بسم الله الرحمن الرحيم

In the name of Allah, the Beneficent, the Merciful

ICD MEMBER COUNTRIES

As of 29 DHUL HIJJAH, 1435H

Albania	Egypt	Libya	Senegal
Algeria	Gabon	Malaysia	Sierra Leone
Azerbaijan	Gambia	Maldives	Sudan
Bahrain	Guinea	Mali	Suriname
Bangladesh	Guinea Bissau	Mauritania	Syria
Benin	Indonesia	Morocco	Tajikistan
Brunei	Iran	Mozambique	Tunisia
Burkina Faso	Iraq	Niger	Turkey
Cameroon	Jordan	Nigeria	Turkmenistan
Chad	Kazakhstan	Pakistan	UAE
Comoros	Kuwait	Palestine	Uganda
Côte d'Ivoire	Kyrgyzstan	Qatar	Uzbekistan
Djibouti	Lebanon	Saudi Arabia	Yemen

CONTENTS

INTRODUCTION

Letter of the Board of Directors 5
Message from the CEO 6
Financial & Operational Highlights 8

CHAPTER 1

Operational Achievements at a Glance 10

CHAPTER 2

Response to Regional Development Needs 14

- Middle East and North Africa 15
- Europe and Central Asia 18
- Asia 21
- Sub-Saharan Africa 23

CHAPTER 3

Development Effectiveness at a Glance 26

CHAPTER 4

Global Recognition and Leadership 32

ANNEXES

1. Country Approvals & Disbursements 37
2. Financial Review Report 38
3. Sharia'h Committee Report 58
4. Independent Auditor's Report 59

The Ability *to* Embrace

> Our Success lies within our commitment to embrace humanity, promote economic growth and help eradicate poverty.

Letter of The Board Of Directors To The General Assembly

In the name of Allah, the Beneficent, the Merciful

H.E. The Chairman
General Assembly of the Islamic Corporation for the Development of the Private Sector

Dear Mr. Chairman,

Assalam-O-Alaikum Warahmatullah Wabarakatuh

In accordance with the Articles of Agreement and the by-laws of the Islamic Corporation for the Development of the Private Sector (ICD), on behalf of the ICD Board of Directors, I am pleased to submit to the esteemed General Assembly the Fifteenth Annual Report of ICD for the fiscal year covering the period 01/01/1435H - 30/12/1435H (04/11/2013 - 24/10/2014).

This Report contains an overview of ICD's operation in the year 1435H, including it's different interventions, development impact and financial analysis. ICD will, Insha Allah, pursue all efforts to meet the aspirations of its shareholders.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Dr. Ahmad Mohamed Ali
Chairman, Board of Directors

Message *From* The CEO

In the name of Allah, the Beneficent, the Merciful

I am very pleased to present the 1435H Annual Report which looks back at yet another successful year for the ICD.

Over the past year, the global economy struggled to gain momentum as advanced economies continued to grapple with legacies inherited from the global financial crisis and developing economies became less dynamic, compared to their past achievements. The cumulative effects of geopolitical tensions, high risk-spread and volatility in financial markets, stagnation and deflation in advanced economies, along with weak global trade, resulted in increased downside risks affecting the global economy. In addition, starting from mid-June 2014, a sudden decline in oil prices posed new threats and uncertainties to the world economic outlook. Although the latter had mixed implications on the various economies of the world, it made global economic prospects quite unpredictable.

Nevertheless, against the background of a rather unpromising picture of the world economy, ICD managed to make strong progress in implementing its strategic agenda in 1435H. This annual report highlights our solid contributions over the past year to the sustainable development of the private sector, with a special emphasis on development results, regional cooperation, and global partnerships. The report also highlights ICD's global recognition and leadership achievements, given tangible expression through receiving popular international awards, obtaining AA rating, and contributing to several major international events.

In 1435H, ICD approved investments worth US$ 525.7 million, a record amount since inception, while disbursements stood at US$ 360.4 million. The ICD approved US$ 271.7 million for Line of Financing (LOF) and institutional equity projects. Additionally, disbursements to financial institutions attained US$ 181 million in 1435H. Regarding direct investments in the corporate sector, financing worth US$ 204.5 million was approved, and US$ 110.6 million was disbursed. Additionally, more than half of the new project approvals were allocated towards high-impact sectors such as industries and mining, healthcare and social services, trade and real estate.

> *"In order to effectivly respond to member country private sector development needs, ICD embarked on an ambitious plan centered on sustaining high development impact and ensuring financial stability"*

Advisory services in 1435H gained momentum in delivering the development mandate. In the past year, ICD successfully recorded US$ 4.6 million in revenue from its advisory services and an additional US$ 7 million revenue from its asset management programmes. The Corporation also successfully obtained approvals for US$ 12.8 million, and disbursed US$ 68.8 million in the course of 1435H for advisory services and asset management projects.

1435H was indeed a very successful year for the ICD in terms of recognition, both regionally as well as internationally. Receiving popular international corporate awards, obtaining AA/F1+ ratings from Fitch Ratings, partnering with various governments and institutions, and actively participating in international events are all examples of the way ICD grew in renown.

All these achievements would have not been possible without close supervision and guidance from the Chairman of the Board, the Board itself, and staff devotion to their duties. Therefore, I would like to take this opportunity to thank all members of the board and management, as well as the professional team at ICD, for their incredible support and hard work. Furthermore, our partners' and clients' close involvement with private sector development initiatives in member countries also made a major contributions towards ICD's success last year. As we continually affirm, it is important to remember the great human and natural resource endowments in Muslim countries that possess tremendous potential for continuously enhancing the quality of life.

I pray to Allah the Almighty to guide us in our efforts to overcome the challenges ahead and to help us achieve the welfare and prosperity of the Muslim community, Amin.

Khaled Mohammed Al-Aboodi
CEO & General Manager

Financial & Operational Highlights

In US$ 000'S	1435H	1434H	1433H	1432H	1431H
STATEMENT OF INCOME					
Total Income	110,677	87,063	73,523	46,867	50,235
Total Operating Expenses	84,417	62,813	64,066	79,507	42,040
Net Income	26,260	24,250	9,457	-32,640	8,195
BALANCE SHEET					
Liquid Assets	335,636	207,105	280,571	186,333	184,644
Net Operating Assets	1,034,766	873,588	574,967	507,691	406,970
Other Assets	151,669	151,669	133,576	150,727	125,454
Total Assets	1,522,071	1,217,448	989,113	844,751	717,069
Borrowings & Long Term Debt	509,666	208,207	188,200	100,000	100,000
Equity	968,914	893,462	770,234	689,313	572,632
RATIOS					
Return on Average Assets	1.92%	2.20%	1.03%	-4.18%	1.19%
Return on Average Equity	2.82%	2.92%	1.30%	-5.17%	1.51%
Debt to Equity	52.60%	23.30%	24.43%	14.51%	25.22%
Equity to Assets	63.66%	73.39%	77.87%	81.60%	79.86%
Liquidity to Total Assets	22.05%	17.01%	28.37%	22.06%	25.75%
OPERATIONS					
Number of projects approved	37	31	26	18	16
Approval volume	525,700	429,600	419,000	372,260	235,600
Disbursement volume	360,400	308,500	112,400	142,450	76,030

The Ability *to* Dream

"For every dream they cater is a window of endless possibilities."

CHAPTER 1
Operational Achievements *at* A Glance

This chapter draws attention to the operational achievements made by the ICD over the past year (1435H/2014). In its commitment to assisting member countries financially, ICD continues to promote economic growth and help eradicate poverty. Of the 52 ICD-member countries spanning four continents, the Sub-Saharan Africa region was granted the bulk of ICD's project approvals at 48 percent.

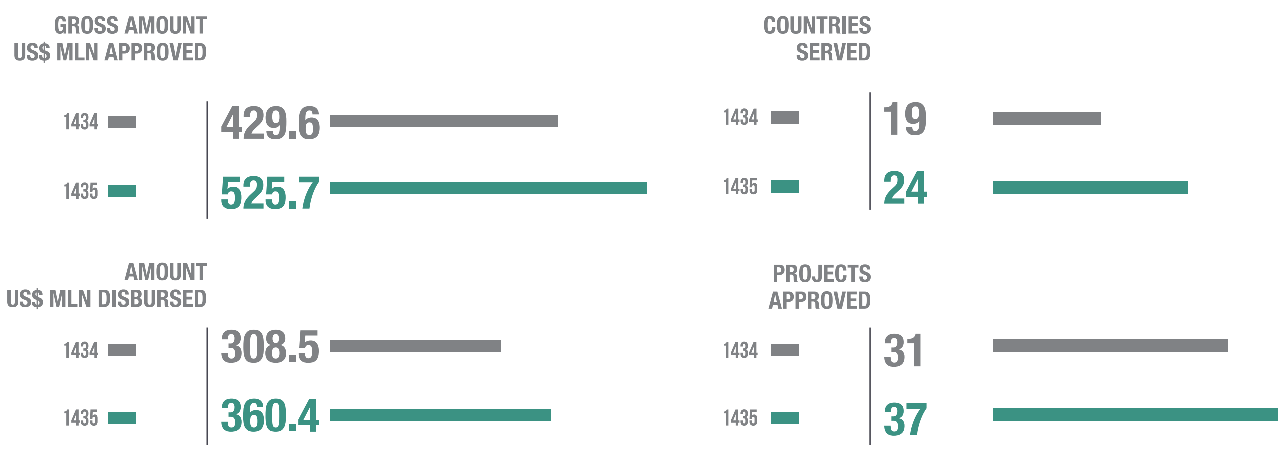
Since 2001, approvals and disbursements witnessed a steady increase; hence, helping ICD offer a window of opportunity for sustainable economic growth and endless possibilities. Through a practical yet meaningful approach, ICD continues in its quest to support economic sectors that guarantee solid results for its lengthy list of partners. ICD has and continues to confidently fulfill its promise of empowering, expanding and enriching the economies of member countries to help boost their contributions on a global level.

The 52 ICD member countries, accounting one-fifth of the total global population, grew by 4 percent over the past year. Although this relatively rapid growth has brought substantial advances to the economies of these countries, they still face a number of structural challenges namely, high unemployment – among youth and women in particular, political instability, and various socio-economic risks and uncertainties.

In recognition of the private sector's critical role in the socio-economic prosperity of its member countries, the IDB identified private sector development as one of the key cross-cutting areas of the IDB Group activities. ICD is mandated to lead this important objective through its evolving financing and advisory facilities. The corporate strategy of the ICD, adopted in 2009, focuses on four strategic pillars, with the aim of effectively accomplishing its core mandate of boosting private sector development in member countries. These strategic pillars include: developing Islamic Finance channels, focusing on targeted direct financing of the private sector, partnering with IDB to shape an enabling environment, and leveraging partners to consolidate own resources.

THE FOUR STRATEGIC PILLARS

1. DEVELOPING ISLAMIC FINANCE CHANNELS
2. FOCUSING ON TARGETED DIRECT FINANCING OF THE PRIVATE SECTOR
3. PARTNERING WITH IDB TO SHAPE AN ENABLING ENVIRONMENT
4. LEVERAGING PARTNERS TO CONSOLIDATE OWN RESOURCES



OPERATIONS IN 1435H

Despite the challenging economic and political environment, ICD made remarkable progress in implementing its ambitious business plan for 1435H. Contributing towards a broader distribution of the benefits of private sector development, ICD continued to support member country efforts to boost private sector development through its wide range of financing and advisory services.

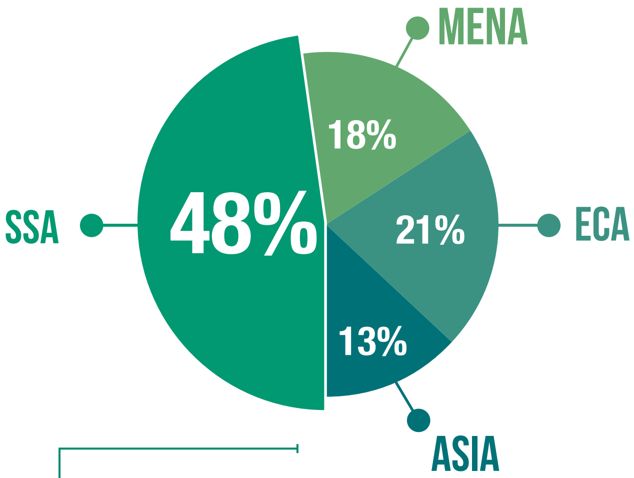
In the year under review, ICD approved US$ 525.7 millon (including a total of US$ 36.7 million in ICD approvals through the Unit Investment Fund), while it disbursed a total of US$ 360.4 million. The institution also successfully maintained a high disbursement/approval ratio of 68 percent in the year 1435H. Introducing new products such as Commodity Murabaha and efficiencies in management operations were key contributors to this success.

In creating new channels of operations in member countries as the main strategic thrust for the years to come, the Corporation made important progress in 1435H. In this regard, the ICD approved US$ 271.7 million for Line of Financing (LOF) and Institutional Equity projects, exceeding annual targets. Additionally, disbursements to financial institutions rose to US$ 181 million in 1435H. In 1435H, more than half (60 percent) of new ICD project approvals were allocated to the financial sector.

In the domain of direct investments in the corporate sector, financing worth US$ 204.5 million was approved, and US$ 110.6 million disbursed. Furthermore, over half of the new project approvals were allocated to high-impact sectors such as industries and mining, healthcare and social services, trade and real estate.

Advisory services in 1435H also continued to be an important mechanism for ICD in delivering on its development mandate. As part of its business plan and new strategy, ICD's advisory services gathered further momentum over the period. Last year, ICD successfully recorded US$ 4.6 million in revenue from its advisory services and an additional US$ 7 million was garnered from its asset management programs. In terms of approvals and disbursements for these advisory services and asset management projects, the Corporation also obtained approvals of US$ 12.8 million, and disbursed US$ 68.8 million during 1435H. The sectoral as well as regional distribution of ICD-approved projects were mainly in compliance with its strategic direction.

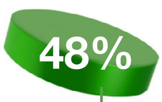
In terms of regional distribution, an estimated 48 percent of ICD approvals during 1435H was allocated to Sub-Saharan Africa, 21 percent to Europe and Central Asia, followed by the Middle East and North Africa (18 percent), and Asia (13 percent). This is a dramatic shift in the regional allocation of ICD approvals, illustrated by a quadrupling in the SSA share in just one year, an outcome of the ICD strategy to increase its presence in less-developed member countries with greater development needs.



REGIONAL DISTRIBUTION OF ICD APPROVALS IN 1435H

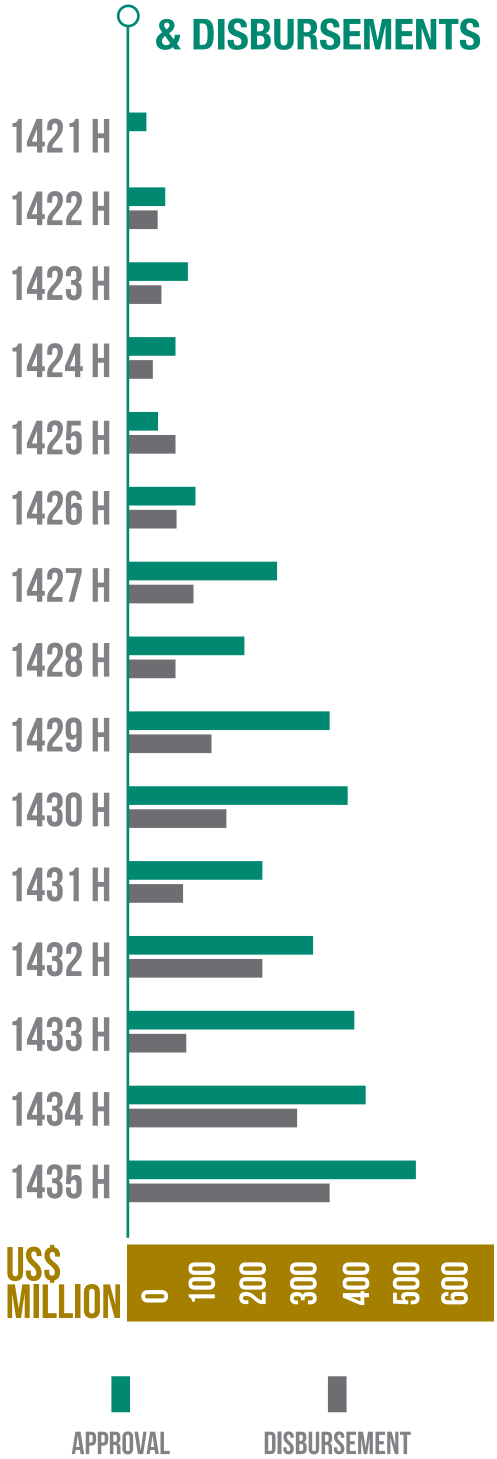
IN 1435H ICD APPROVED
US$ 525.7 MILLION

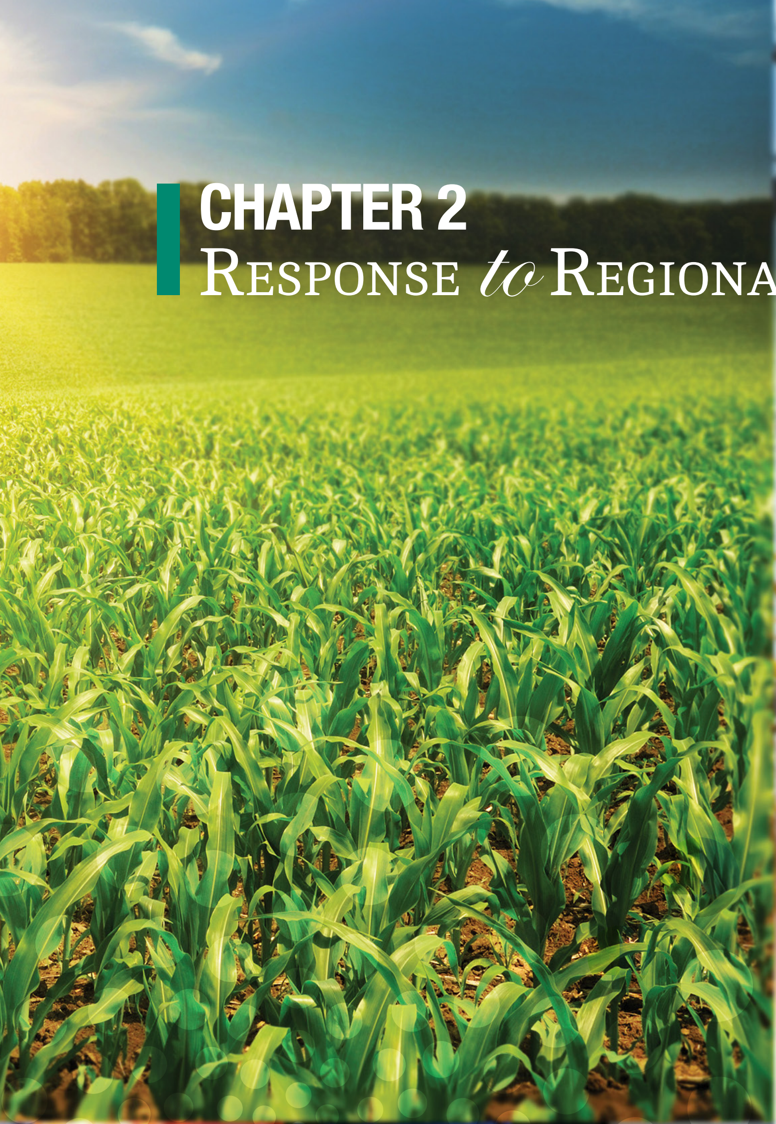
60% OF NEW ICD PROJECT
APPROVALS WERE ALLOCATED
TO THE FINANCIAL SECTOR



48 % OF ICD APPROVALS DURING 1435H
WAS ALLOCATED TO SUB-SAHARAN AFRICA

APPROVALS & DISBURSEMENTS





CHAPTER 2
Response *to* Regional Development Needs

In 1435H/2014, ICD continued in its mission to help member countries reach their potential in terms of socio-economic development. Over the past year, ICD realigned its corporate polices placing special emphasis on rebalancing the geographical allocation of its financial aid and advisory services. Although the second six months of 2014 was gripped by a sudden and unanticipated plunge in global oil prices as well as intensified regional conflicts, ICD remained vigilant in stimulating private sector growth on a regional and global level.

ICD has and continues to connect with its partners every step of the way in order to ensure that projects receive the corporation's unwavering financial support. Such projects continue to help ICD reach out to underprivileged communities and encourage them to work collectively for a greater good.

In 1435H, the ICD gained operational terrain in all four regions: the Middle East and North Africa (MENA), Europe and Central Asia (ECA), Asia, and Sub-Saharan Africa (SSA). During the past year, the Corporation placed special emphasis on rebalancing the geographical allocation of its investment commitments and advisory services. In terms of regional distribution, an estimated 48 percent of ICD approvals during 1435H was apportioned to Sub-Saharan Africa, 21 percent allocated to Europe and Central Asia, followed by the Middle East and North Africa (18 percent), and Asia (13 percent). These approvals took cognizance of several factors including member country developmental needs, creditworthiness and their strategic priorities. In addition to all these, the three-year ICD Business Plan and its ten-year Strategy provided overall guidance equally applicable to regional operations in 1435H.

MIDDLE EAST & NORTH AFRICA

MACROECONOMIC HIGHLIGHTS

The region's economic outlook remained broadly favorable during the first half of 2014 while, in the second half of the year, economic circumstances changed, primarily as a consequence of the unexpected decline in global prices of oil. The sharp drop in oil prices, from June 2014 onwards, had mixed implications on the economies of the region. Oil-rich countries, accounting for majority share in the overall regional economy, faced significant revenue shortfalls, while consumers in oil-importing economies benefited from the plunge. Prevailing social and political circumstances, in conjunction with decreasing oil prices, resulted in a divergence in performance between oil-exporting and oil-importing countries. Although the region as a whole grew by 2.8 percent in 2014, economic growth in oil-exporting MENA countries was 2.7 percent, against the 3.0 percent in oil-importing countries.

Some oil-exporting countries recorded relatively strong economic performance, despite the sharp decline in global oil prices. The Kingdom of Saudi Arabia, whose economy expanded by 3.6 percent in 2014 – up from 2.7 percent in 2013 – benefited from the positive consequences of fiscal expansion, as well as active investments by the expanding private sector. The Algerian economy grew at 3.8 percent, one percentage point higher than the previous year. Economic growth in the United Arab Emirates also remained high, estimated at 4.3 percent in the past year. Other oil-exporting countries such as Qatar, Bahrain and Kuwait, had strong economic growth throughout 2014, broadly speaking, although a further fall in oil prices could adversely impact on their fiscal and current account deficits.

Many oil-importing MENA countries continued to face socio-economic challenges despite the oil price slump which improved their current account positions and helped ease the burden of energy subsidies for these countries. Severe socio-political tensions, as well as spillovers from intensifying regional conflicts, have been holding back the growth of many oil-importing nations of the region. However, gradual recovery, coupled with structural reforms, helped some member countries witness relatively higher rates of economic growth. In Morocco, for instance, FDI inflows and export production in high-value-added industries were supportive in achieving 4.1 percent growth. Although serious security incidents hindered solid growth in the tourism sector, manufacturing activities and FDI inflows helped boost recovery in the economy of Egypt, which recorded 2.2 percent growth in 2014. Economic performance for Jordan and Tunisia improved with both attaining higher economic growth rates in 2014.

OPERATIONAL HIGHLIGHTS

Since its inception, ICD's accumulated gross approvals and disbursements in MENA region reached US$ 1,411 million and US$ 724.7 million respectively. Table below shows approvals and disbursements distribution in the region.

