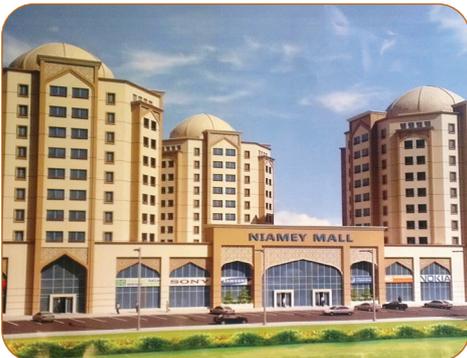




Islamic Development Bank

# Awqaf Properties Investment Fund

Thirteenth Annual Report  
1435H (2014G)





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





**Islamic Development Bank**

# **Awqaf Properties Investment Fund**

**Thirteenth Annual Report  
1435H (2014G)**

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# The Fund 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 Thirteenth Annual Report of the Awqaf Properties Investment Fund (APIF) for the year ended on 30 Dhul Hijjah 1435H. 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.

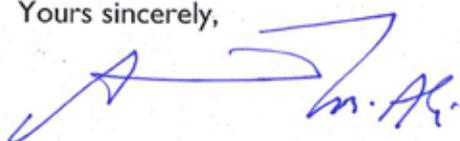
In terms of performance during the year 1435H, the Fund approved nine *waqf* projects for an aggregate value of US\$236.7 million. These approvals include three projects for US\$105.11 million in member countries (Guinea, Saudi Arabia and UAE) and six projects for US\$ 131.59 million in non-member countries (Belgium, Ethiopia, Kenya, Switzerland, United Kingdom and United States of America). The Fund has delivered satisfactory results and the net income for the year was US\$ 2.820 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 the 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 – 1435H

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 fulfillment 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 the necessary audit to express my opinion as to whether the Fund has complied with Shariah principles in conformity with decisions made by the International Islamic Fiqh Academy and edicts (fatwas) issued by the Shariah Committee of the Islamic Development Bank.

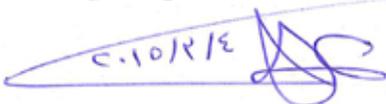
I have reviewed the data pertaining to the nine projects of the Fund in 1435H. I have also listened to the clarifications presented by the management which confirmed that it applied the Bank's approved contracts.

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 the 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 1435H 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 conforms to the approved rules in accordance with Shariah principles.
- c) There were no gains derived 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 or charitable purposes.

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

**Dr. Abdel Sattar Abu Ghuddah**  
Shariah Advisor  
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, should it be implemented well, will not only help to eradicate poverty from the Muslim Communities but will reduce government spending, reduce the need for taxes and contribute towards better socio-economic justice and development. They have 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 to reviving the Sunna 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 being used for the welfare of the under privileged segment 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 registered 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 unfamiliar, Muslim communities have been able to organise and manage their waqf in accordance with Islamic Shariah within the limits of prevailing laws and regulations governing, foundations, trusts and charitable organisations.

## 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\$ 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 1435H amounted to US\$ 76.40 million. The names of participants and the amounts subscribed and paid are illustrated at **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. It is also willing to assist its member countries to establish the appropriate legal and financial framework to promote the development of the waqf sector in these countries. 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

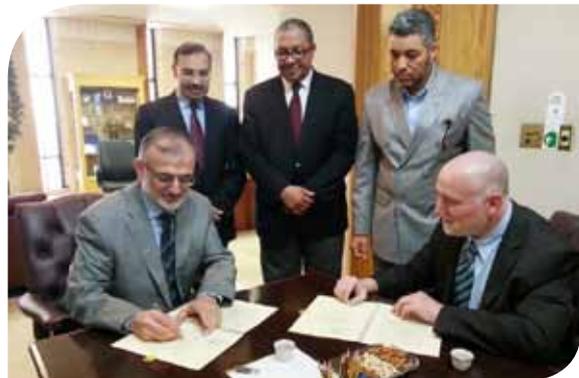
During the year 1435H, the Fund has delivered good results especially on the operational side despite difficulties in obtaining co-financing for awqaf projects from other financial institutions.

