ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
FINANCIAL STATEMENTS AND AUDITOR'S REPORT

For the year ended 31 December 2018

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
Your Excellencies the Chairman and Members of the General Assembly
Islamic Corporation for the Development of the Private Sector
Jeddah
Kingdom of Saudi Arabia

Report on the financial statements

We have audited the accompanying statement of financial position of Islamic Corporation for the Development of the Private Sector (the "Corporation") as of 31 December 2018 and the related statements of income, changes in members' equity and cash flows for the year then ended. These financial statements and the Corporation's undertaking to operate in accordance with 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 issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2018, and of the results of its operations and its cash flows for the year then ended in accordance with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group (IsDBG) and the financial accounting standards issued by AAOIFI.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

3 Rajab II 1440H
10 March 2019

Jeddah

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

18/46/MNA

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	***31 December 2018 USD***	*31 December 2017 USD*
ASSETS			
Cash and cash equivalents	5	**662,847,206**	517,533,923
Commodity placements through financial institutions	6	**115,287,311**	145,659,653
Sukuk investments	7	**753,247,701**	633,435,553
Murabaha financing	8	**293,594,682**	307,148,873
Installment sales financing	9	**509,563,471**	410,135,601
Ijarah Muntahia Bittamleek (IMB), net	10	**162,159,796**	141,645,771
Istisna assets		**22,882,095**	18,570,233
Equity investments	11	**462,284,924**	695,030,382
Other assets	12	**88,754,570**	131,153,339
Property and equipment		**206,834**	346,397
TOTAL ASSETS		**3,070,828,590**	3,000,659,725
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Sukuk issued	13	**980,000,000**	1,178,807,157
Commodity Murabaha financing	14	**1,039,552,869**	698,667,929
Accrued and other liabilities	15	**31,641,685**	41,972,776
Employee pension liabilities	16	**14,650,523**	17,664,426
Amounts due to ICD Solidarity Fund	17	**993,175**	1,039,521
TOTAL LIABILITIES		**2,066,838,252**	1,938,151,809
MEMBERS' EQUITY			
Share capital	18	**1,310,932,808**	1,047,414,212
Accumulated losses	19	**(297,046,695)**	28,540,159
Actuarial losses	16	**(9,895,775)**	(13,446,455)
TOTAL MEMBERS' EQUITY		**1,003,990,338**	1,062,507,916
TOTAL LIABILITIES AND MEMBERS' EQUITY		**3,070,828,590**	3,000,659,725

The attached notes 1 to 34 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF INCOME

For the year ended 31 December 2018

	Note	***31 December 2018 USD***	*31 December 2017 USD*
INCOME			
Treasury assets			
Commodity placements through financial institutions		**13,687,008**	8,230,993
Sukuk investments		**12,235,176**	14,706,599
		25,922,184	22,937,592
Equity investments loss, net	11.4	**(241,960,520)**	(87,237,251)
Financing assets			
Murabaha financing		**13,531,630**	12,050,536
Installment sales financing		**30,900,860**	17,578,723
Ijarah Muntahia Bittamleek (IMB), net	21	**8,622,865**	10,171,659
Istisna assets		**899,496**	603,657
		53,954,851	40,404,575
Impairment allowance for financing assets	22	**(79,332,297)**	(17,740,165)
Financing cost		**(58,194,136)**	(36,536,951)
Fair value gain on islamic derivatives net of exchange loss	23	**8,058,041**	2,651,641
Other income			
Administrative fees		**7,611,180**	7,807,404
Management fees		**1,587,529**	3,454,625
Advisory fees		**687,379**	2,315,646
		9,886,088	13,577,675
TOTAL OPERATING LOSS		**(281,665,789)**	(61,942,884)
Staff costs		**(34,908,363)**	(36,239,791)
Other administrative expenses		**(8,868,074)**	(8,698,625)
Depreciation		**(144,629)**	(139,152)
TOTAL OPERATING EXPENSES		**(43,921,066)**	(45,077,568)
NET LOSS		**(325,586,855)**	(107,020,452)
Income from non-Shari'ah compliant placements	17	**63,107**	385,047
Transferred to ICD Solidarity Fund	17	**(63,107)**	(385,047)
TOTAL SHARI'AH COMPLIANT LOSS		**(325,586,855)**	(107,020,452)

The attached notes 1 to 34 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2018

	Note	*Share capital USD*	*Accumulated losses USD*	*Net loss USD*	*Actuarial losses USD*	*Total USD*
Balance at 31 December 2016		882,368,110	153,207,968	-	(12,018,510)	1,023,557,568
Contributions during the year		148,962,745	-	-	-	148,962,745
Net loss for the year		-	-	(107,020,452)	-	(107,020,452)
Transfer to reserve		-	(107,020,452)	107,020,452	-	-
Actuarial loss for the year from the pension schemes	16.3	-	-	-	(1,427,945)	(1,427,945)
Dividend in the form of:						
- Shares	19	16,083,357	(16,083,357)	-	-	-
- Cash	19	-	(1,564,000)	-	-	(1,564,000)
Balance at 31 December 2017		1,047,414,212	28,540,159	-	(13,446,455)	1,062,507,916
Contributions during the year		263,518,596	-	-	-	263,518,596
Net loss for the year		-	-	(325,586,854)	-	(325,586,854)
Transfer to reserve		-	(325,586,854)	325,586,854	-	-
Actuarial loss for the year from the pension schemes	16.3	-	-	-	3,550,680	3,550,680
Balance at 31 December 2018		**1,310,932,808**	**(297,046,695)**	**-**	**(9,895,775)**	**1,003,990,338**

The attached notes 1 to 34 form part of these financial statements.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	***2018 USD***	*2017 USD*
OPERATING ACTIVITIES			
Net loss for the year		**(325,586,855)**	(107,020,452)
Adjustments for:			
Fair value loss on equity investments, net	11	**242,177,673**	88,104,549
Financing cost		**58,194,136**	36,536,951
Depreciation		**24,760,827**	31,878,688
Impairment allowance	22	**79,332,297**	17,740,165
Provision for employee pension liabilities	16.3	**3,503,716**	4,970,247
Unrealized fair value (gain) / loss on Sukuk investments		**13,392,946**	2,923,750
Gain on Islamic derivatives net of currency losses	23	**(8,058,041)**	(2,651,641)
		87,716,699	72,482,257
Changes in operating assets and liabilities:			
Commodity placements through financial institutions		**30,372,342**	(119,354,485)
Sukuk investments, net of fair value loss		**(153,215,341)**	(254,114,907)
Murabaha financing, net of impairment		**399,228**	(39,538,262)
Installment sales financing, net of impairment		**(103,971,562)**	(1,490,367)
Ijarah Muntahia Bittamleek, net of impairment		**(45,130,223)**	(25,393,442)
Istisna assets		**(4,311,862)**	(18,570,233)
Equity investments, net		**(9,432,215)**	(27,651,058)
Other assets, net of impairment		**(658,379)**	8,058,205
Accrued and other liabilities		**(8,601,083)**	(9,257,558)
Amounts due to ICD Solidarity Fund		**(46,346)**	169,495
Cash used in operations		**(206,878,742)**	(414,660,355)
Financing cost paid		**(49,506,445)**	(32,523,051)
Employee pension liabilities paid	16	**(2,700,000)**	(2,776,245)
Net cash used in operating activities		**(259,085,187)**	(449,959,651)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(5,066)**	(19,394)
Net cash used in investing activities		**(5,066)**	(19,394)
FINANCING ACTIVITIES			
Proceeds from Sukuk issued		**-**	82,472,078
Repayment of Sukuk issued		**(200,000,000)**	-
Proceeds from Commodity Murabaha financing		**340,884,940**	728,667,929
Repayments of Commodity Murabaha financing		**-**	(425,000,000)
Share capital contribution		**263,518,596**	148,962,745
Dividend paid in cash		**-**	(600,000)
Net cash from financing activities		**404,403,536**	534,502,752
NET INCREASE IN CASH AND CASH EQUIVALENT		**145,313,283**	84,523,707
Cash and cash equivalent at the beginning of the year		**517,533,923**	433,010,216
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	5	**662,847,206**	517,533,923

The attached notes 1 to 34 form part of these financial statements.

1 ACTIVITIES

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

According to the Agreement, the objective of the Corporation is to promote, in accordance with the 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 ("IsDB").

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

The Corporation carries out its business activities through its headquarters in Jeddah, Saudi Arabia.

2 BASIS OF PRESENTATION

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 Board of the IsDBG. For matters, which are not covered by AAOIFI standards, the Corporation seeks guidance from the relevant International Financial Reporting Standards (IFRSs) 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 4.