COUNTRY APPROVALS & DISBURSEMENTS IN MENA SINCE INCEPTION (US$ MLN)

	APPROVAL	DISBURSEMENT
Algeria	23.0	-
Bahrain	23.0	22.4
Egypt	86.4	31.1
Iran	111.9	36.3
Jordan	62.1	29.4
Kuwait	14.1	14.1
Lebanon	7.0	-
Libya	73.0	10.0
Palestine	6.0	1.0
Qatar	16.2	-
Saudi Arabia	514.9	312 5
Sudan	66.8	51.6
Syria	152.5	56 3
Tunisia	23.3	19.9
UAE	53.9	40.9
Yemen	176.9	99.3
Total MENA	**1,411.0**	**724.7**

In 1435H, ICD approved 10 key transactions in the region in a total amount of US$ 95.9 million. These approvals were extended to three countries in particular: Jordan, the Kingdom of Saudi Arabia, and the United Arab Emirates. In terms of sectoral composition, ICD-approved investment portfolios in the region focused mainly on strategic high-impact development sectors such as the financial sector, healthcare and real estate.

One of the ICD operations was a Murabaha facility extended to Al-Fayhaa Plastic Industries. Today, the Jordanian limited liability company, led by some very successful entrepreneurs, owns a plant of a total cost of US$ 29.4 million. The US$ 5 million ICD lending facility will help the company expand its business activities in printing shopping rolls, sanitary napkins, film for agricultural produce, and producing various types of packaging.

ICD was also instrumental in supporting economic development through providing advisory services to financial markets and corporate sectors. An example is a mandate for Sukuk issuance for the Hashemite Kingdom of Jordan. ICD, together with the Japan International Cooperation Agency (JICA), is in the process of helping the Jordanian government create an Islamic money market. Notwithstanding the fact that this is not commercially viable for global Sukuk arrangers, ICD stepped in to fill this gap in the market, accepting responsibility in consonance with the developmental principles of ICD.

ICD OPERATIONS IN MENA IN 1435H

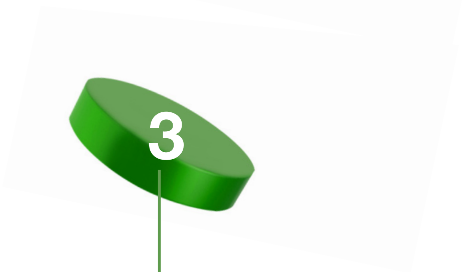
	PROJECTS	AMOUNTS APPROVED US$ MLN	SHARE IN REGIONAL APPROVALS
Saudi Arabia	8	85.84	89.5%
Jordan	1	5.00	5.2%
UAE	1	5.04	5.3%
Libya	1	advisory mandate	—
Yemen	1	technical assistance	—
Total	**12**	**95.88**	**100%**

Another key ICD operation is an equity investment (mezzanine) in Hai Al Jamea Hospital (HJH), in the Kingdom of Saudi Arabia (KSA) with a total amount of US$ 30 million. In addition to Saudi Arabia, HJH also serves in Egypt through the establishment of the Al Salama Specialized Hospital. The objective of the ICD financing facility is to expand existing HJH services to better respond to the increasing demand for healthcare. Another two ICD-supported initiatives in the KSA include a US$ 26.66 million equity investment and a US$ 10 million Line of Finance facility. The approved equity project will enable the country to establish a lease finance company geared towards SME financing, while the LoF facility aims to provide small- and medium-size enterprises with funding for capital equipment for growth.

ICD is also advising the Libyan Ministry of Economy with the creation of catalyst entities, such as SME Banks, to encourage the founding and growth of small- and medium-size businesses in Libya. The ultimate goal being economic diversification by way of employment, stability and innovation. The SME Banks will introduce a venture capital culture to the Libyan market by participating in SME capital. They will also partner and share the risk with commercial banks through SME co-financing. To hedge the credit risk and encourage the commercial banks to increase their exposure to SMEs, an Islamic insurance facility will be introduced with the objective of encouraging banks to finance the SME sectors.

On the technical assistance side and acting for the Deauville Partnership as the technical arm of the IDB Group, ICD is also supervising the deployment of Technical Assistance, in the amount of US$ 3 million, to the Hodeida Special Industrial Zone (SIZ) in Yemen. The program aims to support the Government of Yemen through successful completion of the prequalification process for 11 international consortiums to undertake full-scale studies related to SIZ policy, legal and regulatory framework assessments, and project preparation studies. The project was suspended for several months due to the political turmoil in the country, resuming in December 2014.

IN 1435H, ICD APPROVED 10 KEY TRANSACTIONS IN THE REGION IN A TOTAL AMOUNT OF US$ 95.9 MILLION.



ICD WAS INSTRUMENTAL IN SUPPORTING ECONOMIC DEVELOPMENT THROUGH PROVIDING 3 ADVISORY SERVICES TO FINANCIAL MARKETS AND CORPORATE SECTORS.

EUROPE & CENTRAL ASIA

MACROECONOMIC HIGHLIGHTS

The economies of the region grew at a relatively slower pace. Overall, GDP in the ECA region grew by 3.9 percent in 2014, down from 5.0 percent in 2013. Political instability stemming from the relations between Russia and Ukraine and the recent drop in global oil prices affected some countries negatively, while others remained relatively untouched. Although Azerbaijan and Kazakhstan experienced reduced oil windfalls, both countries managed to maintain macroeconomic stability. Other net energy exporters, namely Turkmenistan and Uzbekistan, did not lose much from falling oil prices, their main energy product being natural gas. In 2014, both countries grew rapidly by 10.1 and 7.0 percent, respectively.

Despite benefits from cheap oil prices as net energy-importers, Kyrgyzstan and Tajikistan faced substantial impediments from the state of the Russian economy due to their strong economic ties through trade, remittances and foreign investment. They eventually recorded only 4.1 and 6.0 percent growth in 2014, down from 10.5 and 7.4 percent in the preceding year.

Throughout the region, it was the Turkish economy that seemed to be the main beneficiary of the sudden plunge in oil prices, saving considerably on energy bills, stabilizing domestic inflation, and protecting the lira from depreciation. With energy taking up the largest share in the national trade bill, the fall in oil prices significantly shored up the balance of payments. As a result, GDP in Turkey grew by 3.0 percent in 2014. Another economy in the region – Albania – also gained from the downward trend in oil prices and succeeded in recording a 2.1 growth rate in the past year, up from 0.4 percent in 2013.

AL NOURAN SUGAR COMPANY IN EGYPT

Egypt's Al Nouran sugar production facility is a 2.5 billion Egyptian Pound (US$ 357 million) project to which ICD extended a financing package, including equity investment, mezzanine financing, and standby guarantees of up to US$ 46 million.

The company signed a 1.5 billion Egyptian Pound (US$ 215 million) loan to establish a state-of-the-art sugar beet production and sugar refining facility in Egypt.

Shareholders in the project include Al Nouran Multitrading (US$ 32.6 million), the ICD (US$ 24 million), the Kuwait-based Arab Fund for Economic and Social Development (US$ 24 million), and the Egyptian Sugar & Integrated Industries Co. (US$ 14.5 million).

The main purpose of the project is to address the gap in supply and demand for white sugar on the Egyptian local market, is estimated at 1 million MT/year, via two primary operations:

A) Sugar processing: producing white sugar from sugar beet during the sugar beet season with a beet crushing capacity of 12,000 tons/day (241,000 tons of sugar p.a.).

B) Sugar refining: during the off-season for beet, the facility will refine imported raw sugar into white sugar. Refining capacity is 1,800 tons/day (306,000 tons of refined sugar p.a.).

The project has a very high developmental impact on the East Delta region in Egypt in particular, and the whole country in general. Expected outcomes are: direct and indirect job creation; improvement of standards of living for farmers; inducing additional land reclamation; fresh water conservation; community development; FOREX benefits; and imports substitution.

OPERATIONAL HIGHLIGHTS

ICD approved a total of US$ 667.7 million and disbursed US$ 380.3 million in the ECA region since inception. Table below shows the distribution of the approvals and disbursements in different countries of the region.

COUNTRY APPROVALS & DISBURSEMENTS IN ECA SINCE INCEPTION (US$ MLN)

	APPROVAL	DISBURSEMENT
Albania	2.2	1.9
Azerbaijan	133.8	93.2
Kazakhstan	113.8	31.3
Kyrgyzstan	29.9	10.0
Tajikistan	43.5	25.2
Turkey	132.2	86.4
Turkmenistan	5.0	-
Uzbekistan	207.3	132.3
Total ECA	**667.7**	**380.3**

In 1435H, ICD approvals in the ECA region totaled US$ 112 million, allocated to 14 projects. The largest share of approvals went to Turkey (34 percent), followed by Uzbekistan (33 percent), and Kazakhstan (15 percent). The rest of the approvals were distributed between the Kyrgyz Republic and Tajikistan with 10 and 8 percent, respectively. Approvals were mainly in the financial sector, trade and healthcare, and social sectors.

One of the largest ICD interventions in Turkey was participation in a US$ 120 million syndication facility arranged for Kiler group by Bank of America. The project aims at providing food and consumer goods in Turkey through an expansion in the number of existing stores, from 32 cities to all of the regions. The ICD participation stemmed from the crucial role the sector plays in national development and was motivated by the sound financial as well as operational fundamentals of the project. Another ICD-approved project in Turkey, the Turkey Asset Management Initiative, was a US$ 12.8 million facility for SME financing and the development of capital markets. This initiative aims at launching an asset management platform in Turkey targeting investment deployment in the country with money raised primarily from the domestic market. It is projected to launch a range of mutual funds and an SME fund.

In Kazakhstan, ICD approved a Murabaha facility to establish an Aluminum Extrusion Profile manufacturing facility. The aim is to produce profiles mainly used in the construction industry. A new plant is planned in Almaty with an annual capacity of 7,200 tons. The total cost of the facility is US$ 23.3 million, with ICD participation amounting to US$ 10 million. The facility will allocate US$ 6 million to purchase and install equipment and US$ 4 million for working capital needs once the plant starts operation.

ICD OPERATIONS IN ECA IN 1435H

	PROJECTS	AMOUNTS APPROVED US$ MLN	SHARE IN REGIONAL APPROVALS
Uzbekistan	6	37.00	33.0%
Kazakhstan	3	16.72	14.9%
Turkey	2	37.80	33.7%
Kyrgyz Republic	2	11.50	10.3%
Tajikistan	1	9.0	8.0%
Total	**14**	**112.02**	**100%**

Another ICD-supported Murabaha facility, with an approval for US$ 9 million, went to the Tajikistan healthcare sector. The extended facility will help to increase the short-term working capital of the Dusty Pharmacy LLC – a beneficiary company – to purchase medicines from various suppliers. The facility will also help the company increase its market share and reach more consumers.

In 1435H, ICD also approved a US$ 10 million financing facility (Murabaha and Leasing) for Jurabek, a leading pharmaceutical company in Uzbekistan. The objective of the facility is to help the company purchase new equipment for medical products to expand total annual manufacturing capacity to 130 million ampoules. Currently, the company has 5 manufacturing units for medicines in Almalyk city, Uzbekistan, employing more than 700 people. One other initiative in the country was to extend a US$ 10 million Murabaha facility as a contribution to launching a newly operational medical center in Uzbekistan. The medical center called VitaMed Medical LLC will be equipped with high technological imaging, surgery, therapeutic and laboratory facilities.

ICD's long-term strategic framework, adopted in 2009, focuses on supporting private sector through the development of Islamic finance "channels" or institutions. By strengthening Islamic financial institutions, the aim is to ensure that ICD financing extends to the highest number of beneficiaries, especially in SMEs. In 1435H, ICD strengthened support to Islamic Finance Institutions in the region by approving a total of US$ 21.5 million. In Uzbekistan, ICD approved two LoF facilities for two leasing companies; Taiba Leasing Company and Uzbek Leasing International, extending a US$ 5 million LoF to each. The ICD-approved LoF facility in Kyrgyz Republic amounted to a total of US$ 10 million, to finance private sector projects and SMEs in particular, in the form of Murabaha and/or Leasing. Another ICD-supported facility in the Kyrgyz Republic was a US$ 1.5 million equity investment which will help establish a leasing company with Sharia-compliant products to fund capital-intensive equipment for businesses. The project will enable ICD set up its first "financial channel" in the country.

SME FINANCING IN UZBEKISTAN

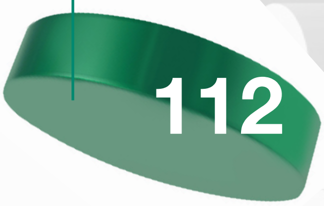
"Fayz-Dekor" is a local candy and chocolate producer in Uzbekistan which benefited from the ICD Line of Financing to Asaka Bank, in the amount of US$ 1.71 million.

Prior to this financing support, the company relied on ageing machinery and equipment to manufacture sweets and chocolates. However, after the expansion, production increased substantially and product quality improved, attracting new customers and markets.

The expansion resulted in a four-fold increase in production, from 1 to 4 tons per hour, and the project created 50 additional jobs, 70 percent of which are filled by women.

The project also made the country less import-reliant and increased local market competitiveness. There were other positive externalities generated by this project: new product development, technology transfers, and enhanced tax revenue.

ICD APPROVALS IN THE ECA REGION TOTALED US$ 112 MILLION, ALLOCATED TO 14 PROJECTS



ASIA

MACROECONOMIC HIGHLIGHTS

In 2014, the Asia region member countries continued to experience rapid growth. The economies of the region grew by 5.2 percent, as was the case in 2013. Lower oil prices positively affected countries in the region, all of which are considered to be oil-importing countries and thus accruing significant energy bills.

Economic growth was particularly solid in Indonesia where growth rates attained 5.2 percent in 2014. Agriculture and tourism have continued to be the strongest performing sectors. Implementing policy measures to reduce vulnerabilities enabled the country to lower its external and domestic imbalances, thereby increasing its economic resilience to global and regional risks.

In 2014, the Malaysian economy grew by 5.9 percent, an almost 1.2 percentage point higher than in 2013. Recent and ongoing reform efforts over fuel subsidies were further supported by the unexpected drop in the global prices of oil. In addition, in order to ensure that inflation expectations remained well anchored, the Central Bank of Malaysia raised interest rates in 2014.

Bangladesh was another of the fastest growing emerging economies in 2014, witnessing a 6.2 percent growth rate. The economy benefited from inflows of remittances, robust performance in textile exports, and government structural reforms. In the same period, the economy of Pakistan grew by 4.1 percent, accelerating from 3.7 percent in the previous year. Dynamic manufacturing and service sectors, improved energy availability, and a revival in investor confidence, were the main drivers of this growth. The country made its first international bond issuance in seven years, thereby contributing to stabilizing the Pakistani Rupee and rebuilding foreign exchange reserves.

OPERATIONAL HIGHLIGHTS

Since its inception in 1999, ICD's cumulative gross approvals in Asia region has reached to US$ 456.6 million. In terms of disbursements, ICD has disbursed a total of US$ 249.5 million in the same period. Table below shows the distribution of the approvals and disbursements in different member countries of the region.

COUNTRY APPROVALS & DISBURSEMENTS IN ASIA SINCE INCEPTION (US$ MLN)

	APPROVAL	DISBURSEMENT
Bangladesh	125.8	45.2
Indonesia	155.8	100.5
Malaysia	29.7	5.5
Maldives	33.4	31.4
Pakistan	111.9	66.8
Total Asia	**456.6**	**249.5**

ICD OPERATIONS IN ASIA IN 1435H

	PROJECTS	AMOUNTS APPROVED US$ MLN	SHARE IN REGIONAL APPROVALS
Pakistan	2	18.40	27.8%
Indonesia	1	10.00	15.1%
Bangladesh	1	30.50	46.1%
Malaysia	1	1.60	2.4%
Maldives	1	5.60	8.5%
Total	**6**	**66.10**	**100%**

In the Asia region, ICD investment approvals amounted to a total of US$ 66.1 million, distributed through 6 projects. The primary sectors receiving ICD financing were industries and mining, finance, and oil and gas industries. The main beneficiary countries for last year's operations were Bangladesh (46 percent), Indonesia (15 percent), and Pakistan (13 percent).
In 1435H, ICD approved a Leasing facility of US$ 30.5 million to Noman Group, the largest textile and apparel conglomerate in Bangladesh. This facility supports a 70,000 spindle spinning mill – Ismail Spinning Mills Ltd. – and the expansion of another subsidiary: Noman Terry Towel Mills.

In support of the private sector, and of SMEs in particular, ICD approved a US$ 10 million LoF in Indonesia. The beneficiary institution – IBF Multi Finance – provides heavy equipment financing to both captive and non-captive markets in the private sector.

ICD also supported the financial sector of Pakistan through an equity injection in one of the Islamic banks. Burj Bank, established in 2006, aims at promoting Shariah-compliant products and is one of the fastest growing Islamic banks in the country. Its financing portfolio has grown from a mere Rs. 5 billion (US$ 49.4 million) in 2010 to Rs. 23 billion (US$ 227.5 million) by the end of 2013. ICD is a major shareholder and it injected US$ 33 million into the capital of Burj Bank and approved another US$ 10 million equity investment in 1435H. This investment intends to increase the Bank's capital to comply with statutory minimum capital requirements.

Another ICD-supported project in the financial sector, an equity investment of US$ 1.6 million, was approved for PMB Tijari company in Malaysia. A broad spectrum of leasing facilities in sectors such as energy, infrastructure, real estate and technology, will help boost private sector development in the country.

SUPPORTING THE ISLAMIC BANK IN MALDIVES

In 1435H, one of the ICD investee banks, the Maldives Islamic Bank (MIB), turned profitable. The story of MIB is notable since it is the first and only Islamic Bank in the Maldives and was sponsored by the ICD. It was initiated in 2007 as a partnership between ICD with a share in capital of 85 percent and 15 percent, respectively.

The Bank was fully incorporated in April 2010. The initial capital of the Bank amounted to US$ 10 million, equivalent to MVR 153 million at the time of establishment. Currently, MIB capital amounts to MVR 180 million, equivalent to US$ 12 million, as at the end of 1435H.

The Bank started operations with a single branch in the capital city of Male and, in April 2014, a new branch was opened in Addu, the second largest city in the Maldives, in the south of the country. The Bank recorded a positive return on equity of 3.53 percent at the end of 2013, and became profitable in the same year.

ICD intends to channel its operations in the Maldives through MIB to ensure that Islamic financing is available, thus supporting small- and medium-size enterprises in the country. Demonstrating remarkable results, the Bank has now more than 35,000 depositors and an excess of 2,300 financing clients, including the Government of Maldives.

66.1

IN THE ASIA REGION, ICD INVESTMENT APPROVALS AMOUNTED TO A TOTAL OF US$ 66.1 MILLION

SUB-SAHARAN AFRICA

MACROECONOMIC HIGHLIGHTS

Many of the fragile and conflict-affected states supported by the ICD are located in Sub-Saharan Africa, where climate change, commodity prices, and development issues remain critical challenges. Nevertheless, 2014 was a successful year on the whole for the 19 member economies of the region. Their GDP grew by 6.4 percent, the highest among all ICD regions, an almost 1.1 percentage point increase over 2013. The region did more to improve business-related regulations than any other region, according to the World Bank's "Doing Business 14/2013 Report". Non-resource sectors, mainly manufacturing output and tourism, grew very rapidly in the region. As a result, many countries, including Ghana, Mozambique and Nigeria, have revised their GDP estimates upwards to account for burgeoning non-resource sectors.While the sharp fall in global oil prices had positive implications for the region as whole, some oil-exporting countries in the region were negatively affected.

Nigeria, the biggest economy in the Africa region, grew by 6.1 percent, slightly higher than 2013, primarily attributable to non-oil sector activities, particularly in services. However, the economy was buffeted by the fall in oil prices and its currency lost 13 percent of its value over the past year. Moreover, countries with relatively recently-discovered oil reserves – Chad, Niger, Cameroon and Uganda – were also negatively affected by the sharp decline in oil prices. Of the five, Chad is especially vulnerable to oil prices due to low levels of foreign exchange reserves.

In addition to oil prices, the overall solid growth of the region was also hindered by the dire situation in member countries such as Guinea and Sierra Leone, where the Ebola outbreak was exacting a heavy human and economic toll, with some economic spillovers to neighboring countries as well.

Conversely, growth rose rapidly in other member countries of the region, with total output rising to above 6 percent in Côte d'Ivoire, Burkina Faso and Mozambique. The oil price decline and resulting improvements in terms of trade helped some oil-importing nations of the region grow faster than expected. Reduced import bills for countries like Djibouti and Benin, among others, helped them save a significant amount on energy expenditures.

OPERATIONAL HIGHLIGHTS

ICD has approved a total of US$ 468.2 million in SSA region since its inception in 1999. In terms of disbursements, ICD has disbursed a total of US$ 159.3 million during the same period. Table below summarizes the distribution of these approvals and disbursements in different member countries of the region.

COUNTRY APPROVALS & DISBURSEMENTS IN SSA SINCE INCEPTION (US$ MLN)

	APPROVAL	DISBURSEMENT
Burkina Faso	3.5	-
Djibouti	4.0	4.0
Gabon	21.5	-
Gambia	22.4	1.2
Guinea	3.0	3.0
Cote d'ivoire	27.4	-
Mali	21.3	-
Mauritania	64.1	58.1
Mozambique	10.0	0.1
Niger	11.5	2.5
Nigeria	218.0	61.8
Senegal	51.5	28.6
Uganda	10.0	-
Total SSA	**468.2**	**159.3**

In 1435H, there was a considerable jump in ICD operations with the volume of total approvals reaching US$ 251.7 million. In addition, ICD initiated four technical assistance and advisory services projects, tailored to better attain sustainable private sector development. All these efforts brought cumulative regional investments to 47.9 percent of total Corporation approvals. Nigeria, Côte d'Ivoire, Senegal, and The Gambia are countries that benefited the most from the ICD's hard and soft financing facilities. In terms of sectoral composition, the financial sector, industries and mining, as well as healthcare, were the primary recipient sectors of ICD financing facilities. ICD approved a total of US$ 30 million for a leasing facility to Oku Iboku Pulp & Paper Co. (OKIPP) in Nigeria. At project inception, OKIPP projections amounted to production capacity levels above 100,000 tons of newsprint per annum. Based on a syndication agreement between ICD and the African Development Bank, annual capacity is expected to expand to more than 200,000 tons of newsprint for this company. Another ICD-financed project in Nigeria, a US$ 120 million Global Line of Financing , will assist in financing private sector projects of SMEs in the form of Murabaha and/or Leasing.

In support of the real-estate sector, ICD approved an Istisna'a facility of US$ 20 million to Teylion Properties Group (TPG) in Senegal, for construction of 3,562 houses, targeting the middle-class and low-income population groups.

In The Gambia, ICD approved a leasing facility to Horizons Clinic (The Gambia) Ltd. (HCGL), a subsidiary of Horizons Clinic Africa Ltd. (HCAL). The total amount of the facility is US$ 8.2 million aiming to design, build and operate a -60bed private hospital, in a state-of-the-art medical facility covering a surface area of 6,000 m2, that will offer multi-specialty in-patient and outpatient services.

In response to demand for rice in Mozambique, ICD approved US$ 5 million in Murabaha lending to a private company for rice imports from member or non-member countries. This is a US$ 20 million syndicated facility arranged by ITFC, the trade arm of the Islamic Development Bank Group. In Côte d'Ivoire, ICD approved a US$ 27.4 million LoF which aims at financing private sector projects, especially SMEs. Last but not least, ICD also approved a region-wide LoF facility in the total amount of US$ 41.1 million. The Banque Ouest Africaine de Development (BOAD), serves as an intermediary bank to extend this facility to the final beneficiaries. BOAD is a regional development bank for the West African Economic and Monetary Union, comprising of 8 countries namely: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

ICD OPERATIONS IN SSA IN 1435H

	PROJECTS	AMOUNTS APPROVED US$ MLN	SHARE IN REGIONAL APPROVALS
Senegal	2	20.00	7.9%
Nigeria	2	150.00	59.6%
Gambia	1	8.20	3.3%
Mozambique	1	5.00	2.0%
Cote D'ivoire	1	27.40	10.9%
Dijibouti	1	technical assistance	—
Mauritania	1	technical assistance	—
Sierra Leone	1	technical assistance	—
Multi Countries	1	41.10	16.3%
Total	**11**	**251.70**	**100%**

In addition to projects approved in 1435H, through its advisory services, ICD helped the governments of Mauritania, Djibouti and Sierra Leone develop and advance their policy, legal, and regulatory frameworks for Special Economic Zone (SEZ) regimes. These interventions are mainly implemented by Technical Assistance initiatives leveraging support from various donor funds.

