

**ISLAMIC CORPORATION FOR THE DEVELOPMENT
OF THE PRIVATE SECTOR**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2023

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

For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

Your Excellencies the Chairman and Members of the General Assembly
Islamic Corporation for the Development of Private Sector
Jeddah, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Islamic Corporation for the Development of Private Sector (the "Corporation") and its subsidiaries (collectively referred to as 'Group'), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of changes in members' equity, consolidated statement of cash flows and consolidated statement of changes in off-balance sheet assets under management for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and the results of its operations, its cash flows and its changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

In our opinion, the Group has also complied with the Shari'ah Rules and Principles as determined by the Shari'ah Board of the Islamic Development Bank Group ("IsDBG") during the period under audit.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the '*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*' section of our report. We are independent of the Group in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code), International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements as prevailing in the local jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the AAOIFI and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit loss allowance against project assets</p> <p>As at 31 December 2023, the Group’s project assets amounted to USD 927.6 million (2022: USD 816.6 million) representing 29% of total assets. The expected credit loss (ECL) allowance as at 31 December 2023 was USD 96.8 million (2022: USD 118.4 million).</p> <p>The audit of impairment allowances for project assets is a key area of focus because of its size and due to the significance of the estimates and judgments used in classifying project assets into various stages, determining related allowance requirements, and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models.</p> <p>The Group recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s effective profit rate. The Group employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD), and exposure at default (EAD), which are defined in Note 3 to the consolidated financial statements.</p>	<ol style="list-style-type: none"> 1. We obtained an understanding of the project assets business process, the credit risk management process, the policy for impairment and credit losses and the estimation process of determining impairment allowances for project assets and the ECL modelling methodology. 2. We assessed and evaluated the design and implementation of automated and / or manual controls over the: <ul style="list-style-type: none"> • approval, accuracy and completeness of impairment allowances and governance controls over the monitoring of the model, through key management and committee meetings that form part of the approval process for project asset impairment allowances; • model outputs; and • recognition and measurement of impairment allowances 3. On a sample basis, we selected project assets and assessed and evaluated: <ul style="list-style-type: none"> • the Group’s identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner and classification of project assets into various stages and the determination of defaults/individually impaired exposures. • the forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and related weighting applied. • the assumptions underlying the impairment allowance calculation, such as estimated future cash flows and estimates of recovery period.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>The portion of the project assets is assessed for the significant increase in credit risk (SICR) and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging override in accordance with the Group’s policies.</p> <p>The measurement of ECL amounts for project assets are carried out by the ECL models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and are subject to a periodic review process by an independent third party expert.</p> <p>This was considered as a key audit matter due to the materiality of the project assets and the complexity of the judgements, assumptions and estimates used in the ECL models.</p> <p>Refer to Note 3 to the Consolidated financial statements for the accounting policy for the impairment of financial assets, Note 26 for the disclosure of impairment and Note 31 for credit risk disclosure and the key assumptions and factors considered in determination of ECL.</p>	<ul style="list-style-type: none"> • the calculation methodology to determine if it complied with the requirements of FAS 30 • the post model adjustments and management overlays (if any) in order to assess these adjustments and assessed the qualitative factors which were considered by the Group to recognize any post model adjustments, in case of data or model limitations. Where such post model adjustments were applied, we assessed those post model adjustments and the governance process around them. <ol style="list-style-type: none"> 4. We tested models and the IT applications, wherever used in the credit impairment process and verified the integrity of data used as input to the impairment models. 5. The Group performed an external validation of the ECL model and LGD models including macro-economic model during the prior period. We considered the process of this external validation of the models and its impact on the results of the impairment estimate. Finally, we updated our assessment of the methodology and framework designed and implemented by the Group as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Group to determine future economic conditions at the reporting date. 6. Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating related inputs and assessing reasonableness of assumptions used in ECL model particularly around probability of default, loss given default, exposure at default, macroeconomic variables, forecasted macroeconomic scenarios and probability weights and assumptions used in post model adjustments (if any) as mentioned above. 7. We assessed the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of the Financial Accounting Standards issued by AAOIFI.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Other Information included in the Group's Annual Report**

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

These consolidated financial statements and the Group's undertaking to operate in accordance with Shari'ah Rules and Principles are the responsibility of the Group's management and those charged with governance.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards issued by AAOIFI and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche & Co
Chartered Accountants



Waleed Bin Moha'd Sobahi
Certified Public Accountant
License No. 378



26 March 2024
16 Ramadan 1445 AH

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

As at 31 December 2023

		<i>31 December</i>	<i>31 December</i>
		<i>2023</i>	<i>2022</i>
	<i>Note</i>	<i>USD</i>	<i>USD</i>
ASSETS			
Cash and cash equivalents	5	211,626,831	340,089,159
Commodity Murabaha and Wakala placements	6	32,003,709	52,328,824
Investments in Sukuk, shares and other securities	7	1,522,141,542	1,653,425,384
Murabaha financing	8	377,580,442	84,881,396
Installment sales financing	9	308,042,001	503,216,407
Ijarah Muntahia Bittamleek	10	230,226,148	214,902,872
Istisna'a assets	11	11,837,554	13,559,552
Equity investments	13	168,611,127	150,465,318
Investment in real estate properties	14	79,462,403	77,679,145
Other assets	15	44,954,308	65,306,049
		2,986,486,065	3,155,854,106
Assets held for sale	36	231,745,208	1,150,000
Total Assets		3,218,231,273	3,157,004,106
LIABILITIES			
Sukuk issued	16	806,456,783	701,165,442
Commodity Murabaha financing liabilities	17	988,996,298	1,060,692,762
Accrued and other liabilities	18	32,348,420	228,203,466
Employee benefit liabilities	19	15,688,696	11,191,013
Amounts due to ICD Solidarity Fund	20	1,188,327	1,188,550
		1,844,678,524	2,002,441,233
Liabilities directly associated with assets classified as held for sale	36	220,154,623	-
Total Liabilities		2,064,833,147	2,002,441,233
Members' Equity			
Paid-up capital	21	1,587,552,837	1,586,736,446
Accumulated losses	22	(456,122,577)	(463,969,550)
Fair value reserve		(12,838,045)	(25,588,785)
Actuarial (losses)/gain		(398,825)	3,309,288
Cashflow hedge reserve		(3,868,846)	-
Other reserve		3,632,433	4,839,279
Foreign currency translation reserve		(11,854,928)	(13,038,845)
Equity attributable to the shareholders of the parent		1,106,102,049	1,092,287,833
Non-controlling interest		47,296,077	62,275,040
Total Members' Equity		1,153,398,126	1,154,562,873
Total Liabilities and Members' Equity		3,218,231,273	3,157,004,106

The attached notes 1 to 37 form part of these consolidated financial statements

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

For the year ended 31 December 2023

	<i>Note</i>	2023 <i>USD</i>	2022 <i>USD</i> <i>Restated</i>
Continuing operations			
NET INCOME			
Income from commodity placement		11,313,754	5,915,866
Income from sukuk investments	7.1	39,451,960	36,900,344
Income from financing assets	12	62,531,236	38,302,478
Equity investment income, net	13.2	19,299,213	14,862,476
Other income	23	8,954,101	16,453,039
Total income from continuing operations		141,550,264	112,434,203
Financing cost		(74,530,313)	(42,989,788)
Net income from continuing operations		67,019,951	69,444,415
OPERATING EXPENSES			
Staff costs		(39,208,720)	(36,455,244)
Other administrative expenses		(10,931,503)	(6,636,451)
Depreciation		(670,271)	(8,064)
Amortization		(1,840)	241,516
Total operating expenses		(50,812,334)	(42,858,243)
Net operating income before impairment charges from continuing operations		16,207,617	26,586,172
Impairment loss	26	(11,544,266)	(6,327,004)
Net profit for the year from continuing operations		4,663,351	20,259,168
Non-Shari'ah compliant income	20	223	19,262
Transferred to ICD Solidarity Fund	20	(223)	(19,262)
Net profit for the year before taxation from continuing operations		4,663,351	20,259,168
Income tax		(899,798)	(160,443)
Net profit for the year after taxation from continuing operations		3,763,553	20,098,725
Discontinued operations			
Net profit / (loss) for the year after taxation from discontinued operations	36	5,550,272	(7,229,510)
Net profit for the year		9,313,825	12,869,215
Attributable to:			
Equity-holders of the parent		7,846,973	13,600,362
Non-controlling interest		1,466,852	(731,147)
		9,313,825	12,869,215

The attached notes 1 to 37 form part of these consolidated financial statements

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

For the year ended 31 December 2023

	Paid-up capital	Accumulated losses	Net profit	Fair Value reserve	Actuarial (gains)/ losses	Cashflow hedge reserve	Other Reserves	Foreign currency translation reserve		Equity attributable to the shareholders of the parent		Non-controlling interest	Total
								USD	USD	USD	USD		
Balance at 31 December 2021	1,582,923,427	(477,569,912)	-	-	(26,007,717)	-	-	-	-	1,079,345,798	-	-	1,079,345,798
Increase in paid-up capital	3,813,019	-	-	-	-	-	-	-	-	3,813,019	-	-	3,813,019
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	61,356,736	-	61,356,736
Net profit for the year	-	-	13,600,362	-	-	-	-	-	-	13,600,362	(731,147)	-	12,869,215
Change in fair value reserve	-	-	-	(25,588,785)	-	-	-	-	-	(25,588,785)	1,649,451	-	(23,939,334)
Other Reserves	-	-	-	-	-	-	4,839,279	-	-	4,839,279	-	-	4,839,279
Foreign currency translation reserve	-	-	-	-	-	-	-	(13,038,845)	-	(13,038,845)	-	-	(13,038,845)
Transfer to accumulated losses	-	13,600,362	(13,600,362)	-	-	-	-	-	-	-	-	-	-
Actuarial gain for the year from the pension schemes (note 19.3)	-	-	-	-	29,317,005	-	-	-	-	29,317,005	-	-	29,317,005
Balance at 31 December 2022	1,586,736,446	(463,969,550)	-	(25,588,785)	3,309,288	-	4,839,279	(13,038,845)	1,092,287,833	62,275,040	-	-	1,154,562,873
Increase in paid-up capital	816,391	-	-	-	-	-	-	-	816,391	-	-	-	816,391
Net profit for the year	-	-	7,846,973	-	-	-	-	-	7,846,973	1,466,852	-	-	9,313,825
Change in fair value reserve	-	-	-	12,750,740	-	-	-	-	12,750,740	3,631,499	-	-	16,382,239
Other Reserves	-	-	-	-	-	-	(1,206,846)	-	(1,206,846)	-	-	-	(1,206,846)
Cashflow hedge reserve	-	-	-	-	-	(3,868,846)	-	-	(3,868,846)	-	-	-	(3,868,846)
Foreign currency translation reserve	-	-	-	-	-	-	-	1,183,917	1,183,917	(2,584,430)	-	-	(1,400,513)
Transfer to accumulated losses	-	7,846,973	(7,846,973)	-	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary (note 36)	-	-	-	-	-	-	-	-	-	-	(15,523,127)	-	(15,523,127)
Cash distribution	-	-	-	-	-	-	-	-	-	-	(1,969,757)	-	(1,969,757)
Actuarial loss for the year from the pension schemes (note 19.3)	-	-	-	-	(3,708,113)	-	-	-	(3,708,113)	-	-	-	(3,708,113)
Balance at 31 December 2023	1,587,552,837	(456,122,577)	-	(12,838,045)	(398,825)	(3,868,846)	3,632,433	(11,854,928)	1,106,102,049	47,296,077	-	-	1,153,398,126