During the year ended 20 Dhul Hijjah, 1434H (Corresponding to 3 November 2013), the Corporation used the available guidance for the "Investment Entities" amendments to IFRS 10 'Consolidated financial statements' and resultant changes in 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 2015. Accordingly, the Corporation discontinued issuing consolidated financial statements and used the transition guidance of the amendments to IFRSs 10 and 12, in so far it relates to the adoption of amendments related to investment entities.

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. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Corporation's significant accounting policies:

Accounting convention

The financial statements are prepared under the historical cost convention, except for the measurement at fair value of certain of its financial assets in accordance with the accounting policies adopted.

Transactions in foreign currencies

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 foreign currencies are recorded in United States Dollars ("USD") at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the statement of financial position. All differences are taken 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents consist of bank balances and commodity placements through financial institutions having an original maturity of three months or less at the date of acquisition.

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 amortized cost less any impairment.

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.

Installment sales financing

Installment sale financing is a sale agreement where repayments are made on an instalment basis over a pre-agreed period. The selling price comprises the cost plus an agreed profit margin.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ijarah Muntahia Bittamleek (IMB)

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 after the completion of all payments under the agreement.

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.

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

Investments

The Corporation's investments are categorised as follows:

i) Subsidiaries

An entity is classified as a subsidiary 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 members or the entity itself regardless of the level of shareholding that the Corporation has in the entity.

The adoption of the IFRS 10 amendments exempted the Corporation 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. 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 members 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.

iii) Other investments

Entities where the Corporation does not have significant influence or control are categorised as other investments.

iv) Sukuk investments

Sukuk are certificates of equal value representing undivided share in ownership to tangible assets, usufructs, services or (in the ownership) of assets of a particular project, measured at fair value through statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

v) Initial measurement

All investments are initially recorded in the statement of financial position at fair value. All transaction costs are recognised directly in statement of income.

vi) Subsequent measurement

After the initial recognition, all investments are measured at fair value and any gain or loss arising from a change in fair value is included in the statement of income in the period in which it arises.

Impairment and uncollectibility of financing assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financing asset or a group of financing assets is impaired. There are several steps required to determine the appropriate level of impairment. A financing assets or a group of financing assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the financed entity or issuer, default or delinquency by a financed entity, restructuring of receivables by the Corporation on terms that the Corporation would not otherwise consider, indications that a financed entity or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of financed entity or issuers in the group, or economic conditions that correlate with defaults in the group.

The Corporation considers evidence of impairment at both specific asset and collective level. All individually significant financing assets are assessed for specific impairment. The collective allowance for impairment could be based on deterioration in internal grading, external credit ratings, allocated to the financed entity or group of financed entities, the current economic climate in which the borrowers operate and the experience and historical default patterns that are embedded in the components of the financing assets.

Impairment losses on financing assets are measured as the difference between the carrying amount of the financing assets and the present value of estimated future cash flows discounted at the asset's original effective yield rate.

Impairment losses are recognised in the statement of income and reflected in impairment allowance. Adjustments to the impairment allowance are recorded as a charge or credit in the Corporation's statement of income. Impairment is deducted from the relevant financing asset category in the statement of financial position.

When the financing assets is deemed uncollectible, it is written-off against the related impairment allowance and any excess loss is recognised in the statement of income. Such assets are written-off only after all necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written-off are credited to the Corporation's statement of income.

Islamic derivative financial instruments

Islamic derivatives financial instruments represent foreign currency forward contracts and profit rate swaps. They are based on International Islamic Financial Market (IIFM) and International Swaps Derivatives Association, Inc. (ISDA) templates. These are used by the Corporation to mitigate the risk of fluctuation in foreign currency and financing cost for placements with financial institutions, Sukuk investments, financing assets and Sukuk issued. 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 'other assets' or 'accrued and other liabilities', respectively, in the statement of financial position.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Corporation, and accordingly, are not included in the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repairs and maintenance are charged to the statement of income. Enhancements that increase the value or materially extend the life of the related assets are capitalized.

Financial liabilities

All Sukuk issued, Commodity Murabaha financing and other liabilities issued are initially recognized at cost, net of transaction charges, being the fair value of the consideration received. Subsequently, all yield bearing financial liabilities, are measured at amortised cost by taking into account any discount or premium. Premiums are amortised and discounts are accreted on an effective yield basis to maturity and taken to "financing cost" in the statement of income.

Derecognition of financial assets and financial liabilities

Financial assets:
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Corporation has transferred its rights to receive cash flows from an asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset; or
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Corporation's continuing involvement in the asset.

Financial liabilities:
A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and financial liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under applicable accounting and reporting framework, or for gains and losses arising from a group of similar transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sukuk issued

The Sukuk assets have been recognised in the ICD financial statements, as ICD is the Service Agent, whilst noting that ICD has sold these assets at a price to the sukuk holders through the SPV by a valid sale contract transferring ownership thereof to the sukuk holders..

Provisions

Provisions are recognised when the Corporation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employee pension liabilities

The Corporation has two defined post-employment benefit plans, shared with all IsDB group entities pension fund, which consists of the Staff Retirement Pension Plan and the Post-Employment Medical Scheme, both of which require contributions to be made to separately administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the projected unit credit method to determine the present value of the defined benefit plan and the related service costs. The underlying actuarial assumptions are used to determine the projected benefit obligations. The present value of the defined benefit obligation due till the retirement date is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the statement of financial position. The liability represents the present value of the Corporation's defined benefit obligations, net of the fair value of plan assets. The Corporate's contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the IsDB's actuaries, and the contributions are transferred to the scheme's independent custodians pension and medical obligation.

The pension and medical obligation and the related charge for the period are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, etc. Due to the long term nature of such obligations, these estimates are subject to significant uncertainty.

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 the Shari'ah Board of IsDBG as forbidden by Shari'ah principles, is not included in the Corporation's statement of income but is recorded as a liability to be utilized for charitable purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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 financing.

(v) Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is 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) Management fee

Management 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 at coupon rate in accordance with the terms of the Sukuk investment.

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 and tax.

Segment reporting

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 financing. 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.

4 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) Investment entity

In determining an investment entity status, the Corporation considered the following:

a) The Corporation provides investment management services to a number of investors with respect to investment in managed funds;
b) The Corporation generate capital and income from its investments which will, in turn, be distributed to the current and potential investors; and
c) The Corporation evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements. Management believes that had the Corporation carried these financing assets at their fair values, the amounts would have not been materially different from their carrying amounts.

The Board of Directors concluded that the Corporation meets the definition of an investment entity. Their conclusion is reassessed on an annual basis.

ii) Impairment allowance for financing assets

The Corporation exercises judgment in the estimation of impairment allowance for financial assets. The methodology for the estimation of impairment of financing assets is set out in note 2 under "impairment and uncollectibility of financing assets".

iii) Fair value determination

The Corporation determines the fair value of substantially all of its financial assets at each financial year end. Majority of the Corporation's financial assets are unquoted. The fair value of the financial assets that are not quoted in an active market is determined by using valuation techniques, primarily, discounted cash flow techniques (DCF), comparable price/book (P/B) multiples, recent transactions and, where relevant, net asset value (NAV). Where required, the Corporation engages third party valuation experts. For certain investments which are start-up entities or in capital disbursement stage, management believe cost is an approximation of 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 entities to the relevant portfolio of the entity, and unobservable data, such as the discount for marketability. The Corporation also considered the geopolitical situation of the countries where the investee entities operate and taken appropriate discount on their values.

(iv) Employee pension liabilities

The pension and medical obligation and the related charge for the period are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty.

(v) Going concern

The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

5 CASH AND CASH EQUIVALENTS

	31 December 2018 USD	*31 December 2017 USD*
Cash at banks	**108,852,233**	214,479,945
Commodity placements through financial institutions (note 6)	**553,000,000**	302,000,000
	661,852,233	516,479,945
Bank balance relating to ICD Solidarity Fund	**994,973**	1,053,978
	662,847,206	517,533,923

Certain bank accounts with balance of USD 4,709,427 (31 December 2017: USD 1,581,508) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed / operated by the Corporation.

Commodity placements included within cash and cash equivalents are those placements which have original maturity of less than three months. Commodity placements with original maturity of above three months are disclosed in note 6.