SUKUK SENEGAL

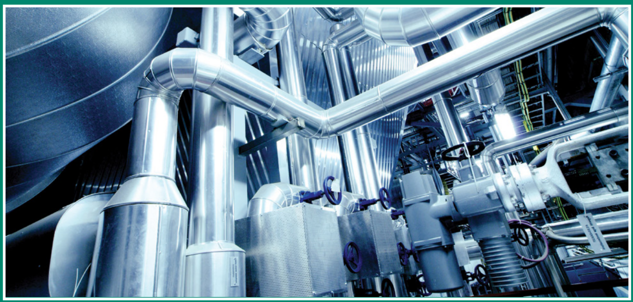
The ICD and Citibank, as Joint Lead Manager (JLM), had advised the Government of Senegal on its CFA100 billion (US$ 200 million) Sukuk during the year 1435H. This landmark transaction, the first of its kind in the sub-Saharan Africa region aims to promote Islamic finance as an alternative financing instrument for the economies of countries in Africa.

The Government of Senegal intended to diversify its financing instruments by exploring the possibilities offered through Islamic finance. ICD, along with renowned law firms, teamed together to design an innovative structure for the Sukuk issuance and successfully launched the Sukuk.

The issuance was oversubscribed with over 500 investors from Africa, the Middle East and Europe. ICD and IDB were amongst the larger investors with an overall 24 percent of the total subscription, confirming IDB Group support to this ground-breaking transaction.

Mr. Khalid Al Aboodi, Chief Executive Officer of the ICD welcomed the spirit of initiative of the Government of Senegal through this first draft to Sukuk. He also wished that the issuance will encourage other countries in Africa to venture onto the Islamic Capital market.

DEVELOPMENT THROUGH SPECIAL ECONOMIC ZONES



Supporting the new Growth Model of Djibouti

Between October 2013 and October 2014, the ICD performed a diagnostic of the policy, institutional and regulatory environment for industrial zones in Djibouti and formulated an incremental development plan. The plan delivered key recommendations that will be catalytic and pivotal to the success of this country's shift towards value-added industries, consonant with its new growth model. An implementation plan, with defined areas of interventions, is already on the roadmap of the ICD and was shared with the government of Djibouti for possible execution during the year 2015.

Renewed commitment to the Nouadhibou Free Zone in Mauritania

The year witnessed the first investment forum promoting the Nouadhibou Free Zone (NFZ). This Zone was established persuant to policy, legal and institutional studies commissioned under the Industry & Business Environment Support (IBES) Program (formerly SEZ program), between 2011 and 2012. Bolstered by this successful cooperation, the NFZ Authority (NFZA) decided to entrust ICD with the delivery of a technical assistance project to provide capacity development to the Zone Authority and identify value chain enhancements for the fishery pole which occupies a strategic function for the Zone and enhance national competitiveness. was reflected in the bilateral MoU signed between ICD and NFZA in May 2014, and the subsequent tripartite MoU between ICD, NFZA and the Aqaba Special Economic Zone Authority (ASEZA). The MoU consists in the transfer of know-how of ASEZA as a center of excellence to the newly formed NFZA in line with the Reverse Linkage modalities of the IDB Group.

Extending SEZ support to Sierra Leone

Leveraging its track record in devising appropriate TA solutions for SEZ framework design and implementation, the programme commenced its support to the Government of Sierra Leone (GoS) to develop policy, legal, and regulatory frameworks for a national SEZ regime. This regime will help improve the business enabling environment and catalyze the integrated development of several economic poles across the country. The project scope was developed in active dialogue with the Government of Sierra Leone and IDB. Project execution is targeted to commence in the year 2015 upon securing the necessary funding.

CHAPTER 3
Development Effectiveness *at* a Glance

The milestone accomplishments made by ICD in 1435H/2014 helped it achieve much sought-after credibility in the four continents it operates in. Key investments saw many highly favorable results including the generation of 40,000 jobs in the private sector, US$ 100 million in government-claimed taxes and US$ 190 million in foreign currency inflows. Other noteworthy financial contributions made by ICD include project approvals which later generated a staggering US$ 38 million in export revenues; this in turn helped create more dynamic markets as well as diversify income sources.

Seeking to breathe new life into local industries, ICD allocated US$ 120 million to facilitate expansion opportunities of privately owned companies. As a highly influential financial institution, ICD is reshaping the global economy by gradually introducing Islamic finance in its member countries to, subsequently, enhance their global contributions.

Development effectiveness tools and methodologies have evolved over the last decade with considerable contributions from IFIs. The Harmonized Indicators for Private Sector Operations were the main outputs of this partnership. These indicators fall under four main domains, namely:

(i) Financial Performance;
(ii) Economic Performance;
(iii)Private Sector Development;
(iv) Environmental, Social, Health and Safety.

ICD, as part of the global IFI movement, added one more dimension to the set of proposed indicators relevant for the Promotion of Islamic Finance to encompass the uniqueness of its Islamic product offerings. This initiative has enabled the IFIs and their clients to measure the actual impact of their interventions in a participatory and cooperative manner.

ICD applies a modified version of the "Ten Steps" approach to Results Based Monitoring and Evaluation System to measure its development results, harmonize reporting with other IFIs, and promote learning across all Business Units. Finally, there is a need to have a robust M&E system to ensure continuous and consistent evidence and data.

Although the Development Effectiveness Measurement System is new and does not cover all ICD active portfolio, ICD is able to demonstrate its contribution to development of member countries based on a client survey launched in December 2014 and covering 54% of the active projects.

The analysis presented in this chapter also incorporates some independent evaluation reports effected by IDB and a number of Expanded Project Supervision Reports (XPSRs) conducted in-house.

The sample portfolio used in this exercise represents 54 percent of active ICD projects distributed across the three main regions of ICD member countries. Accordingly, 57 percent of the projects are concentrated in Asia, 29 percent in the MENA region, and 14 percent in Sub - Saharan Africa.

In terms of sectoral distribution, 60 percent of the projects are in the banking and finance sector, followed by industries and services, and the real estate sector with 16 percent and 9 percent share, respectively. Finally, in monetary terms, the sample represents 81 percent ($US 758 million) of current ICD commitments.

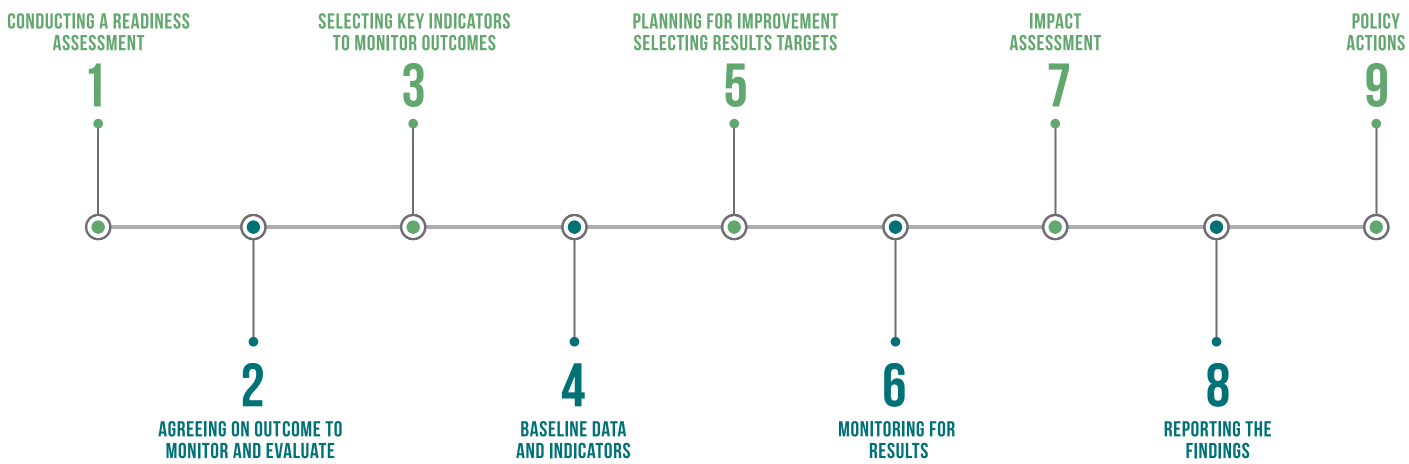


FIGURE 1: RESULTS-BASED MONITORING & EVALUATION SYSTEM

40,000

JOBS PROVIDED BY ICD CLIENTS

100$ MILLION

GOVERNMENT REVENUES GENERATED BY ICD CLIENTS

120$ MILLION

DOMESTIC PURCHASES OF ICD CLIENTS

278 SMEs

SUPPORTED DIRECTLY

190$ MILLION

VALUE OF NET INFLOWS OF FOREIGN CURRENCY

JOB CREATION

The survey applies the IFIs Development Indicators Working Groupdefinition for job creation relating to Direct Jobs as the number of full-time equivalent employees for the company or project at the end of the reporting period[1].

Survey findings reveal that ICD interventions supported in 40,000 jobs in the companies and financial institutions financed by ICD. This number excludes indirect jobs and induced jobs. The highest level of employment was observed in Uzbekistan with more than 24,000 direct jobs, followed by Saudi Arabia and Tajikistan, with more than 3,000 direct jobs each. The creation of direct jobs can be causally linked to the creation of indirect jobs which as a result can be linked to the creation of induced jobs. Although no enough data available, it can be seen that ICD has contributed to inclusive development by supporting job creation for disadvantage stakeholders in member countries.

Of the total number of employees, an estimated 13,600 are women, representing 34 percent of reported direct jobs. The distribution of the highest levels of female employment is coherent with the overall employment figures in the sample; Uzbekistan is the best employer of females, followed by Nigeria and Tajikistan.

However, the ratio of female employees varies from country to country with the highest rate in Kazakhstan, where women held 64 percent of the reported jobs. Regarding employee benefits, ICD clients offered healthcare benefits to 68 percent of their employees. In addition, they provide a pension plan for 42 percent of their permanent staff.

GOVERNMENT REVENUE

A second development indicator of interest to many development institutions is the impact of financing in generating additional income for businesses and thus supporting their contribution to government revenue through tax payments.[2]

On revenue contribution to governments, ICD clients in the sample paid an equivalent of $US 100 million in annual taxes to their governments. For example, the Maple Leaf Cement Factory in Pakistan - under a US$ 100 million syndication loan - paid US$ 30 million to government used, in turn, by the country to support education and health care which will positively affect (enhance) the country's inclusive growth. Such payments will also be used to support social protection systems and to build public infrastructure such as roads and airports.

JOB CREATION IN IPAK YULI BANK IN UZBEKISTAN

When a US $ 10 million Global Line of Finance was extended to Ipak Yuli Bank, the project was expected tohelp strengthen the long-term financial resources of this Bank to support a greater number of SMEs.

The funds were channeled to 24 SMEs in response to their financing requests. In turn, these SMEs created 857 jobs across various sectors of the economy.

1 A Direct Job includes directly hired individuals and individuals hired through third party agencies as long as those individuals provide on-site services related to the operations of the client company.

2 Payment to government takes into account all transfers to the government in the form of corporate income or profit taxes. It also considers the following forms: (i) sales taxes, (ii) net VAT, (iii) royalties, (iv) dividends and related taxes, (v) management and/or concession fees, (vi) license fees, (vii) tax on payment of interest, and (viii) other material payments net of any direct subsidies received.

FOREIGN CURRENCY

ICD investments in clients' companies generates foreign currency inflows (initial investments and export sales) that make a significant contribution towards securing national solvency and stabilizing the exchange rate. In addition, companies that sell their products on local markets can also play an important role through the domestic production of goods that previously were imported. The clients' companies covered in this report contributed to generating an estimated $US 190 million in foreign currency in 2013.

EXPORT SALES

Although the majority of ICD clients are local businesses, ICD supports these companies expand beyond their local markets in order to grow rapidly and diversify their income sources, thus realizing gains in competition. Export sales also contribute to foreign currency inflows to the local economy. In this sample survey, US$ 38 million was generated as export revenue from only five ICD clients.

DOMESTIC PURCHASES

The ICD, via its clients, contributes to develop local markets by offering business opportunities to local suppliers across sectors. In 2013, ICD clients covered in the sample generated contracting opportunities for local suppliers worth almost US$ 120 million.

ASAKA BANK'S CONTRIBUTION TO DEVELOPMENT

As a part of the ICD Global LOF to Uzbekistan, Asaka Bank received US$ 21 million which was fully utilized to finance 17 SMEs in Uzbekistan, with financing amounts ranging from $US 220,800 to US$ 3.8 million per project.

Beneficiary SMEs contributed to the development of the overall economy, local industry, and import substitution through the purchase of raw materials from domestic producers. For instance, Fayz Dekor Biznes procures all its raw materials - like nuts and milk powder - from local manufacturers. ICD interventions also created some examples of a mode of synergy whereby various LoF beneficiaries may act as suppliers and dealers for each other (for example, the Hydro Life Bottlers' raw materials come from Tash-Pet, both beneficiaries of an ICD LoF). In addition, some SMEs, like Urg-Antep-Yashem, contributed to foreign currency earnings by exporting 58 percent of the carpets produced in Kazakhstan.

ISLAMIC FINANCE DEVELOPMENT

One of ICD's principal objectives is to promote Islamic Finance in its member countries. For the sample portfolio targeted in this report, 60 percent of the clients were first introduced to Islamic Finance via interventions, while 23 percent had used Islamic Finance before.

For example, in 2010, in collaboration with the Government of the Republic of the Maldives, ICD established the first Islamic bank in the country with 100% Islamic assets. The Maldives Islamic Bank (MIB) offers the full range of banking products and services in accordance with Sharia principles across the whole market spectrum: corporate, commercial, SME, retail, and also government clients.

PRIVATE SECTOR DEVELOPMENT

The investments of the ICD have contributed to improving the business environment in its member countries on many fronts, including:

- Technology transfer: 20 percent of ICD clients covered in this report have introduced a new production or business process in their respective local markets.
- Innovation: 18 percent of ICD clients introduced a new product or service which did not exist prior to ICD involvement.
- Catalytic Effect: US$ 96 million additional investments were received by the companies as a result of ICD involvement.
- Demonstration Effect: 30 companies were replicating the new product or service or business process initiated by ICD clients.
- On average, US$ 14 million were allocated to each channel/bank under the ICD LoF facility.

COMMUNITY DEVELOPMENT

One aspect related to community development of interest to ICD is corporate social responsibility (CSR)[3]. The sample portfolio shows that 43 percent of ICD clients have drafted a corporate social responsibility policy document that has been ratified by their governing authorities.

For example, there is an evident societal and community dimension to the Al-Tuwairqi Steel Mills Limited (TSML) operations, where ICD invested US$ 35 million. The Company recruits over 2% of its total labor force amongst individuals with a handicap and/or disability. Moreover, TSML set up two camps over a period of one month during the flood that hit Pakistan in 2010. Through these camps, TSML provided shelters, food, medicine, rehabilitation support, relocation support, and education (small school for 30 students) to 150 families, with coverage extending to more than 1,000 persons.

ENVIRONMENTAL SUSTAINABILITY

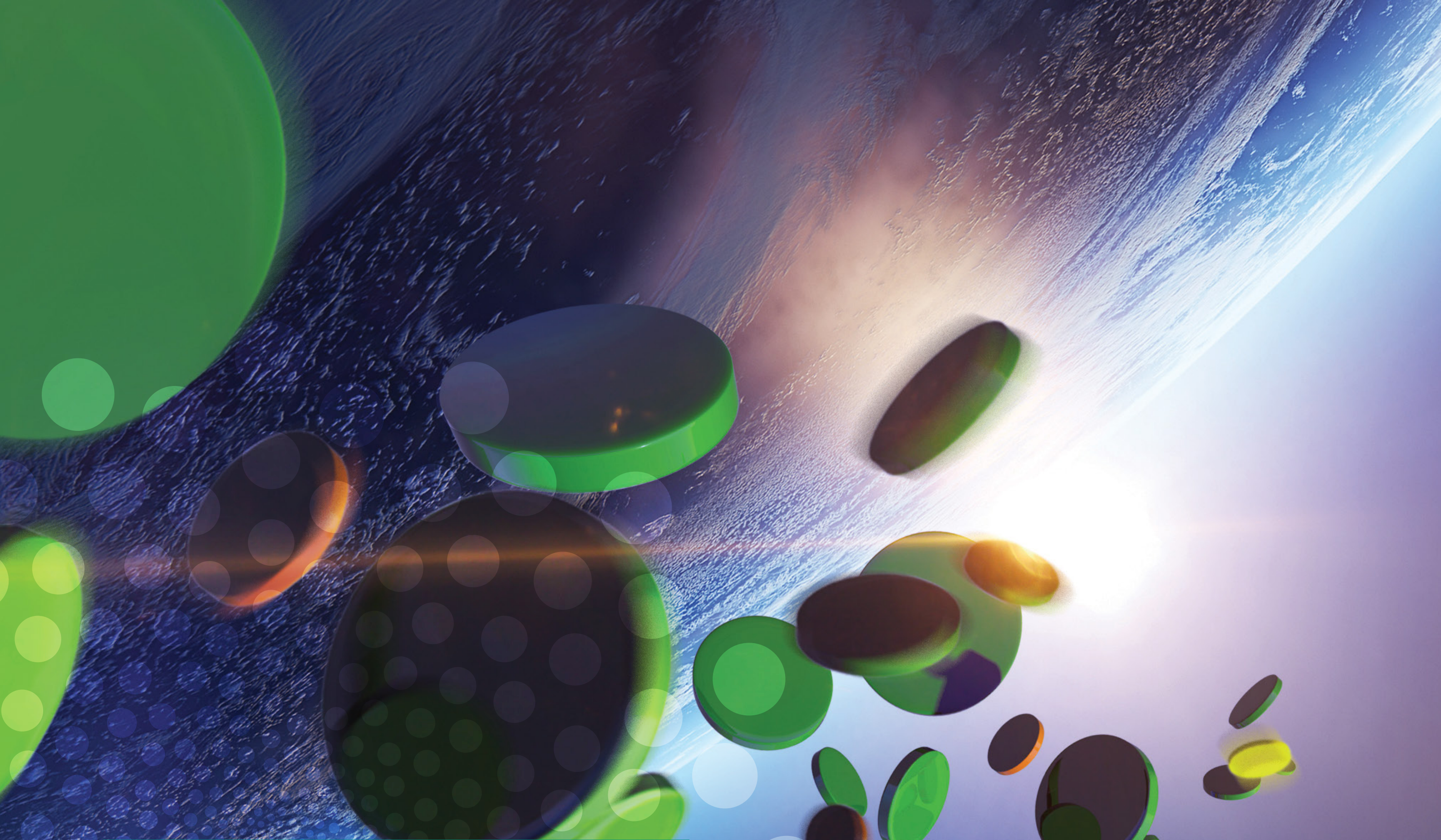
ICD continuously seeks to promote sustainable development across its member countries. Considerable attention is given to ensuring that clients operating in environmentally-sensitive sectors, and adopt the necessary procedures to ensure the protection of the environment. Survey results revealed that 52 percent of the projects have a documented environmental management system and related procedures, ratified by their governing authorities.

An example of note is Baki Plaza (Park Bulvar), a shopping mall project partially financed by ICD (40% of total investments), where the Park received the Ecology Passport from the Ministry of Ecology, ensuring compliance with Ministry regulations pertaining to air pollution, emissions and solid waste management.

OF THE TOTAL NUMBER OF EMPLOYEES, AN ESTIMATED 13,600 ARE WOMEN, REPRESENTING 34 PERCENT OF REPORTED DIRECT JOBS.

[3] CSR states that not only the company's direct stakeholders (employees, customers and suppliers) should benefit from its operations, but also the whole community living in the immediate surroundings of Ecology, ensuring compliance with Ministry regulations pertaining to air pollution, emissions and solid waste management.

CHAPTER 4
Global Recognition & Leadership



ICD has claimed a number of globally recognized awards, thereby underlining its significant financial contributions made over the past year. Of its most notable achievements, ICD was rated the 'Best Development Bank' at the Islamic Business & Finance Awards 2014 and ranked 'Best Private Sector Developer of Islamic Finance in the Middle East' by internationally acclaimed IAIR Magazine during the Global Economy and Sustainability Awards ceremony. ICD continued to see international accreditation with the Islamic Banking Business Excellence Award granted at the 2014 Business Excellence Awards from Acquisition International Magazine.

Other recognitions seen highlighting ICD's achievements include Fitch Ratings AA and F+1 bond credit ratings; AA denoting expectations of very high credit quality and F+1 indicating the highest short-term credit quality. Continuing to take decisive actions across diverse industries, ICD went on to establish the Islamic Finance Talent Development Program (IFTDP) which has the primary objective of advancing the capabilities of young financial specialists.

1435H was a very successful year for ICD in terms of recognition, both regionally as well as internationally. Receiving corporate awards from leading international trade publications, being rated for the first time by a major international rating agency, partnering with various governments and institutions, and launching different international events, are some examples of how ICD burnished its reputation.

GLOBAL & REGIONAL AWARDS

As a recipient of awards, ICD presents a compelling platform to disseminate its message and increase market reach across the globe, as well as to reaffirm the excellent job done by the ICD team in many diverse and demanding areas of development. In 1435H, the international community and pivotal players in the Islamic finance industry appreciated the development role played by ICD in many different ways.

ICD was named 'Best Development Bank' at the prestigious Islamic Business & Finance Awards 2014 organized by CPI Financial, a leading global financial publisher and news provider. The award represents a valuable platform from which to disseminate the work undertaken by the ICD, and provides strong support in raising the corporate profile and reaching out to a wider audience.

These recent events highlight ICD's progress towards the goal of becoming the premier multilateral agency for developing the private sector in a Shariah-compliant manner. In November 2014, ICD was awarded the accolade of 'Excellence in Development of the Islamic Private Sector – MENA 2014' by International Finance Magazine (IFM) at its annual IFM awards. Also, during the same month, the ICD was conferred the title of 'Best Private Sector Developer of Islamic Finance in the Middle East' by the respected global publication IAIR Magazine, at its Global Economy and Sustainability Awards Ceremony.

The 2014 Business Excellence Awards from Acquisition International selected ICD to receive its 'Islamic Banking Business Excellence' award, while ACQ Magazine named it the 'Islamic Development Bank of the Year'. At the Asia Islamic Banking Leadership Awards, ICD was recognized as 'Best Islamic Finance Advisor'.

Demonstrating the exceptionally wide scope of its remit, the ICD subsidiary, Banque Islamique de Mauritanie, also won 'Best Islamic Finance Initiative' at the 2014 African Banker Awards.

AA / F+1 RISK RATING

In November 2014, ICD reached a key milestone by obtaining AA/F1+ ratings from Fitch Ratings. These are the Corporation's first ever credit ratings from a major international rating agency. Fitch Ratings defines the AA rating as very high long-term credit quality and F1+ as the highest short-term credit quality. These ratings reflect strong support from its key shareholders, consisting of the Islamic Development Bank (IDB), with 46.7 percent shareholding, and the Kingdom of Saudi Arabia (KSA), with 18.7 percent.

IDB and KSA are currently rated by Fitch Ratings at AAA and AA, respectively. The ratings conferred on the Corporation are also underpinned by the sound ICD risk management framework including, among other things, prudential policies for capital adequacy, liquidity, asset and liability management, credit risk, and market risk.

ICD uses this opportunity to mobilize long-term funds from the Islamic capital markets in response to a growing demand for assistance from its member countries. Over 1436H-1438H, ICD plans to leverage approximately US$ 1.6 billion in long-term funds through Sukuk issuances and private placements in various Islamic capital markets.