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 nine projects for an aggregate value of US\$ 236.7 million for UAE, Saudi Arabia, Belgium, Ethiopia, USA, Guinea, UK, Kenya and Switzerland. 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\$ 86.321 million at the end of 1435H compared to US\$ 85.761 at the end of last year 1434H, registering an increase of about 0.65%. The table below summarizes the asset composition for 1435H-1434H:



Signing of the Financing Agreements  
Office Building Project in Boston, USA

**Table 1: Asset Composition  
As at 30<sup>th</sup> Dhul Hijjah, 1435H**

(Amounts in US\$ million)

	1435H		1434H	
	Amount	%	Amount	%
Cash & Cash Equivalent	19,460	22.5	1,168	1.4
Investments–Ijarah Muntahia Bittamleek	15,953	18.5	16,084	18.8
Investments–Islamic Ijarah Sukkuks	33,952	39.3	38,226	44.5
Investments–Islamic Lease Fund	1,674	2.0	1,806	2.0
Receivables–Murabaha Syndications	0	0	14,368	16.8
Receivables–Istisna'a	214	0.25	298	0.35
Financing-Musharakah	2,486	2.9	2,486	3.0
Accrued income and other assets	8,568	10.0	9,517	11.1
Due from IDB –OCR Resources	4,014	4.6	1,808	2.1
<b>Total Assets</b>	<b>86,321</b>	<b>100</b>	<b>85,761</b>	<b>100</b>

## Financial Indicators

The financial performance indicators of the Fund for the year 1435H in comparison with the same period in 1434H are presented in the following Table:

**Table 2**  
**Financial Indicators**

(Amounts in US\$ million)

Financial Indicators	1435H	1434H
Net Assets	83,531	82,621
Net Income before Mudarib's share	3,133	1,836
Mudarib's share of net income	313	183
Transfer to General Reserve	288	283
Dividend	1,910	1,910
Dividend/Paid-up Capital - Declared Dividend	2,5%	2,5%
Average LIBOR (%)	0,56%	0,70%
<b>Net Asset Value Per Certificate (*)</b>	<b>10.932</b>	<b>10.813</b>

(\*) After Distribution of Dividend.

The earning per certificate, after Mudarib's share of net income amounted to US\$ 369 in 1435H compared to US\$ 216 in 1434H.

## 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 30th Dhul Hijjah 1435H, in the previous year also a dividend at the rate of 2.5% was distributed to the Unitholders.

## Operational Performance

In the year 1435H, the Fund approved nine projects having a total project amount of US\$ 236.7 million for different IDB member and non-member countries. The table below gives the details:

### Table-3

#### List of APIF Projects Approved During 1435H

(Amounts in US\$ million)

No	Project Name	Total Cost	APIF	IDB Line	Others
1.	Construction of Al Ihsan Commercial and Residential Waqf Building, Ajman - UAE	20.70	6.0	5.0	9.70
2.	Purchase of Commercial and residential Complex, Antwerp - Belgium	7.99	3.0	3.0	1.99
3.	Construction of Awolia Waqf Commercial Building, Addis Ababa - Ethiopia.	11.10	6.0	4.1	1.00
4.	Purchase of Residential Building and Commercial Complex, Riyadh – KSA	8.11	2.3	2.4	3.41
5.	Construction of Waqf City Commercial and Residential Complex, Conakry – Guinea	76.30	5.5	5.5	65.30
6.	Construction of a Commercial and Residential Complex, Oxford - UK	65.40	8.0	8.0	49.40
7.	Purchase of Office Building, Boston – USA	10.10	2.5	2.5	5.10
8.	Purchase of Office Building, Nairobi – Kenya.	10.00	3.0	4.3	2.70
9.	Construction of a Commercial & Residential Building, Neuchatel – Switzerland.	27.0	5.0	6.5	15.50
<b>Total:</b>		<b>236.7</b>	<b>41.3</b>	<b>41.3</b>	<b>154.1</b>

A brief description of each project is given below:

1) **Construction of Al Ihsan Commercial and Residential Waqf Building, Ajman - UAE**

The objective of the project is to generate income for the Al Ihsan Charity Association (ICA), which will be used to finance part of its social and charitable activities. The project is located in Ajman having the total area of the waqf land is 1,683m<sup>2</sup>.

The project comprise of the construction of a 23-storey building composed of ground floor, mezzanine, 6 floors for parking and 15 recurrent upper floors for apartments. The building will have gross built-up area of 27,600 m.