6 COMMODITY PLACEMENTS THROUGH FINANCIAL INSTITUTIONS

	31 December 2018 USD	*31 December 2017 USD*
Commodity placements through financial institutions	**668,287,311**	447,659,653
Less: commodity placements through financial institutions with an original maturity of three months or less (note 5)	**(553,000,000)**	(302,000,000)
	115,287,311	145,659,653

Commodity placements through financial institutions include an amount of USD 1,498,865 (2017: USD 1,871,210) provided to a related party of the Corporation, over which the Corporation earned profit of USD 34,534 (31 December 2017: USD 149,899).

7 SUKUK INVESTMENTS

	31 December 2018 USD	*31 December 2017 USD*
Opening balance	**633,435,553**	382,244,396
Additions	**270,594,991**	311,518,723
Redemption	**(126,545,292)**	(60,824,976)
Exchange losses / (gains)	**(326,153)**	3,421,160
Unrealised fair value losses	**(13,392,946)**	(2,923,750)
Impairment allowance (note 22)	**(10,518,452)**	-
	753,247,701	633,435,553

7 SUKUK INVESTMENTS (continued)

	31 December 2018 USD	*31 December 2017 USD*
Financial institutions	**517,394,466**	534,484,119
Governments	**235,853,235**	98,951,434
	753,247,701	633,435,553

	31 December 2018 USD	*31 December 2017 USD*
AAA	**82,896,850**	33,348,675
AA+ to AA-	**-**	49,723,400
A+ to A-	**385,570,032**	286,704,026
BBB+ or lower	**255,650,190**	234,444,917
Unrated	**29,130,629**	29,214,535
	753,247,701	633,435,553

	Sukuk investments measured at fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
2018 (USD)	**724,117,072**	**-**	**29,130,629**	**753,247,701**
2017 (USD)	604,215,018	-	29,220,535	633,435,553

Sukuk investments included an amount of USD 82,896,850 (31 December 2017: USD 33,348,675) invested in Sukuk issued by IsDB, over which the Corporation earned profit of USD 1,228,626 (31 December 2017: USD 519,000).

8 MURABAHA FINANCING

	31 December 2018 USD	*31 December 2017 USD*
Murabaha financing	**316,539,255**	316,938,483
Less: impairment allowance (note 22)	**(22,944,573)**	(9,789,610)
	293,594,682	307,148,873

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.

Murabaha financing included financing of USD 100,914,418 (31 December 2017: USD 103,409,545) provided to related parties of the Corporation, over which the Corporation earned profit of USD 2,612,831 (31 December 2017: USD 2,211,175).

9 INSTALLMENT SALES FINANCING

	31 December 2018 USD	*31 December 2017 USD*
Installment sales financing	**524,792,926**	420,821,363
Less: impairment allowance (note 22)	**(15,229,455)**	(10,685,762)
	509,563,471	410,135,601

All goods purchased for resale under installment sales financing are made on the basis of specific purchase for subsequent resale to the customers. 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.

Installment sales financing included financing of USD 6,068,164 (31 December 2017: USD 6,138,039) provided to related parties of the Corporation, over which the Corporation earned profit of USD 302,526 (31 December 2017: USD 402,147).

10 IJARAH MUNTAHIA BITTAMLEEK (IMB), net

	31 December 2018 USD	*31 December 2017 USD*
Cost:		
Assets not yet in use:		
Additions and transferred to assets in use	**45,130,223**	25,393,442
Assets in use:		
At the beginning of the year	**314,947,558**	289,554,116
Transferred from assets not in use	**45,130,223**	25,393,442
At the end of year	**360,077,781**	*314,947,558*
Total cost	**360,077,781**	314,947,558
Accumulated depreciation:		
At the beginning of the year	**173,301,787**	141,562,251
Charge for the period	**24,616,198**	31,739,536
At the end of the year	**197,917,985**	173,301,787
Ijarah Muntahia Bittamleek, net	**162,159,796**	141,645,771

Ijarah Muntahia Bittamleek included financing of USD 6,607,279 (31 December 2017: USD 8,321,037) provided to related parties of the Corporation, over which the Corporation earned profit of USD 1,009,991 (31 December 2017: USD 854,108).

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

During the year, impairment allowances of USD 75,519,480 (31 December 207: USD 34,655,843) have been reclassified from "Ijarah Muntahia Bittamleek" to "Other assets".

11 EQUITY INVESTMENTS

The Corporation directly or through intermediaries, owns equity investments. Based on the effective holding of the Corporation, the investments in equity capital as at the end of the year comprised of the following:

	31 December 2018 USD	*31 December 2017 USD*
Subsidiaries (note 11.1)	**260,192,879**	400,546,229
Associates (note 11.2)	**115,595,141**	161,794,239
Other investments	**86,496,904**	132,689,914
	462,284,924	695,030,382

The movement in investments for the year is as follows:

	31 December 2018 USD	*31 December 2017 USD*
At the beginning of the year	**695,030,382**	755,483,873
Additions	**23,440,288**	32,210,567
Disposals	**(14,008,073)**	(4,559,509)
Fair value losses , net	**(242,177,673)**	(88,104,549)
At the end of the year	**462,284,924**	695,030,382

At 31 December 2018

11.1 Investments in subsidiaries

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

Name of the entity	**Country of incorporation**	**Nature of business**	**Effective ownership %** ***2018***	*2017*
Azerbaijan Leasing	Azerbaijan	Leasing	**100**	100
ICD Asset Management Limited	Malaysia	Asset management	**100**	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	**100**	100
Ijarah Management Company	Saudi Arabia	Leasing	**100**	100
Sante Alexandra Company	Egypt	Manufacturing	**100**	100
Taiba Leasing	Uzbekistan	Leasing	**100**	100
Tamweel Africa Holding	Senegal	Banking	**100**	100
Maldives Islamic Bank	Maldives	Banking	**70**	70
ASR Leasing LLC	Tajikistan	Leasing	**67**	67
Al Majmoua Al Mauritania	Mauritania	Real estate	**53**	53
Tahfeez United Company (formerly Catalyst International)	Saudi Arabia	Advisory service	**100**	100
Taha Alam Sdn Bhd	Malaysia	Advisory services	**50**	50
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	**50**	50

(a) In addition to the above investments, there are certain subsidiaries carried at nil value where the Corporation had invested in earlier years and were fully impaired.

(b) There are no regulatory or contractual arrangements that restrict the subsidiaries ability to transfer funds in the form of cash dividend or repay financing or advances made to them by the Corporation. The Corporation sometimes extends financial assistance in the form of advances to its subsidiaries.

11 EQUITY INVESTMENTS (continued)

11.2 Investments in associates

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

Name of the entity	Country of incorporation	Nature of business	Effective ownership % 2018	2017
Al-Akhthar Bank	Morocco	Banking	**49**	49
Enmaa Ijara Company	Egypt	Leasing	**47**	47
Theemar Investment Fund	Tunisia	Fund	**41**	41
Anfaal Capital Company	Saudi Arabia	Investment Advisory	**38**	38
Kyrgyzstan Ijara Company	Kyrgyzstan	Leasing	**37**	37
Kazakhstan Ijara Company	Kazakhstan	Leasing	**36**	36
Albania Leasing	Albania	Leasing	**36**	36
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	**33**	33
Palestine Ijarah Company	Palestine	Leasing	**33**	33
Halic Finansal Kiralama A.S.	Turkey	Leasing	**33**	33
Wifack International Bank	Tunisia	Leasing	**30**	30
Royal Atlantic Residence	Gambia	Real Estate	**25**	25
Adritech Group International	Jordan	Agriculture	**25**	25
Saudi SME Fund (Afaq)	Saudi Arabia	Fund	**25**	25
Al Sharkeya Sugar	Egypt	Manufacturing	**22**	22
Jordan Pharmaceutical Manufacturing Co.	Jordan	Manufacturing	**22**	22
Saba Islamic Bank	Yemen	Banking	**20**	20
Arab Leasing Company	Sudan	Leasing	**20**	20
PMB Tijari Berhad	Malaysia	Leasing	**20**	20
Turkish Asset Management (K.A.M.P)	Turkey	Fund	**20**	20

In addition to the above investments, there are certain associates carried at nil value where the Corporation had invested in earlier years and were fully impaired.

11.3 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.

	Equity investments measured at fair value			
	Level 1	Level 2	Level 3	Total
2018 (USD)	**16,590,903**	**-**	**445,694,021**	**462,284,924**
2017 (USD)	29,853,351	-	665,177,031	695,030,382

11 EQUITY INVESTMENTS (continued)

11.3 Fair value of investments (continued)

Equity investments which are not quoted in an active market, were reported at their fair values estimated using a single or a combination of valuation techniques which are applied keeping in view the industry segment and business environment of the investee entity. These techniques, predominantly, included market multiple, adjusted net asset value, discounted cash flows, recent comparable transactions, excess earnings, discounted cash flows and residual approach. The assumptions and inputs to these fair valuation techniques are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values and are based on assumptions. Changes in assumptions alone or other market factors could significantly affect the reported fair value of the investments. These models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, management performs sensitivity analysis or stress testing techniques.