The AA/F1+ ratings will enable ICD to raise these funds at lower costs for the benefit of its private sector clients in member countries. Other sources of ICD funding are paid-in capital and retained earnings, which currently finance an estimated 68 percent of total assets.

PARTNERING FOR DEVELOPMENT

In 1435H, ICD enhanced its commercial financial institution network to successfully close a number of transactions arranged by Bank of America Merrill Lynch (BAML) and VTB Capital. BAML was the lead arranger for a US$ 120 million facility for Kiler Retail in Turkey in which ICD was one of the key participants for the Shariah tranche. VTB Capital was the lead arranger for a US$ 60 million Islamic facility for a finance company in Saudi Arabia.
During the year, ICD also signed a few Memorandum of Understandings (MoUs) with various partners across the globe for enhanced partnerships in common areas of interest. The MoUs that were signed include, notably:

1. The MoU with Bank of Tokyo-Mitsubishi UFJ (Malaysia) as a stepping stone to promoting Islamic finance with Japanese financial institutions. The MoU led to ICD's debut medium-term financing facility from Tokyo-Mitsubishi UFJ, which provided a 3-year US$ 100 million facility to ICD. Proceeds were deployed alongside ICD proprietary capital to finance projects in its member countries.

2. The MoU with the European Bank for Reconstruction and Development (EBRD) to support SMEs in Egypt, Jordan, Morocco and Tunisia. Under the terms of the MoU, the EBRD and the ICD will aim to establish a US$ 120 million investment fund to develop and support SMEs across the southern and eastern Mediterranean region, through innovative transaction structures. Under the Fund, various financing products will be used such as equity and quasi-equity.

3. The MoU with Pelaburan MARA Berhad (PMB) of Malaysia, a strategic investment and asset management company wholly-owned by Majlis Amanah Rakyat (MARA), a statutory agency of the Government of Malaysia. The MoU resulted in ICD partnering with PMB to venture into the Shariah leasing business in Malaysia under PMB Tijari Berhad, a newly-rebranded company, formerly known as KFH Ijarah House (Malaysia) Sdn Bhd.

4. The MoU with the Japan International Cooperation Agency (JICA) to set out a framework for collaboration in the development of the Islamic Finance industry. In particular, ICD and JICA will cooperate in supporting the development of the Islamic money market and international capital markets for the countries of common interest. The MoU includes establishment of a platform for international dialogue on Islamic Finance as a potential tool for inclusive and sustainable growth.

5. In view of a partnership for investments in Morocco, the ICD and Al-Ajial Funds (Al-Ajial) signed an MoU during the G8 Deauville Partnership Investment Conference in Skhirat, Morocco. Through this partnership, ICD and Al-Ajial Funds expressed their willingness to establish a framework of cooperation in order to co-invest in potential projects within Morocco's private sectors.

In the developmental finance area, ICD became a member of the International Development Finance Club (IDFC) in the couse of the year. The primary objectives of the IDFC reflect the accumulated experience of its members and are the first such attempt to define and address the major obstacles facing development finance today. IDFC currently has 21 members consisting national, regional and international development financial institutions. Amongst the members include KfW Bankengruppe, Agence Française de Développement, Black Sea Trade and Development Bank, Japan International Cooperation Agency, Industrial Development Bank of Turkey, Indonesia Exim Bank, Banque Ouest Africaine de Développement, and Caisse de Dépôt et de Gestion.

INTERNATIONAL EVENTS

ICD was home to two major international events in the past year. During the 40th Anniversary of the IDB, the ICD organized a Social Entrepreneurship Forum. Anchored within the corporation's mandate to promote entrepreneurship, thus better addressing the socio-economic development needs of its member countries, this was a brilliant time for the ICD to bring together both academicians, as well as social entrepreneurs, to share their ideas on how to promote and apply this concept in other member countries. In addition to its public awareness objective, the Forum also aimed to set a platform for effective networking between participants and for deriving policy implications. Ashoka Foundation and social entrepreneurs from the Kingdom of Saudi Arabia, Bangladesh, Pakistan, Burkina Faso and Malaysia were some of the contributors at the Forum.

Another successful event ICD organized was a Business Plan Competition fully devoted to Sub-Saharan Africa entrepreneurs. The 1st Business Plan Competition of the IDB Group, launched in January 2014, provided an opportunity to entrepreneurs to present their business plan proposals for a new business ("idea" track), or for expansion projects ("growth" track). A dedicated website was created and public media used to market the event and reach potential entrepreneurs in the region. Twenty finalists out of 650 applicants qualified for the final event which took place on December 2014, in Casablanca, and attracted a large number of media and local news agencies.

ICD PARTNERSHIP WITH THE MALAYSIA GOVERNMENT AGENCY (PELABURAN MARA)

In June 2014, ICD and Pelaburan Mara Berhad (PMB) signed a Shareholders Agreement to venture into the Shariah leasing business in Malaysia under PMB Tijari Berhad, a newly-rebranded company, formerly known as KFH Ijarah House (Malaysia) Sdn Bhd. Undoubtedly, this collaboration scaled up cooperation between the Malaysian government and the private sector.

The Deputy Prime Minister of Malaysia, commenting on this partnership, remarked how the ICD partnership attested to the degree of confidence in continuing investments in Malaysia. He hoped this network of the ICD and the IDB Group would lead to an expansion of PMB Tijari services, not only in Malaysia but also in the 57 OIC-member countries.

Apart from ICD direct equity investment into the company, ICD is also bringing its Bahrain-based affiliate and global leasing technical partner, Ijarah Management Company, to provide the technical assistance and necessary tools for PMB Tijari. Once PMB Tijari establishes strong branding in the local market, the ICD envisions to expand its business model into other overseas markets in the surrounding region where there is huge demand in the leasing sector.

In addition to the above, ICD took part in several other international events. The CEO of ICD was invited as a special keynote speaker to participate in the Islamic Banking Summit Africa (IBSA) – 2013 where he discussed ways and means of using Islamic finance to build capacity for economic development in Africa. He also invited as a keynote speaker to the Islamic Finance Roadshow (IFN) – 2013, and he moderated a session of the Global Islamic Economy Summit – 2013 on the role of the public and private sector in facilitating the development of the Islamic finance industry.

TRAINING HUMAN RESOURCES

One of the biggest challenges the Islamic finance industry faces today is the lack of trained professionals in the field. Assuming a leadership role in the Islamic Finance industry, the ICD initiated a positive wave in rising to address this challenge. ICD decided to start a prototype of a learning and development incubator targeting professionals passionate about Islamic Finance. The Islamic Finance Talent Development Program (IFTDP) was established with the aim of building a pool of highly talented young Islamic finance professionals who, in the final analysis, shall directly contribute to the development of the Islamic finance sector. Each year, 12 competent and passionate professionals pursue their aspirations of contributing to the development and propagation of Islamic Finance, by joining the IFTDP.

Over a 2 year period, the program is designed to provide Islamic finance experience through on- the-job rotational assignments, class room training, and coaching and mentoring sessions. On successful completion of the program, participants also earn a Masters degree in Islamic Finance.

ICD PARTNERSHIP WITH JAPANESE FINANCIAL INSTITUTION

In September 2014, the ICD and the Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (BTMU Malaysia) signed a financing agreement, the proceeds of which will be attributed alongside ICD proprietary capital to finance projects in member countries. The US$ 100 million Commodity Murabaha Agreement was signed pursuant to a previous Memorandum of Understanding agreed in Tokyo, in April 2014. Both parties agreed to form a joint strategic collaboration to tap into the constantly evolving Islamic finance industry, especially in ICD member countries.

The collaboration signifies another important milestone for ICD and BTMU Malaysia in the international Islamic financial market industry. It recognizes the prior achievements of BTMU Malaysia in Islamic finance, and demonstrates its strong commitment toward achieving global positioning for the industry through continued participation in ground-breaking transactions.

Moreover, this partnership represents the first ever financing signed by BTMU Malaysia with a multilateral international financial institution such as the ICD. The Agreement also strengthens and deepens ICD's relationship with its non-traditional partners from the Asia Pacific region, namely Japan. The focus is to promote cross-border investment in ICD member countries and to share Islamic finance knowledge and expertise. The facility also contributed to opening up new opportunities for scaling up ICD financing in its member states.

As the leading Islamic finance institution supporting private sector development across the Islamic world, the funding made through this facility also marks an important chapter in the continued growth of the ICD global presence. It marks a firm commitment to developing and increasing ICD activities and financing for the private sector and financial institutions in member states.

ANNEX 1
COUNTRY APPROVALS & DISBURSEMENTS SINCE INCEPTION IN US$ MLN

3,440.84 APPROVAL

1,754.40 DISBURSEMENT

GRAND TOTAL

	APPROVAL	DISBURSEMENT
Albania	2.15	1.86
Algeria	23.00	-
Azerbaijan	133.82	93.19
Bahrain	23.00	22.44
Bangladesh	125.80	45.21
Burkina Faso	3.50	-
Djibouti	4.00	4.00
Egypt	86.42	31.07
Gabon	21.50	-
Gambia	22.35	1.15
Global	250.00	166.80
Guinea	2.99	2.99
Indonesia	155.80	100.52
Iran	111.86	36.31
Ivory Coast	27.40	-
Jordan	62.10	29.36
Kazakhstan	113.80	31.28
Kuwait	14.13	14.13
Kyrgyzstan	29.90	9.98
Lebanon	7.00	-
Libya	73.00	10.00
Malaysia	29.66	5.53
Maldives	33.40	31.44
Mali	21.28	-
Mauritania	64.10	58.13
Mozambique	10.00	0.09
Niger	11.54	2.48
Nigeria	218.00	61.77
Pakistan	111.93	66.84
Palestine	6.00	1.00
Qatar	16.15	-
Saudi Arabia	514.91	312.46
Senegal	51.52	28.64
Sudan	66.84	51.58
Syria	152.50	56.30
Tajikistan	43.50	25.18
Tunisia	23.25	19.87
Turkey	132.20	86.42
Turkmenistan	5.00	-
UAE	53.90	40.90
Uganda	10.00	-
Uzbekistan	207.33	132.35
Yemen	176.91	99.33
Regional	187.41	73.81
Global	437.4	240.61
GRAND TOTAL	3,440.84	1,754.40

ANNEX 2
FINANCIAL REVIEW REPORT

I. CLIENT SERVICES

BUSINESS OVERVIEW

ICD fosters sustainable economic growth in its 52 member countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to business and governments. ICD's activities are centered on four strategic focus areas:

- Developing Islamic financial channels in order to create multiplier impact.
- Providing advisory services for establishing Islamic finance windows and converting conventional financial institutes into Islamic organizations.
- Providing finance for investments in high impact sectors and helping governments by providing advisory services in privatization, Sukuk issuance, and structuring project finance deals.
- Improving its partnership with IDB Group and other MDBs and heavily leverage internal and external partners to go beyond its own resources.

ICD has a unique position in that it offers three sets of Shari'a-compliant business products and services to its private sector clients in member countries. These global business products are mutually reinforcing and interrelated, and include Financing & Investment Products, Advisory Services, and Asset Management.

FINANCING AND INVESTMENT PRODUCTS

ICD's mandate to serve the private sector of member countries is carried out through a variety of different investment products. It provides both term financing and equity contribution to private sector Greenfield projects or those that are undergoing expansion or modernization. ICD also extends short-term financing to cover working capital or procure raw materials with a tenor of up to 24 months. Furthermore, it extends lines of financing to commercial banks and local development financing institutions in member countries in order to indirectly finance their small and medium enterprises (SMEs). At the same time, it structures, arranges and manages syndication, securitization. ICD's financing and investment products include:

Musharakah (joint venture) – In the context of business and trade, Musharakah refers to a partnership or a joint business venture with a view to making profits. Considered by some to be the purest form of Islamic financing, all the investors contribute capital towards a business venture and agree to share profits on a pre-agreed ratio, while losses are borne by each investor in proportion to their respective capital contributions.

Mudarabah (profit sharing) – It is a form of partnership where one party provides the funds, while the other provides the expertise and management. The former (Capital provider) is known as the rab-al-maal, while the latter is referred to as the mudarib. Profits made in the business are shared between the parties according to a pre-agreed ratio. If losses occur, the rabb-ul-mal will lose his capital, and the mudarib will lose the time an effort he invested in running the business.

Murabahah (cost plus mark up) – This concept refers to the sale of goods at a price, which includes a profit margin agreed by both parties. The purchase and selling price, other costs, and the profit margin must be clearly stated at the time of the sale agreement.

Wakalah (Agency) – This is a contract whereby a person (as the principal) asks another party to act on his behalf (as his agent) to undertake a specific task, who will be paid a fee for his services. This contract is usually used in conjunction with another Shari'a compliant product.

Bai Salam – It means a contract in which advance payment is made for goods to be delivered at a future date. Under this arrangement, the seller is obligated to supply some specific goods to the buyer at a future date in exchange for an immediate advance payment fully made at the time of contract. It is imperative that the quality of the commodity intended to be purchased is fully specified, leaving no ambiguity, which could lead to a potential dispute between the parties. This type of financing is most often used when a farmer needs capital to cultivate and harvest his crops.

Istisna – It means Manufacturing Finance. Istisna is a contract where a party agrees to manufacture/construct an asset based on the order and specifications of a buyer where payments are made in stages to facilitate step-by-step progress in the manufacturing /construction works.

Ijarah – It means lease, rent or wage. Generally, the Ijarah concept refers to selling the benefit of use (usufruct) or service for an agreed rental or wage. Under this concept, ICD makes available to the client the use of assets/equipment such as plant, office automation, motor vehicle for an agreed period and rental. During the lease period, ICD retains ownership of the asset.

Bai' muajjal (credit sale) – It is a sale contract in which ICD sells an asset/commodity with a profit margin to the buyer where payment of the sale price is made on a future date either in the form of a lump sum or in installments. The contract has to expressly mention that the cost of the asset/commodity and the margin of profit are mutually agreed upon. Bai' muajjal is also called a deferred-payment sale.

ADVISORY SERVICES

ICD provides a wide variety of advisory services to governments, and public and private entities of member countries. The services include assessing the business environment of member countries along with any required reform actions. It also provides advisory services for project financing, restructuring/rehabilitation of companies, privatization, securitization, Islamic finance and the development of Islamic capital markets, particularly Sukuk.
ICD Advisory Services strategic goals and objectives is to continue to grow and build scale across its advisory programs across the breadth of services it can provide and by the geographical distribution of its work load. Details of the strategic direction and goals by program is given below:

Islamic Financial Institutions Development Program works on advising financial institutions on creating Islamic independent subsidiary/windows, converting conventional financial institutions into Islamic entities, and creating new Islamic banks/vehicles focused on the local markets especially small and medium enterprises. The program helps in developing Islamic Finance products and capabilities in private sector institutions in its member countries.

Sukuk and Capital Markets Program seeks to help member countries develop Islamic Capital Markets and Islamic Yield Curves, by advising member governments on issuing short-term and long-term Sukuks which aim to provide banking sector with the needed liquid instruments to invest surplus capital. This adds to the flow of Sukuk issuance in member countries, which helps to develop their debt capital markets and diversify the funding options. The program also works with the private sector to structure and distribute tradable Islamic instruments.

Infrastructure and Privatization Advisory Program is positioned to advise on the development and financing (finding the “right” capital) of small and medium scale infrastructure projects (private sector or public private partnership projects) such as Independent Power Projects, Utilities, Telecommunication and Industry (Cement, Fertilizer, Steel). In addition, ICD has also developed the capabilities to advise Governments on both privatization strategy and specific privatization transactions in order to attract private sector investment into key sectors.

Industry and Business Environment Support Program (formerly the Special Economic Zones Program) strives to help member countries to develop and execute policy reform initiatives in order spur industrial growth with a key focus to developing special economic zones (SEZ) in countries. These initiatives directly or indirectly contribute to the development of the private sector and ultimately job creation within the countries.

ASSET MANAGEMENT

ICD sponsors, manages (as Mudarib) and participates in private equity funds and other special purpose investment vehicles designed to invest in or finance projects in accordance with its mandate. The vision and philosophy of ICD’s asset management business is derived directly from these core pillars of ICD’s strategy and generally cover the following aspects:

- Ensuring superior performance of the existing, and in-progress funds. Where relevant, leading and successfully completing the fundraising exercise for specific funds that are currently undertaking or planning to undertake initial or subsequent rounds of fundraising.

– Continuing to develop, raise and launch new funds designed to amplify ICD's role and impact in the development of the private sector in key economic sectors in the member countries.

– Implementing sound governance structures for each of the existing and future funds in line with best international industry practice. This also includes, where applicable, that these funds are established and managed under sound external regulatory framework, which is the key requirement for the asset management industry.

– Optimizing the multiplier effect by reducing ICD's direct contribution into these funds and raising growingly higher additional third party funds.

– Further strengthening of ICD's in-house asset management capabilities and expertise through developing partnerships with experienced fund managers and transfer of technology and knowledge sharing.

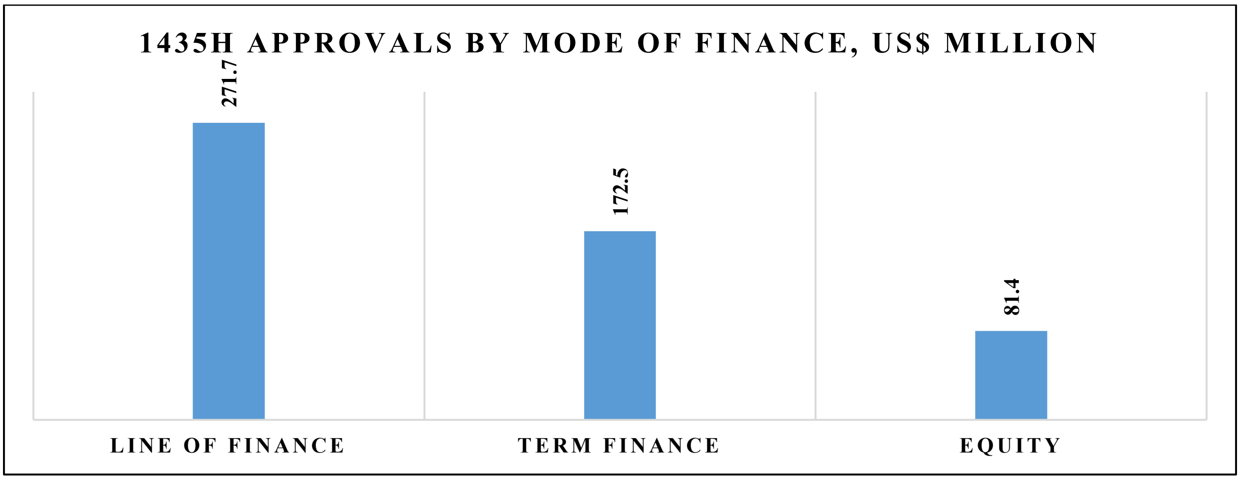
– Transforming each of the Fund Platforms into well-integrated and well-operated diversified operations, augmenting operational efficiencies and capabilities, and optimizing cross fund synergies and further increasing the potential of raising additional third party funding at the Fund Platform level.

– Generating attractive returns on capital deployed and additional fee income from each of existing and future funds. This further ensures that ICD's asset management business remains self-sustainable and makes a growingly material contribution to ICD's profitability.

OPERATION OVERVIEW

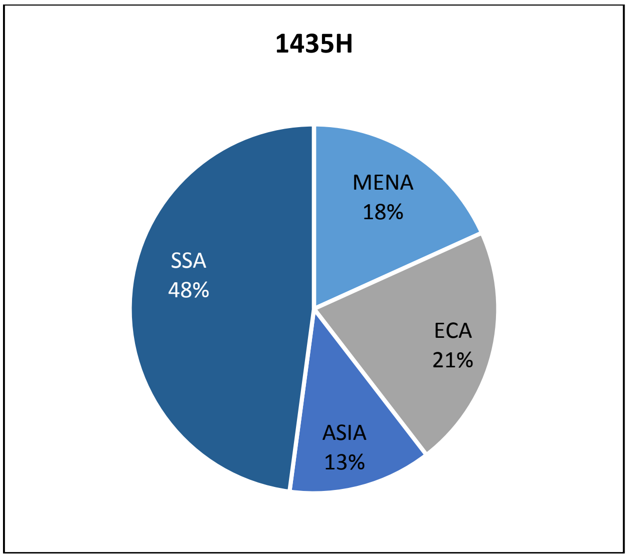
Approvals in 1435H

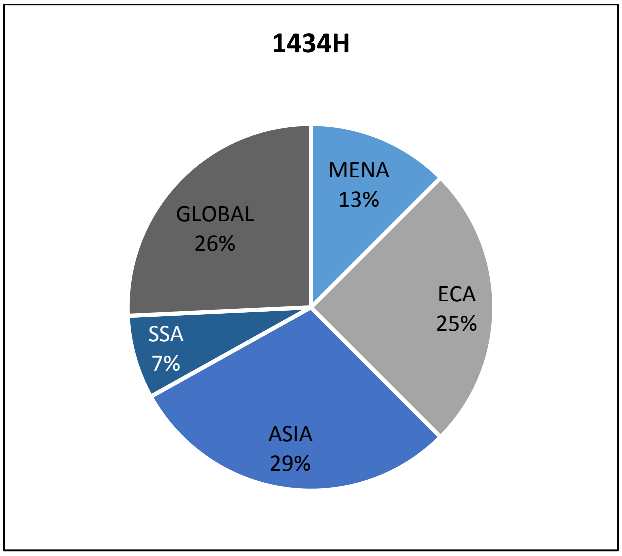
In 1435H, total approvals were US$ 525.7 million, compared with US$ 429.6 million in 1434H, an increase of 22 percent. In total, ICD approved 37 projects in the last year. Line of Financing accounted for the bulk of ICD's 1435H approvals, representing 52 percent of the total, followed by the Term Finance (33 percent), and Equity Investment (15 percent).



ICD's approved investments portfolio in 1435H is diversified by sector and geographic region with a focus on strategic high development impacts sectors such as financial markets, industry and social sectors.