The estimated cost of the project is US\$ 20.70 million with the contribution by APIF US\$6.0 million, APIF Line US\$5.0 million and the balance amount of US\$ 9.70 million will be financed by the beneficiary.

2) **Purchase of Commercial and residential Complex, Antwerp - Belgium**

The project aims at the purchase of a property comprising commercial and residential spaces and renting these spaces (after partial remodelling and rehabilitation) to generate a regular income to support the activities of the “Belgium Muslim League” in the field of Islamic culture and education.

The project entails the purchase of a property with a total land area of 6,360 m<sup>2</sup>, consisting of nine office & residential small buildings (2,682 m<sup>2</sup>) in addition to industrial and storage area of (8,590 m<sup>2</sup>).

The estimated cost of the project is US\$ 7.99 million which will be financed by APIF US\$ 3.0 million, APIF line US\$ 3.0 million, while US\$ 1.99 million will be contributed by the beneficiary.

3) **Construction of Awolia Waqf Commercial Building, Addis Ababa - Ethiopia**

The objective of the project is to generate income for the Ethiopian Islamic Affairs Supreme Council (EIASC), which will be used to finance the Council’s activities in the educational, health and religious fields and ensure long-term financial sustainability to these activities.

The project comprise of the construction of a commercial, retail and office building on a plot of land having an area of 1,449 m<sup>2</sup>, located in the Arada District in Addis Ababa. The building will consist of two basements, a ground floor and eight upper floors. The total built-up area will be 9,829 m<sup>2</sup> whereas the total leasable area will be 8,518 m<sup>2</sup>. The estimated cost of the project is US\$ 11.1 million which will be financed by APIF US\$ 6.0 million, APIF line US\$ 4.1 million, while US\$ 1.0 million will be contributed by the beneficiary.

4) **Purchase of Residential Building and Commercial Complex, Riyadh – Saudi Arabia**

The objective of the project is to generate income for the International Organization “Physicians Across Continents” to finance its charitable medical activities worldwide.

The project is located in a prime location on King Abdullah Road in Riyadh opposite to King Saud University Waqf Towers. It comprises of purchase of a two storeys commercial building and a residential complex constructed on a plot of land of 3,000 m<sup>2</sup>. The total built-up are of the building is 2,079 m<sup>2</sup>, whereas area for the residential complex is 2,138 m<sup>2</sup> accommodating 10 residential units.

The estimated cost of the project of US\$ 8.11 million, APIF financing will be US\$ 2.3 million, whereas financing from APIF line will be US\$ 2.4 million. The beneficiary, raised through donations, will provide the remaining amount of US\$ 3.41 million.

5) **Construction of Waqf City Commercial and Residential Complex, Conakry – Guinea**

The objective of the project is to generate additional income for the IDB-Guinea Waqf (WBG). The income of the project will serve to enhance the main activities of WBG in the areas of education and healthcare services to poor and needy people.

The project comprises the construction of a three-storey shopping centre together with a basement and three towers above the shopping centre. The three towers will be 16, 15, and 18 storeys that will be used for residential apartments, offices, and serviced apartments respectively. The total built-up area of the project will be 50,000 m<sup>2</sup>.

The estimated cost of the project is US\$ 76.30 million which will be financed by APIF US\$ 5.5 million, APIF US\$ 5.5 million and the beneficiary will contribute US\$ 65.3 million.

6) **Construction of a Commercial and Residential Complex, Oxford - UK**

The objective of the project is to generate a regular income for the Oxford Center for Islamic Studies, which will be used to finance part of its charitable activities, consisting mainly of providing teaching, research and publication services in the field of Islamic studies to the universities.

The project is located on a waqf land having an area of 33,600 m<sup>2</sup> in the Oxford city. The project entails refurbishment of existing buildings, to be used as offices, and the construction of new buildings to be used as study rooms, apartments and academic facilities.

The estimated cost of the project is US\$ 65.40 million to be financed by APIF US\$ 8.0 million, APIF line US\$ 8.0 million and the beneficiary will participate with US\$ 49.40 million.

7) **Purchase of Office Building, Boston – USA**

The objective of the project is to generate income for Muslim American Society of Boston (MAS), which will be used to finance part of its activities in the field of enhancement the understanding of Islam, interfaith dialogue, protect civil liberties, empower American Muslims, and build coalitions that promote justice and mutual understanding etc. This will be achieved through purchase of the office building.