Historically and for the current year, management had taken into account investee specific as well as the macro economic environment of the investee. The investee specific inputs primarily included market multiples, actual business performance than expected and revisions to the business plans. The macroeconomic inputs included country or regional specific information as well as the foreign currency rates. In addition, management has implemented certain refinements to the valuation techniques to reflect appropriately the ever-changing circumstances and economic environment. The valuation techniques along with significant inputs used to measure the fair value of equity investments classified in level for each significant sector as at 31 December 2018 and 31 December 2017 are as follows:

Sector	**Valuation technique**	**Significant input**	**Range**	***31 December 2018 USD***
Financial Services	Adjusted Net asset value	-	-	**145,169,849**
	Relative valuations	-	-	**136,529,112**
	Excess earnings	Cost of equity	14.5% - 15.8%	**28,701,246**
		Growth rate	4.0%	
		Persistence factor	85.0%	
	Discounted cash flows	Cost of equity	18.9%	**5,591,983**
		Growth rate	5.8%	
	Other techniques	-	-	**4,700,083**
Industry and Mining	Adjusted Net asset value	-	-	**47,799,561**
	Discounted cash flows	Discount rate	24.6%	**12,909,647**
		EV/EBIDA	9.53%	
	Other techniques	-	-	**2,761,815**
Social Services	Discounted cash flows	Discount rate	11.4%	**6,568,449**
		Growth rate	2.5%	
Others	Discounted cash flows	Cost of equity	15.0%	**45,721,129**
	Adjusted net asset value	-	-	**8,091,147**
	Other techniques	-	-	**1,150,000**
Total				**445,694,021**

In addition to the above, in certain instances ICD applied control premium up to 25% considering, for example, shareholding level, board representation and influence on decision-making. Similarly, in certain instances discount for lack of marketability ranging up to 25% was applied.

11 EQUITY INVESTMENTS (continued)

11.3 Fair value of investments (continued)

Sector	Valuation technique	Significant input	Range	*31 December 2017 USD*
Financial Services	Adjusted Net asset value	-	-	162,623,557
	Relative valuations	-	-	154,192,238
	Discounted cash flows	Discount rate	6.13% - 21.5%	129,873,769
		Cost of equity	9.1% - 21.5%	
		Growth rate	3% - 8.7%	
	Distributable dividend model	Cost of equity	20.1%	3,393,191
		Growth rate	4.4%	
	Other techniques	-	-	7,055,354
Industry and Mining	Adjusted Net asset value	-	-	69,867,574
Social Services	Discounted cash flows	Discount rate	15.1%	9,821,280
		Cost of equity	14.9%	
		Growth rate	2%	
Others	Adjusted net asset value	-	-	122,193,870
	Other techniques	-	-	1,202,811
	Discounted cash flows	Discount rate	9.9%	4,953,387
		Cost of equity	15.1%	
		Growth rate	1.5%	
Total				665,177,031

Reconciliation of level 3 items	***31 December 2018 USD***	*31 December 2017 USD*
At the beginning of the year	**665,177,031**	720,787,158
Additions	**23,440,288**	32,210,567
Disposals	**(5,201,858)**	(4,559,509)
Unrealized fair value losses, net	**(237,721,440)**	(83,261,185)
At the end of the year	**445,694,021**	665,177,031

	31 December 2018 USD	*31 December 2017 USD*
Fair value losses, net	**(242,177,673)**	(88,104,549)
Dividend	**217,153**	867,298
	(241,960,520)	(87,237,251)

12 OTHER ASSETS

	31 December 2018 USD	*31 December 2017 USD*
Ijarah Muntahia Bittamleek (IMB), net installments receivable	**96,028,770**	97,114,751
Due from related parties (note 20.2)	**28,940,492**	30,273,917
Positive fair value of Islamic derivative financial instrument (note c)	**18,482,180**	7,002,211
Proceeds receivable from sale of shares (note a)	**16,844,093**	16,844,093
Accrued income	**12,566,515**	9,944,615
Advances to employees	**8,691,835**	10,825,369
Proceeds receivable on maturity of government certificates/ Sukuk (note b)	**8,077,352**	8,077,352
Unamortised portion of Sukuk issuance cost	**6,294,180**	6,529,790
Other receivables	**8,704,822**	9,301,720
	204,630,239	195,913,818
Less: impairment allowance (note d) and (note 22)	**(115,875,669)**	(64,760,479)
	88,754,570	131,153,339

(a) This represents proceeds receivable on sale of shares. The transaction was subject to arbitration proceedings with relevant regulatory authorities in a member country. The Corporation believes that the balance is fully impaired. Accordingly, an impairment allowance of the book value loss have been provided.

(b) On July 23, 2008 (Rajab 20, 1429H), the Corporation entered into an agreement with a counterparty to invest in Sukuk with an option to convert it to equity shares of the investee at the time of initial public offering (IPO). The Sukuk matured during 1431H. However, IPO formalities were not completed and the amount is outstanding since then. Management is in discussion with the investee's management and is reviewing various options. Keeping in view the prolonged overdue nature of this account, management impaired the entire amount.

(c) The Islamic derivative financial instruments represent foreign currency forwards and swaps' contracts. The forward and cross currency profit rate swaps are held to mitigate the risk of currency fluctuation for placements with financial institutions, Sukuk investments, financing assets and Sukuk issued. Profit rate swaps are held to mitigate the effects of the fluctuation in the changes in the cost of financing by matching the floating rate financing with floating rate income. Included in the table below is the positive and negative fair values of Islamic derivative financial instruments, together with their notional amounts:

Islamic derivative financial instrument	***Notional amount USD***	***Positive fair value USD***	***Negative fair value USD***
Cross currency swaps	302,305,661	2,266,006	3,579,188
Profit rate swaps	472,650,000	7,253,788	2,091,520
Forward contracts	233,483,343	8,962,386	255,726
31 December 2018	**1,008,439,003**	**18,482,180**	**5,926,434**

Islamic derivative financial instrument	*Notional amount USD*	*Positive fair value USD*	*Negative fair value USD*
Cross currency swaps	490,378,170	-	14,241,736
Profit rate swaps	464,355,000	6,461,271	102,499
Forward contracts	45,284,049	540,940	2,860,292
31 December 2017	1,000,017,219	7,002,211	17,204,527

(d) During the year, impairment allowances of USD 75,519,480 (31 December 207: USD 34,655,843) have been reclassified from "Ijarah Muntahia Bittamleek" to "Other assets".

13 SUKUK ISSUED

Issue date	Maturity date	Issue currency	*Issued amount*	*Rate*	***31 December 2018***	*31 December 2017*
			USD		***USD***	*USD*
Listed (note a)						
13-04-2017	13-04-2021	USD	300,000,000	2.468% Fixed	**300,000,000**	300,000,000
Not listed (note b)						
28-12-2018	30-12-2019	USD	80,000,000	3M LIBOR + 0.80%	**80,000,000**	80,000,000
22-02-2017	22-02-2018	KWD	200,000,000	3.4% Fixed	-	198,807,157
24-02-2017	24-02-2024	USD	350,000,000	3M LIBOR + 0.55%	**350,000,000**	350,000,000
19-07-2017	19-07-2024	USD	250,000,000	3M LIBOR + 0.75%	**250,000,000**	250,000,000
			1,180,000,000		**980,000,000**	1,178,807,157

(a) During the year ended 31 December 2016, the Corporation through a special purpose vehicle (SPV), an entity registered in Cayman Islands, issued Sukuk amounting to USD 300 million which are listed on London Stock Exchange and Nasdaq Dubai. The Sukuk are secured against Corporation's certain assets including Murabaha, Ijarah assets, Sukuk investments, Shari'ah compliant authorised investments and any replaced assets. These assets are under the control of the Corporation.

(b) The trust certificates (Sukuk) confer on certificate holders the right to receive at agreed intervals, payments (periodic distributions) out of the profit elements of Corporation's Installment Sale, Istisna'a and Ijarah assets sold at each issue by the Corporation to Trustees. The Corporation, as a third party, guarantees to the Trustees punctual performance of the assets.

