	-	196
Accrued Mudarib's share of income	415	-	-	-	415
Dividends payable	2,128	-	-	-	2,128
Total liabilities	3,140				3,140
Net Assets	18,935	26,303	16,329	21,054	82,622

Description	1433				Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 Year	
Assets					
Cash and balances with banks	21,366	9,200	-	-	30,566
Investments	9,008	3,872	24,684	6,342	43,906
Receivables and financing	-	1,385	1,067	2,485	4,937
Accrued income and other receivables	-	1,310	-	-	1,310
Total assets	30,374	15,767	25,751	8,827	80,719
Liabilities					
Due to Waqf Fund	-	607	-	-	607
Accrued expenses and other payables	-	34	-	-	34
Accrued Mudarib's share of income	-	260	-	-	260
Dividends payable	-	145	-	-	145
Total liabilities	-	1,046	-	-	1,046
Net Assets	30,374	14,721	25,751	8,827	79,673

12. CURRENCY RISK

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

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

**NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in thousands of US Dollars)

13. 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.

14. 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 reporting date.

15. COMMITMENTS

As at 29 Dhul Hijjah, 1434H, the undisbursed commitments for investments amounted to US\$ 20.10 million (1433H: US\$ 24.90 million).

Annexes



Annex-I

APIF Participants and their Contribution in the Paid-up Capital as at end 1434H

(Amounts in US\$ million))

No.	Name of Participant	Country	Paid-up Capital	Percentage
1	Islamic Development Bank	Saudi Arabia	29.50	38.61%
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.50	20.30%
3	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	7.50	9.81%
4	Kuwait Awqaf Public Foundation	Kuwait	5.00	6.54%
5	Kuwait Finance House	Kuwait	5.00	6.54%
6	Faisal Islamic Bank	Egypt	3.00	3.93%
7	Iran Endowment Fund	Iran	2.90	3.79%
8	Al-Baraka Islamic Bank	Bahrain	1.00	1.31%
9	Bahrain Islamic Bank	Bahrain	1.00	1.31%
10	Shamil Bank of Bahrain	Bahrain	1.00	1.31%
11	Tadamon Islamic Bank	Sudan	1.00	1.31%
12	Jordan Islamic Bank	Jordan	1.00	1.31%
13	Ministry of Awqaf and Islamic Affairs	Jordan	1.00	1.31%
14	Arab Islamic Bank	Palestine	1.00	1.31%
15	Amanah Raya Bhd	Malaysia	1.00	1.31%
	Total		76.40	100%

Annex-II

Members of the Participants Committee of the Awqaf Properties Investment Fund

Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt.	Chairman
H.E. Hayel Abdul Hafeez Dawood Minister of Awqaf and Islamic Affairs and Holy Shrines, Jordan	Member
Dr. Ahmad Mohamed Ali President of the Islamic Development Bank Group, 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. Khalid bin Saleh Al Fareh Director General, General Dept. for Investment Ministry of Islamic Affairs, Endowments, Da'wah & Guidance - Riyadh, Saudi Arabia	Member
Dr. Abdul Mohsin Al Kharafi Secretary General, Kuwait Awqaf Public Foundation, Kuwait	Member
Mr. Meshal Abdulaziz Al Nassar Senior Investment Manager - Kuwait Finance House, Kuwait	Member
Mr. Mohammed Abdul Rahman Bucheerei General Manager - 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
Mr. Mohamed Ibrahim Mohamed Executive President, Bahrain Islamic Bank Bahrain	Member
Mr. Mohamed Issa Al Mutaweh Chief Executive Officer and Board Member - Al Baraka Islamic Bank, Bahrain	Member
Mr. Abbas Abdulla Abbas General Manager, Tadamon Islamic Bank, Khartoum, Sudan	Member
Mr. Waleed Toufiq Fakhouri Managing Director, Arab Islamic Bank, Ramallah, Palestine	Member
Mr. Abdolreza Abed Chairman, Iran Endowments Reclamation Development Institute - 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