The project scope consist of purchase of three levels (ground plus two levels) office building in Roxbury, Boston-USA. The building comprises of the land area of 59,928 square feet out of that 34,560 square feet is the built up area, whereas net rentable area is 25,807 square feet.

The estimated cost of the project is US\$ 10.1 million to be financed by APIF US\$ 2.5 million and APIF line US\$ 2.5 million while the beneficiary will arrange US\$ 5.10 million.

8) **Purchase of Office Building, Nairobi – Kenya**

The objective of the project is to generate income to support the activities of the SUPKEM. This will be achieved through the purchase of a property comprising two office buildings (basement and 8 storeys – 6,641 m<sup>2</sup>), and renting the commercial spaces to generate a regular income, which will be used to finance part of SUPKEM's educational, cultural, social and religious activities.

The estimated cost of the project is US\$ 26.3 million to be financed by APIF US\$ 6.0 million and APIF line US\$ 6.0 million while the beneficiary will provide US\$ 14.3 million.

9) **Construction of a Residential and Commercial Waqf Project in Switzerland**

The objective of the project is to generate regular income for the Foundation for Socio-Cultural Enlightening Activities, which will be used to finance part of its educational, cultural and social activities especially for children and women.

The project is located in Neuchâtel Canton in the town of La Chaux-de-Fonds. It entails the construction of an eight-floor building consisting of 47 apartments, commercial spaces and parking area in the basement.

The estimated cost of the project of US\$ 27.0 million, APIF financing will be US\$ 5.0 million, whereas financing from APIF line will be US\$ 6.5 million. The beneficiary and other participants will provide the remaining amount of US\$ 15.5 million.



Signing of Agreement regarding Construction of Commercial and Residential Complex in Niamey, Niger.

## Future Plans and Outlook



APIF has a well-defined plan, strong balance sheet and an outstanding pipeline of business growth prospects. During 1435H, 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\$ 230 million, the Fund is well positioned for future profit growth and operating synergies. The year 1436H is already shaping up as a very exciting one for APIF with a target value of US\$ 266 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 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 the 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 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. The Members of the Supervisory Committee are listed in **Annex III**.

## Management Committee

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

## 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

30 Dhul Hijjah 1435H (25 October 2014G)



**ISLAMIC DEVELOPMENT BANK - AWQAF PROPERTIES INVESTMENT FUND  
(THE FUND)  
FINANCIAL STATEMENTS AND AUDITORS REPORT  
YEAR ENDED 30 Dhul Hijjah 1435H (25 October 2014G)**

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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 30 Dhul Hijjah 1435H and the related statements of income, 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 30 Dhul Hijjah 1435H, 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  
18 Jumada'I, 1436  
March 09, 2015

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

**STATEMENT OF NET ASSETS**  
**AS OF 30 DHUL HIJJAH 1435H**  
(Expressed in thousands of US Dollars)

	Note	1435	1434
<b>ASSETS</b>			
Cash and balances with banks	3	19,460	1,168
Investments:			
Ijarah Muntahia Bittamleek, net	4	15,953	16,084
Islamic Ijara Sukkuks	5	33,952	38,226
Islamic Lease Fund		1,674	1,806
Receivables:			
Murabaha syndications		-	14,368
Istisna'a		214	298
Financing:			
Musharaka		2,486	2,486
Accrued income and other receivables		8,568	9,517
Due from Islamic Development Bank - Ordinary Capital Resource (IDB-OCR)		4,014	1,808
<b>TOTAL ASSETS</b>		<b>86,321</b>	<b>85,761</b>
<b>LIABILITIES</b>			
Payable to Special Account Resources Waqf Fund		-	401
Accrued expenses and other payables		250	196
Accrued Mudarib's share of income		315	415
Dividends payable		2,225	2,128
<b>TOTAL LIABILITIES</b>		<b>2,790</b>	<b>3,140</b>
<b>NET ASSETS</b>		<b>83,531</b>	<b>82,621</b>
<b>NET ASSETS REPRESENTED BY:</b>			
Certificate holders' contribution	6	76,410	76,410
Premium on certificates		1,346	1,346
General reserve		4,750	4,462
Retained earnings		1,025	403
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>83,531</b>	<b>82,621</b>
<b>NUMBER OF CERTIFICATES OUTSTANDING</b>	6	<b>7,641</b>	<b>7,641</b>
<b>NET ASSET VALUE PER CERTIFICATE</b>		<b>10.932</b>	<b>10.813</b>