The attached notes 1 to 37 form part of these consolidated financial statements

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

For the year ended 31 December 2023

	Note	2023 USD	2022 USD
OPERATING ACTIVITIES			
Profit before tax for the year		10,862,119	13,704,570
Adjustments for:			
Income attributable to non-controlling interest		(1,466,852)	731,147
Depreciation and amortization		24,432,644	24,949,578
Impairment charge/(reversal) for financial assets	26	11,551,717	17,074,993
Financing costs		74,530,313	43,002,141
Provision for employee pension liabilities	19	4,952,914	4,750,997
Share of income from investments in associates		(17,991,414)	(13,395,384)
Gain on acquisition of equity investment		-	(520,687)
Loss on Islamic derivatives net of currency losses		(4,304,694)	(1,069,512)
		<u>102,566,747</u>	<u>89,227,843</u>
Changes in operating assets and liabilities:			
Commodity Murabaha and Wakala placements		10,778,980	152,901,183
Investment in Sukuk, shares and other securities		133,021,586	(79,819,954)
Murabaha financing		(281,623,926)	31,348,299
Installment sales financing		185,841,255	(192,101,385)
Ijarah Muntahia Bittamleek		(38,360,354)	(7,729,229)
Istisna'a assets		1,785,368	3,820,005
Equity investments		971,304	133,232,913
Other assets		24,261,553	(25,339,512)
Accrued and other liabilities		(190,054,690)	181,082,150
Amounts due to ICD Solidarity Fund		(223)	(31,572)
Cash from operations		(50,812,400)	286,590,741
Financing cost paid		(68,045,679)	(35,418,179)
Employee benefits liabilities paid		(4,163,344)	(3,965,731)
Tax paid		(728,098)	(835,355)
Net cash used in operating activities		<u>(123,749,521)</u>	<u>246,371,476</u>
INVESTING ACTIVITY			
Investment in real estate		(1,783,258)	(77,679,145)
Held for sale		(10,440,585)	(1,150,000)
Net cash used in investing activities		<u>(12,223,843)</u>	<u>(78,829,145)</u>
FINANCING ACTIVITIES			
Proceeds from Sukuk issued		104,489,691	-
Proceeds from Commodity Murabaha financing		657,200,000	587,439,787
Repayments of Commodity Murabaha financing		(741,200,000)	(626,631,316)
Share capital contribution		816,391	3,813,019
Non-controlling interest		(14,978,963)	62,275,040
Net cash used in financing activities		<u>6,327,119</u>	<u>26,896,530</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT		(129,646,245)	194,438,861
Cash and cash equivalent at the beginning of the year		340,089,159	158,689,143
Foreign currency translation reserve		1,183,917	(13,038,845)
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	5	<u>211,626,831</u>	<u>340,089,159</u>

The attached notes 1 to 37 form part of these consolidated financial statements

**ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE-SHEET ASSETS
UNDER MANAGEMENT**

For the year ended 31 December 2023

	January 1, 2022	Additions	Net disposals/ withdrawals	Mudarib's share	December 31, 2022
Net assets managed on behalf of a financial institution	43,900,000	389,800,000	(433,700,000)	-	-
Total	43,900,000	389,800,000	(433,700,000)	-	-

	January 1, 2023	Additions	Net disposals/ withdrawals	Mudarib's Share	December 31, 2023
Net assets managed on behalf of a financial institution	-	246,200,000	(246,200,000)	-	-
Total	-	246,200,000	(246,200,000)	-	-

The Group has Wakala based arrangement with a financial institution in which it provides investment management services to the financial institution and acts as its agent. The Group is not exposed to any variable returns on the investment of these funds and accordingly does not control these funds. Therefore, the Group does not recognize these funds on its Consolidated statement of financial position. No amounts were outstanding in respect of this arrangement at the end of 2023. During the year, the Group earned USD 96,000 (2022: USD 289,000) as agent's remuneration. The remuneration is agreed upon through the Framework Agreement between the Group and the financial Institution.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. ORGANISATION AND OPERATIONS

Islamic Corporation for the Development of the Private Sector (the “Corporation”, “the Parent”) is an international specialized institution established pursuant to the Articles of Agreement (“the Agreement”) signed and ratified by its members’. The Parent Company 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 Parent Company 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 Parent Company, 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 Parent Company carries out its business activities through its headquarters in Jeddah, Saudi Arabia.

The principal activities of the Parent and its subsidiaries (collectively the “Group”) are a wide range of financial services, including retail, commercial, investment banking, private banking, and real estate development.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari’ah rules and principles as determined by the Shari’ah Board of the IsDB Group. 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 provided they do not contradict the rules and principles of Shari’ah as determined by the Shari’ah Board of IsDB Group.

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 were 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 IFRS 10 and IFRS 12, in so far it related to the adoption of amendments related to investment entities.

In 2022, the Board of Directors, based on management’s reassessment of the business model of the Corporation in the light of the investment entity definition under IFRS 10, resolved to revoke the Investment Entity status effective from January 1, 2022 and, as a result, the Corporation discontinued using the amendments to IFRS 10 and IFRS 12.

Pursuant to the above decision, the Corporation is required to comply with requirements of FAS 23 - “Consolidation”, under which the Corporation is required to prepare consolidated financial statements from January 1, 2022 (the effective date of the decision). Since the Corporation ceased to be an investment entity, the change in status has been accounted for as a ‘deemed acquisition’ of the Corporation’s subsidiaries and associates, as follows:

- the Corporation applied business combination requirements to all its subsidiary (and associates) that were previously measured at fair value through profit or loss;
- the date of the change of status (i.e. the date the Corporation ceased to be an investment entity) was considered as the deemed acquisition date for such subsidiaries and associates; and for the measurement of any goodwill or gain from bargain purchase;
- all the subsidiaries of the Corporation have been consolidated in accordance with the general requirements of FAS 23 from the date of change of status in these consolidated financial statements. Likewise, all associates have been equity accounted in accordance with the general requirements of FAS 24 from the date of change of status in these consolidated financial statements.

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The Group's consolidated financial statements comprise the financial statements of the Corporation ("Parent Company") and the following subsidiaries (collectively "the Group") in which the Parent Company exercises control and therefore have been consolidated in these consolidated financial statements on a line by line basis combining similar items of assets, liabilities, income and expenses of the Corporation and its subsidiaries:

Name of the entity	Country of incorporation	Nature of business	Effective ownership %	
			2023	2022
Azerbaijan Leasing Company Limited	Azerbaijan	Leasing	100	100
ICD Asset Management Limited	Malaysia	Asset management	100	100
Islamic Banking Growth Fund	Malaysia	Private equity fund	100	100
Taiba Leasing	Uzbekistan	Leasing	100	100
Tamweel Africa Holding	Senegal	Banking	100	100
Ijara Management Company	Saudi Arabia	Leasing	100	100
Tahfeez United Company Limited (Formerly Capitas Group)	Saudi Arabia	Advisory	100	100
Taiba Titrisation SA	Senegal	Sukuk advisory	100	100
ASR Leasing LLC	Tajikistan	Leasing	67	67
Al Majmoua Al Mauritania	Mauritania	Real estate	53	53
Ewaan Al Fareeda Residential Co.	Saudi Arabia	Real estate	50	50
Taha Alam Sdn Bhd	Malaysia	Hajj & Umra Services	50	50

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, income, expenses, profits, and losses are eliminated in full on consolidation. Subsidiaries are fully consolidated from the date control is transferred to the Corporation which is January 1, 2022 due to revocation of the Investment Entity status and continue to be consolidated until the date that control ceases or the subsidiary is classified as held for sale, in which case the assets and liabilities respectively are removed line by line and presented as assets and liabilities held for sale as a single line item on the statement of financial position. Control is achieved when it has substantially all risks and rewards incidental to ownership of the business, duly meeting both of the following conditions: a) it is directly exposed to, and has rights to, variable returns (negative and positive, respectively) from its involvement with such business; and b) it has the ability to affect those returns through its power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's members' equity. In the consolidated income statement, non-controlling interest is included in net income, and shown separately from that of the shareholders.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in members' equity since the date of combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in a subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with non-controlling interests are managed in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated income statement. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

The preparation of consolidated 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 consolidated financial statements are disclosed in note 4.

The consolidated financial statements are prepared under the historical cost convention except for the following items in the consolidated statement of financial position:

- Other investments measured at fair value through equity;
- Profit rate and cross-currency swaps measured at fair value;

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- Investments in Sukuk which are measured at fair value through equity and;
- Post-employment benefit plan is measured using actuarial present value calculation based on projected unit credit method.

These consolidated financial statements are presented in United States Dollars (“USD”) which is also the functional currency of the Group.

The following is a summary of the Group’s significant accounting policies:

Transactions and balances

Monetary and non-monetary transactions denominated or requiring settlement in a foreign currency are translated into United States Dollars (“USD”) at the spot exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the reporting date. Foreign currency differences resulting from retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement as foreign exchange gains/losses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value (including Equity investments) are retranslated into the unit of account at the spot exchange rate at the date that the fair value was determined. Foreign currency differences resulting from translation of such investments are recognized in the fair value reserve account under members’ equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Translation differences on non-monetary items carried at their fair value, such as certain investments carried at fair value through equity are included in investments fair value reserve.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of financing and other currency instruments designated as hedges of such investments, are taken to shareholders’ equity. Translation losses arising in the case of severe devaluation or depreciation (other than temporary) of the currency of the net investment in a foreign operation when the latter is translated at the spot exchange rate at the date of consolidated statement of financial position, are recognised in the first place as a charge against any credit balance on the separate component of the shareholders’ equity and any remaining amount is recognised as a loss in the consolidated income statement. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill, and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For the purposes of consolidated statement of cash flow, cash and cash equivalents consist of bank balances and Commodity Murabaha and Wakala placements having an original maturity of three months or less at the date of acquisition.

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Commodity Murabaha and Wakala placements

Commodity Murabaha 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 financial institutions. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at amortized cost less impairment.

Wakala placement is an agreement whereby one party (the “Muwakkil” / “Principal”) appoints an investment agent (the “Wakeel” / “Agent”) to invest the Muwakkil’s funds (the “Wakala Capital”) on the basis of an agency contract (the “Wakala”) in return for a specified fee. The agency fee can be a lump sum or an expected fixed percentage of the Wakala Capital. The agent decides in respect to the investments to be made from the Wakala Capital, subject to the terms of the Wakala agreement. However, the Wakeel bears the loss in cases of misconduct, negligence or violation of any of the terms of the Wakala agreements.

Murabaha

Murabaha financings are agreements whereby the Corporation sells to a customer, on a cost plus profit basis, 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 installment basis over a pre-agreed period. The selling price comprises the cost plus an agreed profit margin without requirement of disclosing the actual cost.

Ijarah Muntahia Bittamleek

These consist of assets purchased by the Corporation either individually or as part of syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of the lease term after the completion of all payments under the agreement. The transfer of asset’s ownership may take place through transfer of control (entailing risks and rewards incidental to ownership of such assets) under a separate form of contract as follows:

- Contract of Sale: after the end of the Ijarah term; or
- Contract of gift” after the end of the contract term; or
- Contract of sale of proportionate ownership during the Ijarah term.

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, exposure. 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.

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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. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

iii) Other equity investments

Entities where the Corporation does not have significant influence or control are categorised as other equity investments. Equity investments are intended for long-term holding and may be sold in response to liquidity needs, changes in market prices or within the overall context of the Corporation's developmental activities. Accordingly, the Corporation has opted to designate all of its equity investments at fair value through equity.

Listed investments measured at fair value through members' equity

Initially and subsequently such investments are measured at fair market value, and any unrealized gains or losses arising from the change in their fair values are recognized directly in the fair value reserve under members' equity until the investment is derecognized or considered impaired, at which time the cumulative gain or loss previously recorded under the members' equity is recognized in the consolidated income statement.