14 COMMODITY MURABAHA FINANCING

Commodity Murabaha financing is received from financial institutions under commodity murabaha agreements. The financing have original maturities ranging from 2 to 4 years (31 December 2017: 2 to 4 years.)

15 ACCRUED AND OTHER LIABILITIES

	31 December 2018 USD	*31 December 2017 USD*
Negative fair value of Islamic derivative (note 12 (d))	**5,926,434**	17,204,527
Due to related parties (note 20.3)	**441,553**	7,108,236
Accrued profit on Sukuk issued	**4,425,079**	4,834,485
Accrued profit payable on Commodity Murabaha financing	**11,747,750**	4,726,995
Dividend payable (note 19)	**4,108,563**	4,108,563
Other payables	**4,992,306**	3,989,970
	31,641,685	41,972,776

16 EMPLOYEE PENSION LIABILITIES

Staff Pension Plan (SPP)

The SPP is a defined benefit pension plan and became effective on 1 Rajab 1399H. Every person employed by the Corporation on a full-time basis except for fixed term employees, as defined in the Corporation employment policies, is eligible to participate in the SPP, upon completion of the probationary period of service, generally 1 year.

The Pension Committee appointed by the President, IsDB Group on behalf of its employees administers SPP as a separate fund. The Pension Committee is responsible for the oversight of investment and actuarial activities of the SPP. The SPP's assets are invested in accordance with the policies set out by the Pension Committee. IsDB and its Affiliates underwrite the investment and actuarial risk of the SRP and share the administrative expenses.

The main features of the SPP are:

(i) Normal retirement age is the 62 anniversary of the participant's birth;
(ii) On retirement, the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

Under the SPP, the employee contributes 9% of the basic annual salary while IsDB and its Affiliates contribute 21%.

Staff Retirement Medical Plan (SRMP)

Effective 1 Muharram 1421H, the IsDB Group established the medical benefit scheme for retired employee via the Board of Executive Directors resolution dated 18 Shawwal 1418H. This was extended to eligible staff members of the Group's Affiliates. IsDB and its Affiliates fund the SRMP at 1% and the staff at 0.5% of the basic salaries, respectively.

The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses. The administration of the SRMP is independent of the SPP and contributions are invested in a similar manner to that of the SPP under the management of the Pension Committee.

The monthly entitlements payable for each retired employee is computed according to the following formula:

{Highest average remuneration X contributory period X 0.18%} / 12

The breakdown of net employee pension liabilities as of 31 December 2018 was as follows:

2018	***SPP***	***SRMP***	***Total***
		31 December 2018 (USD)	
Plan assets (note 16.1)	**37,465,191**	**1,821,114**	**39,286,305**
Defined benefit obligations (note 16.2)	**(50,175,375)**	**(3,761,453)**	**(53,936,828)**
Net employee pension liabilities	**(12,710,184)**	**(1,940,339)**	**(14,650,523)**

2017	*SPP*	*SRMP*	*Total*
		31 December 2017 (USD)	
Plan assets (note 16.1)	35,598,339	1,701,561	37,299,900
Defined benefit obligations (note 16.2)	(50,622,358)	(4,341,968)	(54,964,326)
Net employee pension liabilities	(15,024,019)	(2,640,407)	(17,664,426)

16 EMPLOYEE PENSION LIABILITIES (continued)

16.1 The movement in the present value of the plan assets is as follows:

	SPP		***SRMP***	
	31 December 2018 USD	*31 December 2017 USD*	***31 December 2018 USD***	*31 December 2017 USD*
Balance as at 1 January	**35,598,339**	31,842,820	**1,701,561**	1,501,482
Income on plan assets	**1,472,322**	1,450,266	**75,299**	64,304
Return on plan assets greater than discount rate	**-**	616,734	**-**	2,964
Plan participants contributions	**1,100,000**	1,138,073	**61,000**	60,370
Employer contribution	**2,577,000**	2,655,505	**123,000**	120,740
Disbursements from plan assets	**(2,192,159)**	(2,105,059)	**(84,449)**	(48,299)
Others	**(1,090,311)**	-	**(55,297)**	-
	37,465,191	35,598,339	**1,821,114**	1,701,561

16.2 The movement in the present value of defined benefit obligation is as follows:

	SPP		***SRMP***	
	31 December 2018 USD	*31 December 2017 USD*	***31 December 2018 USD***	*31 December 2017 USD*
Balance as at 1 January	**50,622,358**	43,934,811	**4,341,968**	3,451,970
Current service costs	**2,547,024**	4,070,599	**260,400**	370,286
Cost on defined benefit obligation	**2,061,591**	1,891,472	**182,322**	152,460
Plan participants contributions	**1,100,000**	1,138,073	**61,000**	60,370
Net actuarial deficit / (gain)	**(3,524,451)**	1,692,462	**(982,968)**	355,181
Disbursements from plan assets	**(2,192,158)**	(2,105,059)	**(84,449)**	(48,299)
Others	**(438,989)**	-	**(16,820)**	-
	50,175,375	50,622,358	**3,761,453**	4,341,968

16.3 Based on the actuarial valuations, the pension and medical benefit expenses for the year comprised the following:

	SPP		***SRMP***	
	31 December 2018 USD	*31 December 2017 USD*	***31 December 2018 USD***	*31 December 2017 USD*
Gross current service costs	**2,547,024**	4,070,599	**260,400**	370,286
Cost of defined benefit obligation	**2,061,591**	1,891,472	**182,322**	152,460
Income from plan assets	**(1,472,322)**	(1,450,266)	**(75,299)**	(64,304)
Cost recognized in statement of income	**3,136,293**	4,511,805	**367,423**	458,442
Actuarial loss / (gain) due to assumptions	**(3,524,449)**	1,692,462	**(982,969)**	355,181
Return on plan assets (less) / greater than discount rate	**(1,163,720)**	(616,734)	**(2,086)**	(2,964)
Actuarial loss recognized in statement of changes in members' equity	**(4,688,169)**	1,075,728	**(985,055)**	352,217

16 EMPLOYEE PENSION LIABILITIES (continued)

16.4 The following table presents the plan assets by major category:

	SPP		*SRMP*	
	31 December 2018 USD	*31 December 2017 USD*	***31 December 2018 USD***	*31 December 2017 USD*
Investments in Sukuk	**14,296,060**	18,555,664	**1,008,025**	1,348,119
Managed funds and Installment sales	**6,427,652**	7,977,500	**-**	-
Cash and cash equivalent and commodity placements	**12,539,365**	5,034,106	**803,992**	224,918
Land	**4,396,985**	4,001,502	**-**	-
Others	**(194,871)**	29,567	**9,097**	128,524
	37,465,191	35,598,339	**1,821,114**	1,701,561

16.5 The assumptions used to calculate the pension plans liabilities are as follows:

	SPP		*SRMP*	
	31 December 2018 USD	*31 December 2017 USD*	***31 December 2018 USD***	*31 December 2017 USD*
Managed funds and installment sales	**4.50%**	4.15%	**4.50%**	4.15%
Investments in Sukuk	**4.50%**	4.50%	**4.50%**	4.50%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA corporate bonds.

17 ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2018 generated from liquid fund placements with certain conventional banks and financial institutions which was discontinued by ICD and other income which were not considered in compliance with the Shari'ah principles. As per the recommendation of the Shari'ah Board of IsDB, 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 year ended are as follows:

	31 December 2018 USD	*31 December 2017 USD*
Sources		
At the beginning of the year (from conventional placements and others)	**1,039,521**	870,026
Income transferred during the year (late payment charges only)	**63,107**	385,047
Income earned	**16,798**	6,845
	1,119,426	1,261,918
Users		
Charitable disbursements	**(126,251)**	(222,397)
At the end of the year	**993,175**	1,039,521

18 SHARE CAPITAL

The share capital of the Corporation at year / period end comprises of the following;

	31 December 2018 USD	*31 December 2017 USD*
Authorized share capital: 400,000 shares of USD 10,000 each	**4,000,000**	4,000,000,000
Subscribed capital share:		
Available for subscription: 200,000 shares of USD 10,000 each	**2,000,000,000**	2,000,000,000
Share capital not yet subscribed	**(279,790,000)**	(242,765,336)
	1,720,210,000	1,757,234,664
Installments due not yet paid	**(409,277,192)**	(709,820,452)
Paid-up capital	**1,310,932,808**	1,047,414,212

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

	31 December 2018 USD	*31 December 2017 USD*
Islamic Development Bank (IsDB)	**534,681,958**	472,181,958
Member countries	**626,845,850**	473,297,254
Iran Foreign Investment Company	**40,000000**	40,000,000
Saudi Public Investment Fund	**101,205,000**	53,735,000
Bank Keshavarzi	**6,000,000**	6,000,000
Bank Melli	**2,000,000**	2,000,000
Bank Nationale D'Algerie	**200,000**	200,000
Paid-up capital	**1,310,932,808**	1,047,414,212

19 RESERVE AND DIVIDEND

In accordance with Section 1 of Article No. 33 of the Articles of Agreement of the Corporation, the General Assembly shall determine the part of the Corporation's net income and surplus after making provision for reserves to be distributed as dividend. In any event, no dividend shall be distributed before reserve reach 12.5% of the subscribed capital.