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 30 DHUL HIJJAH 1435H**

(Expressed in thousands of US Dollars)

	<i>1435</i>		<i>1434</i>	
	<b>Amount</b>	<b>%age of Portfolio</b>	Amount	%age of Portfolio
<b>INVESTMENTS</b>				
Ijarah Muntahia Bittamleek	15,953	29%	16,084	22%
Islamic Ijara Sukuks	33,952	63%	38,226	52%
Islamic Lease Fund	1,674	3%	1,806	3%
<b>RECEIVABLES</b>				
Murabaha syndications	-	-	14,368	20%
Istisna`a	214	-	298	-
<b>FINANCING</b>				
Musharaka	2,486	5%	2,486	3%
<b>Total</b>	<b>54,279</b>	<b>100%</b>	<b>73,268</b>	<b>100%</b>

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 INCOME  
FOR THE YEAR ENDED 30 DHUL HIJAH 1435H  
(Expressed in thousands of US Dollars)**

	Note	1435	1434
<b>INCOME FROM INVESTMENTS, RECEIVABLES AND FINANCING</b>			
<b>Investments:</b>			
Ijarah Muntahia Bittamleek, net		3,229	5,097
Islamic Ijara Sukuks		2,181	(515)
Islamic Lease Fund		86	81
		<u>5,496</u>	<u>4,663</u>
<b>Receivables:</b>			
Murabaha syndications		175	232
Istisna'a		44	24
		<u>219</u>	<u>256</u>
<b>Financing:</b>			
Musharaka		-	371
		<u>-</u>	<u>371</u>
<b>Total income from investments, receivable and financing</b>		<u>5,715</u>	<u>5,290</u>
<b>Expenses:</b>			
Depreciation- Ijarah Muntahia Bittamleek	4	(2,566)	(3,617)
Administrative expenses		(60)	(26)
<b>Total expenses</b>		<u>(2,626)</u>	<u>(3,643)</u>
Net income from investments, receivables and financing		3,089	1,647
Income from cash and cash equivalents		13	183
Other income		90	82
Exchange loss		(59)	(76)
<b>Net income before Mudarib's share of income</b>		<u>3,133</u>	<u>1,836</u>
Mudarib's share of net income	8	(313)	(183)
<b>Increase in net assets representing net income for the year</b>		<u>2,820</u>	<u>1,653</u>
<b>Earning per certificate</b>		<u>0.369</u>	<u>0.216</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 30 DHUL HIJJAH 1435H**  
(Expressed in thousands of US Dollars)

	Note	Certificate holders' contribution	Premium on certificates	General reserve	Retained earnings	Total
<b>Balance at 29 Dhul Hijjah 1433H</b>		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)	-
<b>Balance at 29 Dhul Hijjah 1434H</b>		<b>76,410</b>	<b>1,346</b>	<b>4,462</b>	<b>403</b>	<b>82,621</b>
Certificate Holders ' Contributions				-	-	-
Net income for the year before						
Mudarib's share		-	-	-	3,133	3,133
Mudarib's share of net income	8	-	-	-	(313)	(313)
Dividends		-	-	-	(1,910)	(1,910)
Transfer to general reserve		-	-	288	(288)	-
<b>Balance at 30 Dhul Hijjah 1435H</b>		<b>76,410</b>	<b>1,346</b>	<b>4,750</b>	<b>1,025</b>	<b>83,531</b>

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 30 DHUL HIJJAH 1435H**  
(Expressed in thousands of US Dollars)