Unlisted investments in equities and funds measured at fair value through members' equity

Unlisted investments in equities carried at fair values determined by independent valuers. Fair value gains/losses are reported in fair value reserve in equity. If there is objective evidence that an impairment loss has been incurred, the amount of impairment is measured as the difference between the carrying amount of investment and its expected recoverable amount. Impairment losses recognized in consolidated income statement are reversed through statement of changes in members' equity. After the initial designation, the Corporation shall not reclassify investments in equity-type securities into or out of the fair value through its statement of changes in members' equity category.

All other investments (excluding investments carried at fair value through consolidated income statement) are assessed for impairment in accordance with the impairment approach.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

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- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

iv) Sukuk investments

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

Sukuk Investments carried at fair value through changes in members' equity

An investment will be measured at fair value through changes in members' equity if both the following conditions are met:

- the investment is held within a business model whose objective is achieved by both collecting the expected cashflows and selling the investments; and
- the investment represents a non monetary debt type instrument or other investment instrument having reasonably determinable effective yield.

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Sukuk Investments carried at amortised cost

An Investment instruments shall be measured at amortised cost if both the following conditions are met:

- the investment is held within a business model whose objective is to hold such investments in order to collect expected cashflows till maturity of the instrument; and
- the investment represents either a debt type instrument or other investment instrument having reasonably determinable effective yield.

These investments are measured using effective profit method at initial recognition minus capital/redemption payments and minus any reduction for impairment.

Any other investment instruments not classified as per amortised cost or fair value through equity, are classified as fair value through consolidated income statement.

On initial recognition, the Corporation makes an irrevocable election to designate certain equity instruments that are not designated at fair value through consolidated income statement to be classified as investments at fair value through equity.

Business model: the business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the Corporation's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVIS. Factors considered by the Corporation in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Impairment of investments held at fair value through changes in members' equity

The Corporation exercises judgment to consider impairment on the financial assets including equity investments held at fair value through members' equity, at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity investments below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Corporation evaluates among other factors, the normal volatility in share prices. In addition, the Corporation considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Corporation considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount.

Impairment of goodwill and intangible assets

Goodwill other intangibles assets acquired through business combinations have been allocated to the cash-generating units of the acquired entities for impairment testing purposes. The Group tests whether goodwill or intangible assets have suffered any impairment in accordance with the impairment accounting policy.

Impairment of financial assets other than equity instrument

The Corporation applies the credit loss approach to financial instruments measured at amortized cost. To assess the extent of credit risk, the financial assets are divided into three (3) categories:

- i. Stage 1 – No significant increase in credit risk;
- ii. Stage 2 – Significant increase in credit risk (SICR); and
- iii. Stage 3 – Credit impaired financial assets.

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Allocation to different stages is based on the degree of deterioration in the credit quality of the financial asset. At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk. The Corporation monitors all financial assets, and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Corporation will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the reporting date when the financial instrument was first recognized. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Corporation's historical experience and expert credit assessment.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the countries and industries in which the Corporation's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Corporation allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing, Given that macro-economic scenario data and models for certain countries are not readily available, in such cases proxy scenarios and models have been used.

The PDs used are forward-looking and the Corporation uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Corporation still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

All financial assets are allocated to stage 1 on initial recognition. However, if a significant increase in credit risk is identified at the reporting date compared with initial recognition, then the asset is transferred to stage 2 (Refer to Note 32 Risk management). If there is objective evidence of impairment, then the asset is credit-impaired and allocated to stage 3 as described in Note 32 Risk management.

With the exception of Purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2).

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- As for instruments classified in stage 3, loss allowance is quantified as the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit impairment includes observable data about the following events

- Company files for bankruptcy
- Cancellation of Operating License
- Clear evidence that the company will not be able to make the future repayments

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Corporation assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Corporation recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

A financing forbearance is granted in cases where although the financed party made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the financed party is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the financial asset, changes to the timing of the cash flows of the financial asset (principal and profit repayment), reduction in the amount of cash flows due (principal and profit forgiveness).

When a financial asset is modified the Corporation assesses whether this modification results in derecognition. In accordance with the Corporation's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Corporation considers the following:

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective profit rate. If the difference in present value is greater than 10% the Corporation deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Corporation considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

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In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new financial asset is considered to be originated- credit impaired. This applies only in the case where the fair value of the new financial asset is recognized at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Corporation monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the client is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Corporation determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Corporation's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Corporation's ability to collect the modified cash flows taking into account the Corporation's previous experience of similar forbearance action, as well as various behavioural indicators, including the financed party's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore financing is credit impaired due to the existence of evidence of credit impairment (see above), the Corporation performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the financing is no longer credit-impaired. The loss allowance on forbore financing will generally only be measured based on 12-month ECL when there is evidence of the financed party's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Corporation calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses, if any, for financial assets are included in the consolidated income statement in 'Losses on modification of financial assets'. Then the Corporation measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Corporation derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the

Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized funding for the proceeds received

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

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The Corporation considers the following as constituting an event of default:

- All contracts or obligors rated 21 in the Corporation's internal scale (equivalent to C in Moody's scale and D in both S&P's and Fitch Ratings' scale); or
- Moreover, the Corporation also uses a rebuttable presumption based on days past due (DPD). This rule is applied if the contractual payments are due for more than 180 days for sovereign contracts and 90 days for non-sovereign ones, unless there is reasonable and supportable information indicating that the contract is not credit-impaired.

This definition of default is used by the Corporation for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

The Corporation uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Write-off

When the exposure is deemed uncollectible, it is written-off against the related impairment provision and any excess loss is recognized in the consolidated income statement. 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 consolidated income statement. Corporation has not written off any financial assets during the current year.

Financial liabilities

The Corporation derecognizes financial liabilities when, and only when, its contractual obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in consolidated income statement.

The Corporation also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated income statement

Other amortised cost assets

An assessment is made at each reporting date to determine whether there is objective evidence that an amortised cost asset or a group of such assets may be impaired. The amount of the impairment losses for other assets is calculated as the difference between the asset's carrying amount and its estimated recoverable amount. Adjustments to the provision are recorded as a charge or credit in the Corporation's consolidated income statement.

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 consolidated income statement.

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Offsetting of financial assets and liabilities

Financial assets and liabilities are offset only when there is a legal enforceable right to set off the recognized amounts and the Corporation intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under Financial Accounting Standards (“FAS”) issued by AAOIFI, or for gains and losses arising from a group of similar transactions.

Islamic derivative financial instruments

Islamic derivatives financial instruments represent Islamic foreign currency forward contracts , Islamic profit rate swaps and Islamic cross currency 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 for hedging strategy only to mitigate the risk of fluctuation in foreign currency and financing cost for placements with financial institutions, financing assets and Sukuk issued. Islamic 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 consolidated income statement. Islamic 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.

Hedge (Tahawwut) accounting

The Group designates profit-rate in respect of foreign currency risk and profit rate risk, as cash flow hedges.

At the inception of the hedge relationship (Tahawwut), the Group documents the relationship between the hedging instrument/wa’ad and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions (Tahawwut). Furthermore, at the inception of the hedge, the Group documents whether the hedging instrument/wa’ad is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of swaps or wa’ad that are designated and qualify as cash flow hedges is recognized in statement of changes in members' equity and accumulated under the heading of cash flow hedge reserves. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments or wa’ad entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments or wa’ad that are recognized and accumulated under the heading of cash flow hedge reserves are reclassified to income statement only when the hedged transaction affects the income statement.

Amounts previously recognized in the statement of changes in members' equity are reclassified to income statement in the periods when the hedged item affects the income statement, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship (Tahawwut), when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

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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 consolidated financial statements.

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 | 10% to 25% |
| • Computers | 10% to 33% |
| • Motor vehicles | 15% to 25% |
| • Other equipment | 10% to 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.

Real estate investments

Investment in real estate is initially recognised at cost and subsequently re-measured at fair value in accordance with the fair value model with the resulting unrealised gains being recognised in the consolidated statement of changes in members' equity under fair value reserves.

Any unrealised losses resulting from re-measurement at fair value of investment in real estate carried at fair value are adjusted in equity against the investment in real estate fair value reserve, to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the unrealised losses are recognised in the consolidated income statement. In case there are unrealised losses relating to investment in real estate that have been recognised in the consolidated income statement in a previous financial period, the unrealised gains relating to the current financial period are recognised to the extent of crediting back such previous losses in the consolidated income statement.

The realised profits or losses resulting from the sale of any investment in real estate are measured as the difference between the book value (or carrying amount) and the net cash or cash equivalent proceeds from the sale for each investment separately. The resulting profit or loss together with the available balance on the investment in real estate fair value reserve account is recognised in the consolidated income statement for the current financial period.

All properties where the decision is made to sell, and the sale is expected to occur within 12 months of the reporting date (subject to availability of identified willing buyer) are classified as Investment in real estate Held-for-sale. Investment in real estate Held-for-sale is measured at fair value in accordance with the fair value model.

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

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Goodwill

Goodwill acquired at the time of acquisitions of subsidiaries is reported in the consolidated statement of the financial position as an asset. Goodwill is initially measured at cost being the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Subsequently, the goodwill is tested for an impairment on an annual basis. At the end of the financial period, the goodwill is reported in the consolidated statement of financial position at cost less any accumulated impairment losses.

Negative goodwill resulting from the acquisition of a business or entity is recognised in the consolidated income statement.

Acquisition of minority interests is accounted using the Economic Entity Method. Under the Economic Entity Method, the purchase of a minority interest is a transaction with a shareholder. As such, any excess consideration over the Group's share of net assets is recorded in members' equity.

Sukuk issued

The Sukuk assets have been recognised in the ICD consolidated 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, however, ICD continues to be exposed to substantial risks and rewards of ownership of the assets sold.

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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the activities of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or abandonment or when the operation meets the criteria to be classified as held-for-sale, if earlier.

Once classified as held for sale, assets are not depreciated or amortized.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as loss from discontinued operations in the consolidated income statement and other comprehensive income.

Employee benefit liabilities

The Corporation operates three defined post-employment benefit plans for its employees, the Staff Retirement Pension Plan ("SRPP"), the Staff Retirement Medical Plan ("SRMP") and the Retirement Medical Solidarity Plan ("RMSP"). All of these plans require contributions to be made to separately administered funds. A defined benefit plan is a plan that defines an amount of 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

A full actuarial valuation is performed every three years by engaging independent actuaries. For intermediate years, the defined benefit obligation is estimated by the independent actuaries using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial valuation results presented as of 31 December 2023 is based on a roll forward of the data as of 2022 (except for the SRMP plan actives, retirees and beneficiaries, data used to calculate their results are adjusted for the transfers to RMSP). For RMSP, a full valuation was performed based on data at 30 November 2023.

The present value of the defined benefit obligation due until 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 US AA rated corporate bonds. The bonds have terms to maturity closely matching the terms of the actual defined benefit obligation.

The current service cost of the defined benefit plan recognized in the consolidated income statement reflects the increase in the defined benefit obligation resulting from employee service in the current year. The cost on defined benefit obligation represents increase in liability due to passage of time.

Retrospective modifications to benefits or curtailment gain or loss are accounted for as past service costs or income in the consolidated income statement in the period of plan amendment.

Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The benefit liability is recognized as part of other liabilities in the consolidated 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 pension committee, with advice from the Corporation's actuaries, determines the Corporation's contributions to the defined benefit scheme and the contributions are transferred to the scheme's independent custodians.