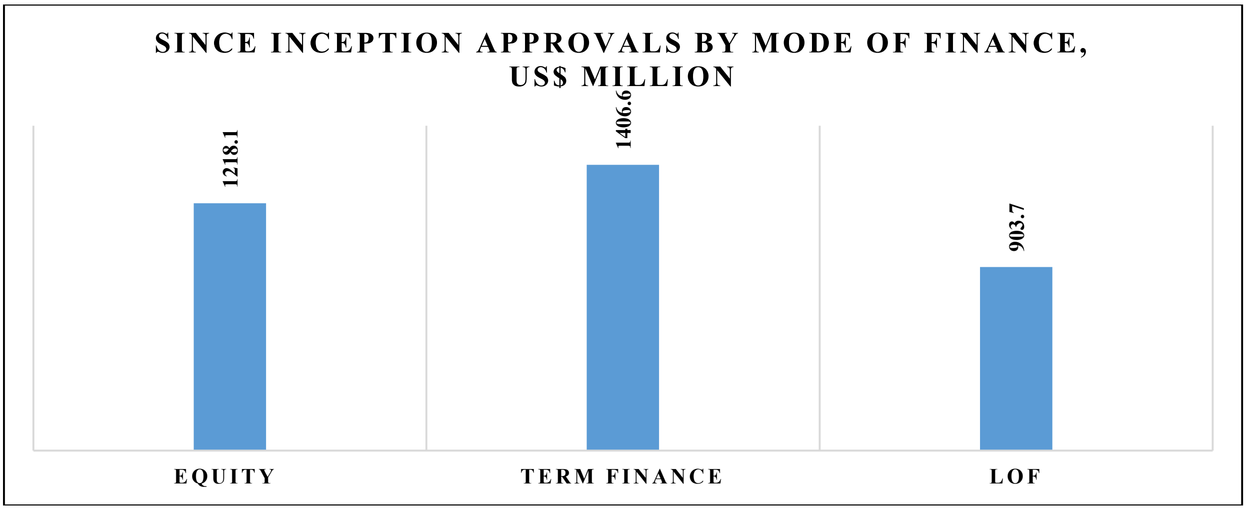
Distribution of Approvals by Regions



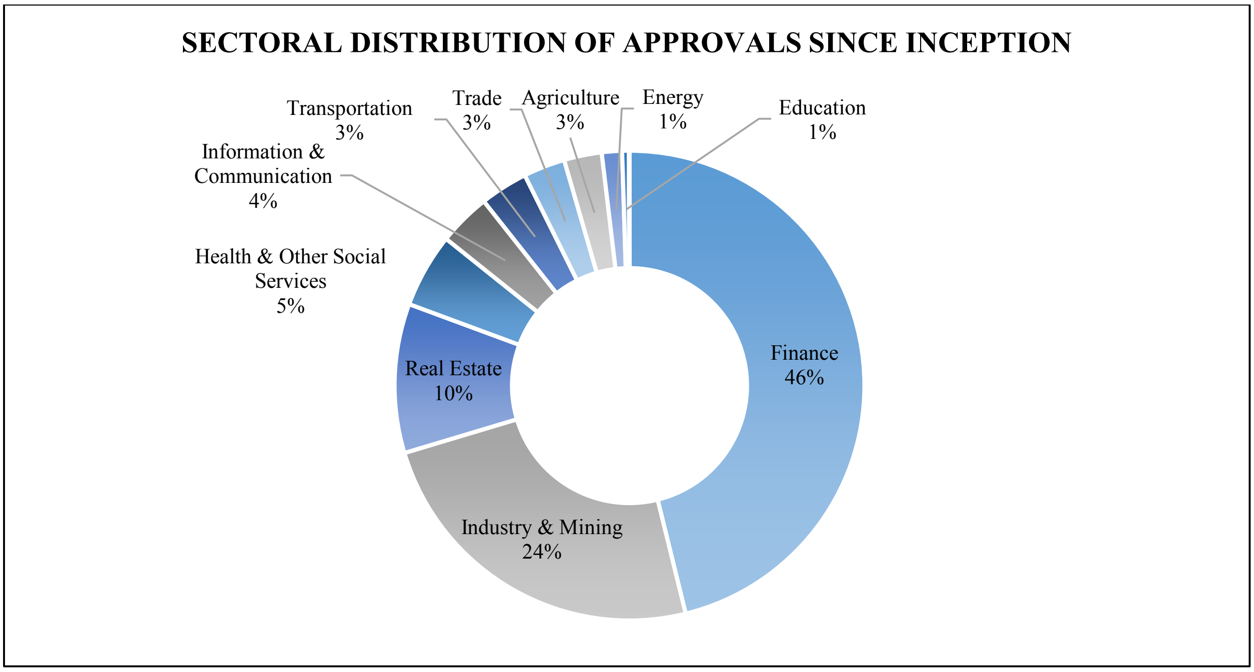


Approvals since Inception

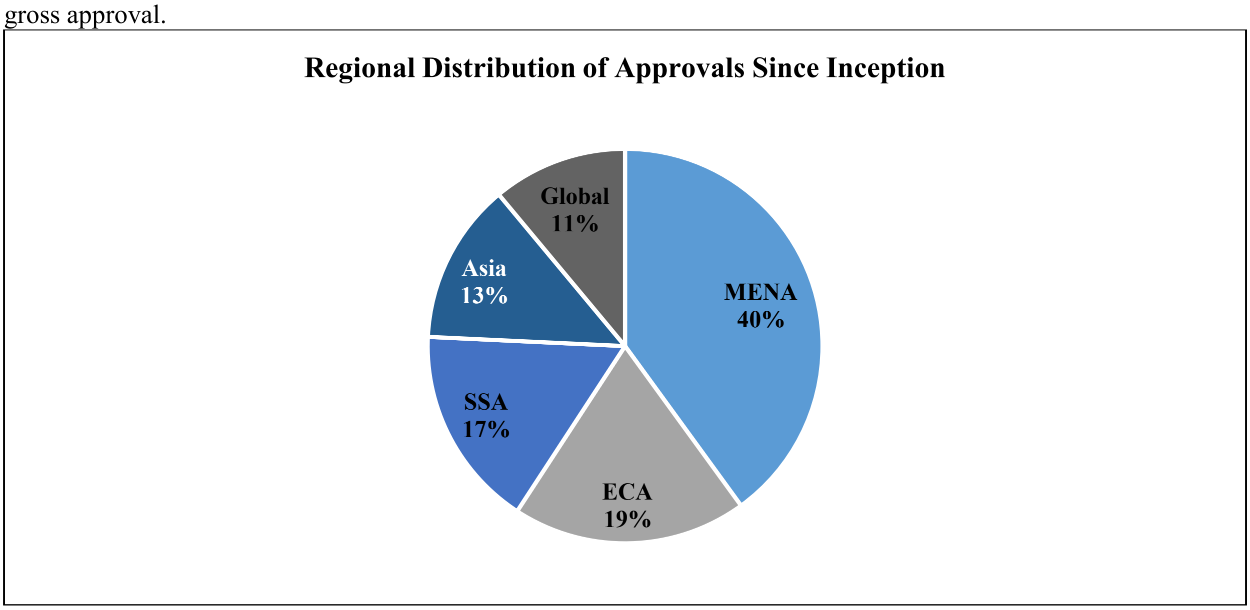
By the end of 1435H, ICD's accumulated approvals had reached US$ 3.440 billion with allocations to over 300 projects. ICD approved about 70 percent of its investments through two main modes of finance: Term Finance and Equity. The cumulative gross approvals of ICD by type of finance include: US$ 1406.6 million of Term Finance, US$ 1218.1 million of Equity, and US$ 903.7 million of Line of Finance.



The sectoral composition of ICD's accumulated approvals underscores diversity and is spread over 11 sectors. The financial sector accounted for the largest share amounting to US$ 1.63 billion, or 46 percent of the accumulated gross approvals since its inception. The industrial & mining sectors had the second largest share, with a total approved amount of US$ 854.4 million, representing 24 percent of gross approvals. This was followed by real estate at 10 percent.



In terms of geographical distribution, ICD's approvals also exhibited a mixed picture. By the end of 1434H, its operation had reached to 42 countries, in addition to ten regional projects that incorporate several member countries. The geographic mix of these countries shows that 40.1 percent of ICD's approvals have been allocated to projects in the Middle East and North Africa (MENA) region, followed by 19.2 percent in Europe and Central Asia, 16.5 percent in Sub-Saharan Africa, and 13.2 percent in Asia. The share of the Global and regional projects was 11 percent of the gross approval.

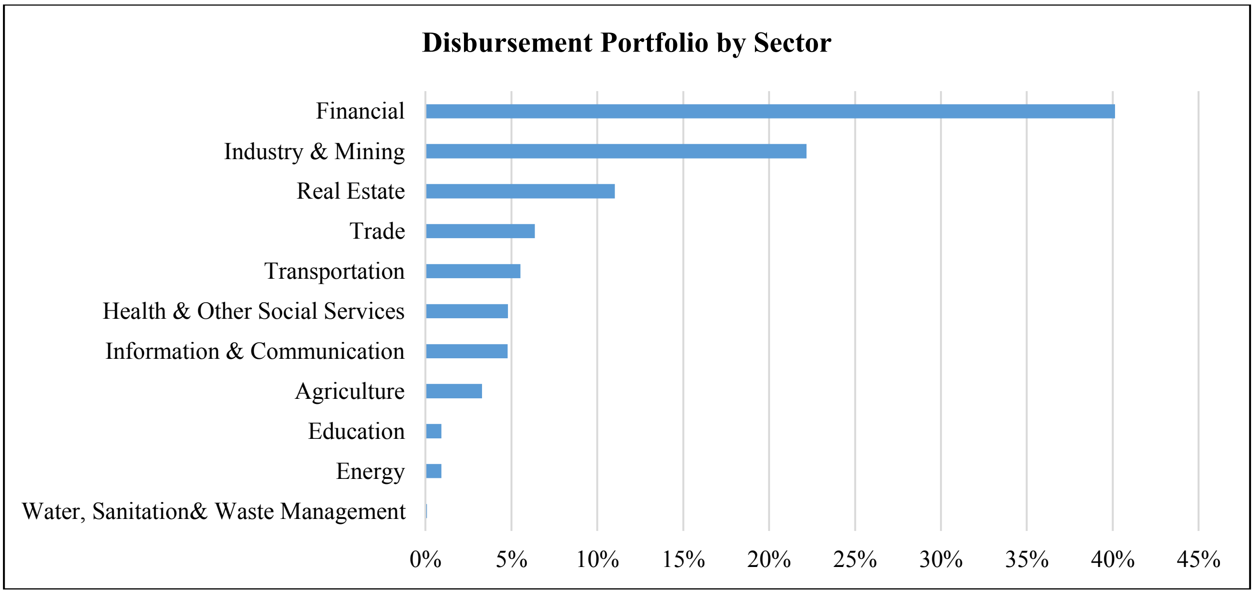


Disbursements in 1435H

ICD's disbursement increased from US$ 308.5 million in 1434H to US$ 360.4 million in 1435H, representing an almost 17 percent increase. This is a clear indicator of ICD's ongoing and serious efforts in terms of speeding the disbursement process internally in order to meet the needs of clients on a timely basis. The largest allocation of the past year's disbursement was made through Equity, followed by Line of Finance.

Disbursements Portfolio

ICD's total disbursed investment portfolio was US$ 1,754.4 million at 30th Dhul-Hijjah, 1435H. The disbursement portfolio is diversified by industry sector with a focus on strategic high development impact sectors such as financial markets, industry and mining, real estate and trade.

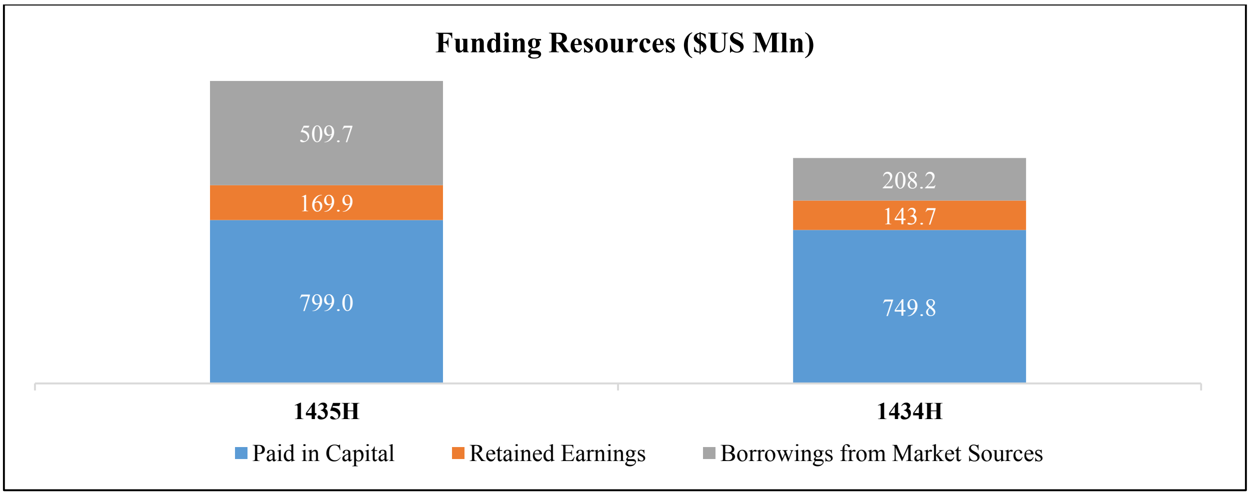


I. LIQUID ASSETS AND FUNDING RESOURCES

LIQUID ASSETS

ICD invests its liquid assets portfolio in balanced and diversified fixed and floating rate fixed income instruments namely placements in Sharia'h compliant short term money market instruments, participation in syndicated loans, and investment in Sukuk issued by governments and/or government agencies and high quality corporate issuers etc. Diversification in multiple dimensions ensures a favorable risk adjusted return profile for ICD.

ICD manages the market risk associated with these investments through appropriate Sharia'h compliant hedging techniques, either by employing derivatives, or achieving natural hedging by aligning assets and liabilities in a manner to neutralize market risk factors.



BORROWINGS

The major source of ICD's borrowings is the banks operating in different geographical locations. ICD borrowed US$ 0.5 billion during FY1435H (US$ 0.2 billion in FY1434 and US$ 0.18 billion in FY1433H). ICD chiefly borrows in its functional currency – U.S. Dollar, and in Saudi Riyals which is pegged with U.S. Dollar. However, ICD always diversify its sources to effectively mitigate concentration risk and with varying maturities to provide flexibility and cost-effectiveness. ICD's outstanding market borrowings have remaining maturities ranging from less than 3 months to approximately 3 years, with a weighted average remaining contractual maturity of 1.37 years at the end of 1435H (0.97 years at the end of YE1434H). Actual maturities may differ from contractual maturities due to the conditional roll over features in certain borrowings. Short term borrowing rates are usually generally fixed and long term borrowings are generally floating-rate.

III. RISK MANAGEMENT

ICD's investments are exposed to the full range of commercial, political, and potential reputational risks and managing these risks is therefore a priority. The primary objective of ICD's risk management framework is to identify, measure, monitor, and control these risks. The framework comprises risk governance, policies, methodologies, and processes.

RISK GOVERNANCE

The Board of Directors and Board Committees provide the highest level of oversight on the major risks in ICD's operations. ICD's Management Committee, under the Chairman of the CEO and GM, oversees corporate wide risk issues and endorses all risk policies and guidelines for approval by the CEO and Board of Directors. The Investment Committee is highest decision-making body for all investment decisions within the ICD, covering new and existing transactions as well as workouts. The Asset and Liability Committee oversees the risks in ICD's balance sheet as well as in liquid asset management and funding operations. The Risk Management Department has the overall responsibility for managing ICD's integrity, financial, and operational risks.

RISK POLICIES AND GUIDELINES

The Risk Management Department is responsible for developing and maintaining ICD's risk policies and guidelines. The Board of Directors approves all risk policies following endorsement by various board and management committees, including the Audit Committee of the Board, Management Committee, Group Risk Management Committee, and ALCO. The key risk policies and guidelines are summarized as follows:

- **Capital Adequacy Policy:** a prudential minimum level of capital is required to cover all risk assets in ICD's operations. ICD's capital adequacy ratio (CAR) is defined as total members equity (paid-in capital plus reserves) divided by risk-weighted assets. The policy requires ICD to maintain this ratio at 35% or higher at all times. The table below provides the breakdown of ICD's risk-weighted assets and capital adequacy ratio at year-end 1435H. The CAR has become 42% at year-end 1435H.

ICD's Risk-Weighted Assets and Capital Adequacy Ratio
At Year-End 1435H
(US$ million)

Asset Class		Risk Weighted Assets
Equity Investments	724	1,489
Term Financing	300	697
Liquid Assets	284	94
Total Risk Weighted Assets (TRWA)		**2,280**
ICD's Equity (E)		**970**
Capital Adequacy Ratio (E/ TRWA)		**42%**

- **Liquidity Policy:** a prudential minimum liquidity equivalent to a 1-year net cash requirement is to be maintained at all times to ensure that ICD can meet all its financial obligations without additional funding over the next 12 months. The net cash requirement is defined as cash inflows (loan repayments, capital payments, and net income) minus cash outflows (disbursements and redemption). The size of the prudential minimum liquidity for 1436H was estimated at US$ 800 million.

- **Treasury Risk Management Policy:** ICD manages its liquidity portfolios in accordance with Board approved limits on market risk, credit risk, concentration risk, and liquidity risk. The key metric for market risk is duration, which is capped at 3 years. ICD is required to maintain the average credit rating of the liquidity portfolio at A-/A3.

- **Asset and Liability Management Policy:** ICD is required to match the currency and profit rate of its assets and liabilities. Accordingly, ICD funds its floating rate assets with floating rate liabilities and vice versa for fixed rate assets. ICD funds its equity investments strictly using equity capital. To ensure flexibility in its funding operations, ICD uses derivatives on a fully hedged basis to convert the currency and profit rate basis of its liabilities to match those of its assets.

- **Credit Risk Exposure Management Policy:** concentration risk in the operations portfolio is managed through a variety of prudential limits, including on asset class, country, sector, single obligor, and group company**.**

- **Anti-Money Laundering and Countering Terrorist Financing Policy :** ICD manages this risk of being used as a conduit for money laundering and terrorist financing activities by establishing the essential standards in line with best practices and implementing safeguards designed to prevent such activities.

CREDIT & EQUITY RISK

Credit risk is the risk of loss if a borrower or counterparty fails to fulfill its financial obligations to ICD. Equity risk is the risk of loss arising from changes in fair valuation of ICD's equity investments. Such valuation is sensitive to a variety of factors, including macroeconomic developments, management performance, demand/supply dynamic, political risk, and exchange rate movements. ICD is required to assign an internal credit rating to each financing transaction as well as to each treasury counterparty when a public rating from one of the major international rating agencies is not available. ICD uses an internally developed credit rating methodology that is broadly aligned with that of the major international rating agencies. The methodology comprises four templates for rating exposures to sovereign, corporate, financial institution, and project finance. ICD's internal credit rating scale comprises 21 categories that are mapped to those of international rating agencies. The table below provides the major credit and equity risks in ICD's operations.

ICD's Credit & Equity Risk Exposures
At Year-End 1435H
(US$ million)

Transaction Type	Exposure	% Total Exposure
Line of Financing to Banks	201.5	14.0%
Term Financing	256.1	17.9%
Treasury	242.1	16.9%
Sub-total: Credit Risk Exposure	699.7	48.8%
Equity Investments	498.7	34.8%
Funds	236.2	16.5%
Sub-total: Equity Risk Exposure	734.9	51.2%
Total	1,434.6	100.0%

Credit and Equity Risks in the Operations Portfolio. All new financing and equity investment transactions are subject to ICD's Credit Approval Process, which entails two rounds of review involving the risk management department and Investment Committee (IC): Concept Review and Final Review. At the Concept Review stage, the primary objective of the assessment is to ensure that the transaction generally complies with ICD's developmental, operational, financial, integrity, and risk management strategies and principles. Following IC's concept review clearance, detailed due diligence is undertaken and the results are presented to the Investment Committee for final review. All transactions exceeding US$ 10 million are submitted to the Executive Committee of the Board for approval.

Following approval, monitoring of exposures is undertaken in accordance with ICD's Credit Administration and Monitoring Process. All transactions are reviewed annually or in the case of watch list and impaired transactions quarterly or monthly. The responsibility for monitoring transactions rests with the operations department with oversight by the risk department and IC. In this review, ICD assesses the implementation progress, development impact, and key risk factors as well as updates the credit rating, equity valuation, and provisions as appropriate.

The tables below provide detailed information on credit risk in the operations portfolio by country, sector, and risk rating category.

Credit Risk in Operations Portfolio by Country
As of Year-End 1435H
(US$ million)

Country	Exposure	% of Total Exposure
Saudi Arabia	182.1	15.3%
Bahrain	168.3	14.1%
Uzbekistan	82.7	6.9%
Mauritania	90.2	7.6%
Turkey	65.4	5.5%
Malaysia	62.8	5.3%
Senegal	71.3	6.0%
Nigeria	61.8	5.2%
Azerbaijan	53.1	4.4%
Pakistan	56.1	4.7%
Sudan	36.7	3.1%
Yemen	43.2	3.6%
Egypt	23.2	1.9%
Bangladesh	31.5	2.6%
Indonesia	18.5	1.6%
UAE	26.9	2.3%
Others	118.9	10.0%
Total	**1,192.5**	**100.0%**

ICD's Operations Portfolio by Sector
As of Year-End 1435H
(US$ million)

Sector	Exposure	% of Total Exposure
Financial Services	459.6	38.5%
Industrial & Mining	206.0	17.3%
Micro & SME finance	201.5	16.9%
Real Estate	191.5	16.1%
Trade	42.7	3.6%
Agriculture	37.8	3.2%
Aviation	22.6	1.9%
Pharmaceuticals & Healthcare	18.5	1.5%
Technology	12.4	1.0%
Total	**1,192.5**	**100%**

Credit Risk in Term Financing Portfolio by Rating Category
As of Year-End 1435H
(US$ million)

Rating	Category	Exposure
AAA to BBB-	Low risk	21.9
BB+ to BB-	Moderate risk	155.2
B+ to B-	High risk	184.8
CCC+ and below	Very High risk	95.7
		457.6

WARR	B+/B1

Financing portfolio. ICD's financing portfolio totaled US$ 457.6 million at year-end 1435H comprising exposures to banks (44%) and term financing (56%). The weighted average risk rating (WARR) of the financing portfolio stood at B+ at year-end 1435H.

Direct equity investment portfolio. The direct equity investment portfolio totaled US$ 498.7 million at year-end 1435H comprising 44 transactions in various sectors including financial institutions (45%), real estate (36%), aviation (4.5%), Industrial (4.4%) Pharmaceuticals (3%) and others (7.3%).

Fund investment portfolio. The fund investment portfolio totaled US$ 236.2 million at year-end 1435H comprising the following funds: Unit Investment Fund (US$ 150.7 million), Money Market Fund (US$ 52.3 million), Saudi SME Fund (US$ 26.3 million), Theemar Investment Fund (US$ 3.9 million) and Libya Fund (US$ 3 million).

Credit Risk in Treasury Operations

ICD invests funds held in its liquidity portfolio in accordance with the primary objective of safety and liquidity. The size of the liquidity portfolio was US$ 284.4 million at year-end 1435H comprising bank placements with an average maturity of 3.9 year (94%) and Sukuk bonds with an average maturity of 6.1 years (6%). The weighted average risk rating of the liquidity portfolio was BBB- at year-end 1435H. In line with the treasury risk management policy, which was approved by the Board in July 2014, such risk rating needs to be improved to A-/A3 or better by July 2016. The tables below provide detailed information on ICD's liquidity portfolio at year-end 1435H by country as well as projected liquidity portfolio at year-end 1436H by portfolio type. The projection reflects the requirements spelled out in ICD's liquidity policy, which was approved by the Board in July 2014.

ICD's Liquidity Portfolio by Country
As of Year-End 1435H
(US$ million)

Country	Sovereign Rating	Exposure	% of Total
Turkey	BBB-	113	39.9%
Azerbaijan	BBB-	68	23.8%
Bahrain	BBB	30	10.5%
UK	AAA	25	8.7%
Sudan	NR	24	8.4%
Senegal	B+	14	4.9%
Saudi Arabia	AA-	11	3.8%
Total		**284**	**100%**

ICD's Projected Liquidity Portfolio by Portfolio Type
As of Year-End 1436H
(US$ million)

Liquidity Portfolios (in US$, m)	Funding Source	Amount	Benchmark
Core Liquidity Portfolio	Equity & Debt	570	Composite Sukuk Index
Discretionary Liquidity Portfolio	Debt	100	6-month LIBOR
Operational Portfolio	Debt	30	1-month LIBOR
Ad-Hoc Portfolio	Debt	78	TBA
Total		**778**	

Single country exposure is restricted at 20% of ICD's total liquidity portfolio, while single counterparty exposure limit is set at 7.5% of ICD's total liquidity portfolio.

Derivatives: ICD currently does not have any exposure to derivatives counterparties as its funding sources comprise mainly equity capital and short-term borrowings. However, ICD plans to increase its market borrowings over the medium term to fund both its operations assets and liquidity portfolio. As such borrowings entail medium to long term maturities, exposures to derivatives counterparties are expected to increase over the medium term. To manage such exposures, all eligible derivative counterparties shall have a minimum credit rating of A-/A3.

MARKET RISK

Market risk relates to the potential loss on ICD's risk exposures arising from movements in market prices or changes in fair valuation. The major sources of market risk in ICD's operations include market rate risk, exchange rate risk, and equity risk.