No Dividend was paid during 2018.

For 2017, The General Assembly at its Plenary Sitting held on 18 May 2017 (corresponding to 22 Shaaban 1438H) in Jeddah, Kingdom of Saudi Arabia, through resolution GA17/1/438, approved a dividend of USD 17,647,357 in proportion to the paid-up capital held by each member as follows:

a) For the IsDB, an equivalent of USD 8,032,979 to be allocated in the form of shares.
b) For the public financial institutions, cash dividend of USD 1,564,000.
c) For the member countries, the dividend of USD 8,050,378 to be distributed in the form of shares.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent subsidiaries, associated companies, members, directors and key management personnel of the Corporation, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Corporation's management.

20.1 The following are the details of major related party transactions entered during the year:

Related parties	***Nature of Transactions***	***31 December 2018 USD***	*31 December 2017 USD*
Islamic Development Bank Group	Rent & pension actuarial deficit (note a)	**2,087,890**	2,088,900
Islamic Banking Growth Fund	Management fee	**-**	448,630
Sante Alexandra	Advance	**190,553**	-
ICD Fixed Income Limited	Management fee	**-**	3,294,060
Tamweel Africa Holding	Advance	**217,222**	270,564
Catalyst Group International	Advance	**540,453**	645,523
Ijarah Management Company	Advance	**184,811**	234,160
Wifack International Bank	Advance	**44,255**	-
Members / Directors / Shareholders	Allowances and fee	**-**	338,396
Maldives Islamic Bank	Recharges	**-**	137,804
Taiba Leasing	Advance	**222,517**	-
Taiba Titrisation	Advance	**197,433**	-

(a) Certain related party transactions and balances have been disclosed in notes 7 to 10.

20.2 Due from related parties comprised the following:

	31 December 2018 USD	*31 December 2017 USD*
Sante Alexandra	**6,754,151**	6,563,598
Tamweel Africa Holding	**4,826,209**	5,043,431
Catalyst Group International	**4,803,102**	4,262,649
ICD Fixed Income Limited	**1,433,045**	3,035,596
Bidaya Home Financing Company	**2,863,024**	2,863,024
Caspian Leasing	**2,144,660**	2,144,660
Taiba Titrisation	**1,724,127**	1,526,694
Ijarah Management Company	**604,254**	789,065
International Islamic Trade Finance Corporation (ITFC)	**590,011**	578,163
Wifack International Bank	**500,968**	545,223
Taiba Leasing	**254,633**	477,150
Islamic Banking Growth Fund	**448,630**	448,630
Al Majmoua Mouritania (MMI)	**330,005**	330,007
Islamic Development Bank	**515,569**	-
Others	**1,148,104**	1,666,027
	28,940,492	30,273,917

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

20.3 Due to related parties comprised the following:

	31 December 2018 USD	*31 December 2017 USD*
Islamic Development Bank (IsDB)	**-**	2,758,644
Waqf Fund	**-**	4,317,666
ICD Money Market Fund	**115,742**	-
Pension Fund	**147,339**	-
Royal Atlantic	**145,878**	-
Others	**32,594**	31,926
	441,553	7,108,236

20.4 The compensation paid or payable to key management personnel is as follows:

	31 December 2018 USD	*31 December 2017 USD*
Salaries and other short-term benefits	**3,222,907**	2,959,293
Post-employment benefits	**348,067**	322,694
	3,570,974	3,281,987

21 IJARAH MUNTAHIA BITTAMLEEK, NET

	31 December 2018 USD	*31 December 2017 USD*
Income from Ijarah Muntahia Bittamleek,	**33,239,063**	41,911,195
Depreciation	**(24,616,198)**	(31,739,536)
At the end of the year	**8,622,865**	10,171,659

22 IMPAIRMENT ALLOWANCE

	31 December 2018 USD	*31 December 2017 USD*
At the beginning of the year	**85,235,851**	67,495,686
Charge for the year, net	**79,332,297**	17,740,165
At the end of the year	**164,568,148**	85,235,851

22 IMPAIRMENT ALLOWANCE (continued)

The breakdown of cumulative allowance for impairment is as follows:

	31 December 2018 USD	*31 December 2017 USD*
Murabaha financing (note 8)	**22,944,573**	9,789,610
Installment sales financing (note 9)	**15,229,454**	10,685,762
Ijarah Muntahia Bittamleek Receivables (note 12)	**75,519,480**	34,655,843
Sukuk Investments (note 7)	**10,518,452**	-
Other assets (note 12)	**40,356,189**	30,104,636
	164,568,148	85,235,851

23 FAIR VALUE GAIN / (LOSS) ON ISLAMIC DERIVATIVES NET OF EXCHANGE (LOSS) / GAIN

	31 December 2018 USD	*31 December 2017 USD*
Gain / (loss) on Islamic derivatives	**23,312,566**	(24,949,601)
Foreign exchange (loss) / gain	**(15,254,525)**	27,601,242
	8,058,041	2,651,641

24 FIDUCIARY ASSETS

24.1 Unit Investment Fund

The ICD Unit Investment Fund (Labuan) LLP (formerly Islamic Development Bank – Unit Investment Fund) (the “Fund”) was established under Article 22 of the Articles of Agreement of Islamic Development Bank (“the Bank” or “IDB”) based in Jeddah, Saudi Arabia. The Fund commenced its operations on 1 January 1990. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015, the Fund was also registered under the Labuan Companies Act, 1990 and is domiciled in the Federal territory of Labuan, Malaysia. Accordingly, the name of the Fund was changed from Islamic Development Bank – Unit Investment Fund to ICD Unit Investment Fund (Labuan) LLP. The registration number of the Fund is LLP00181.

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. Pursuant to Islamic Limited Liability Partnership Agreement (the “Partnership” or the “Agreement”) dated 3 November 2015.

At the end of 31 December 2018, the net assets of UIF amounting to USD 151.96 million (2017: USD 189.8 million) were under the management of the Corporation.

24.2 Money Market Fund

The ICD Money Market Fund (Labuan) LLP (“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 Shari'ah compliant placement, investment and financing products.

At the end of 31 December 2018, the net assets of MMF amounting to USD 198.56 million (2017: USD 229.8 million) were under the management of the Corporation.

24 FIDUCIARY ASSETS (continued)

24.3 Corporate Premium Fund

ICD Corporate Premium Fund (Labuan) LLP ("CPF") is an open ended investment fund constituted pursuant to Islamic Limited Liability Partnership Agreement (the "Partnership" or the "Agreement") dated 17 November 2015 and is domiciled in the Federal territory of Labuan, Malaysia. The objective of the partnership is to achieve competitive, periodic returns by investing in viable, corporate finance investments in conformity with the principles of Shari'ah and the approved investment policies.

At the end of 31 December 2018, the net assets of CPF amounting to USD 56.66 million (2017: USD 65.4 million) were under the management of the Corporation.

24.4 Trade Premium Fund

ICD Trade Premium Fund (Labuan) LLP ("TPF") is an open ended investment fund constituted pursuant to Islamic Limited Liability Partnership Agreement (the "Partnership" or the "Agreement") dated 17 November 2015 and is domiciled in the Federal territory of Labuan, Malaysia. The objective of the partnership is to achieve competitive, periodic returns by investing in viable, short-term and comparatively low-risk trade finance investments in conformity with the principles of Shari'ah and the approved investment policies

At the end of 31 December 2018, the net assets of TPF amounting to USD 38.34 million (2017: USD 37.1 million) were under the management of the Corporation.

The Corporation manages UIF, MMF, CPF and TPF as Management and charges a Management fee, which is included in the statement of income under Management fees. These funds are co-managed under special purpose vehicle namely "ICD Fixed Income Limited".

24.5 Others

Certain commodity placements, financing assets, equity investments and Sukuk investments are in the name of the Corporation which are beneficially owned by IsDB group entities and are managed and operated by the respective entities.