	1435	1434
<b>OPERATING ACTIVITIES</b>		
Net income after Mudarib's fee	2,820	1,653
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,566	3,617
Mudarib's share of net income	313	183
Unrealized fair value (gain)/loss	(901)	2025
Changes in operating assets and liabilities:		
Murabaha syndications	14,368	(12,983)
Accrued income and other receivables	949	(1,256)
Due from Islamic Development Bank - Ordinary Capital Resources	(2,206)	(1,808)
Payable to Special Account Resources Waqf fund	(401)	(206)
Accrued expenses and other payables	54	162
Cash from/(used in) operations	17,562	(8,613)
Mudarib's share of income paid	(414)	(28)
<b>Net cash from/(used in) operating activities</b>	<b>17,148</b>	<b>(8,641)</b>
<b>INVESTING ACTIVITIES</b>		
Ijarah Muntahia Bittamleek	(2,435)	(2,622)
Musharakah	-	718
Short term commodity transactions	-	9,200
Istisna'a	84	50
Islamic Ijarah Sukuk	5,175	(22,325)
Islamic Lease Fund	132	144
<b>Net cash from/(used in) investing activities</b>	<b>2,956</b>	<b>(14,835)</b>
<b>FINANCING ACTIVITIES</b>		
Certificate Holders Contributions	-	5,000
Dividends paid	(1,812)	(1,722)
<b>Net cash (used in)/from financing activities</b>	<b>(1,812)</b>	<b>3,278</b>
<b>Net change in cash and cash equivalents</b>	<b>18,292</b>	<b>(20,198)</b>
Cash and cash equivalents at the beginning of the year	1,168	21,366
<b>CASH AND CASH EQUIVALENTS AS AT 30 DHUL HIJJAH (NOTE 3)</b>	<b>19,460</b>	<b>1,168</b>

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 30 DHUL HIJJAH 1435H**  
(Expressed in thousands of US Dollars)

	<u>1435</u>	1434
<b>DATA PER CERTIFICATE</b>		
Net assets value - beginning of the year	<u>10.813</u>	10.846
Net income before Mudarib's share of income	<u>0.410</u>	0.241
Less: Mudarib share of income	<u>(0.041)</u>	(0.024)
Net income after Mudarib's share of income	<u>0.369</u>	0.217
Dividends	<u>(0.250)</u>	(0.250)
<b>Net assets value - end of the year</b>	<u><b>10.932</b></u>	<u>10.813</u>

The data per certificate are calculated using the number of certificates outstanding at 30 Dhul Hijjah 1435H and 1434H, which were 7,641 and 7,641 respectively.

	<u>1435</u>	1434
<b>FINANCIAL RATIOS/SUPPLEMENTARY DATA:</b>		
Net assets - end of the year	<b>83,531</b>	82,621
Average of net assets	<b>83,076</b>	80,250
Ratio of expenses to average of net assets	<b>3.16%</b>	4.54%
Annual rate of return	<b>3.39%</b>	2.06%

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 30 DHUL HIJJAH 1435H  
(Expressed in thousands of US Dollars)**

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**1. ORGANIZATION AND ACTIVITIES**

The financial statements of Islamic Development Bank – Awqaf Properties Investment Fund (“the Fund”) for the year ended 30 Dhul Hijjah 1435H, were authorized for issue by the Fund’s Management on 18 Jumada’I, 1436H (corresponding to March 09, 2015). 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 30 DHUL HIJJAH 1435H**

(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 30 DHUL HIJJAH 1435H  
(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**

	<u>1435</u>	<u>1434</u>
Cash in bank	<b>6,415</b>	1,168
Investments in short-term commodity transactions with banks	<b>13,045</b>	-
Cash and balances with banks	<b>19,460</b>	1,168
Funds placed as investments in short-term commodity transactions with original maturity more than 90 days	-	-
Cash and cash equivalents	<b>19,460</b>	1,168

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 DHUL HIJJAH 1435H**

(Expressed in thousands of US Dollars)

**4. IJARAH MUNTAHIA BITTAMLEEK, NET**

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

	1435	1434
<b>Cost</b>		
Assets acquired, not yet in repayment period:		
Balance at beginning of the year	4,557	1,935
Additions	2,435	2,622
Balance at end of the year	6,992	4,557
Assets in repayment period:		
Balance at beginning of the year	52,725	52,725
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
<b>Total costs</b>	58,909	56,474
<b>Accumulated depreciation:</b>		
Balance at beginning of the year	40,390	36,773
Charge for the year	2,566	3,617
Balance at end of the year	42,956	40,390
<b>Net book value</b>	15,953	16,084

Future rentals receivable related to Ijarah Muntahia Bittamleek at 30 Dhul Hijjah 1435H are estimated to be US\$ 23.35 million (1434H: US\$ 25.57 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 gain of USD 0.901 million (1434H: fair value loss of USD 2.02 million).