Market risk in operations portfolio

The Board approved Asset and Liability Management policy requires that ICD follow the matched-funding principle in managing its assets and liabilities. Thus, ICD ensures that the market rate basis and currencies of all debt-funded assets match those of the underlying liabilities. Such approach ensures that ICD's market income spread remains largely constant regardless of market rate and exchange rate movements. The entire term finance portfolio and debt-funded liquidity portfolios are currently in compliance with the matched-funding principle.

Market risk in treasury portfolio

The major source of market risk in ICD's treasury portfolio relates to those liquid assets funded by equity funds. Such assets are primarily exposed to market rate risk as open currency positions are not allowed under the ALM policy. ICD manages such market rate risk by establishing conservative duration limit of 2 years. Aside from monitoring the duration of the treasury portfolio, ICD also calculates the market rate value-at-risk (VaR) as well as undertake scenario analysis

IV. OVERVIEW OF FINANCIAL RESULTS

BASIS OF PREPARATION OF ICD'S CONSOLIDATED FINANCIAL STATEMENTS

The accounting and reporting policies of ICD are based on the standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). However, for transactions for which no AAOIFI standard is issued, standards issued by the International Accounting Standards, International Financial Reporting Standards (IFRS) are used. ICD's accounting policies are discussed in more detail in Note 2 to ICD's Financial Statements as of and for the year ended 30th Dhul Hijjah,1435H (1435H Financial Statements). The basis for the preparation of the financial statements is the Investment Entity concept of IFRS 10. This standard allows an Investment Entity to account for subsidiaries and associates at fair value through profit and loss.

FINANCIAL PERFORMANCE SUMMARY

From year to year, ICD's income is affected by a number of factors that can result in volatile financial performance. Factors impacting ICD's income are detailed more fully in results of Operations.

ICD reported net income of US$ 26.26 million in 1435H, as compared to $24.25 million in the year ended 30th Dhul Hijjah, 1434H and US$ 9.46 million in the year ended 29th Dhul Hijjah, 1433H. This represents an increase of 8.3% in net income in 1435H compared to 1434H.

The total assets increased by 25.06% to USD1.522 billion in 1435H from USD 1.217 billion in 1434H. The increase in the total assets is attributable to the increase in the size of the equity investment and the borrowings which all grew by 16.7% and 145% respectively.

The total shareholders' equity increased by 8.45% to US$ 968.91 million in 1435H from US$ 893.46 million in 1434H on the back drop of the increase in paid up capital of 6.56% and retained earnings of 18.28%.

The Return on equity (ROE) for the year is 2.82% which is slightly less than 2.91% for the previous year. Despite the increased net income the higher equity base resulted in a marginal decline in ROE

The table below indicates the financial performance of the Corporation in the last five years

STATEMENT OF INCOME
FOR THE YEAR ENDED:

	1435	1434	1433	1432	1431
Investment income:					
Com.placements with banks & others	10.72	10.02	6.90	6.19	4.35
Murabaha financing	3.93	1.70	0.71	0.20	0.92
Installment sales financing	11.70	11.06	8.35	4.24	5.38
Istisna's	-	0.02	0.14	0.12	-
Invest. in equity & Sukuk	49.58	26.21	20.16	2.97	0.98
Ijarah Muntahia Bittamleek	24.45	32.69	36.61	29.45	31.39
Other	**-**	**-**	**-**	**-**	**-**
Total investment income	**100.38**	**81.70**	**72.87**	**43.17**	**43.02**
Other income					
Advisory fee	5.03	0.86	1.11	0.32	4.14
Income from Syndication	-	-	-	0.15	-
Administrative fee	4.55	4.28	4.62	2.58	1.36
Exchange difference	(0.59)	(0.26)	(6.14)	0.00	0.28
UIF Mudarib fee/Others	1.32	0.48	1.06	0.65	1.43
Total other income	**10.31**	**5.36**	**0.65**	**3.70**	**7.21**
Total income	**110.69**	**87.06**	**73.52**	**46.87**	**50.23**
Expenses					
Staff cost	(23.18)	(18.84)	(16.78)	(15.59)	(10.45)
Other administrative expenses	(10.97)	(7.85)	(8.74)	(5.90)	(5.40)
Depreciation	(18.71)	(26.86)	(30.27)	(21.45)	(24.87)
Funding Costs	(6.43)	(3.02)	(2.88)	(2.95)	(2.81)
Provision	(25.14)	(6.24)	(5.40)	(33.62)	1.49
Total expenses	**(84.42)**	**(62.81)**	**(64.07)**	**(79.51)**	**(42.04)**
Net income	**26.27**	**24.25**	**9.46**	**(32.64)**	**8.19**

The table below indicate the five year summary balance sheet of the Corporation

STATEMENT OF FINANCIAL POSITION
AS AT:

As of end of years ended Dhul Hijja, US$ mln	1435	1434	1433	1432	1431
ASSETS:					
Cash at bank	147.63	97.49	49.99	50.41	39.50
Commodity placements with banks	188.01	109.61	230.58	135.92	145.14
Murabaha financing	65.26	56.56	17.88	8.14	12.89
Installment sales & Line financing	152.86	117.51	95.67	75.61	66.93
Istisna's assets	-	-	1.67	5.00	-
Investment in Sukuk/Marketable Sect.	17.66	-	-	5.00	5.00
Investment in equity capital	724.04	635.48	382.20	343.76	251.23
Ijarah Muntahia Bittamleek	74.95	64.04	77.55	70.17	70.93
Accrued income and other assets	150.14	134.99	131.29	147.75	124.47
Furniture, vehicles and equipments	1.53	1.77	2.28	2.97	0.99
Total Assets	**1,522.07**	**1,217.45**	**989.11**	**844.75**	**717.07**
LIABILITIES AND MEMBER'S EQUITY					
Liabilities:					
Accrualls and other liabilities	42.60	115.38	30.02	54.67	43.67
ICD Solidarity Fund	0.89	0.40	0.66	0.77	0.77
Total liabilities	**43.49**	**115.78**	**30.68**	**55.44**	**44.44**
Long Term Loan					
Long Term Loan from IDB	509.67	208.21	188.20	100.00	100.00
Member's Equity					
Paid-up Capital	799.00	749.81	650.83	565.82	460.24
Reserves	169.61	143.66	119.41	79.24	111.88
Fair value reserves	-	-	-	44.25	0.51
Total member's equity	**968.61**	**893.46**	**770.23**	**689.31**	**572.63**
Total liabilites and member's equity	**1,521.77**	**1,217.45**	**989.12**	**844.75**	**717.07**

V. SIGNIFICANT ACCOUNTING POLICIES

PROVISIONING AND IMPAIRMENT

ICD considers a loan as impaired when, based on current information and events, it is probable that ICD will be unable to collect all amounts due according to the loan's contractual terms. The reserve against losses for impaired loans reflects management's judgment of the present value of expected future cash flows discounted at the loan's effective profit rate. The reserve against losses for loans also includes an estimate of probable losses on loans inherent in the portfolio but not specifically identifiable. The reserve is established through periodic charges to income in the form of a provision for losses on loans.

The assessment of the adequacy of reserves against losses for loans is highly dependent on management's judgment about factors such as its assessment of the financial capacity of borrowers, geographical concentration, industry, regional and macroeconomic conditions, and historical trends. Due to the inherent limitation of any particular estimation technique, management utilizes risk framework to estimate the probable losses on loans inherent in the portfolio but not specifically identifiable. This Board of Directors-approved framework uses actual loan loss history and aligns the loan loss provisioning framework with ICD's capital adequacy framework.

The reserve against losses on loans is separately reported in the balance sheet as a reduction of ICD's total financing. Increases or decreases in the reserve level are reported in the income statement as provision for losses or release of provision for losses on loans, and guarantees.

OTHER-THAN-TEMPORARY IMPAIRMENTS ON EQUITY INVESTMENTS AND DEBT SECURITIES

ICD assesses all subsidiaries and associates equity investments accounted for at fair value through profit and loss and all other equity investments accounted for at cost less impairment for impairment. When impairment is identified and is deemed to be other-than-temporary, the equity investment is written down to its impaired value, which becomes the new cost basis in the equity investment. ICD generally presumes that all equity impairments are deemed to be other-than-temporary. Impairment losses on equity investments accounted for at cost less impairment are not reversed for subsequent recoveries in value of the equity investment until it is sold. Recoveries in value on equity investments accounted for at fair value through profit and loss.

ICD assesses all debt security investments accounted for at fair value through profit and loss for impairment. When impairment is identified, the entire impairment is recognized in net income. However, if ICD does not intend to sell the debt security and it is not more likely than not that ICD will be required to sell the security, but the security has suffered a credit loss, the credit-related impairment loss is recognized in income statement.

VALUATION OF FINANCIAL INSTRUMENTS WITH NO QUOTED MARKET PRICES

ICD reports at fair value all of its financial instruments, all of its liquid asset trading securities and certain borrowings, loans, equity investments and debt securities. ICD classifies all financial instruments accounted for at fair value based on the fair value hierarchy established by accounting standards for fair value measurements and disclosures as described in more detail in the Notes to ICD's 1435H Financial Statements.

Many of ICD's financial instruments accounted for at fair value are valued based on unadjusted quoted market prices or using models where the significant assumptions and inputs are market- observable.

VI. RESULTS OF OPERATIONS

INCOME STATEMENT REVIEW OF 1435H VERSUS 1434H

Revenue

ICD reported income after Ijara depreciation of US$ 92.06 million in 1435H, as compared to US$ 61.11 million in 1434H; representing a 50.65% growth in total income. The growth in income driven mainly by income from equity investment, which comprises the major part of the total assets.

The increase in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value in 1435H when compared to 1434H was principally as a result of the following (US$ million):

Income:	US$ mln	Change
Investment income:		
Com.placements with banks & others	0.70	7%
Murabaha financing	2.23	131%
Installment sales financing	0.63	6%
Istisna's	(0.02)	-100%
Invest. in equity & Sukuk	23.38	0.89%
Ijarah Muntahia Bittamleek	(8.25)	-25%
Other	-	
Total investment income	**18.67**	23%
Other income	-	
Advisory fee	4.17	484%
Income from Syndication	-	
Administrative fee	0.27	6%
Exchange difference	(0.33)	129%
UIF Mudarib fee/Others	0.84	176%
Total other income	**4.95**	92%

A more detailed analysis of the components of ICD's net income follows.

COMMODITY PLACEMENTS WITH BANKS & OTHER INSTITUTIONS

Commodity placements made up 11.5% of ICD's total income in 1435H, which is broadly in line with that of 1434H. In absolute term, ICD earned US$ 10.72 million in commodity placement in 1435H as compared to US$ 10.02 million in 1434H representing an increase of over 7%. Having raised from US$ 6.9 million in 1433, there is a consistent growth in income from commodity placements. Despite the low-level market rate environment, the larger size of the commodity placement and better placement by the Treasury department contributed to this increase.

INCOME FROM EQUITY INVESTMENTS

Income from the equity investment portfolio, increased by US$ 16.97 million from US$ 26.21 million in 1434H to US$ 43.19 million in 1435H. This represents an 85% movement in this line of income.

ICD accounts for equity investments at fair value as per the requirements IFRS 10 Investment Entity. The revaluation accounts for the highest percentage change/movement in income from equity investments entity, although there is some dividend that was received from some investments.

The increase in the fair value for the equity portfolio is attributable to the strong diversification inherent in the equity portfolio. The real estate and financial institutions sectors continue to out-perform the underperformance of the industrial sectors.

Equity contributed 44% in 1435H of total income compared to 30% in 1434H. It contributed the highest amount in 1435H followed by Ijara Muntahia Bitamleek, which was the highest contributor to total income in 1434H.

INCOME FROM IJARAH MUNTAHIA BITTAMLEEK

Income from Ijara decreased from US$ 32.69 million in 1434H to US$ 24.45 million in 1435H representing a drop of over US$ 9.82 million (25%).

The pricing for Ijrara financing is based on floating rate with the benchmark rate being LIBOR. The current low LIBOR rate resulted in low markup rates for Ijara assets, which saw all the rates on the Ijara assets going down in 1435H in comparison to 1434H. This combined with the reduction in overall reduction in Ijara portfolio led to the drop in income.

There are some non-performing projects for which no revenue is accrued, which also contributed to the decline in the performance.

Despite the decline, Ijara continues to be the second highest source of income bringing over 22% of total income in 1435H; however, this is a reduction since in 1434H it was contributing over 38%.

INCOME FROM MURABAHA AND INSTALLMENT SALES FINANCING

Income from Murabaha financing more than doubled from US$ 1.7 million in 1434H to US$ 3.93 million in 1435H; growth of over US$2.23 million (131%) increase was mainly because of growth in line of finance transactions which brings in her markup.

The combination of growth in number of transactions and higher markup led to the increase in income from Murabaha financing. However, Murabaha financing still represents a small percentage of total revenue; 4% in 1435H and 2% in 1434H.

Installment sales increased by 6% from US$ 11.06 million in 1434H to US$ 11.70 million in 1435H. This was also because of increase in line of finance business transactions and the higher markup charged to small and medium term businesses, which is financed through Line of finance.

Instalment sales make up over 11% in 1435H and 13% in 1434H of total income.

INCOME FROM ADVISORY SERVICES

Income from advisory services increased by more than five folds, albeit from a small base ,in 1435H compared to 1434H from US$ 0.86 million to US$ 5.03 million. This is an increase of over US$ 4.17 million.

This was mainly due to an increase in the number of high value transactions that were closed by the advisory business department in 1435H.

Income from advisory represent 5% of total income of ICD in 1435H, this is a growth in total contribution when compared to 1% contribution to total income in 1434H.

INCOME FROM ADMINISTRATIVE FEES

The growing number of business transactions led to an increase in administrative fee income by over 6% from US$ 4.28 million in 1434H to US$ 4.55 million in 1435H.

However, the net contribution to total income from administrative fees decreased from 5% in 1434H to 4% in 1435H mainly due to increase in the contribution from advisory.

PROVISION FOR LOSSES ON TERM FINANCE, OTHER RECEIVABLES AND EQUITY

The Corporation charges provision for non performing term financing operations and overdue receivables. In addition for those equity investment which are measured at cost less impairment any substantial decline in the value of the investment from the cost is impaired as indicated in the significant accounting policy notes on provisioning and impairment mentioned above. The growth in the size of the non-performing loans and the challenges faced in some of the equity investments in the light of the challenging economic and geo-political development in our member countries are the main cause of the significant increase in the level of provisioning in1435H. The total provisioning for the 1435H is US$ 25.14million from US$ 6.24 million in 1434H an increase of 302.56%. The provisions for ijara transaction for the year is US$ 10.98 Million, receivables and accrued income US$ 4.59 million, Installment sales US$ 2.29 million, Murabaha Financing US$ -1.76 million. The impairment for equity investment is US$ 9.04 Million.

CHARGES ON BORROWINGS

ICD's charges on borrowings increased by US$ 3.41 million, from US$ 3.02 million in 1434H to US$ 6.43 million in 1435H, this was mainly due to increased borrowings which more than doubled in absolute terms (113% increase), when comparing 1435H and 1434H.

The weighted average rate of ICD's borrowings outstanding from market sources, dropped from 2.19% at 30th Dhul Hijjah, 1434H, to 1.64% as at 30th Dhul Hijjah, 1435H. This was due to the increased ability of the Treasury to negotiate better rate on the increased borrowing.

The size of the borrowings portfolio (excluding the short-term borrowings), more than doubled during 1435H from US$ 208.21 million at 30th Dhul Hijjah, 1434H to US$ 509.67 million at 30th Dhul Hijjah, 1435H.

OTHER EXPENSES

There was a 24% increase in staff costs mainly due to increase in head count coupled with the annual salary increment. Staff costs increased from US$ 18.84 million in 1434H to US$ 23.18 million in 1435H.

Administrative expenses (the principal component of other expenses) increased by US$ 3.12 million from US$ 7.85 million in 1434H to US$ 10.97 million in 1435H, driven largely by increase in consultancy services and business travel expenses included in Administrative expenses. This increase was all due to increase in business transactions case in point the increase of advisory income by over 486% came related increase in consultancy and business travel expenses.

VII. GOVERNANCE AND CONTROL

SENIOR MANAGEMENT CHANGES

The following changes took place in the ICD Senior and Middle Management in the course of 1435H:

Mr. Juanito Limandibrata was appointed as Risk Management Department Director effective the 22nd Muharram 1435H.

Mr. Salah Babale was appointed as Lines of Finance Division Head effective the 3rd of Rabi-II 1435H.

Mr. Farid Masmoudi became Business Development and Partnership Department Director effective the 26th of Ramadan 1435H.

Mr. Rudolph Waels was appointed Direct Investment and Financing Department Director effective the 10th of Shawwal 1435H.

Mr. Muhammad Hasan Mahmud was appointed Credit Risk Monitoring and Reporting Division Head in the Risk Management Department effective the 14th of Shawwal 1435H.

Mr. Cheick Oumar Sylla resigned as Direct Investment and Financing Director effective the 30th of Dhul – Qa'dah 1435H.

Mr. Ahmed Al Bakry resigned as Corporate Equities Division Head in the Direct Investment and Financing Department effective the 1st of Dhul Hijjah 1435H.

GENERAL GOVERNANCE

ICD's decision-making structure consists of the General Assembly, the Board of Directors, an Executive Committee, an Advisory Board, a Shari'a Committee, Chairman of the Board of Directors, a CEO & General Manager and other officers and staff. The General Assembly is the highest decision-making authority. Each member is represented at the General Assembly by an appointed representative. The General Assembly may delegate authority to the Board of Directors to exercise any of its powers, except those reserved to the General Assembly under the Articles of Agreement.

BOARD MEMBERSHIP

In accordance with its Articles of Agreement, members of the Board of Directors are appointed or elected for a period of three years and may be re-appointed. Currently, the Board of Directors is composed of 10 Directors. The Board of Directors under delegated authority from the General Assembly has established several Committees/Boards including;

- Executive Committee
- Shari'a Committee
- Advisory Board

The Board of Directors is responsible for the general conduct of the operations of ICD. The Board of Directors, on the recommendation of the Chairman of the Board of Directors, is also responsible for adopting policies of ICD and its general rules and regulations; adopting the operational strategy of ICD; adopting the annual administrative budget; submitting the final accounts for each financial year for approval of the General Assembly and interpreting provisions of its Articles of Agreement including proposing amendments.

Board of Directors as of end 1435H

1. Dr. Ahmad Mohamed Ali (Chairman of the Board)
2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
3. Mr. Ulan Aiylchiev (Representing IDB)
4. Mr. Abdullah Mohammed Abdullah Al Zaabi (Representing Arab Group)
5. Dr. Abdulhamid Alkhalifa (representing Saudi Arabia)
6. Mr. Lawan Gana Lantewa (representing Africa Group)
7. Dr. Mir Saeid Nikzad Larijani (representing Financial Institutions)
8. Hon. Dr. Zul Kifl Salami (Representing IDB)
9. Hon. Datuk Ahmad Badri Bin Mohd Zahir (representing Asia Group)
10. Mr. Zeinhom Zahran (representing IDB)

EXECUTIVE COMMITTEE

Membership

The Executive Committee consists of six Directors appointed by the Board of Directors. The Executive Committee is composed of up to six members, of which three seats are allocated permanently to the Chairman of the Board of Directors, the CEO & General Manager and the representative from Saudi Arabia respectively. The Executive Committee members are rotated on a yearly basis, enabling all Board members the opportunity to serve on the committee.

Key Responsibilities

The Executive Committee has the power to approve all financing and investments by the Corporation in enterprises in the member countries and has the power to exercise other powers delegated to it by the Board of Directors. Under the Executive Committee’s terms of reference, members of the Executive Committee may convene in executive session at any time. Throughout the year, the Executive Committee receives a large volume of information, which support the execution of its duties. The Executive Committee meets throughout the year to discuss relevant matters.

Executive Committee Members of the Board as of end 1435H

1. Dr. Ahmad Mohamed Ali (Chairman of the Board)
2. Mr. Khaled Mohamed Al-Aboodi (CEO & General Manager)
3. Dr. Abdulhamid Alkhalifa (representing Saudi Arabia)
4. Mr. Lawan Gana Lantewa (representing Africa Group)
5. Dr. Mir Saeid Nikzad Larijani (representing Financial Institutions)
6. Mr. Zeinhom Zahran (representing IDB)

CEO & GENERAL MANAGER

The CEO, who also serves as the General Manager under the general supervision of the Chairman of the Board of directors, conducts the day-to-day business of ICD and is responsible for the appointment of officers and staff of the Corporation. To the extent that he is authorized by the Board of Directors, the CEO approves ICD financing and investments.

SHARI’A COMMITTEE

The ICD Shari’a Committee was subsumed with that of IDB’s, forming the IDB Group Shari’a Committee. The Shari’a Committee is responsible for advising the IDB Group on Shari’a compliance of its products and transactions. The Shari’a Committee receives a large volume of information. The Shari’a Committee meets formally and informally to discuss relevant matters.

IDB Group Shari'a Committee as of end 1435H

1. Dr. Hussein Hamed Sayed Hassan (Chairman)

2. Dr. Abdulsattar Abughuddah (Vice Chairman)
3. Shaikh Abdulla Bin Sulaiman Al Manea
4. Shaikh Muhammad Taqi Usmani
5. Shaikh Mohammad Ali Taskhiri
6. Shaikh Mohamed Mokhtar Sellami

ADVISORY BOARD

Membership

The Advisory board consists of five international renowned personalities of different nationalities who are experts in the fields of ICD's activities. Members of the Advisory Board are appointed by the General Assembly for a renewable three-year term.

Key Responsibilities

The Advisory Board is responsible for exchanging views and submitting reports on any matter submitted to it by the General Assembly, the Board of Directors, the Executive Committee, the Chairman of the Board of Directors or the General Manager.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors from among its members. The Audit Committee is responsible for overseeing the financial and internal control aspects of ICD, compliance with its mandate and reporting its findings to the Board of Directors. Under the Audit Committee's terms of reference, member of the Audit Committee may convene in executive session at any time. Throughout the year, the Audit Committee receives a large volume of information, which supports the execution of its duties. The Audit Committee has complete access to management and reviews and discusses with management topics contemplated in their Terms of Reference.

Audit Committee as of end 1435H

1. Dr. Abdulhamid Alkhalifa (Chairman)
2. Mr. Ulan Aiylchiev
2. Mr. Lawan Gana Lantewa
4. Mr. Zeinhom Zahran

ANNEX 3
SHARIA'H COMMITTE REPORT

In the name of Allah, the Beneficent, the Merciful

REPORT OF THE ICD SHARIAH COMMITTEE (1435H)

To: Board of Directors
Islamic Corporation for the Development of the Private Sector
P.O. Box 54069 Jeddah 21514
Kingdom of Saudi Arabia

Assalamu Alaikum Wa Rahmatullahi Wa Baratuhu

The ICD *Shari'ah Committee* was established as per the provisions of Article No. 29 of the ICD Articles of Agreement. In compliance with the Articles of Agreement and our appointment, the Committee assumes the responsibility to submit the following report:

It is also the responsibility of the Committee to form an independent opinion on the operations of the ICD covering the period of our tenure and submit a report containing that opinion to the ICD Board of Directors.

The Committee has reviewed all the contracts relating to the transactions of the ICD during the year ended 30/12/1435H. It has also conducted a review of all files of different modes of financing to form an opinion as to whether the ICD has complied with Shari'ah Rules and Principles.

Based on this review, we found that all transactions undertaken this year 1435H were based on the agreements already approved by the Committee and we did not find any contravention of those agreements prepared according to the rules and principles of Shari'ah.

The Committee seizes this opportunity to thank the ICD Management and staff for their reference to its services in their endeavour to keep all dealings compatible with Shari'ah principles and precepts.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Shari'ah Committee

Chairman of the Committee
Dr. Hussien Hamid Hassan

Shari'ah Ropporteur
Aboubacar Salihou Kante

Jeddah, 12h Jamad-I 1436H (03/03/2015G)

ANNEX 4
INDEPENDENT AUDITOR'S REPORT

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

FINANCIAL STATEMENTS

Dhul Hijjah 30, 1435H (October 24, 2014)

with

INDEPENDENT AUDITOR'S REPORT

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
Dhul Hijjah 30, 1435H (October 24, 2014)

CONTENTS

	Page
Independent auditor's report	1
Statement of financial position	2
Statement of income	3
Statement of cash flows	4
Statement of changes in members' equity	5
Notes to the financial statements	6 - 27

pwc

INDEPENDENT AUDITOR'S REPORT

The Members
Islamic Corporation for the Development of the Private Sector

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the "Corporation") as of Dhul Hijjah 30, 1435H (October 24, 2014) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of Dhul Hijjah 30, 1435H (October 24, 2014), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation.