Revenue recognition

i) Commodity Murabaha and Wakala placements

Income from Commodity Murabaha and Wakala placements is recognized on an effective yield basis over the period of the contract based on the principal amounts outstanding.

ii) Investment in Sukuk

Income from investments in Sukuk is accrued on an effective yield basis and is recognized in the consolidated income statement. For the Sukuk designated at fair value through consolidated income statement, gains and losses resulting from the re-measurement of the fair values at the reporting date are also recognized in the consolidated income statement.

iii) Murabaha financing income, Istisna'a income, income from installment sales financing

Murabaha financing income, Istisna'a income and income from installment sale financing are recognized using the effective yield over the period of respective transactions.

iv) Ijarah Muntahia Bittamleek

Income from Ijarah assets is recognized using the effective yield basis (which represents the Ijarah rental net of depreciation against the Ijarah assets) starting from the date the right to use the asset is transferred to the lessee.

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For the year ended 31 December 2023

v) Dividend income

Dividend income is recognized when the right to receive the dividend is established i.e. according to its declaration date.

vi) Management fee

ICD has several funds under management where it provides portfolio management services for which it charges management fees. Management fee is recognized on an accrual basis when the services have been performed.

vii) Administrative fee and advisory fee

ICD offers advisory services which includes Sukuk issuance, conversion to an Islamic Bank, establishment of Islamic Banking windows, restructuring, developing regulatory frameworks, capacity building etc. It also charges fees to cover costs incurred during the appraisal of financing applications. Income from administrative and advisory services is recognized based on the rendering of services as per contractual arrangements.

Zakat and tax

The Group, being a multilateral financial institution, is not subject to Zakat in the member countries. Group is subject to taxation in the member countries. Taxation applicable on Subsidiaries have been computed based on local tax regulations.

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 Consolidated 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) Impairment allowance for financing assets

The measurement of credit losses under FAS 30 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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For the year ended 31 December 2023

The Corporation's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- i) The Corporation's internal credit grading model, which assigns PDs to the individual grades;
- ii) The Corporation's criteria for assessing if there has been a significant increase in credit risk necessitating the loss allowance to be measured on a 12 month or lifetime ECL basis and the applicable qualitative assessment;
- iii) Development of ECL models, including the various formulas and the choice of inputs
- iv) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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 3 under "impairment of financial assets".

ii) Fair value determination

The fair value of the financial assets that are not quoted in an active market is determined by using valuation techniques deemed to be appropriate in the circumstances, 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 believes 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 lack of marketability and control premium. The Corporation also considered the geopolitical situation of the countries where the investee entities operate and taken appropriate discount on their values.

(iii) Employee benefit 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.

(iv) Going concern

Group management assessed the Group's ability to continue as a going concern and is satisfied that they are not aware of any material uncertainties that may cast doubt on the Group's ability to continue as a going concern. In arriving at this conclusion, management considered many factors amongst which are; the Group's liquidity ratio, the forecast trend in profitability, the performance of the existing portfolio, the capital adequacy ratio and the Group's ability to raise funds from both shareholders and the capital market. Consequently, the consolidated financial statements have been prepared on a going concern basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. CASH AND CASH EQUIVALENTS

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Cash at banks	79,514,858	222,711,295
Cash in hand	3,230,097	8,154,113
Commodity Murabaha and Wakala placements (note 6)	127,764,669	108,082,400
Accrued income on Commodity Murabaha and Wakala placement	91,926	129,631
Less: allowance for credit losses (note 26)	(163,178)	(176,739)
	210,438,372	338,900,700
Bank balance relating to ICD Solidarity Fund	1,188,459	1,188,459
	211,626,831	340,089,159

Certain bank accounts with balance of USD 263,525 (31 December 2022: USD 2,197,720) are in the name of Islamic Development Bank (IsDB). However, these bank accounts are beneficially owned and managed/operated by the Group.

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

6. COMMODITY MURABAHA AND WAKALA PLACEMENTS

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Commodity Murabaha and Wakala placements	176,985,862	192,517,606
Accrued income on Commodity Murabaha and Wakala placements	3,975,308	3,978,356
Less: Commodity Murabaha and Wakala placements with an original maturity of three months or less (note 5)	(127,764,669)	(108,082,400)
Less: allowance for credit losses (note 26)	(21,192,792)	(36,084,738)
	32,003,709	52,328,824

a) All the above Commodity Murabaha and Wakala placements are with international financial institutions and denominated in US Dollars.

b) Commodity Murabaha and Wakala placements include an amount of USD 356,164 (2022: USD 316,790) provided to a related party of the Group, over which the Group earned profit of USD nil (31 December 2022: USD nil).

7. INVESTMENTS IN SUKUK, SHARES AND OTHER SECURITIES

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Investment in sukuk (note 7.1)	1,441,356,224	1,549,287,994
Investments in shares (note 7.2)	80,785,318	85,602,400
Investment in other securities	-	18,534,990
	1,522,141,542	1,653,425,384

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7.1 INVESTMENT IN SUKUK

	31 December 2023			Total
	Amortised cost	Fair value through equity	Fair value through profit or loss	
Listed Sukuk	989,080,537	456,293,220	-	1,445,373,757
Un-listed Sukuk	14,967,547	23,564,354	331,916	38,863,817
Less:	1,004,048,084	479,857,574	331,916	1,484,237,574
Unrealised fair value losses allowance for credit losses (note 26)	-	(26,617,295)	-	(26,617,295)
	(15,246,980)	(1,017,075)	-	(16,264,055)
	988,801,104	452,223,204	331,916	1,441,356,224

	31 December 2022			Total
	Amortised cost	Fair value through equity	Fair value through profit or loss	
Listed Sukuk	1,085,327,954	446,293,220	22,507,463	1,554,128,637
Un-listed Sukuk	18,944,824	18,553,490	507,719	38,006,033
	1,104,272,778	464,846,710	23,015,182	1,592,134,670
Less:				
Unrealised fair value (losses)/ gains	-	(31,341,263)	1,774,941	(29,566,322)
Less: allowance for credit losses (note 26)	(13,280,354)	-	-	(13,280,354)
	1,090,992,424	433,505,447	24,790,123	1,549,287,994

	31 December 2023 USD	31 December 2022 USD
Opening balance	1,549,287,994	1,536,402,435
Deemed acquisition (note 2)	-	23,015,182
Additions	195,104,250	398,761,597
Redemptions	(300,676,503)	(367,386,246)
Exchange gain/(loss)	863,597	(1,860,951)
Unrealised fair value gain/(loss) through equity	4,723,968	(31,341,263)
Amortised premium	(4,960,858)	(7,382,445)
Fair value gain through consolidated income statement	-	1,774,941
Charge for impairment	(2,986,224)	(2,695,256)
	1,441,356,224	1,549,287,994

	31 December 2023 USD	31 December 2022 USD
Financial institutions	965,620,463	1,044,823,294
Governments	327,422,344	366,853,185
Others	148,313,417	137,611,515
	1,441,356,224	1,549,287,994

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	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
AAA	119,885,583	119,329,668
AA + to AA-	75,960,987	76,193,259
A + to A-	672,878,002	712,979,527
BBB + or lower	572,631,652	640,785,540
	1,441,356,224	1,549,287,994

Sukuk investments included an amount of USD 119,885,583 (31 December 2022: USD 119,466,546) invested in Sukuk issued by IsDB and IILM, over which the Group earned profit of USD 2,087,065 (31 December 2022: USD 2,027,268)

Income from sukuk investments recognised during the year in consolidated income statement are as follows:

	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
Coupon income	44,094,071	45,017,896
Realized gain/(loss)	318,747	(735,107)
Premium amortization	(4,960,858)	(7,382,445)
Total income	39,451,960	36,900,344

7.2 INVESTMENT IN SHARES AND OTHER SECURITIES

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	(Percentage holding)		----- (USD) -----	
Un-quoted companies				
Zaman Bank	5%	5%	1,211,091	1,216,501
Al Hadha Mills	16%	16%	2,345,584	2,456,518
Al-Muttahed	3%	3%	8,863,863	8,840,405
Berber Cement Co.	10%	10%	2,521,556	3,349,856
Byblos Bank Africa -Sudan	9%	9%	376,220	617,927
Caspian International Investment Company	18%	18%	2,057,523	2,866,454
Ibdar Bank (Elaf)	2%	2%	1,944,811	1,951,534
Al Baraka Bank	12%	12%	6,590,660	5,898,846
International Islamic Liquidity Management Corporation (“IILMC”)	10%	10%	21,360,810	17,626,896
Bidaya Home Finance – KSA	11%	11%	25,724,357	27,183,368
Ijmal Limited	15%	15%	931,480	1,164,936
Euro Mediterranean Investment Company	34%	34%	1,676,080	1,676,080
Liquidity Management Center (LMC)	10%	10%	4,795,600	4,427,700
South European Investment (SEIC)	20%	20%	385,683	173,725
Investment funds				
ICD Global Sustainable Fund	-	13%	-	6,151,654
			80,785,318	85,602,400

During the year, all units of ICD Global Sustainable Fund were redeemed in February 2023.

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For the year ended 31 December 2023

8. MURABAHA FINANCING

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Murabaha financing	488,244,987	163,263,312
Accrued income	693,977	1,676,369
Deferred income	(67,020,056)	(23,270,567)
	421,918,908	141,669,114
Allowance for credit losses (note 26)	(44,338,466)	(56,787,718)
	377,580,442	84,881,396

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 Group as a result of default by the customer prior to the sale of goods is charged to the customer.

9. INSTALLMENT SALES FINANCING

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Installment sales financing	345,241,729	576,627,694
Accrued income	7,049,157	8,476,629
Deferred income	(15,724,187)	(45,085,744)
	336,566,699	540,018,579
Allowance for credit losses (note 26)	(28,524,698)	(36,802,172)
	308,042,001	503,216,407

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 Group 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 5,566,186 (31 December 2022: USD 34,104,666) provided to related parties of the Group, over which the Group earned profit of USD nil (31 December 2022: USD 1,905,720).

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10. IJARAH MUNTAHIA BITTAMLEEK

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Cost:		
<i>Assets not yet in use:</i>		
At the beginning of the year	-	22,602,000
Additions	34,980,800	50,184,833
Transferred to assets in use	(34,980,800)	(72,786,833)
	-	-
<i>Assets in use:</i>		
At the beginning of the year	298,478,656	358,000,593
Transferred from assets acquired	34,980,800	72,786,833
Assets transferred to beneficiaries	-	(132,572,903)
Forex revaluation	1,355,970	264,132
	334,815,426	298,478,655
Total cost	334,815,426	298,478,655
	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Accumulated depreciation:		
At the beginning of the year	81,405,834	165,560,074
Charge for the year	23,762,374	23,823,800
Adjustment	16,033,622	-
Depreciation on assets transferred to beneficiaries	-	(107,978,040)
Total depreciation	121,201,830	81,405,834
Accrued income	40,567,308	22,510,102
Ijarah Muntahia Bittamleek, gross	254,180,904	239,582,923
Allowance for credit losses (note 26)	(23,954,756)	(24,680,051)
Ijarah Muntahia Bittamleek, net	230,226,148	214,902,872

Ijarah Muntahia Bittamleek includes financing of USD 16,615,648 (31 December 2022: USD 17,655,267) provided to related parties of the Group over which the Group earned profit of USD 1,339,791 (31 December 2022: USD 421,808). Certain assets referred above represent the Group's share in joint Ijarah Muntahia Bittamleek agreements.

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Future rentals receivable relating to Ijarah Muntahia Bittamleek as at 31 December 2023 are estimated to be USD 349.9 million (2022: USD 323.72 million). The precise amount at the end of each period is only known prior to the commencement of the period, as some of the rentals are determined based on floating rates. Detail of the receivables is shown below:

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Expected within 12 months	58,327,902	47,663,464
Expected after 12 months but less than 5 years	170,733,217	144,941,662
Expected after 5 years	120,860,465	131,118,034
	349,921,584	323,723,160

Future commitments related to Ijarah contracts are summarized in note 33 and these are expected to be paid within 12 months.