Investments in Sukuk at 30 Dhul Hijjah comprise of the following:

	1435	1434
Governments	23,718	28,490
Financial Institutions	-	9,736
Other Entities	10,234	-
Investment in Sukuk - at fair value	33,952	38,226

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 DHUL HIJJAH 1435H  
(Expressed in thousands of US Dollars)**

The movement in Sukuk investments is summarized as follows:

	1435	1434
Balance at the beginning of the year	38,226	17,926
Additions during the year	-	23,817
Redemptions	(5,175)	(1,492)
Fair value gain/(loss)	901	(2,025)
Balance at the end of the year	<u>33,952</u>	<u>38,226</u>

**6. CERTIFICATE HOLDERS' CONTRIBUTION**

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

	1435	1434
Authorized: 20,000 certificates of US \$ 10,000 each	<u>200,000</u>	<u>200,000</u>
<b>Issued and subscribed:</b>		
7,641 certificates of US \$ 10,000 each (1434H – 7,641 certificates of US \$ 10,000 each)	<u>76,410</u>	<u>76,410</u>
<b>Paid up:</b>		
7,641 certificates of US \$ 10,000 each (1434H – 7,641 certificates of US \$ 10,000 each)	<u>76,410</u>	<u>76,410</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 30 Dhul Hijjah 1435H and 1434H, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 DHUL HIJJAH 1435H**

(Expressed in thousands of US Dollars)

**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.

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

Description	1435				
	Cash and balances with banks	Investments	Receivables and financing	Other	Total
Africa	-	-	5,155	-	5,155
Asia	19,460	56,180	2,700	2,826	81,166
<b>Total assets</b>	<b>19,460</b>	<b>56,180</b>	<b>7,855</b>	<b>2,826</b>	<b>86,321</b>

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

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

Description	1435				
	Real estate	Public utilities	Financial institutions	Other	Total
Cash and balances with banks	-	-	19,460	-	19,460
Investments	13,279	19,430	28,626	-	61,335
Receivables and financing	214	2,486	-	-	2,700
Accrued income and other assets	-	-	-	2,826	2,826
<b>Total assets</b>	<b>13,493</b>	<b>21,916</b>	<b>48,086</b>	<b>2,826</b>	<b>86,321</b>

Description	1434				
	Real estate	Public utilities	Financial institutions	Other	Total
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
<b>Total assets</b>	<b>11,631</b>	<b>46,656</b>	<b>24,067</b>	<b>3,407</b>	<b>85,761</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 DHUL HIJJAH 1435H**  
(Expressed in thousands of US Dollars)

**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.

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

Description	1435				Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 year	
<b>Assets</b>					
Cash and balances with banks	19,460	-	-	-	19,460
Investments	23,983	5,691	12,250	19,356	61,280
Receivables and financing	-	-	214	2,486	2,700
Accrued income & other receivables	2,881	-	-	-	2,881
<b>Total assets</b>	<b>46,324</b>	<b>5,691</b>	<b>12,464</b>	<b>21,842</b>	<b>86,321</b>
<b>Liabilities</b>					
Payable to special account resources waqf fund	-	-	-	-	-
Accrued expenses and other payables	-	250	-	-	250
Accrued Mudarib's share of income	-	315	-	-	315
Dividends payable	-	2,225	-	-	2,225
<b>Total liabilities</b>	<b>-</b>	<b>2,790</b>	<b>-</b>	<b>-</b>	<b>2,790</b>
<b>Net Assets</b>	<b>46,324</b>	<b>2,901</b>	<b>12,464</b>	<b>21,842</b>	<b>83,531</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 DHUL HIJJAH 1435H**

(Expressed in thousands of US Dollars)

Description	1434				Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 year	
<b>Assets</b>					
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
<b>Total assets</b>	<b>22,075</b>	<b>26,303</b>	<b>16,329</b>	<b>21,054</b>	<b>85,761</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>3,140</b>				<b>3,140</b>
<b>Net Assets</b>	<b>18,935</b>	<b>26,303</b>	<b>16,329</b>	<b>21,054</b>	<b>82,621</b>

**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.

**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 30 Dhul Hijjah, 1435H, the undisbursed commitments for investments amounted to US\$ 13.76 million (1434H: US\$ 20.10 million).