PricewaterhouseCoopers

By: ____________________
Ali A. Alotaibi
License Number 379

April 30, 2015
(Rajab 11, 1436H)

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF FINANCIAL POSITION

As of Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

	Notes	**Dhul Hijjah 30, 1435H**	Dhul Hijjah 29, 1434H
ASSETS:			
Cash and cash equivalents	4	**147,625,799**	122,491,659
Commodity placements through financial institutions	5	**188,009,961**	84,613,501
Murabaha financing	6	**65,262,314**	56,563,550
Accrued income and other assets	7	**150,141,747**	134,985,621
Installment sales financing	8	**152,858,054**	117,506,933
Investments	9	**741,696,887**	635,476,848
Ijarah Muntahia Bittamleek	10	**74,948,755**	64,040,552
Property and equipment	11	**1,527,205**	1,769,032
TOTAL ASSETS		**1,522,070,722**	1,217,447,696
LIABILITIES AND MEMBERS' EQUITY:			
Liabilities:			
Wakala borrowings	12	**509,665,780**	208,207,268
Accruals and other liabilities	13	**42,600,744**	115,376,252
Amounts due to ICD Solidarity Fund	14	**890,486**	402,454
Total liabilities		**553,157,010**	323,985,974
Members' equity:			
Share capital	15	**798,998,280**	749,806,110
Reserve	16	**169,915,432**	143,655,612
Total members' equity		**968,913,712**	893,461,722
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,522,070,722**	1,217,447,696

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF INCOME

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

	Notes	1435H	1434H
Income:			
Commodity placements through financial institutions		**10,719,645**	10,016,286
Murabaha financing		**3,926,692**	1,699,165
Installment sales financing		**11,695,281**	11,062,395
Istisna'a assets		**-**	19,443
Investments	9.6	**48,411,687**	26,211,408
Ijarah Muntahia Bittamleek		**24,446,776**	32,694,589
Administrative fees		**4,550,885**	4,280,364
Advisory fees		**5,031,208**	861,150
Mudarib fees	20	**1,317,702**	477,920
Total Shari'ah compliant income		**110,099,876**	87,322,720
Depreciation on assets under Ijarah Muntahia Bittmaleek	10	**(18,040,229)**	(26,214,925)
		92,059,647	61,107,795
Income from non-Shari'ah compliant placements	14	**584,614**	10,352
Transferred to ICD Solidarity Fund	14	**(584,614)**	(10,352)
Total operating income		**92,059,647**	61,107,795
Expenses:			
Staff cost		**(23,180,204)**	(18,841,574)
Other administrative expenses		**(10,965,420)**	(7,849,198)
Depreciation on property and equipment	11	**(667,317)**	(643,317)
Financing costs	12	**(6,428,295)**	(3,019,980)
Total expenses		**(41,241,236)**	(30,354,069)
Foreign exchange loss		**(593,851)**	(259,316)
Fair value gains on derivatives	7	**1,171,182**	-
Income before provision for impairment of financial assets		**51,395,742**	30,494,410
Provision for impairment of financial assets, net	19	**(25,135,922)**	(6,244,042)
Net income for the year		**26,259,820**	24,250,368

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CASH FLOWS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

	Notes	1435H	1434H
Cash flows from operating activities			
Net income for the year		**26,259,820**	24,250,368
Adjustments to reconcile net income to net cash utilized in operating activities:			
Depreciation	17	**18,707,546**	26,858,242
Provision for impairment of financial assets, net	19	**25,135,922**	6,244,042
Unrealized fair value gain	9	**(43,751,424)**	(25,449,172)
Profit on disposal of vehicles		**(19,449)**	-
Fair value gains on derivatives		**(1,171,182)**	-
Changes in operating assets and liabilities:			
Commodity placements through financial institutions		**(103,396,460)**	2,077,412
Murabaha financing		**(7,867,122)**	(38,759,632)
Accrued income and other assets		**(18,578,381)**	(6,981,235)
Installment sales financing		**(37,641,451)**	(24,124,196)
Istisna'a assets		**-**	1,666,737
Investments		**(71,509,670)**	(230,493,964)
Ijarah Muntahia Bittamleek		**(38,991,174)**	(10,629,405)
Accruals and other liabilities		**(72,775,508)**	85,362,021
ICD Solidarity Fund		**488,032**	(261,655)
Net cash utilized in operating activities		**(325,110,501)**	(190,240,437)
Cash flows from investing activities			
Purchase of property and equipment	11	**(439,015)**	(131,682)
Proceed from disposal of motor vehicles		**32,974**	-
Net cash utilized in investing activities		**(406,041)**	(131,682)
Cash flows from financing activities			
Share capital contribution		**49,192,170**	98,976,896
Repayments against Wakala borrowings		**(635,321,135)**	(188,200,000)
Proceeds from Wakala borrowings		**936,779,647**	208,207,268
Cash generated from financing activities		**350,650,682**	118,984,164
Net change in cash and cash equivalents		**25,134,140**	(71,387,955)
Cash and cash equivalents at beginning of the year		**122,491,659**	193,879,614
Cash and cash equivalent at end of the year	4	**147,625,799**	122,491,659

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

	Share capital	Reserve	Net income	Total
Balance as at 29 Dhul Hijjah, 1433H	650,829,214	119,405,244	-	770,234,458
Contributions during the year	98,976,896	-	-	98,976,896
Net income for the year	-	-	24,250,368	24,250,368
Transfer to reserve	-	24,250,368	(24,250,368)	-
Balance at Dhul Hijjah 29, 1434H	749,806,110	143,655,612	-	893,461,722
Contributions during the year	49,192,170	-	-	49,192,170
Net income for the year	-	-	26,259,820	26,259,820
Transfer to reserve	-	26,259,820	(26,259,820)	-
				-
Balance at Dhul Hijjah 30, 1435H	**798,998,280**	**169,915,432**	**-**	**968,913,712**

The attached notes from 1 through 27 form an integral part of these financial statements

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

1. INCORPORATION AND ACTIVITIES

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced its operations following the inaugural meeting of the General Assembly held on Rabi Thani 6, 1421H, corresponding to July 8, 2000.

According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion, and modernization of private enterprises producing goods and services in such a way as to supplement the activities of Islamic Development Bank ("IDB").

The Corporation, as a multilateral financial institution, is not subject to any external regulatory authority. It operates in accordance with the Articles of Agreement establishing the Corporation and the internal rules and regulations of the Corporation.

The Corporation carries out its business activities through its headquarters in Jeddah, Saudi Arabia. The Corporation's financial year is the lunar Hijra year.

The financial statements were authorized for issue in accordance with the resolution of the Board of Directors dated Jumada II 12, 1436H (April 1, 2015).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation. For matters, which are not covered by AAOIFI standards, the Corporation uses the relevant standard issued or adopted by the International Accounting Standards Board (IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of IASB.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

During the year ended Dhul hijjah 20, 1434H (Corresponding to November 3, 2013), the Corporation early adopted the Investment Entities amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interest in other entities' and IAS 27 'Separate financial statements' (the "Amendments") which are effective from the period beginning 1 January 2014. Accordingly, the Corporation has not prepared the consolidated financial statements and applied the transition guidance on amendments to IFRSs 10 and 12, all effective from the period beginning 1 January 2014, in so far it relates to the adoption of amendments related to investment entities.

IFRS 10 'Consolidated financial statements' and amendments to IFRS 10: the objective of IFRS 10 is to establish the principles for the presentation and preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exception from consolidation requirements for investment entities.

IFRS 12 'Disclosure of interest in other entities' and amendments to IFRS 12: The standard requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls and significantly influences or has some other interests in other entities. The amendments also introduce new disclosures requirements related to investment entities. Adoption of the standard has affected ICD's level of disclosure in certain of the above noted areas but has not affected the Corporation's financial position or results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 27 (Revised), 'Separate financial statements' and amendment to IAS 27: The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares financial statements. The Amendment requires an investment entity as defined in IFRS 10 to present the separate financial statements as its only financial statements where it measures all of its subsidiaries at fair value through statement of income and to disclose that fact.

Investment entity

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation meets the definition and typical characteristics of an "investment entity" as described in the Amendments which are effective from 1 January 2014.

In accordance with the Amendments, an investment entity is required to account for its investments in subsidiaries and associates at fair value through statement of income

b) Accounting convention

The financial statements are prepared under the historical cost convention modified for the measurement at fair value of investments.

c) Foreign currency translations

i) Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is the functional and presentation currency of the Corporation.

ii) Transactions and balances

Transactions in currencies other than USD ("foreign currencies") are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate ruling at the date of initial recognition.

d) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements through financial institutions having a maturity of three months or less at the date of acquisition.

e) Commodity placements through financial institutions

Commodity placements are made through financial institutions and are utilized in the purchase and sale of commodities at a fixed profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and other Islamic and conventional financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less any provision for impairment.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Murabaha

Murabaha financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Murabaha receivables are stated at the cost of the commodity or assets plus accrued profits less repayments received and provision for impairment.

g) Installment sales financing

Installment sales financing receivables are agreements whereby the Corporation sells to a customer a commodity or an asset, which the Corporation has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Amounts receivable from Installment sales are stated at the selling price of the commodity or asset less unearned income to the date of the statement of financial position, less repayments received and provision for impairment.

h) Investments

Equity-type investments

(i) Subsidiaries

An entity is classified as a subsidiary of the Corporation if the Corporation can exercise control over the entity. Control is power to govern the financial and operating policies of an entity with the objective of earning benefits from its operation. Control is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 50 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, control may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the Amendments exempted ICD from the consolidation of the subsidiaries. The Corporation measures and evaluates the performance of substantially all its subsidiaries on a fair value basis because using fair values results in more relevant information. As per the Amendments, investments in subsidiaries are measured at fair value through statement of income. These investments are initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of subsidiaries at fair value are recognized directly in the statement of income.

(ii) Associates

An entity is classified as an associate of the Corporation if the Corporation can exercise significant influence on the entity. Significant influence is presumed to exist if the Corporation holds, directly or indirectly through its subsidiaries, 20 per cent or more of the voting rights in the entity, unless it can be clearly demonstrated otherwise. Conversely, significant influence may also exist through agreement with the entity's other shareholders or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the Amendments requires investments in associates to be measured at fair value through statement of income. These investments are initially and subsequently measured at fair value. Any unrealized gains or losses arising from the measurement of associates at fair value are recognized directly in the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Other investments

The Corporation has investments in entities where the Corporation does not have significant influence or control. These investments are classified as investments at fair value through statement of income. Such investments are initially measured at fair value plus transaction costs and subsequently re-measured at fair value. Any unrealized gains and losses arising from the re-measurement in their fair value are recognized directly in the statement of income.

Equity investments whose fair value cannot be reliably measured are carried at cost, less provision for impairment, if any, in the value of these investments.

Debt-type investments

(iv) Investments in Sukuk

Investments in Sukuk are debt instruments and have determinable payments and fixed maturity dates and bear a coupon yield. Sukuk are acquired with the positive intent and ability to hold them to contractual maturity and are classified as investments carried at amortized cost. Investments in Sukuk are initially recognised at fair value plus transaction costs, if any, and subsequently measured at amortised cost less any impairment provision.

i) Ijarah Muntahia Bittamleek

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

j) Istisna'a assets

Istisna'a is an agreement between the Corporation and a customer whereby the Corporation sells to the customer an asset which is either manufactured or acquired by the purchaser on behalf of the Corporation according to agreed-upon specifications, for an agreed-upon price.

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received and provision for impairment.

After completion of the project, the Istisna'a asset is transferred to the Istisna'a receivable account.

k) Impairment of financial assets

(i) Investments

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment carried at cost may be impaired. If any evidence exists of impairment for the investment carried at cost, the cumulative loss, measured as the difference between the acquisition cost and the current recoverable amount or fair value, less any impairment loss on the investment in equity previously recognised in the statement of income is recognised in the statement of income. Impairment losses on equity investments previously recognised in the statement of income are not subsequently reversed through the statement of income.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Other financial assets

The Corporation determines the provision for impairment losses based on an assessment of incurred losses. An assessment is made at each financial position date to determine whether there is an objective evidence that a financial asset or a group of financial assets may be impaired. The impairment loss results from the difference between the carrying amount of the asset and the net present value of the expected future cash flows discounted at the implicit rate of return from the financial asset. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. Impairment losses are adjusted 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 income.

l) Property and equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives as follows:

- Furniture and fixtures 15%
- Computers 33%
- Motor vehicles 25%
- Other equipment 20%

Maintenance and repair costs, if any, are expensed as incurred. When the carrying amount of an item of property and equipment is higher than its recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing sale proceeds with carrying amount. These are included in the statement of income.

m) Post-employment benefits plan

The Corporation subscribes to the group pension plan of IDB. Under the plan, the staff members contribute a fixed percentage of their remuneration monthly and the Corporation contributes the proportionate balance of the cost of funding the plan based on regular actuarial valuations. The contributions accumulated to date are managed and invested by IDB.

n) Revenue recognition

(i) Commodity placements through financial institutions

Income from commodity placements through financial institutions is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

(ii) Non-Shari'ah compliant placements

Any income from cash and cash equivalents, commodity placements through financial institutions and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

(iii) Murabaha and Installment sales financing

Income from Murabaha and Installment financing receivables are accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

(iv) Istisna'a

The Corporation uses the deferred profits method for recognizing Istisna'a income on Istisna'a assets whereby there is a proportionate allocation of deferred profits over the future financial period of the credit.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek and operating Ijarah are allocated proportionately to the financial periods over the Ijarah contract.

(vi) Dividends

Dividends are recognized when the right to receive the dividends is established.

(vii) Mudarib fee

Mudarib fee is recognized on accrual basis when the services have been performed.

(viii) Administrative fee and advisory fee

Income from administrative and advisory services is recognized based on the rendering of services as per contractual arrangements.

(ix) Investment in Sukuk

Income from Sukuk investment is accrued on time apportionment basis in accordance with the terms of the sukuk investment with respect to the rate of return.

o) Zakat and tax

The Corporation, being a multilateral financial institution, is not subject to Zakat or taxation in the member countries. The Corporation’s equity is part of Baitul Mal, which is not subject to Zakat.

p) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

q) Derivative financial instruments

Derivatives financial instruments represent foreign currency forward contracts and are used by the Corporation to mitigate the risk of foreign currency exposure related to its investments in Sukuk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The resulting gains or losses on re-measurement are recognised in the statement of income. Derivatives with positive fair values or negative fair values are reported under the ‘accrued income and other assets’ or ‘accruals and other liabilities’, respectively, in the statement of financial position.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including professional advices and expectation of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

i) Provision for impairment of financial assets

The Corporation exercises judgment in the estimation of provision for impairment of financial assets. The methodology for the estimation of provision for impairment of financial assets is set out in Note 2 (k).

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

ii) Fair value determination

The Corporation determines the fair value of substantially all of its investments at each financial year end. The fair value of investment that are not quoted in an active market is determined by using valuation techniques, primarily discounted cash flow techniques (DCF) and comparable price/book (P/B) multiples. In case of certain investments the fair value is determined on a net asset value basis. Where relevant, the Corporation engages third party valuation experts. In the case of start-up companies and companies which are still in capital disbursement stage, management consider the cost of such investments (translated at the exchange rate ruling at the acquisition date) as an approximation of fair value at the statement of financial position date. The cost of investments in equity-type instruments made close to the reporting period date is considered by management to be equivalent to fair value.

The models used to determine fair values are validated and periodically reviewed by management. The inputs in the DCF and comparable P/B multiples models include observable data, such as discount rates, terminal growth rate, P/B multiples of comparable companies/banks to the relevant portfolio of company/bank, and unobservable data, such as the discount for marketability. The Corporation has also considered the geopolitical situation of the countries where the investee companies are situated and has taken appropriate discount on their values. In certain cases the Corporation has applied marketability and liquidity discounts from 10% to 35%.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprised of the following:

	1435H	1434H
Cash at banks	**30,717,834**	97,074,146
Commodity placements through financial institutions (Note 5)	**116,000,000**	25,000,000
Cash and cash equivalent	**146,717,834**	122,074,146
Bank balance relating to ICD Solidarity Fund	**907,965**	417,513
	147,625,799	122,491,659

Certain bank accounts which are in the name of Islamic Development Bank are for the beneficial interest of the Corporation and such accounts are managed and operated by the Corporation.

5. COMMODITY PLACEMENTS THROUGH FINANCIAL INTITUTIONS

Commodity placements through financial institutions at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Commodity placements through financial institutions	**304,009,961**	109,613,501
Less: Commodity placements through financial institutions with an original maturity for a period of three months or less (Note 4)	**(116,000,000)**	(25,000,000)
	188,009,961	84,613,501

6. MURABAHA FINANCING

Murabaha financing at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Murabaha financing	**70,509,461**	62,642,339
Less: Provision for impairment (Note 19)	**(5,247,147)**	(6,078,789)
	65,262,314	56,563,550

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

(All amounts in United States Dollars unless otherwise stated)

7. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Ijarah Muntahia Bittamleek installments receivable	**94,150,640**	84,592,376
Accrued income	**17,961,540**	8,686,990
Due from related parties (Note 18)	**16,434,780**	16,375,051
Proceeds receivable from sale of shares (Note 7 (a))	**9,561,338**	9,561,338
Proceeds receivable on maturity of government certificates/ Sukuk (Note 7 (b))	**8,751,340**	8,751,340
Housing advance and prepaid expenses	**6,748,869**	4,935,869
Arrangement fee receivable	**2,144,660**	2,144,660
Advances	**1,648,625**	1,263,157
Derivative financial instrument (Note 7 (c))	**1,171,182**	-
Other receivables	**7,461,980**	9,974,610
	166,034,954	146,285,391
Less: Provision for impairment (Note 19)	**(15,893,207)**	(11,299,770)
	150,141,747	134,985,621

(a) The above amount of USD 9.56 million (included in 1434H: USD 9.56 million) represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Arbitration Committee had awarded the case in favor of the Corporation and execution of the judgment is in progress.

(b) The amount represents receivable on maturity of Sukuk. On July 23, 2008 (Rajab 20, 1429H), the Corporation entered into an agreement with the counterparty to invest in Sukuk with an option of conversion of it into shares of the latter at the time of its going for an IPO. These Sukuk matured during 1431H and as at the end of 1435H, the amount is receivable from the counterparty as the IPO formalities has not yet commenced.

(c) The derivative financial instrument represents the foreign currency forward contract which is used to mitigate the risk of currency fluctuation for investments in Sukuk. The contractual amount of these derivatives is Euro 11.40 million (USD 15.80 million). The positive fair value of the derivative at the end of Dhul Hijjah 1435H is USD 1.17 million.

8. INSTALLMENT SALES FINANCING

Installment sales financing receivable at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Gross amounts receivable	**168,570,082**	128,813,734
Less: Unearned income	**(5,025,857)**	(2,910,960)
	163,544,225	125,902,774
Less: Provision for impairment (Note 19)	**(10,686,171)**	(8,395,841)
	152,858,054	117,506,933

All goods purchased for resale under installment sales financing are made on the basis of specific purchase for subsequent resale to the customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods is charged to the customer.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

9. INVESTMENTS

Investments in equity capital and debt instruments as at the end of Dhul Hijjah comprised of the following:

	1435H	1434H
Equity investments	**724,035,737**	635,476,848
Sukuk investments	**17,661,150**	-
	741,696,887	635,476,848

Equity investments	**1435H**	1434H
Subsidiaries (Note 9.1)	**307,560,612**	287,288,944
Associates (Note 9.2)	**330,658,206**	259,584,775
Other	**102,482,690**	96,227,845
	740,701,508	643,101,564
Less: Provision for impairment (Note 9.4)	**(16,665,771)**	(7,624,716)
	724,035,737	635,476,848

The movement in investments for the year ended Dhul Hijjah is as follows:

	1435H	1434H
Balance at Muharram 1	**635,476,848**	382,196,526
Additions during the year	**56,292,668**	257,127,201
Disposals during the year	**(2,444,148)**	(26,633,237)
Provision for impairment (Note 9.4)	**(9,041,055)**	(2,662,814)
Unrealized fair value gains, net (Note 9.6)	**43,751,424**	25,449,172
Balance at end of Dhul Hijjah	**724,035,737**	635,476,848

9. 1 Investments in subsidiaries

There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividend or repay loans or advances made to them. The Corporation sometimes extends financial assistance in the form of advances to subsidiaries. However, it is not committed to provide financial or other support including commitments or intentions to assist the subsidiary in obtaining financial support.

Effective ownership percentage in subsidiaries and their countries of incorporation at the end of the years and nature of business are as follows:

	Country of incorporation	**Nature of Business**	**Effective ownership %**	
			1435H	1434H
Azerbaijan Leasing	Azerbaijan	Leasing	**100**	100
Ijarah Management Company	Saudi Arabia	Leasing	**99**	99
Taiba Leasing	Uzbekistan	Leasing	**100**	100
Alarabea Syrian Company	Syria	Manufacturing	**100**	100
Maldives Islamic Bank	Maldives	Banking	**85**	85
Tamweel Africa Holding	Senegal	Banking	**60**	60
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	**52**	52
Capitas International	Saudi Arabia	Advisory service	**51**	51
Unit Investment Fund	Saudi Arabia	Mutual Fund	**56**	56
ICD Asset Management	Malaysia	Asset Management	**100**	100
ASR Leasing LLC	Tajikistan	Leasing	**67**	See Note 9.2

(All amounts in United States Dollars unless otherwise stated)

9. INVESTMENTS (continued)

9.2 Investments in associates

Effective ownership percentage in associates and their countries of incorporation at the end of the years are as follows:

	Country of incorporation	Effective ownership %	
		1435H	1434H
Al Majmoua Al Mauritania	Mauritania	**50**	50
Felix Airways	Yemen	**47**	47
Anfaal Capital Company	Saudi Arabia	**38**	38
Sante Alexandra Company	Egypt	**35**	35
Burj Bank	Pakistan	**34**	34
Injazat Technology Fund	Bahrain	**30**	30
Jordan Pharmaceutical Manufacturing Company	Jordan	**28**	28
Royal Atlantic Residence	Gambia	**25**	25
Adritech Group International	Jordan	**25**	25
Saba Islamic Bank	Yemen	**20**	20
Arab Leasing Company	Sudan	**20**	20
Kazakhstan Ijara Company	Kazakhstan	**36**	36
Theemar Investment Fund	Tunisia	**25**	25
ASR Leasing LLC	Tajikistan	**See Note 9.1**	50
Albania Leasing	Albania	**36**	36
Saudi SME Fund	Saudi Arabi	**25**	25
Al Fareeda Residential Fund	Saudi Arabia	**33**	33
Al Sharkeya Sugar	Egypt	**25**	-
Bidaya Home Finance Company	Saudi Arabia	**20**	-
Palestine Ijarah Company	Palestine	**33**	-
PMB Tijari Berhad	Malaysia	**20**	-
Taha Alam Sdn Bhd	Malaysia	**50**	50
Kygyzstan Ijara Company	Kyrgyzstan	**33**	-

9.3 Fair value of investments

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – inputs for the investments that are not based on observable market data (unobservable inputs).
This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

9. INVESTMENTS (continued)

Investments measured at fair value

	Level 1	Level 2	Level 3	Total
1435H				
Investments	**5,584,292**	**-**	**656,469,733**	**662,054,025**

	Level 1	Level 2	Level 3	Total
1434H				
Investments	6,715,340	-	534,388,100	541,103,440

Reconciliation of Level 3 items

	1435H	1434H
At Muharram 1	**534,388,100**	277,713,764
Unrealized fair value gains, net	**44,882,472**	27,608,239
Additions	**43,658,051**	252,961,509
Transfers from investment held at cost	**35,205,116**	-
Disposals	**(1,664,006)**	(23,895,412)
At end of Dhul Hijjah	**656,469,733**	534,388,100

Included in investments as at Dhul Hijjah 30, 1435H are investments amounting to USD 61.98 million (1434H: USD 94.37 million) where the fair value cannot be measured reliably because of non-availability of sufficiently reliable information for such determination. These investments are held net of provision for impairment of USD 16.67 million (1434H: USD 7.62 million).