11. ISTISNA'A ASSETS

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Istisna'a financing	14,474,582	17,401,333
Accrued income	41,203	133,863
Deferred income	(2,645,399)	(3,879,443)
	11,870,386	13,655,753
Allowance for credit losses (note 26)	(32,832)	(96,201)
	11,837,554	13,559,552

12. INCOME FROM FINANCING ASSETS

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Murabaha financing	16,728,467	4,683,720
Installment sales financing	24,937,682	19,264,539
Ijarah Muntahia Bittamleek (IMB), net (note 25)	20,284,903	12,110,985
Istisnaa assets	580,184	735,075
Others	-	1,508,159
Total income from financing assets	62,531,236	38,302,478

13. EQUITY INVESTMENTS

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

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Associates	168,611,127	150,465,318

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The movement in investments for the year is as follows:

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
At the beginning of the year	150,465,318	288,037,459
Additions	4,810,779	6,601,906
Share of profit from associates	17,991,414	13,395,384
Transfer to held for sale	-	(1,150,000)
Subsidiaries net impact due to consolidation	-	(136,177,407)
Disposals	-	(1,257,232)
Impairment during the year	-	(7,422,946)
Dividend received	(5,627,072)	(1,967,803)
Foreign currency translation gain/ (loss)	970,688	(9,594,043)
At the end of the year	168,611,127	150,465,318

13.1 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 %	
			2023	2022
Al-Akhdar Bank	Morocco	Banking	49	49
Enmaa Ijara Company	Egypt	Leasing	47	47
Bank Islamic Du Senegal	Senegal	Banking	45	45
Theemar Investment Fund	Tunisia	Fund	40	40
Anfaal Capital	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
Maldives Islamic Bank	Maldives	Banking	33	33
Palestine Ijarah Company	Palestine	Leasing	33	33
Halic Finansal Kiralama A.S.	Turkey	Leasing	33	33
Al Fareeda Residential Fund	Saudi Arabia	Real Estate	33	33
Wifack International Bank	Tunisia	Leasing	30	30
ICD Money Market Labuan	Malaysia	Asset Mgt.	-	29
Royal Atlantic Residence	Gambia	Real Estate	-	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
Turkish Asset Management (K.A.M.P)	Turkey	Fund	20	20
Amana Bank Plc	Srilanka	Banking	25	24

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- (a) In the above table, certain associates are carried at nil value where the Group had invested in earlier years and were fully impaired.
- (b) There are no regulatory or contractual arrangements that restrict the associates ability to transfer funds in the form of cash dividends or repay financing or advances made to them by the Group. The Group sometimes extends financial assistance in the form of advances to its associates.
- (c) ICD Money Market Fund LLP (MMF) was liquidated during the year (note 36).
- (d) Investment in Royal Atlantic Resident (RAR) amounting to USD 1.15 million, which comprised of only land in Gambia, in which the Corporation owned 25% equity stake, was sold for USD 2 million in May 2023.

The financial position and revenue of associates based on their financial statements which were considered by the Group for the end of the financial reporting period are as follows:

31 December 2023	Total assets	Total liabilities	Net profit/(loss)	Share of profit/(loss)
	USD	USD	USD	USD
Al-Akhdar Bank	380,887,327	359,977,793	142,892	70,017
Enmaa Ijara Company	69,480,847	59,328,890	1,875,532	884,126
Bank Islamic Du Senegal	1,265,471,732	1,142,130,108	9,346,079	4,187,043
Theemar Investment Fund	8,045,806	80,062	1,383,203	553,281
Anfaal Capital	-	-	-	-
Kyrgyzstan Ijara Company	3,981,032	382,904	303,283	111,002
Kazakhstan Ijara Company	34,895,057	12,631,247	2,814,434	1,006,723
Albania Leasing	6,707,281	2,936,055	(367,489)	(130,973)
Maldives Islamic Bank	532,543,757	472,610,425	11,851,054	3,910,848
Palestine Ijarah Company	32,296,376	19,345,152	658,911	219,615
Halic Finansal Kiralama A.S.	1,298,772	97,923	210,846	69,565
Al Fareeda Residential Fund	-	-	-	-
Wifack International Bank	476,865,554	422,053,315	6,680,227	2,004,068
Saudi SME Fund (Afaq)	-	-	62,994	15,749
Al Sharkeya Sugar	261,540,659	205,688,377	68,997,016	4,738,874
Jordan Pharmaceutical Manufacturing Co.	-	-	-	-
Saba Islamic Bank	-	-	-	-
Arab Leasing Company	21,848,430	12,276,676	(2,917,252)	(583,450)
Turkish Asset Management (K.A.M.P)	-	-	-	-
Amana Bank Plc	491,360,219	424,867,368	3,904,821	934,926

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31 December 2022	Total assets	Total liabilities	Net profit/(loss)	Share of profit/(loss)
	USD	USD	USD	USD
Al-Akhdar Bank	340,633,883	320,999,904	(978,126)	(479,282)
Enmaa Ijara Company	81,031,823	70,694,096	1,648,295	777,006
Bank Islamic Du Senegal	1,203,905,581	1,086,716,112	19,396,991	8,689,852
Theemar Investment Fund	9,781,255	80,062	24,526	9,810
Anfaal Capital	-	-	-	-
Kyrgyzstan Ijara Company	3,588,737	158,964	103,781	37,984
Kazakhstan Ijara Company	32,978,408	12,953,470	2,257,581	807,537
Albania Leasing	6,921,937	3,264,726	(152,070)	(54,198)
Maldives Islamic Bank	399,166,401	348,751,396	7,834,763	2,585,472
Palestine Ijarah Company	25,901,244	13,608,931	612,168	204,036
Halic Finansal Kiralama A.S.	1,636,267	12,255	193,647	63,904
Al Fareeda Residential Fund	-	-	-	-
Wifack International Bank	401,993,840	350,422,605	1,703,219	510,966
Royal Atlantic Residence	-	-	-	-
Saudi SME Fund (Afaq)	1,587,392	162,567	(173,779)	(43,445)
Al Sharkeya Sugar	239,681,482	255,841,492	57,451,298	-
Jordan Pharmaceutical Manufacturing Co.	-	-	-	-
Saba Islamic Bank	-	-	-	-
Arab Leasing Company	19,007,114	7,685,818	1,428,712	285,742
Turkish Asset Management (K.A.M.P)	-	-	-	-
Amana Bank Plc	388,105,079	348,767,104	2,394,712	-

13.2 Equity investment income:

	31 December 2023 USD	31 December 2022 USD
Share of profit from associate	17,991,414	13,395,384
Others	1,307,799	1,467,092
	19,299,213	14,862,476

14. INVESTMENT IN REAL ESTATE PROPERTIES

	31 December 2023 USD	31 December 2022 USD
Balance at beginning of the year	77,679,145	-
Recognition as a result of deemed acquisition of the subsidiaries	-	74,626,000
Fair value gain recognized in equity	1,783,258	3,053,145
Balance at end of the year	79,462,403	77,679,145

The above real estate properties are held by Al Majmoua Al Mauritania (a subsidiary) in Mauritania. In December 2023, independent valuations by reputable real estate valuation firm were obtained for the real estate investments at 31 December 2023 and 31 December 2022. The evaluator used discounted cash flow approach and residual value approach in their valuations in 2023 and 2022.

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15. OTHER ASSETS

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Positive fair value of Islamic derivative financial instrument (note a)	5,199,056	9,974,232
Due from related parties (note 24.3)	2,006,749	1,912,807
Accrued income	11,631,870	12,693,001
Advances to employees	9,183,118	8,106,068
Taxes	139,447	789,055
Advances for goods and services to suppliers	413,042	481,201
Property and equipment	6,028,500	12,408,994
Other receivables	17,939,312	25,008,442
	52,541,094	71,373,800
Allowance for credit losses (note 26)	(7,586,786)	(6,067,751)
	44,954,308	65,306,049

(a) The Islamic derivative financial instruments represent Islamic foreign currency forwards contracts, Islamic profit rate swaps and Islamic cross currency profit rate swaps. The Islamic foreign currency forward contracts and cross currency profit rate swaps are used as economic hedges 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. The Group has not designated Islamic cross currency swaps and forward contracts instruments in a hedging relationship and, therefore, does not follow hedge accounting requirements of the relevant standards. In 2023, the Group has entered into new Islamic profit rate swaps which have been designated in a hedging relationship and, therefore, follow hedge accounting requirements of the relevant standards. 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	<i>Notional</i> <i>amount</i> <i>USD</i>	<i>Positive</i> <i>fair value</i> <i>USD</i>	<i>Negative</i> <i>fair value</i> <i>USD</i>
Islamic cross currency swaps	232,126,388	5,199,056	-
Islamic profit rate swaps	428,352,206	-	(3,559,808)
Islamic forward contracts	38,363,500	-	(294,245)
31 December 2023	698,842,094	5,199,056	(3,854,053)
	<i>Notional</i> <i>amount</i> <i>USD</i>	<i>Positive fair</i> <i>value</i> <i>USD</i>	<i>Negative</i> <i>fair value</i> <i>USD</i>
Islamic derivative financial instrument			
Islamic cross currency swaps	216,989,157	7,588,297	-
Islamic profit rate swaps	86,500,000	87,298	(478,193)
Islamic forward contracts	10,730,951	2,298,637	-
31 December 2022	314,220,108	9,974,232	(478,193)

The gain or loss on the hedged items, representing placements with financial institutions, Sukuk investments, financing assets and Sukuk issued are disclosed in respective notes to the consolidated financial statements.

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In addition to above, the Group entered into Islamic cross currency swaps and Islamic forward contracts on behalf of Arab Bank for Economic Development for Africa (BADEA) through a master agreement dated 13 June 2016. The notional value of such swaps is USD 14.1 million (31 December 2022: USD 27.8 million).

16. SUKUK ISSUED

Issue date	Maturity date	Issue currency	Amount USD	Rate	31 December 2023 USD	31 December 2022 USD
<i>Listed</i>						
15-10-2020	15-10-2025	USD	600,000,000	1.81% Fixed	601,739,649	600,936,099
<i>Not listed</i>						
05-03-2020	05-03-2025	SAR	100,000,000	SIBOR+0.60%	100,570,137	100,229,343
21-06-2023	21-12-2024	KZT	4,489,691	2.468% Fixed	3,999,879	-
21-12-2023	21-12-2028	USD	100,000,000	4.195% Fixed	100,147,118	-
			<u>804,489,691</u>		<u>806,456,783</u>	<u>701,165,442</u>

The Sukuk (trust certificates) Issued confer on Certificate Holders the right to receive payments (Periodic Distributions) on specified dates (Periodic Distribution Dates) out of the profit elements of Ijarah assets, Equity Investments, Sukuk Investments and receivables in respect of Murabaha contracts, Shari'ah compliant authorised investments and any replaced assets (collectively the "Portfolio") sold at each Series (issuance) by the Group to ICDPS Sukuk Limited (the Trustee).

After the sale of the Portfolio, the Group as a third party, guarantees the performance of the Portfolio to the Trustee, to the effect that if any obligor of an asset under the Portfolio is unable to pay any amount owed, the Group will make the payment. Also, the Group undertakes to purchase the Portfolio on the Maturity Date or Early Dissolution Date for an amount equivalent to the Aggregate Nominal Amount (i.e., price of the original sale of the Portfolio to ICDPS Sukuk Limited).