# Annexes



## Annex-I

### APIF Participants and their Contribution in the Paid-up Capital as at end 1435H

(Amounts in US\$ million)

No.	Name of Participant	Country	Paid-up Capital	Percentage
1	Islamic Development Bank	Saudi Arabia	29.50	38.60%
2	Islamic Solidarity Fund - OIC	Saudi Arabia	15.50	20.29%
3	Ministry of Islamic Affairs, Awqaf, Da'wa and Irshad	Saudi Arabia	7.50	9.82%
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	3.80%
8	Al-Baraka Islamic Bank	Bahrain	1.00	1.31%
9	Bahrain Islamic Bank	Bahrain	1.00	1.31%
10	Ithmaar Bank	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

<b>Mr. Abdulhamid Abu Mousa</b> Governor, Faisal Islamic Bank of Egypt.	Chairman
<b>H.E.Dr. Hayel Abdul Hafeez Dawood</b> Minister of Awqaf, Islamic Affairs and Holy Shrines, Jordan	Member
<b>Dr. Ahmad Mohamed Ali</b> President of the Islamic Development Bank Group, Saudi Arabia	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. 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>Dr. Abdul Mohsin Al Kharafi</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. Ahmed Abdul Rahim</b> Chief Executive Officer - Ithmaar Bank, Bahrain	Member
<b>Mr. Musa Shehadeh</b> Chief Executive Officer & General Manager - Jordan Islamic Bank, Amman, Jordan	Member
<b>Mr. Mohamed Ibrahim Mohamed</b> Executive President, Bahrain Islamic Bank Bahrain	Member
<b>Mr. Mohamed Issa Al Mutaweh</b> Chief Executive Officer and Board Member - Al Baraka Islamic Bank, Bahrain	Member
<b>Mr. Abbas Abdulla Abbas</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. Abdolreza Abed</b> Chairman, Iran Endowments Reclamation Development Institute - Tehran, Iran	Member
<b>Dato' Abd Rahman Dato' Md Khalid</b> Group 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

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**Hon. Bader Mishari Al Hammad**

**Member**

Executive Director  
Islamic Development Bank

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**Hon. Bader Abdullah S. Abuaziza**

**Member**

Executive Director  
Islamic Development Bank

---



**Hon. Mohammed Gambo Shuaibu**

**Member**

Executive Director  
Islamic Development Bank

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**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

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**Mr. Khalid bin Saleh Al Fareh**

**Member**

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

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**Mr Meshal Abdulaziz Al-Nassar**

**Member**

Senior Investment Manager  
Kuwait Finance House, Kuwait

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**Mr. Iyad Nasser Al-Ibrahim**

**Member**

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

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**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

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**H.E. Dr. Abdul Aziz Al-Hinai**

**Member**

Vice President (Finance)  
Islamic Development Bank

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**Mr. Khalid Al-Aboodi**

**Member**

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

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**Dr. Bashir Omar Fadlallah**

**Member**

Director,  
Islamic Solidarity Fund for Development (ISF)

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**Mr. Adil Al-Sharif**

**Member**

Executive Director ,  
World Waqf Foundation



**Dr. Walid Abdelwahab**

**Member**

Director ,  
Infrastructure Department

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**Dr. Mansur. A. Noibi**

**Member**

Director ,  
Legal Department

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**Mr. Hassan Demirhan**

**Member**

Director,  
Treasury Department

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**Sis. Kodeidja Malle Diallo**

**Member**

Director,  
Group Risk Management Department

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**Mr. Ahmed Fayed Al-Gebali**

**Member**

Director  
Islamic Financial Services Department

## Annex-V

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

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

## Pictures of APIF Projects



**Guinea – Waqf City Commercial and Residential Complex in Conakry**



**Niger - Commercial and Residential Complex in Niamey**



**Belgium - Commercial and Residential Complex in Antwerp**



**United Kingdom– Commercial and Residential Complex in Oxford**



**Kenya - Office Building to be used as Waqf in Nairobi**



**Saudi Arabia – Residential and Commercial Complex in Riyadh**

## Staff Members of Awqaf Development Division





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