9.4 Movement in provision for impairment on investments

	1435H	1434H
At Muharram 1	**7,624,716**	4,961,902
Impairment charges booked during the year	**9,041,055**	2,662,814
At end of Dhul Hijjah (Note 19)	**16,665,771**	7,624,716

9.5 Sukuk investments

Investments in Sukuk are in unrated Sukuk.

9.6 Investment income

	1435H	1434H
Unrealized fair value gains, net	**43,751,424**	25,449,172
Dividend	**4,185,762**	923,342
Income from Sukuk	**474,501**	-
Realized fair value loss	**-**	(161,106)
	48,411,687	26,211,408

(All amounts in United States Dollars unless otherwise stated)

10. IJARAH MUNTAHIA BITTAMLEEK

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprised of the following:

	1435H	1434H
Cost:		
Assets not yet in use:		
At Muharram 1	**-**	7,331,500
Additions	**38,991,174**	15,021,790
Transferred to assets in use	**(38,991,174)**	(22,353,290)
At the end of Dhul Hijjah	**-**	-
Assets in use:		
At Muharram 1	**202,207,580**	198,441,559
Transferred from assets acquired	**38,991,174**	22,353,290
Assets transferred to beneficiaries	**(52,630,429)**	(18,587,269)
At the end of Dhul Hijjah	**188,568,325**	202,207,580
Total costs	**188,568,325**	202,207,580
Accumulated depreciation:		
At Muharram 1	**135,464,018**	123,443,977
Charge for the year	**18,040,229**	26,214,925
Assets transferred to beneficiaries	**(52,630,429)**	(14,194,884)
At the end of Dhul Hijjah	**100,873,818**	135,464,018
Balance at the end of Dhul Hijjah	**87,694,507**	66,743,562
Less: Provision for impairment (Note 19)	**(12,745,752)**	(2,703,010)
Ijarah Muntahia Bittamleek, net	**74,948,755**	64,040,552

Certain of the assets referred to above represent the Corporation's share in joint Ijarah Muntahia Bittamleek agreements.

11. PROPERTY AND EQUIPMENT

Property and equipment at the end of Dhul Hijjah 1435H comprised of the following:

	Furniture and fixtures	**Computers**	**Motor vehicles**	**Other equipment**	**1435H Total**
Cost:					
At Muharram 1	590,430	3,169,651	342,176	205,262	**4,307,519**
Additions during the year	152,007	75,248	211,760	-	**439,015**
Disposal	-	-	(265,729)	-	**(265,729)**
At Dhul Hijjah 30	742,437	3,244,899	288,207	205,262	**4,480,805**
Accumulated depreciation:					
At Muharram 1	589,986	1,600,547	271,909	76,045	**2,538,487**
Charge for the year	1,337	578,427	61,217	26,336	**667,317**
Disposal	-	-	(252,204)	-	**(252,204)**
At Dhul Hijjah 30	591,323	2,178,974	80,922	102,381	**2,953,600**
Net Book Value:					
At Dhul Hijjah 30, 1435H	**151,114**	**1,065,925**	**207,285**	**102,881**	**1,527,205**

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

11. PROPERTY AND EQUIPMENT (continued)

Property and equipment at the end of Dhul Hijjah 1434H comprised of the following:

	Furniture and fixtures	Computers	Motor vehicles	Other equipment	1434H Total
Cost:					
At Muharram 1	590,430	3,,169,651	342,176	73,580	4,175,837
Additions during the year	-	-	-	131,682	131,682
At Dhul Hijjah 29	590,430	3,169,651	342,176	205,262	4,307,519
Accumulated depreciation:					
At Muharram 1	586,419	1,003,592	231,578	73,580	1,895,169
Charge for the year	3,567	596,955	40,331	2,465	643,318
At Dhul Hijjah 29	589,986	1,600,547	271,909	76,045	2,538,487
Net Book Value:					
At Dhul Hijjah 29, 1434H	444	1,569,104	70,267	129,217	1,769,032

12. WAKALA BORROWINGS

The Wakala borrowings are received from other financial institutions on which the Corporation pays periodic Muwakkil profit ranging from 0.4% to 2.4% per annum. The borrowings have original maturities ranging from 1 month to 3 years.

13. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Due to related parties (Note 18)	**34,750,720**	102,608,656
Accrued profit payable on Wakala borrowing	**2,537,115**	1,779,749
Accrued expenses	**445,267**	195,248
Payable against Murabaha agreement	**-**	2,383,088
Payable to Bidaya Home Financing Company received by a shareholder	**-**	5,333,333
Other payables	**4,867,642**	3,076,178
	42,600,744	115,376,252

14. ICD SOLIDARITY FUND

This represents net accumulated income up to Dhul Hijjah 30, 1435H generated from liquid fund placements with certain conventional banks and financial institutions and donation which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Committee of the Corporation, this income needs to be utilized for charitable purposes and, therefore, has been classified as a liability. The disposition of this liability is the responsibility of the Charity Committee formed within the Corporation. The sources and uses of ICD Solidarity Fund during the years ended are as follows:

	1435H	1434H
Sources		
Balance at Muharram 1	**402,454**	664,109
Amount transferred from income during the year	**584,614**	10,352
Income earned	**980**	710
	988,048	675,171
Uses		
Charitable disbursements	**(97,562)**	(272,717)
Balance at end of Dhul Hijjah	**890,486**	402,454

(All amounts in United States Dollars unless otherwise stated)

15. SHARE CAPITAL

The share capital of the Corporation at end of Dhul Hijjah comprised of the following:

	1435H	1434H
Authorized: 200,000 (1434H: 200,000) shares of US$ 10,000 each	**2,000,000,000**	2,000,000,000
Subscribed capital:		
Available for subscription: 100,000 (1434H: 100,000) shares of US$ 10,000 each	**1,000,000,000**	1,000,000,000
Share capital not yet subscribed	**(161,040,000)**	(161,040,000)
Subscribed capital	**838,960,000**	838,960,000
Installments due not yet paid	**(39,961,720)**	(89,153,890)
Paid-up capital	**798,998,280**	749,806,110

The paid-up capital of the Corporation represents amounts received from the following members:

	1435H	1434H
Islamic Development Bank	**375,000,000**	375,000,000
Member countries	**350,429,256**	304,437,086
Iran Foreign Investment Company	**35,969,024**	35,969,024
Saudi Public Investment Fund	**30,000,000**	27,000,000
Bank Keshavarzi	**5,400,000**	5,400,000
Bank Melli	**2,000,000**	1,800,000
Bank Nationale D'Algerie	**200,000**	200,000
	798,998,280	749,806,110

16. RESERVE

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine what part of the Corporation's net income and surplus, after making provision for reserves, shall be distributed as dividends only after the reserves level reach 12.5% of the subscribed capital.

17. DEPRECIATION

Depreciation charge for the year ended Dhul Hijjah comprised of the following:

	1435H	1434H
Ijarah Muntahia Bittamleek (Note 10)	**18,040,229**	26,214,925
Property and equipment (Note 11)	**667,317**	643,317
	18,707,546	26,858,242

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

18. RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions with related parties

Significant related party transactions for the year ended Dhul Hijjah are as follows:

	Nature of Transactions	Amount of transactions 1435H	1434H
IDB	Rent	**747,963**	1,021,200
Members of General Assembly, Board of Directors, Advisory Board, Shari'ah Committee & Executive Committee	Allowances and fee	**1,017,556**	471,909
Unit Investment Fund (UIF)	Mudarib fee	**654,919**	405,464
Money Market Fund (MMF)	Mudarib fee	**662,782**	72,456
Bidaya Home Financing Company	Set-up costs	**542,015**	754,312
Capitas International	Consultancy fee	**1,108,267**	-

All related party transactions are conducted at mutually agreed terms and approved by the Board of Directors.

b) Due from related parties:

	1435H	1434H
IDB	**1,701,797**	1,878,818
International Islamic Trade Finance Corporation (ITFC)	**200,490**	100,490
Islamic Corporation for Investments and Insurance of Export Credit (ICIEC)	**105,960**	54,888
MMF	**238,619**	72,456
Anfaal Capital Company	**495,489**	1,135,489
Al Fareeda Residential Fund	**1,320,268**	1,320,268
Tamweel Africa Holding	**1,934,355**	1,934,355
Bidaya Home Financing Company	**10,437,802**	9,878,287
	16,434,780	16,375,051

c) Due to related parties

	1435H	1434H
Waqf Fund	**33,414,874**	100,232,671
UIF	**227,579**	2,375,985
Capitas International	**1,108,267**	-
	34,750,720	102,608,656

The balances due to and from related parties are mark-up free with no fixed repayment terms.

d) Key management compensation

The compensation paid or payable to key management personnel is shown below:

	1435H	1434H
Salaries and other short-term benefits	**732,000**	607,604
Post-employment benefits	**39,873**	40,952
	771,873	648,556

(All amounts in United States Dollars unless otherwise stated)

19. PROVISION FOR IMPAIRMENT OF ASSETS

The movements in the specific provision for impairment during the years ended at end of Dhul Hijjah are as follows:

	1435H	1434H
Balance at Muharram 1	**36,102,126**	29,858,084
Charge for the year	**27,168,915**	9,817,378
Reversal for the year	**(2,032,993)**	(3,573,336)
Balance at end of Dhul Hijjah	**61,238,048**	36,102,126

The breakup of provision for impairment of financial assets is as follows:

	1435H	1434H
Murabaha financing (Note 6)	**5,247,147**	6,078,789
Accrued income and other assets (Note 7)	**15,893,207**	11,299,770
Installment sales (Note 8)	**10,686,171**	8,395,841
Investments (Note 9)	**16,665,771**	7,624,716
Ijarah Muntahia Bittamleek (Note 10)	**12,745,752**	2,703,010
	61,238,048	36,102,126

20. ASSETS UNDER MANAGEMENT

a) Unit investment fund

The Unit Investment Fund ("UIF") of IDB is a trust fund established under Article 23 of the Articles of Agreement of IDB. The purpose of UIF is to participate in the economic development of the member countries through the pooling of the saving of institutions and individual investors, and to invest these savings in producing projects in the said member countries.

UIF's management is supervised by an Executive Committee, which is headed by the President of IDB. The Corporation manages UIF as a Mudarib and charges a Mudarib fee of 15% of UIF's net income, which is included in the statement of income under Mudarib fees.

At the end of Dhul Hijjah 1435H the total assets of UIF under the management of the Corporation amounted to USD 282.43million (1434H: USD 275 million).

b) Money Market Fund

The ICD Money Market Fund (Labuan) LP ("MMF") is a Labuan Islamic Limited Liability Partnership (LLP) registered under the Labuan Limited Partnerships and Limited Partnerships Act 2010 on July 22, 2014. The objective of the partnership is to earn periodic income by investing in Sharia compliant placement, investment and financing products. The Corporation acts as the Mudarib (Investment Manager), custodian and administrator of the fund and charges a Mudarib fee ranging from 0.001% to 30% of the return depending on the return percentage, which is included in the statement of income under Mudarib fees.

At the end of Dhul Hijjah 1435H the total assets of MMF under the management of the Corporation amounted to USD 85.45 million (1434H: USD 50.34 million).

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS

For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

21. NET ASSETS IN FOREIGN CURRENCIES

The net assets denominated in foreign currencies as at Dhul Hijjah 30, 1435H were USD 109.1 million (1434H: USD 105.5 million).

The currency wise break-up of net assets in foreign currencies at the end of the years in USD equivalents are as follows:

	1435H	1434H
Saudi Riyals	**66,442,509**	45,632,906
Pakistani Rupees	**18,323,483**	30,554,243
Kazakhstani Tenge	**8,334,485**	10,000,000
Indonesian Rupee	**5,907,154**	8,751,340
Jordanian Dinar	**8,297,468**	6,138,401
Iranian Riyal	**-**	2,624,385
Euro	**1,838,796**	1,818,536
Sterling Pounds	**1,542**	1,542
	109,145,437	105,521,353

(All amounts in United States Dollars unless otherwise stated)

22. CONCENTRATION OF ASSETS

(a) Concentration of assets by geographical areas at end of Dhul Hijjah is as follows:

	Cash at banks	Commodity placements and Murabaha financing	Installment sales financing	Investments	Ijarah Muntahia Bittamleek	Accrued income and other assets and property and equipment	1435 Total	1434 Total
Member Countries:								
Africa	-	79,182,867	1,863,322	240,195,170	27,657,975	16,166,158	**365,065,492**	235,756,910
Asia	31,625,799	290,089,408	150,994,732	501,501,717	47,290,780	135,502,794	**1,157,005,230**	981,690,786
Total assets	**31,625,799**	**369,272,275**	**152,858,054**	**741,696,887**	**74,948,755**	**151,668,952**	**1,522,070,722**	1,217,447,696

(b) Concentration of assets by economic sector at year end Dhul Hijjah is analyzed as under:

	Cash at banks	Commodity placements and Murabaha Financing	Installment sales financing	Investments	Ijarah Muntahia Bittamleek	Accrued income and other assets and property and equipment	1435 Total	1434 Total
Public utilities	-	-	-	-	-	850,000	**850,000**	2,801,459
Financial services	31,625,799	313,117,104	151,796,550	445,164,293	1,176,359	44,642,372	**987,522,477**	772,231,302
Industry and mining	-	43,183,119	1,061,504	176,516,054	55,264,569	88,337,901	**364,363,147**	363,734,041
Social services	-	12,972,052	-	120,016,540	18,507,827	9,731,846	**161,228,265**	69,140,643
Others	-	-	-	-	-	8,106,833	**8,106,833**	9,540,251
Total	**31,625,799**	**369,272,275**	**152,858,054**	**741,696,887**	**74,948,755**	**151,668,952**	**1,522,070,722**	1,217,447,696

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

23. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Corporation's assets and liabilities according to their respective periods to maturity or expected period to cash conversion at end of Dhul Hijjah are as follows:

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
Assets						
Cash at banks	31,625,799	-	-	-	-	31,625,799
Commodity placements and Murabaha financing	194,968,782	119,019,695	55,283,798	-	-	369,272,275
Installment sales financing	16,075,495	41,362,572	95,419,987	-	-	152,858,054
Investments	315,000	1,250,000	16,096,150	-	724,035,737	741,696,887
Ijarah Muntahia Bittamleek	6,845,988	19,741,479	48,361,288	-	-	74,948,755
Accrued income and other assets and property and equipment	2,246,866	147,894,881	1,527,205	-	-	151,668,952
Total 1435H	**252,077,930**	**329,268,627**	**216,688,428**	**-**	**724,035,737**	**1,522,,070,722**
Total 1434H	215,815,140	225,577,993	140,577,715	-	635,476,848	1,217,447,696
Liabilities						
Wakala borrowings	116,666,667	232,999,113	160,000,000	-	-	509,665,780
Accruals and other liabilities	42,600,744	-	-	-	-	42,600,744
ICD Solidarity Fund	890,486	-	-	-	-	890,486
Total 1435H	**160,157,897**	**232,999,113**	**160,000,000**	**-**	**-**	**553,157,010**
Total 1434H	15,548,762	275,027,230	33,409,982	-	-	323,985,974

24. SHARI'AH SUPERVISION

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Corporation shall have a Shari'ah Committee. As a member of the IDB group, the Corporation utilizes the IDB Group Shari'ah Committee. The Committee rules on whether a certain category of investment is Shari'ah compliant and considers any questions referred to it by the Board of Directors, the Executive Committee or Management of the Corporation.

25. RISK MANAGEMENT

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Corporation is exposed to credit risk in both its financing operations and its treasury activities. Credit risk arises because beneficiaries and treasury counterparties could default on their contractual obligations or the Corporation's financial assets could decline in value.

(All amounts in United States Dollars unless otherwise stated)

25. RISK MANAGEMENT (continued)

For all classes of financial assets held by the Corporation, the maximum credit risk exposure is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of bank balances, commodity placements through financial institutions, Murabaha financing, Installment sales financing, Ijaraha Muntahia Bittamleek financing and accrued income and other assets. This risk is mitigated as follows:

Liquid fund investments i.e. commodity placements through financial institutions are managed by the Corporation's Treasury department. The Corporation has made placements with financial institutions under the arrangement of Wakala Bil Istismar. Adequate due diligence is exercised prior to placement and as at the year end, management considers that there are no major credit risks posed to these investments.

The Corporation evaluates Murabaha financing, installment sales and Ijarah Muntahia Bittamleek financing (Term financing). Credit evaluation is performed internally and external expertise is used where required. The Executive Committee of the Board of Directors of the Corporation approves all the financing. Such financing is generally secured against adequate security for term financing projects. Under Ijarah Muntahia Bittamleek contracts, the Corporation is the owner of the related asset which is only transferred to the beneficiary upon payment of all the installments due at the end of the lease term. The net book value of Ijarah Muntahia Bittamleek assets after taking impairment provision as disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation. The Corporation's credit risk concentration is disclosed in Note 22.

As of the reporting date, the ageing of the Corporation's financial assets which were overdue and considered for impairment was as follows:

	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other receivables
1435H				
0-90 days	-	-	3,985,848	-
91-180 days	-	-	3,137,974	-
181 days and above	5,247,147	10,686,171	16,325,058	22,336,526
Total	**5,247,147**	**10,686,171**	**23,448,880**	**22,336,526**
1434H				
0-90 days	-	-	-	-
91-180 days	-	-	1,323,403	-
181 days and above	7,641,941	10,579,065	7,773,742	22,336,526
Total	**7,641,941**	**10,579,065**	**9,097,145**	**22,336,526**

The following is the aging of the Corporation's financial assets which were past due but were not considered impaired by the management since there was no change in the credit quality of these financial assets:

1435H	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other receivables
0-90 days	13,063,062	220,606	8,939,585	-
91-180 days	588,620	58,108	5,636,953	-
181 days and above	1,464,784	-	24,381,796	2,187,943
Total	15,116,466	278,714	38,958,334	2,187,943

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE FINANCIAL STATMENTS
For the year ended Dhul Hijjah 30, 1435H (October 24, 2014)
(All amounts in United States Dollars unless otherwise stated)

25. RISK MANAGEMENT (continued)

1434H	Murabaha financing	Installment sales financing	Ijarah Muntahia Bittamleek Receivables	Other receivables
0-90 days	-	1,303,665	5,102,323	-
91-180 days	-	-	5,635,916	-
181 days and above	-	-	17,449,286	-
Total	-	1,303,665	28,187,525	-

The Corporation obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the Corporation include bank guarantees, corporate guarantees, pledge of assets, possession of title to the property being financed, etc. In general, the value of guarantees or other credit enhancements held by the Corporation against these assets as of the reporting date were considered adequate to cover the outstanding exposures. Where the Corporation's management and its provisioning committee assessed that value of the receivable may not be fully recovered, an appropriate provision is recorded. The policy of the Corporation in respect of securities and guarantees for term finance operations is that the sum of the securities package will be equal to or greater than 125% of the value of the assets financed.

b) Market Risk

The Corporation is exposed to market risk through its use of financial instruments and specifically to currency risks, mark up rate risk and certain other price risks.

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial **assets** and liabilities denominated in foreign currencies, in case the entity does not hedge its currency exposure by means of hedging instruments.

The Corporation is exposed to currency risk as a portion of its liquid fund portfolio and some of the equity **investments** are in currencies other than US Dollars; the reporting currency of the Corporation. The Corporation has minimized its exposure to currency risk on liquid funds by ensuring that all liquid funds transactions are in US Dollars or currencies pegged to US Dollar. For monetary assets and liabilities foreign currency risk is managed through the alignment of the foreign currency denominated assets and liabilities.

The Corporation is exposed to market risks arising from adverse changes in foreign exchange for a Sukuk transaction that is denominated in foreign currency. The Corporation manages these risks through a variety of strategies, including foreign currency forward contract.

25. RISK MANAGEMENT (continued)

ii) Mark-up rate risk

Mark-up rate risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to changes in mark-up rates mainly on its Murabaha, Installment Sales and Ijara Muntahia Bittamleek financing through changes in the benchmark of the market mark-up rate; LIBOR. Other financing arrangements are normally based on fixed rates. These mark-up rate risk exposures are not hedged.

iii) Price risk

The Corporation is exposed to equity price risk on its investments held at fair value. The Corporation has only one investment which is listed and, accordingly, the Corporation is not exposed to significant price risk.

c) Liquidity risk

Liquidity risk is the non-availability of sufficient funds to meet disbursements and other financial commitments as they fall due.

To guard against this risk, the Corporation follows a conservative approach by maintaining high liquidity levels invested in cash cash equivalents, commodity placements through financial institutions and Murabaha financing with short-term maturity of three to twelve months. Please see Note 23 for the maturity schedule of the assets.

26. 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. Consequently differences can arise between carrying values and fair value estimates. Fair valuation with respect to investments is disclosed in Note 9.

27. COMMITMENTS

At Dhul Hijjah 30, 1435H, the un-disbursed commitments for investing in operations and other investments amounted to USD 298.1 million (1434H: USD 243.6 million).

28. SEGMENT INFORMATION

Management has determined the chief operating decision maker to be the Board of Directors as this body is responsible for overall decisions about resource allocation to development initiatives within its member countries. Development initiatives are undertaken through a number of Islamic finance products as disclosed on the face of the Statement of Financial Position which are financed centrally through the Corporation's equity capital and borrowings. Management has not identified separate operating segments within the definition of FAS 22 "Segment Reporting" since the Board of Directors monitor the performance and financial position of the Corporation as a whole. Further, the internal reports furnished to the Board of Directors do not present discrete financial information with respect to the Corporation's performance to the extent envisaged in FAS 22; geographical and economic sector distribution of the Corporation's assets is set out in Note 22.

BOARD OF DIRECTORS
As of 29 DHUL HIJJAH, 1435H

Dr. Ahmad Mohamed Ali
Chairman of the Board

Mr. Khaled Al Aboodi
CEO & General Manager

Mr. Abdullah M.A. Al Zaabi
Representing Arab Group

Dr. Abdulhamid Alkhalifa
Representing Saudi Arabia

Mr. Datuk Ahmad Badri Bin Mohd Zahir
Representing Asia Group

Mr. Lawan Gana Lantewa
Representing Africa Group

Dr. Mir Saeid Nikzad Larijani
Representing Financial Institution Group

Mr. Ulan Aiylchiev
Representing IDB

Mr. Zeinhom Zahran
Representing IDB

Dr. Zul Kifl Salami
Representing IDB

ICD DIRECTORS
As of 29 DHUL HIJJAH, 1435H

Mr. Khaled Al Aboodi
CEO & General Manager

Dr. Abdelaziz Mustafa
Director of Corporate Support

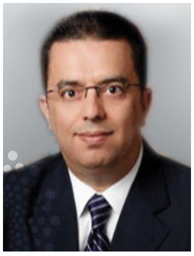
Dr. Majid Sabbagh Kermani
Director of Strategy & Policy Department

Dr. Najmul Al Hassan
Director of Financial Institutions Development Department

Mr. Farid Masood
Director of Advisory & Assets Management Department

Mr. Juan Limandibhratha
Director of Risk Management Department

Mr. Farid Masmoudi
Director of Business Development & Partnership Department



Dr. Ghassan Al- Baba
Executive Director - Thiqah

Mr. Rudolph Waels
Director of Direct Investment & Financing Department

Mr. Mohhammed Alamari
Director of Internal Audit Office