17. COMMODITY MURABAHA FINANCING LIABILITIES

The Group has entered into commodity murabaha purchase and sale agreements with certain financial institutions. Under the terms of the agreements, the Group has purchased certain commodities from these financial institutions on deferred payment basis and has simultaneously sold these through those banks to third parties. The outstanding balance as of 31 December 2023 of USD 989 million (2022: USD 1,061 million) represents the purchase price under these agreements. The Group has financings with original maturities ranging from 3 to 7 years (31 December 2022: 3 to 7 years).

18. ACCRUED AND OTHER LIABILITIES

	31 December 2023 USD	31 December 2022 USD
Negative fair value of Islamic derivative (note 15 (a))	3,854,053	478,193
Due to related parties (note 24.4)	1,786,078	3,260,963
Taxes (VAT, income tax etc)	2,191,308	1,371,112
Advances received	651,760	1,112,842
Dividend payable	4,108,563	4,108,563
Current and other similar accounts	19,756,658	217,871,793
	<u>32,348,420</u>	<u>228,203,466</u>

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19. EMPLOYEE BENEFIT LIABILITIES

IsDB Group staff retirement plan comprises of defined benefit and hybrid plan within staff pension plan (“SPP”), staff retirement medical plan (“SRMP”) and retirees medical solidarity plan (“RMSP”) (collectively referred to as staff retirement plans (“SRPs”). Every person employed by the Bank and its Affiliates on a full-time basis, as defined in the Bank and Affiliates employment policies, is eligible to participate in the SRP from the date joining the Bank.

IsDB Group has a multi-employer plan and includes the Corporation, Islamic Development Bank - Ordinary Capital Resources (IsDB-OCR), Special Account Resources Waqf Fund (WAQF), Islamic Corporation for Development (ICD), Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) and Islamic Solidarity Fund for Development (ISFD).

Staff Pension Plan (SPP)

SPP is a combination of both old defined benefit plan (Pillar I) and new hybrid pension plan (Pillar II) became effective on 1st Rajab 1399H (corresponding to May 27, 1979) and 17/05/1442H (01/01/2021G) respectively. Every person employed by the Bank and its Affiliates on a full-time basis except for fixed term employees, as defined in the employment policies of the Bank and its Affiliates, is eligible to participate in the SPP, from the date joining the Bank and its affiliates. Participation in the hybrid pension plan is limited to those who have less than five years of service as of December 31, 2020 on optional basis however, those who joined the Bank from January 1, 2021 are enrolled automatically.

In both Pillars, the employee contributes at a rate of 11.1% (2022-11.1%) of the basic annual salary while the Bank and its Affiliates contribute 25.9% (2022-25.9%).

The main features of the SPP are:

- (i) Normal retirement age is the 62nd anniversary of the participant’s birth
- (ii) On retirement, the eligible retired employee is entitled to 2.5% under the old staff retirement plan or 1% under the hybrid plan in the Defined Benefit (“DB”) component, of the Weighted Highest Average Remuneration (“WHAR”)(as defined by the pension committee)(for each year of pensionable service and limited to a maximum of 30 hijri years
- (iii) 10% of Bank and its Affiliates contribution of 25.9%, and 5% of employees contribution of 11.1%, are used to fund the Defined Cost (“DC”) component of the hybrid plan. The accumulated fund and its investment returns will be paid as retirement lump sum benefits to the participants in the hybrid plan.
- (iv) Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the Pension Committee.

Staff Retirement Medical Plan (SRMP)

Effective 1st Muharram 1421H (corresponding to April 6, 2000), the Bank established the medical benefit scheme for retired employee via the BED resolution dated 18 Shawwal 1418H (corresponding to February 15, 1998). This was extended to eligible staff members of the Bank’s Affiliates i.e. for SPP. The Bank and its Affiliates at rate 1% and the staff at a rate 0.5% of the basic salaries respectively fund the SRMP. The purpose of the SRMP is to pay a monthly amount to eligible retired employee towards their medical expenses.

The entitlements payable for each retired employee under the medical plan is computed according to the following formula:

WHAR (as defined by the pension committee) X contributory period (limited to a maximum of 30 hijri years) X 0.18%.

Benefits payment upon early retirement, disability benefits, termination benefits, pre-retirement death or post retirement death benefits are also paid as determined by the pension committee.

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Retirees Medical Solidarity Plan (RMSP)

In February 2019, the BED approved, establishment of the Retirees Medical Solidarity Plan (RMSP) which would provide new medical coverage benefits for IsDB Group staff future retirees. Under the proposal, active staff members who have at least 10 years of service period before their normal retirement age as of January 1, 2019 will automatically fall under RMSF. Those staff members who do not meet the minimum service period threshold will be offered the option to join the new Fund.

Under RMSP, retirees will have their actual medical costs covered as per the minimum guaranteed benefit schedule. This mainly covers hospitalization and emergency care, repatriation and ambulance transport. Overseas specialist hospitalization and outpatient care is also covered but only in specified countries.

Members of RMSP started to receive benefits as from 1 April 2022 (the start date of the Plan).

RMSP contributions are funded on 4/4/4 % basis. Employees contribute 4% of their pensionable salaries and the employer matches it with 4%. Retirees also contribute 4% of their pension (before commutation withdrawals). Both Employer and Employee contributions started to accrue on January 1, 2019 and at 1 August 2022, employees started cash contributions to RMSP. These contributions cumulated before 1 April 2023 have been recognized as part of plan assets during the year.

Retirees didn't contribute up until 1 April 2022 and received benefits under the RMSP up until that point.

Administration of SRPs

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

Risks

Investment risk

The present value of the SRPs' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on SRPs' asset is below this rate, it will create a plan deficit. Currently the SRPs' have a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the SRPs' liabilities, the administrator of SRPs' consider it appropriate that a reasonable portion of the SRPs' assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Discount rate

A decrease in the bond return rate will increase the SRPs' liability but this will be partially offset by an increase in the return on the SRPs' debt investments.

Longevity risk

The present value of the SRPs' liability is calculated by reference to the best estimate of the mortality of SRPs' participants both during and after their employment. An increase in the life expectancy of the SRPs' participants will increase the SRPs' liability.

Salary risk

The present value of the SRPs' liability is calculated by reference to the future salaries of SRPs' participants. As such, an increase in the salary of the SRPs' participants will increase the SRP' liability.

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The breakdown of net employee pension liabilities was as follows:

	2023		2022	
	SPP	RMSP	RMSP	SRMP
	31 December 2023 (USD)			
Defined benefit obligations (note 19.1)	65,460,270	1,105,775	1,082,872	67,648,917
Less: plan assets (note 19.2)	(47,862,303)	(3,506,789)	(591,129)	(51,960,221)
Net employee benefit liabilities	17,597,967	(2,401,014)	491,743	15,688,696
	SPP	RMSP	SRMP	Total
	31 December 2022 (USD)			
Defined benefit obligations (note 19.1)	57,944,854	776,755	1,036,286	59,757,895
Less: plan assets (note 19.2)	(43,111,985)	(4,904,164)	(550,733)	(48,566,882)
Net employee benefit liabilities	14,832,869	(4,127,409)	485,553	11,191,013

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

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	USD	USD	USD	USD	USD	USD
Balance as at 1 January	57,944,854	83,638,356	776,755	-	1,036,286	7,108,723
Current service costs	4,062,753	5,440,853	267,608	569,898	23,915	36,635
Past service costs	-	-	-	(2,425,096)	-	-
Cost of defined benefit obligation	2,979,000	2,395,000	53,000	164,059	52,000	38,941
Plan participants contributions	1,514,287	1,478,737	573,544	480,325	2,421	9,291
Net actuarial loss/(gain)	540,396	(33,627,090)	(526,379)	(3,735,121)	33,476	(374,256)
Disbursements from plan assets	(1,581,020)	(1,381,002)	(38,753)	-	(65,226)	(60,358)
Increase/(decrease) due to plan combinations	-	-	-	5,722,690	-	(5,722,690)
	65,460,270	57,944,854	1,105,775	776,755	1,082,872	1,036,286

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

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	USD	USD	USD	USD	USD	USD
Balance as at 1 January	43,111,985	48,535,006	4,904,164	-	550,733	2,488,305
Income on plan assets	2,309,000	1,441,000	149,362	-	27,000	28,293
Return on plan assets less than discount rate	(634,991)	(10,593,988)	-	-	-	(461,001)
Plan participants contributions	1,514,287	1,478,737	573,544	480,325	2,421	9,291
Employer contribution	3,627,214	3,463,626	578,056	473,053	16,329	18,583
Employer Direct Settlement Payments	-	-	-	-	-	11,485
Disbursements from plan assets	(1,581,020)	(1,381,002)	(38,753)	-	(65,226)	(60,358)
Increase due to plan combinations	-	-	-	1,481,500	56,645	(1,481,500)
Others	(484,172)	168,606	(2,659,584)	2,469,286	3,227	(2,365)
	47,862,303	43,111,985	3,506,789	4,904,164	591,129	550,733

The above net liability mainly represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability, which is recognized by the Group in the members' equity immediately in the year, it arises, if material.

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

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	USD	USD	USD	USD	USD	USD
Gross current service costs	4,062,753	5,440,853	267,608	569,898	23,915	36,635
Cost of defined benefit obligation	2,979,000	2,395,000	53,000	164,059	52,000	38,941
Past service costs	-	-	-	(2,425,096)	-	-
Income from plan assets	(2,309,000)	(1,441,000)	(149,362)	-	(27,000)	(28,293)
Cost recognized in consolidated income statement	4,732,753	6,394,853	171,246	(1,691,139)	48,915	47,283
Actuarial loss/(gain) due to change in assumption	540,396	(33,627,090)	(526,380)	(3,735,121)	33,476	(371,891)
Return on plan assets greater/(less) than discount rate	648,327	10,593,988	-	-	(56,645)	461,001
Other	424,065	(168,606)	2,659,585	(2,469,286)	(14,711)	-
Actuarial loss/(gain) recognized in statement of changes in members' equity	1,612,788	(23,201,708)	2,133,205	(6,204,407)	(37,880)	89,110

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

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	USD	USD	USD	USD	USD	USD
Investments in Sukuk	8,991,150	12,167,231	824,738	959,315	61,683	57,128
Managed funds and Installment sales	12,174,205	10,310,780	-	-	-	-
Cash and cash equivalent and commodity placements	26,075,159	16,542,162	2,321,262	765,048	521,287	679,348
Land	615,978	3,877,670	-	-	-	-
Syndicated Murabaha	-	214,142	-	1,905,666	-	-
Others	5,811	-	360,789	1,274,135	8,159	(185,743)
	47,862,303	43,111,985	3,506,789	4,904,164	591,129	550,733

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

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Discount rate	5.00%	5.10%	5.00%	5.10%	5.00%	5.10%
Rate of expected salary increase	4.5-6.5%	4.5-6.5%	4.5-6.5%	4.5-6.5%	4.5-6.5%	4.5-6.5%

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The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA rated Corporate Bonds. Rate of expected salaries increase for 2023 was based on age i.e., 20-35 years – 6.5%, 35-50 years – 5.0% and above 50 years – 4.5%.

19.6 The quantitative sensitivity analysis for change in discount rate on the employee benefit liabilities are as follows:

	<i>SPP</i>	<i>RMSP</i>	<i>SRMP</i>
2023	+0.5%	+0.5%	+0.5%
Discount rate	(5,716,089)	(207,777)	(62,569)
	6,525,847	258,987	72,084
2022			
Discount rate	+0.5%	+0.5%	+0.5%
	(5,138,887)	(162,846)	(62,615)
	5,875,285	205,328	69,648

The following table summarizes the expected funding status for the next year:

	<i>SPP</i>	<i>RMSP</i>	<i>SRMP</i>
Present value of defined benefit obligation	74,075,224	2,044,218	1,123,343
Fair value of plan assets	(54,953,101)	(4,863,283)	(592,014)
Plan surplus/(deficit)	19,122,123	(2,819,065)	531,329

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SPP

The expected employer contribution for the year ended 31 December 2023 is USD 3.6 million and expected costs to be recognized in consolidated income statement is USD 4.7 million.