H.E. Dr. Ahmad Mohamed Ali

Chairman

President
Islamic Development Bank Group



Hon. Bader Mishari Al Hammad

Member

Executive Director
Islamic Development Bank



Hon. Bader Abdullah S. Abuaziza

Member

Executive Director
Islamic Development Bank



Hon. Mohammed Gambo Shuaibu

Member

Executive Director
Islamic Development Bank



**H.E. Ambassador Nasser Bin Abdallah Hamdan
Al-Zaabi**

Member

Chairman of the Council of the OIC-Islamic Solidarity Fund



Mr. Ibrahim Abdullah Al-Khuzayem

Member

Executive Director OIC-Islamic Solidarity Fund



Mr. Khalid bin Saleh Al Fareh

Member

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



Mr. Meshal Abdulaziz Al-Nassar

Member

Senior Investment Manager
Kuwait Finance House, Kuwait



Mr. Iyad Nasser Al-Ibrahim

Member

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



Mr. Abdulhamid Abu Mousa

Member

Governor, Faisal Islamic Bank of Egypt,
Egypt

Annex-IV

Members of the Management Committee of the Awqaf Properties Investment Fund



H.E. Dr. Ahmad Mohamed Ali

Chairman

President
Islamic Development Bank Group



H.E. Dr. Abdul Aziz Al-Hinai

Member

Vice President (Finance)
Islamic Development Bank



Mr. Khalid Al-Aboodi

Member

Chief Executive Officer and General Manager
Islamic Corporation for the Development of
Private Sector (ICD)



Dr. Bashir Omar Fadlallah

Member

Director,
Islamic Solidarity Fund for Development (ISF)



Mr. Adil Al-Sharif

Member

Executive Director ,
World Waqf Foundation



Dr. Walid Abdelwahab

Director ,
Infrastructure Department

Member



Dr. Mansur. A. Noibi

Director ,
Legal Department

Member



Mr. Hassan Demirhan

Director,
Treasury Department

Member



Sis. Kodeidja Malle Diallo

Director,
Group Risk Management Department

Member



Mr. Diab Karrar Ahmed

Acting Director,
Islamic Financial Services Department

Member

Annex-V
Members of the Technical Review Committee of the
Awqaf Properties Investment Fund

Dr. Essamaldine Al-Kalyoubi Acting Compliance Officer Group Risk Management Department	Chairman
Mr. Sohail A. Mitha Infrastructure Department	Member
Mr. Ahmed Jabri Legal Department	Member
Mr. Seedy Mohammad Njie Group Risk Management Department	Member
Mr. Hamza Taha Treasury Department	Member
Mr. Diab Karrar Ahmed Islamic Financial Services Department	Member
Mr. Syed Muhammad Asim Raza Islamic Financial Services Department	Member

Pictures of Some APIF Projects



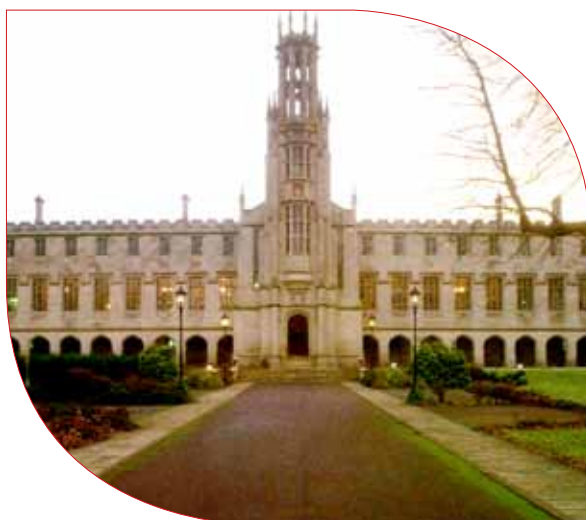
Dresden Project, Germany



CAIR Project, Washington DC, USA



Office Building Project Jakarta,
Indonesia



Manchester Project, England

Staff Members of Awqaf Development Division





Islamic Development Bank

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