25 NET ASSETS IN FOREIGN CURRENCIES

The currency wise breakdown of net assets in foreign currencies at the end of the year is as follows:

	31 December 2018 USD	*31 December 2017 USD*
Euro	**230,728,209**	233,997,130
Pakistani Rupee	**8,087,136**	15,923,216
Kazakhstani Tenge	**7,925,326**	7,831,299
Moroccan Dirham	**4,479,652**	4,024,118
Jordanian Dinar	**5,350,995**	3,434,705
Emirati Dirham	**3,648**	993,045
Sterling Pound	**104,443**	146,546
Malaysian Ringgit	**(53,027)**	25,427
Islamic Dinar	**556**	220
CFA Franc (XOF)	**(62,288)**	(12,037)
Turkish Lira	**(82,101)**	(72,693)
Indonesian Rupee	**(58,364)**	(78,443)
Saudi Riyal	**(217,519,925)**	(162,237,579)
	38,904,260	103,974,954

26 CONCENTRATION OF ASSETS

26.1 Concentration of assets by geographical areas at the end of the year is as follows:

31 December 2018	***Africa USD***	***Asia USD***	***Australia USD***	***Total USD***
Cash and cash equivalents	8,039,932	531,807,274	123,000,000	**662,847,206**
Commodity placements through financial institutions	23,788,443	91,498,868	-	**115,287,311**
Sukuk investments	29,649,080	723,598,621	-	**753,247,701**
Murabaha financing	42,061,999	251,532,683	-	**293,594,682**
Installment sales financing	357,925,715	151,637,756	-	**509,563,471**
Ijarah Muntahia Bittamleek (IMB), net	76815,610	85,344,186	-	**162,159,796**
Istisna assets	-	22,882,095	-	**22,882,095**
Equity investments	228,582,686	233,702,239	-	**462,284,925**
Other assets	20,465,777	68,288,792	-	**88,754,569**
Property and equipment	-	206,834	-	**206,834**
	787,329,242	2,160,499,348	123,000,000	**3,070,828,590**

31 December 2017	*Africa USD*	*Asia USD*	*Australia USD*	*Total USD*
Cash and cash equivalents	621,278	516,912,645	-	517,533,923
Commodity placements through financial institutions	23,788,443	121,871,210	-	145,659,653
Sukuk investments	19,220,535	614,215,018	-	633,435,553
Murabaha financing	25,838,096	281,310,777	-	307,148,873
Installment sales financing	264,904,523	145,231,078	-	410,135,601
Ijarah Muntahia Bittamleek (IMB), net	40,839,944	100,805,826	-	141,645,770
Istisna Assets	-	18,570,233	-	18,570,233
Equity investments	365,766,809	329,263,573	-	695,030,382
Other assets	12,699,255	118,454,085	-	131,153,340
Property and equipment	-	346,397	-	346,397
	753,678,883	2,246,980,842	-	3,000,659,725

26 CONCENTRATION OF ASSETS (continued)

26.2 Concentration of assets by economic sector at the end of the year is analysed as under:

31 December 2018	**Financial services USD**	**Industry and mining USD**	**Social services USD**	**Others USD**	**Total USD**
Cash and cash equivalents	**662,847,206**	**-**	**-**	**-**	**662,847,206**
Commodity placements through financial institutions	**115,287,311**	**-**	**-**	**-**	**115,287,311**
Sukuk investments	**468,358,467**	**-**	**284,889,234**	**-**	**753,247,701**
Murabaha financing	**119,441,594**	**99,179,948**	**56,732,063**	**18,241,076**	**293,594,681**
Installment sales financing	**504,785,128**	**4,778,344**	**-**	**-**	**509,563,472**
Ijarah Muntahia Bittamleek (IMB), net	**-**	**110,848,684**	**4,637,926**	**46,673,186**	**162,159,796**
Istisna assets	**-**	**-**	**22,882,095**	**-**	**22,882,095**
Equity investments	**333,407,136**	**63,471,023**	**8,723,262**	**56,683,503**	**462,284,924**
Other assets	**55,049,088**	**15,567,559**	**10,492,662**	**7,645,261**	**88,754,570**
Property and equipment	**206,834**	**-**	**-**	**-**	**206,834**
	2,259,382,764	**293,845,558**	**388,357,242**	**129,243,026**	**3,070,828,590**

31 December 2017	*Financial services USD*	*Industry and mining USD*	*Social services USD*	*Others USD*	*Total USD*
Cash and cash equivalents	517,533,923	-	-	-	517,533,923
Commodity placements through financial institutions	145,659,653	-	-	-	145,659,653
Sukuk investments	534,484,118	-	-	98,951,435	633,435,553
Murabaha financing	138,442,617	112,696,289	33,809,559	22,200,408	307,148,873
Installment sales financing	410,135,601	-	-	-	410,135,601
Ijarah Muntahia Bittamleek (IMB), net	-	119,936,304	6,819,553	14,889,913	141,645,770
Istisna assets	-	-	18,570,233	-	18,570,233
Equity investments	483,556,756	69,867,574	13,255,985	128,350,067	695,030,382
Other assets	42,840,035	66,452,816	5,042,018	16,818,471	131,153,340
Property and equipment	346,397	-	-	-	346,397
	2,272,999,100	368,952,983	77,497,348	281,210,294	3,000,659,725

27 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 the end of the year are as follows:

31 December 2018	*Less than 3 months USD*	*3 to 12 months USD*	*1 to 5 years USD*	*Over 5 years USD*	*No fixed maturity USD*	*Total USD*
Assets						
Cash and cash equivalents	662,847,206	-	-	-	-	**662,847,206**
Commodity placements	90,287,311	-	25,000,000	-	-	**115,287,311**
Sukuk investments	162,685,140	145,769,089	444,793,472	-	-	**753,247,701**
Murabaha financing	69,211,203	40,176,233	110,748,087	73,459,159	-	**293,594,682**
Installment sales financing	91,631,130	197,602,601	220,329,740	-	-	**509,563,471**
Ijarah Muntahia Bittamleek, net	64,350,491	548,329	37,128,481	60,132,495	-	**162,159,796**
Istinaa assets	-	808,239	4,451,025	17,622,831	-	**22,882,095**
Equity investments	-	-	-	-	462,284,924	**462,284,924**
Other assets	7,193,844	68,395,869	10,672,525	2,492,332	-	**88,754,570**
Property and equipment	-	206,834	-	-	-	**206,834**
	1,148,206,325	453,507,194	853,123,330	153,706,817	462,284,924	**3,070,828,590**
Liabilities						
Sukuk issued	-	80,000,000	900,000,000	-	-	**980,000,000**
Commodity Murabaha financing	-	-	1,039,552,869	-	-	**1,039,552,869**
Accrued and other liabilities	-	31,641,685	-	-	-	**31,641,685**
Employee pension liabilities	-	-	-	-	14,650,523	**14,650,523**
Amounts due to ICD Solidarity Fund	993,175	-	-	-	-	**993,175**
	993,175	111,641,685	1,939,552,869		14,650,523	2,066,838,252

27 CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES (continued)

31 December 2017	*Less than 3 months USD*	*3 to 12 months USD*	*1 to 5 years USD*	*Over 5 years USD*	*No fixed maturity USD*	*Total USD*
Assets						
Cash and cash equivalents	517,533,923	-	-	-	-	517,533,923
Commodity placements	91,788,443	51,871,210	2,000,000	-	-	145,659,653
Sukuk investments	30,023,100	19,614,000	583,798,453	-	-	633,435,553
Murabaha financing	48,231,509	56,149,016	134,724,994	68,043,354	-	307,148,873
Installment sales financing	58,644,945	132,909,429	218,581,227	-	-	410,135,601
Ijarah Muntahia Bittamleek, net	6,757,418	20,641,619	98,344,847	15,901,886	-	141,645,770
Istinaa assets	-	-	3,032,011	15,538,222	-	18,570,233
Equity investments	-	-	-	-	695,030,382	695,030,382
Other assets	15,854,175	-	115,299,165	-	-	131,153,340
Property and equipment	-	-	-	-	346,397	346,397
	768,833,513	281,185,274	1,155,780,697	99,483,462	695,376,779	3,000,659,725
Liabilities						
Sukuk issued	198,807,157	-	980,000,000	-	-	1,178,807,157
Commodity Murabaha financing	-	-	698,667,929	-	-	698,667,929
Accrued and other liabilities	41,972,776	-	-	-	-	41,972,776
Employee pension liabilities	-	-	-	-	17,664,426	17,664,426
Amounts due to ICD Solidarity Fund	1,039,521	-	-	-	-	1,039,521
	241,819,454	-	1,678,667,929	-	17,664,426	1,938,151,809

28 SHARI'AH SUPERVISION

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

29 RISK MANAGEMENT

The Corporation's activities expose it to various risks (credit risk, market risk and liquidity risk) associated with the use of financial instruments. Senior management, under the supervision of the Board, oversees and manages the risks associated with the financial instruments.