SRMP

The expected employer contribution for the year ended 31 December 2023 is USD 16.3 k and expected costs to be recognized in consolidated income statement is USD 49k.

RMSP

The expected employer contribution for the year ended 31 December 2023 is USD 578.1 k and expected costs to be recognized in consolidated income statement is USD 171 k.

The amounts recognized in the pension and medical obligations reserve are as follows:

	SPP		RMSP		SRMP	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	USD	USD	USD	USD	USD	USD
January 1	1,458,403	24,491,505	(3,735,120)	-	680,947	1,516,212
Effect of changes in financial assumptions	1,204,055	(34,431,486)	4,618	(1,366,942)	13,518	(386,078)
Effect of experience adjustments	(663,659)	804,396	(530,997)	(2,368,178)	19,957	11,820
Return on plan assets greater than discount rate	648,327	10,593,988	-	-	56,646	(461,007)
	2,647,126	1,458,403	(4,261,499)	(3,735,120)	771,068	680,947

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The expected maturity analysis is below:

	SPP 2023	RMSP 2023	SRMP 2023
Year 1	524,350	5,296	43,194
Year 2	1,403,155	5,414	52,097
Year 3	1,111,824	4,725	51,467
Year 4	661,361	5,993	50,802
Year 5	1,626,975	6,988	62,663
Next five years	8,985,775	138,810	327,780
	SPP 2022	RMSP 2022	SRMP 2022
Year 1	535,690	-	43,677
Year 2	525,368	-	42,913
Year 3	1,366,230	(1,518)	51,613
Year 4	1,093,757	(3,357)	50,992
Year 5	660,438	(3,009)	50,336
Next five years	8,895,461	148,911	315,852

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20. AMOUNTS DUE TO ICD SOLIDARITY FUND

This represents net accumulated income up to 31 December 2023 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 Group, 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 Group. The sources and uses of ICD Solidarity Fund during the year are as follows:

Description	Sources & Uses of Shari'ah non-compliant income			
	31 December 2023		31 December 2022	
	No. of events	Amount (USD)	No. of events	Amount (USD)
At the beginning of the year		1,188,550		1,220,122
<i>Income during the year:</i>				
Income from Solidarity Fund		-	-	-
Forex valuation	-	-	12	134
Penalty to customers on default	2	(223)	2	19,262
		(223)		19,396
<i>Paid during the year:</i>				
Support for orphanage		-	2	(50,968)
		-		(50,968)
At the end of the year		1,188,327		1,188,550

21. PAID-UP CAPITAL

The share capital of the Group at year end comprises of the following:

	31 December 2023 USD	31 December 2022 USD
Authorized share capital: 400,000 shares of USD 10,000 each	4,000,000,000	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	(279,664,646)	(279,664,646)
	1,720,335,354	1,720,335,354
Installments due not yet paid	(132,782,517)	(133,598,908)
Paid-up capital	1,587,552,837	1,586,736,446

In 2023, USD 0.8 million (2022: 3.81 million) received from the shareholders. The paid-up capital of the Group represents amounts received from the following members:

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	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Islamic Development Bank (IsDB)	659,681,958	659,681,958
Saudi Public Investment Fund	124,940,000	124,940,000
Member countries	753,930,879	753,914,488
Iran Foreign Investment Company	40,000,000	40,000,000
Bank Keshavarzi	6,000,000	6,000,000
Bank Melli	2,000,000	2,000,000
Bank Nationale D'Algerie	1,000,000	200,000
Paid-up capital	<u>1,587,552,837</u>	<u>1,586,736,446</u>

22. 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 Group'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 or declared in 2023 and 2022.

23. OTHER INCOME

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Fair value gain on Islamic derivatives net of exchange loss	4,304,694	1,069,512
Management and advisory fees	139,021	5,538,384
Other	4,510,386	9,845,143
	<u>8,954,101</u>	<u>16,453,039</u>

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Related parties	Nature of Transactions	Relationship	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Islamic Development Bank Group	Rent & pension	Shareholder	1,455,926	1,455,926
Maldives Islamic Bank	Sale of Shares	Associate	-	781,634

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24.2 Certain related party transactions and balances have been disclosed in notes 5 to 10.

24.3 Due from related parties comprised the following:

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Maldives Islamic Bank		347,431
Wifack International Bank	500,968	500,968
International Islamic Trade Finance Corporation (ITFC)	107,093	124,361
Others	1,398,688	940,047
	2,006,749	1,912,807

24.4 Due to related parties comprised the following:

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Islamic Development Bank (IsDB)	1,300,302	1,463,518
IsDB Staff Retirement Pension Plan	-	736,169
Others	485,776	1,061,276
	1,786,078	3,260,963

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

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Salaries and other short-term benefits	3,060,479	2,847,269
Post-employment benefits	474,753	761,806
	3,535,232	3,609,075

25. IJARAH MUNTAHIA BITTAMLEEK

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Income from Ijarah Muntahia Bittamleek	44,047,277	35,934,785
Depreciation	(23,762,374)	(23,823,800)
	20,284,903	12,110,985

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26. IMPAIRMENT ALLOWANCE

2023	Credit loss as at 1 January 2023	Credit loss charged/ (reversal) for Discontinued Operations	Reclassified to held for sale	Credit loss charged/ (reversal) for the year	Recovery from assets written off during the year	Credit loss as at 31 December 2023
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	176,739	-	(6,110)	(7,451)	-	163,178
Commodity Murabaha and Wakala placements	36,084,738	(182,930)	(24,255,151)	9,546,135	-	21,192,792
Sukuk investments	13,280,354	-	(2,523)	1,969,149	-	15,246,980
Murabaha financing	56,787,718	-	(1,374,132)	(11,075,120)	-	44,338,466
Installment sales financing	36,802,172	1,963,088	(15,846,799)	5,606,237	-	28,524,698
Ijarah Muntahia Bittamleek	24,680,051	-	-	(725,295)	-	23,954,756
Istisna'a assets	96,201	-	-	(63,369)	-	32,832
Other assets	6,067,751	-	(2,077,407)	3,596,442	-	7,586,786
	173,975,724	1,780,158	(43,562,122)	8,846,728	-	141,040,488
Equity investments	20,916,622	-	-	1,680,463	-	22,597,085
Sukuk Investments	-	-	-	1,017,075	-	1,017,075
Total	194,892,346	1,780,158	(43,562,122)	11,544,266	-	164,654,648
2022	Credit loss as at 1 January 2022	Acquisition during the year (note 2)	Reclassified to held for sale	Credit loss charged/ (reversal) for the year	Recovery from assets written off during the year	Credit loss as at 31 December 2022
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	655	161,603	-	14,481	-	176,739
Commodity Murabaha and Wakala placements	14,078,240	24,438,467	-	(2,431,969)	-	36,084,738
Sukuk investments	10,585,098	2,515	(313,825)	3,006,566	-	13,280,354
Murabaha financing	48,982,542	2,718,820	-	4,201,209	885,147	56,787,718
Installment sales financing	22,733,364	13,883,711	11,171,001	(10,985,904)	-	36,802,172
Ijarah Muntahia Bittamleek	35,001,964	-	-	(10,321,913)	-	24,680,051
Istisna'a assets	1,629,527	-	-	(1,533,326)	-	96,201
Other assets	2,701,219	-	(94,706)	3,461,238	-	6,067,751
	135,712,609	41,205,116	10,762,470	(14,589,618)	885,147	173,975,724
Equity investments	-	-	-	20,916,622	-	20,916,622
Total	135,712,609	41,205,116	10,762,470	6,327,004	885,147	194,892,346

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27. NET ASSETS IN FOREIGN CURRENCIES

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

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Azerbaijani Manat	2,063,994	2,866,454
CFA Franc (XOF)	101,001,146	105,495,285
Egyptian Pound	9,327,175	11,573,826
Euro	35,420,523	77,947,354
Indonesian Rupiah	86,504	84,886
Islamic Dinar	556	556
Albania LEK	645,046	1,119,728
Malaysian Ringgit	(58,712)	(170,827)
Morocco Dirham	12,781,291	9,942,007
Mauritania Ouguiya	35,403,518	38,340,857
Pakistani Rupee	6,515,687	5,898,846
Pound Sterling	119,390	13,458
Maldives Rufiyaa	23,983,964	19,453,427
Saudi Riyal	(163,399,940)	(163,410,476)
Kyrgyzstani Som	1,241,337	1,063,631
Tajikistani Somoni	1,191,655	998,665
Sri Lanka Rupee	15,030,178	5,364,858
Sudanese Pound	5,219,314	6,943,493
Kazakhstani Tenge	8,923,073	8,296,490
Trukish Lira	274,062	328,830
Tunisian Dinar	26,640,069	23,986,557
UAE Dirham	22,270	22,271
Uzbekistan Sum	3,601,140	3,346,817
	126,033,240	159,506,993

28. CONCENTRATION OF ASSETS

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

<i>31 December 2023</i>	<i>Africa</i> <i>USD</i>	<i>Asia</i> <i>USD</i>	<i>Australia</i> <i>USD</i>	<i>Europe</i> <i>USD</i>	<i>Total</i> <i>USD</i>
Cash and cash equivalents	23,470,193	148,137,802	-	40,018,836	211,626,831
Commodity Murabaha and Wakala placements	7,003,709	25,000,000	-	-	32,003,709
Sukuk investments	28,829,022	1,493,312,520	-	-	1,522,141,542
Murabaha financing	137,668,348	239,912,094	-	-	377,580,442
Installment sales financing	208,938,832	99,103,169	-	-	308,042,001
Ijarah Muntahia Bittamleek (IMB) net	58,515,340	171,710,808	-	-	230,226,148
Istisna'a assets	-	11,837,554	-	-	11,837,554
Equity investments	116,033,805	52,577,322	-	-	168,611,127
Investment in real estate properties	79,462,403	-	-	-	79,462,403
Other assets	10,188,564	34,765,744	-	-	44,954,308
Assets held for sale	231,745,208	-	-	-	231,745,208
	901,855,424	2,276,357,013	-	40,018,836	3,218,231,273

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<i>31 December 2022</i>	<i>Africa USD</i>	<i>Asia USD</i>	<i>Australia USD</i>	<i>Europe USD</i>	<i>Total USD</i>
Cash and cash equivalents	98,110,605	163,563,431	-	78,415,123	340,089,159
Commodity Murabaha and Wakala placements	16,476,658	35,852,166	-	-	52,328,824
Sukuk investments	46,538,509	1,606,886,875	-	-	1,653,425,384
Murabaha financing	8,786,387	76,095,009	-	-	84,881,396
Installment sales financing	278,102,597	225,113,810	-	-	503,216,407
Ijarah Muntahia Bittamleek (IMB) net	76,059,999	138,842,873	-	-	214,902,872
Istisna'a assets	-	13,559,552	-	-	13,559,552
Equity investments	50,786,564	99,678,754	-	-	150,465,318
Investment in real estate properties	77,679,145	-	-	-	77,679,145
Other assets	26,708,124	38,597,925	-	-	65,306,049
Assets held for sale	1,150,000	-	-	-	1,150,000
	680,398,588	2,398,190,395	-	78,415,123	3,157,004,106