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.

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, Sukuk investments, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek, Istisna assets and other assets. This risk is mitigated as follows:

Commodity placements through financial institutions and Sukuk investments are managed by the Corporation's treasury department. The Corporation has made placements with financial institutions under the arrangement of Murabaha financing. Adequate due diligence is exercised prior to investments and as at the period end, management considers that there are no material credit risks posed to these investments.

The Corporation evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna financing (financing assets). 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 financing. 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 allowance for impairment as disclosed in the statement of financial position was considered fully recoverable by the management of the Corporation.

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

	Murabaha financing	*Installment sales financing*	*Ijarah Muntahia Bittamleek Receivables*
	USD	*USD*	*USD*
0-90 days	1,179,485	610,458	1,583,219
91-180 days	747,946	200,296	637,159
181 days and above	18,796,015	2,472,694	81,631,606
31 December 2018	**20,723,446**	**3,283,448**	**83,851,984**
0-90 days	2,023,333	-	4,766,072
91-180 days	240,000	-	676,148
181 days and above	14,234,525	10,685,763	59,065,357
31 December 2017	16,497,858	10,685,763	64,507,577

29 RISK MANAGEMENT (continued)

Credit risk (continued)

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:

	Murabaha financing	*Installment sales financing*	*Ijarah Muntahia Bittamleek Receivables*
	USD	*USD*	*USD*
0-90 days	1,162,868	3,442,353	2,275,386
91-180 days	-	85,746	453,535
181 days and above	2,731,643	284,310	2,475,810
31 December 2018	**3,894,511**	**3,812,409**	**5,204,731**
0-90 days	2,974,502	-	1,633,163
91-180 days	5,454,964	-	993,970
181 days and above	890,590	-	28,331,757
31 December 2017	9,320,056	-	30,958,890

The not yet due portion of above overdue receivables as at 31 December 2018 amounts to USD 93.2 million (31 December 2017: USD 39.3 million).

In addition to above financing assets, certain other assets included overdue balances and an appropriate allowance has been recorded against them.

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 impairment 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.

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 equity price risks.

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 Sukuk transaction that is denominated in foreign currency. The Corporation manages these risks through a variety of strategies, including foreign currency forward contract.

29 RISK MANAGEMENT (continued)

Market risk (continued)

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 (fair value mark-up rate risk) or the future cash flows (cash flow mark-up rate risk) and the resultant reported incomes or losses. The Corporation is exposed to changes in mark-up rates mainly on its placements, Sukuk investments, Murabaha, Installment Sales, Ijarah Muntahia Bittamleek, Istasnaa financing, Sukuk issued and Commodity Murabaha financing due to changes in the mark-up rates prevailing in the markets.

In order to manage cash flow mark-up rate risk, the Board approved Asset and Liability Management policy which requires that the Corporation follow the matched-funding principle in managing its assets and liabilities as well as profit rate swaps. Thus, the Corporation ensures that the mark-up rate basis and currencies of all debt-funded assets match those of the underlying liabilities. Such approach ensures that the Corporation’s investment income spread remains largely constant regardless of mark-up rate and exchange rate movements.

Majority of the Corporation’s financial assets and liabilities are of short-term nature. However, certain financing products, Sukuk investments and Sukuk issued are with fixed rate and of long term nature and exposes the Corporation to fair value mark-up rate risk. Management, periodically, assess the applicable market rates and assess the carrying value of these financing products.

As of the statement of financial position date, management believe that an estimated shift of 25 basis points in the market mark-up rates would not materially exposed the Corporation to cash flow or fair value mark-up rate risk.

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

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 and cash equivalents, commodity placements through financial institutions and Murabaha financing with short-term maturity of three to twelve months. Please see note 27 for the maturity schedule of the assets.

30 FAIR VALUE

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 11.

All of the Corporations’ Islamic derivatives are unquoted. Their fair values are estimated using a valuation technique and, accordingly, are level 3.

The carrying value of the Corporation’s all other financial assets and liabilities approximate their fair values.

31 COMMITMENTS

At December 31, 2018, the un-disbursed commitments for investing in operations and other investments amounted to USD 248.36 million (2017: USD 253.6 million).

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new financial accounting standards have been issued except for FAS 29 "Sukuk issuances" which is in the stage of exposure draft and is expected to be issued in near future. The Corporation intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new financial accounting standards on its financial statements and systems.

Financial Accounting Standard – 30 "Impairment and credit losses"
FAS 30 will be replacing FAS 11 "Provisions and Reserves" and has been developed on the new approach towards identification and recognition of impairment and credit losses, in particular the forward looking expected losses approach, as introduced under International Financial Reporting Standard (IFRS) 9 "Financial Instruments". FAS 30 shall also apply to off-balance sheet exposures.

This standard shall be effective from the financial periods beginning on or after 1 January 2020. Early adoption is permitted.

Financial Accounting Standard – 28 "Murabaha and other deferred payment sales"
FAS 28 intends to define the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transaction. Additionally, the earlier standards did not discuss the issue of accounting for the purchaser in Murabaha and deferred payment sales transactions for which there was a dire need to prescribe accounting principles. This standard supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Orderer" and FAS 20 "Deferred Payment Sales".

This standard shall be effective from the financial periods beginning on or after 1 January 2019. Early adoption is permitted.

Financial Accounting Standard – 29 "Sukuk Issuances"
The standard aims to provide guidance for accounting, classification and presentation for Sukuk issuances primarily based on the Sukuk structure, which may include on balance sheet, as well as, off balance sheet accounting. These classifications depend on the control of such assets comprising of power to control and nature of control i.e. for risks and rewards as well as varying benefits to the institution or the fiduciary responsibility on behalf of the Sukuk-holders. This standard shall be applied for accounting and financial reporting for Sukuk issuance in the books of the issuer.

This standard shall be effective from the financial periods beginning on or after 1 January 2019.

Financial Accounting Standard – 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)"
This standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments to be in line with the ever-changing global best practices, in hand of both the principal and the agent.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2020.

Financial Accounting Standard – 33 "Investment in Sukuk, shares and similar instruments"
This standard improves upon and supersedes the AAOIFI's Financial Accounting Standard (FAS) 25 "Investment in Sukuk, Shares, and Similar Instruments" issued in 2010. This standard aims at setting out principles for the classification, recognition, measurement, presentation and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions).

The standard defines the key types of instruments of Shari'ah compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investment is made, managed and held.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2020.

32 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Financial Accounting Standard – 34 “Financial reporting for Sukuk-holders”

This standard intends to prescribe the accounting principles and reporting requirements for underlying assets of the Sukuk instrument. The objective of this standard is to establish the principles of accounting and financial reporting for assets and business underlying the Sukuk to ensure transparent and fair reporting to all relevant stakeholders particularly Sukuk-Holders.

This standard shall be applicable to Sukuk in accordance with the Shari’ah rules and principles issued by an Islamic Financial Institution or other institution (called “originator”), directly or through the use of a Special Purpose Vehicle (SPV) or similar mechanism. In respect of Sukuk which are kept on-balance sheet by the originator in line with the requirements of FAS 29 “Sukuk in the books of the originator”, the originator may opt not to apply this standard. This Standard shall be effective from the financial periods beginning on or after 1 January 2020.

Financial Accounting Standard – 35 “Risk Reserves”

The objective of this standard is to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions. This standard shall apply to risk reserves that are established by an IFI entity, to mitigate the credit, market, equity investment, liquidity, rate of return or displaced commercial risks faced by stakeholders. On the other hand, operations risk is the responsibility of the IFI itself, so this standard shall not be applied on any risk reserve created to mitigate the operational risk.

This standard complements FAS 30 “Impairment, Credit Losses and Onerous Commitments” and they shall be adopted simultaneously. Both of standards FAS 30 and FAS 35 together supersedes the earlier FAS 11 “Provisions and Reserves”.

This standard shall be applicable on the financial statements of the Bank for the periods beginning on or after 1 January 2021. Early adoption is permitted, only if the IFI decided to early adopt FAS 30 “Impairment, Credit Losses and Onerous Commitments”.

33 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These reclassifications are disclosed in the respective notes.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 February 2019 (corresponding to 20 Jumada II 1440H).