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

<i>31 December 2023</i>	<i>Financial Services USD</i>	<i>Industry & Mining USD</i>	<i>Social Services USD</i>	<i>Others USD</i>	<i>Total USD</i>
Cash and Bank Balances	211,626,831	-	-	-	211,626,831
Commodity Placements through financial institutions	32,003,709	-	-	-	32,003,709
Investments in Sukuk, shares and other securities	965,731,267	-	327,090,428	229,319,847	1,522,141,542
Murabaha Financing	315,708,681	61,871,761	-	-	377,580,442
Installment Sales Financing	308,042,001	-	-	-	308,042,001
Ijarah Muntahia Bittamleek (IMB) net	-	230,226,148	-	-	230,226,148
Istisna'a assets	-	-	11,837,554	-	11,837,554
Equity Investments	168,611,127	-	-	-	168,611,127
Investments in real estate	-	-	-	79,462,403	79,462,403
Other assets	44,541,265	413,043	-	-	44,954,308
Assets held for sale	231,745,208	-	-	-	231,745,208
	2,278,010,089	292,510,952	338,927,982	308,782,250	3,218,231,273

<i>31 December 2022</i>	<i>Financial Services USD</i>	<i>Industry & Mining USD</i>	<i>Social Services USD</i>	<i>Others USD</i>	<i>Total USD</i>
Cash and Bank Balances	340,089,159	-	-	-	340,089,159
Commodity Placements through financial institutions	52,328,824	-	-	-	52,328,824
Investments in Sukuk, shares and other securities	1,065,230,477	-	364,227,580	223,967,327	1,653,425,384
Murabaha Financing	29,390,159	30,026,167	2,845,872	22,619,198	84,881,396
Installment Sales Financing	497,650,221	5,566,186	-	-	503,216,407
Ijarah Muntahia Bittamleek (IMB) net	-	214,902,872	-	-	214,902,872
Istisna'a assets	-	-	13,559,552	-	13,559,552
Equity Investments	150,465,318	-	-	-	150,465,318
Investments in real estate	-	-	-	77,679,145	77,679,145
Other assets	63,524,345	513,625	-	1,268,079	65,306,049
Assets held for sale	1,150,000	-	-	-	1,150,000
	2,199,828,503	251,008,850	380,633,004	325,533,749	3,157,004,106

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29. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Group'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 2023	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	211,626,831	-	-	-	-	211,626,831
Commodity Murabaha and Wakala placements	32,003,709	-	-	-	-	32,003,709
Investments in Sukuk, shares and other securities	130,463,874	962,366,264	54,524,387	294,001,699	80,785,318	1,522,141,542
Murabaha Financing	9,823,772	189,282,020	172,256,173	6,218,477	-	377,580,442
Instalment Sales Financing	55,050,084	137,309,148	112,424,835	3,257,934	-	308,042,001
Ijarah Muntahia Bittamleek	12,660,152	113,250,826	18,624,210	85,690,960	-	230,226,148
Istisna'a assets	-	-	-	11,837,554	-	11,837,554
Equity Investments	-	-	-	-	168,611,127	168,611,127
Investments in real estate	-	-	-	-	79,462,403	79,462,403
Other Assets	-	44,954,308	-	-	-	44,954,308
Assets held for sale	-	231,745,208	-	-	-	231,745,208
	451,628,422	1,678,907,774	357,829,605	401,006,624	328,858,848	3,218,231,273
Sukuk issued						
Commodity Murabaha financing liabilities	-	-	806,456,783	-	-	806,456,783
Accrued and other liabilities	8,837,762	798,015,036	182,143,500	-	-	988,996,298
Employee benefit liabilities	-	22,806,546	9,541,874	-	-	32,348,420
Amounts due to ICD Solidarity Fund	1,188,327	-	-	-	15,688,696	15,688,696
Liabilities directly associated with assets classified as held for sale	-	432,205	-	-	-	1,188,327
	10,026,089	821,253,787	998,142,157	-	219,722,418	2,206,483,147

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31 December 2022	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	340,089,159	-	-	-	-	340,089,159
Commodity Murabaha and Wakala placements	52,328,824	-	-	-	-	52,328,824
Investments in Sukuk, shares and other securities	78,786,196	34,003,868	1,192,870,367	316,800,805	30,964,148	1,653,425,384
Murabaha Financing	4,299,485	6,224,190	24,838,959	49,518,762	-	84,881,396
Instalment Sales Financing	60,697,338	102,919,553	335,264,208	4,335,308	-	503,216,407
Ijarah Muntahia Bittamleek	19,753,288	-	6,299,383	188,850,201	-	214,902,872
Istisna' a assets	-	-	-	13,559,552	-	13,559,552
Equity Investments	-	-	-	-	150,465,318	150,465,318
Investments in real estate	-	-	-	-	77,679,145	77,679,145
Other Assets	-	51,628,975	12,408,994	-	1,268,080	65,306,049
Assets held for sale	-	1,150,000	-	-	-	1,150,000
	555,954,290	195,926,586	1,571,681,911	573,064,628	260,376,691	3,157,004,106
Sukuk issued						
Commodity Murabaha financing liabilities	-	-	701,165,442	-	-	701,165,442
Accrued and other liabilities	135,535,201	300,528,766	524,185,887	100,442,908	-	1,060,692,762
Employee benefit liabilities	-	17,776,895	210,426,571	-	-	228,203,466
Amounts due to ICD Solidarity Fund	1,188,550	-	-	-	11,191,013	11,191,013
	136,723,751	318,305,661	1,435,777,900	100,442,908	11,191,013	2,002,441,233

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30. SHARI'AH SUPERVISION

According to Article 29 (1) of the Articles of Agreement of the Corporation, the Group shall have a Shari'ah Board. As a member of the IsDB group, the Group utilizes the IsDB Group Shari'ah Board. The Group Shari'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.

The Group Shari'ah Board has the following functions:

- to consider all products introduced by the IsDB, its affiliates and trust funds for use for the first time and rule on their conformity with the principles of the Islamic Shari'ah, and lay down basic principles for drafting of related contracts and other documents;
- to give its opinion on the Shari'ah alternatives to conventional products which the IsDB, its affiliates and trust funds intend to use, and to lay down basic principles for drafting of related contracts and other documents and contribute to their development with a view to enhancing the IsDB's, its affiliates' and trust funds' experience in this regard;
- to respond to the Shari'ah related questions, enquiries and explications referred to it by the Board of Executive Directors or the management of the IsDB, its affiliates and trust funds;
- to contribute to the IsDB, its affiliates and trust funds programme for enhancing the awareness of its staff members of Islamic banking and deepen their understanding of the fundamentals, principles, rules and values relative to Islamic financial transactions; and
- to submit to the Board of Executive Directors of the IsDB, its affiliates and trust funds a comprehensive report showing the measure of the IsDB's, its affiliates' and trust funds' commitment to principles of Shari'ah in the light of the opinions and directions given and the transactions reviewed.

31. RISK MANAGEMENT

The Group'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 Group 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 Group's financial assets could decline in value.

For all classes of financial assets held by the Group, the maximum credit risk exposure is their carrying value as disclosed in the consolidated statement of financial position. The assets which subject the Group to credit risk principally consist of bank balances, Commodity Murabaha and Wakala placements, Sukuk investments, Murabaha financing, Installment sales financing, Ijarah Muntahia Bittamleek, Istisna'a assets and other assets. This risk is mitigated as follows:

- Commodity Murabaha and Wakala placements and Sukuk investments are managed by the Group's treasury department. The Group 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 by these investments.
- The Group evaluates Murabaha financing, installment sales, Ijarah Muntahia Bittamleek and Istisna'a 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 Group approves all the financing. Such financing is generally secured against adequate security for financing. Under Ijarah Muntahia Bittamleek contracts, the Group 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 consolidated statement of financial position was considered fully recoverable by the management of the Group.

The Group applies a three-stage approach to measuring expected credit losses (ECLs).

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i. Determining the stage for impairment

The Group's staging model relies on a relative assessment of credit risk, because it reflects the significance increase in credit risk (SICR) since initial recognition of an asset. The staging assessment is made at the contract level rather than counterparty level, since the quantum of change in credit risk may be different for different contracts belonging to the same obligor. Also, different contracts of the same counterparty may have different credit risk at initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition and has not suffered a significant downgrade.

Stage 2 *includes* financial assets that experience an SICR. When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on its sovereign and non-sovereign exposures has increased significantly since initial recognition when contractual payments are more than 90 days past due for sovereign financings and more than 30 days past due for non-sovereign financings on a material repayment amount. When a stage 2 instrument shows a significant enhancement in credit quality at the assessment date, it can move back to stage 1.

Where there is objective evidence that an identified financial asset is impaired, specific provisions for impairment are recognized in the consolidated income statement, and under FAS 30, the asset is classified in Stage 3. The Group presumes that assets are credit-impaired when contractual payments are more than 180 days past due for sovereign financings and more than 90 days past due for non-sovereign financings on a material repayment amount. Besides, the Group may consider an asset as impaired if it assesses that the obligor is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realizing security.

A financial asset is no longer considered impaired when all past due amounts have been recovered, and it is determined that the outstanding amounts with future expected income are fully collectable in accordance with the original contractual terms or revised terms of the financial instrument with all criteria for the impaired classification having been remedied. The financial asset will be transferred back to stage 2 after a cure period.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Measurement of Expected Credit Losses (ECLs)

ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 instruments by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting the resulting provision using the instrument's effective profit rate (EPR).

These ECL parameters are generally derived from internally developed models and other historical data. They are adjusted to reflect forward-looking information as described below.

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PD represents the likelihood of a counterpart defaulting on its financial obligation over different time horizon (e.g., 1 year or lifetime). The estimates the PDs using internal rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on internally and externally compiled data comprising both quantitative and qualitative factors. They produce a relative credit risk grading, which is in turn are associated with a likelihood of default (PD) over a one-year horizon, that is calibrated to reflect the Group's long run average default rate estimates (through-the-cycle (TTC) PD). The Group uses a specific model based on country and industry parametrization to convert its TTC PDs into point-in time (PIT) PDs and derives a PIT PD term structure.

LGD is the magnitude of the potential loss in the event of a default. This is generally estimated as value lost plus costs net of recovery (if any) as percentage of outstanding amount. The Group uses internal LGD estimation models that consider the structure, collateral, and seniority of the claim and the counterparty rating and jurisdiction. LGD estimates are calibrated to reflect the recovery experience of the Group as well as the Multilateral Development Banks' consortium data.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial instrument is its gross carrying amount. For contract under disbursement and financial commitments such as guarantees, letter of credit, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract.

FAS 30 requires ECLs to be forward-looking. The Group uses a statistical model that links its counterparties' future performance to the current and future state of the macroeconomic environment. The model links macroeconomic scenarios to counterparty's default risk. Macroeconomic factors taken into consideration include, but are not limited to, gross domestic product, equity market prices, unemployment rates, and commodity prices and these require an evaluation of both the current and forecast direction of the macro-economic cycle. The Group estimates its ECLs by calculating the weighted average ECL of its exposures across three (3) set of forward-looking macroeconomic scenarios.

iii. Exposure Amounts and ECL coverage

The Group recognizes 12-month ECL for stage 1 instruments and lifetime ECL for stage 2 instruments. For stage 3 instruments, it calculates a loss allowance amount based on the difference between the carrying amount of the instrument and the net present value of expected future cash flows discounted at the instrument's original effective profit rate (EPR) where applicable.

Tables below present the breakdown of gross exposure amount and ECL by mode of finance, for financial instruments measured at amortized cost as at 31 December 2023 and 2022.

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An analysis of changes in the financial assets before ECL allowance and the corresponding ECL allowance is as follows:

Description	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD
Gross carrying amount before ECL:				
Cash and cash equivalents	211,790,009	-	-	211,790,009
Commodity Murabaha and Wakala placements	25,000,000	-	28,196,501	53,196,501
Sukuk investments	1,413,756,018	33,279,163	10,585,098	1,457,620,279
Murabaha financing	371,180,655	8,084,331	42,653,922	421,918,908
Installment sales financing	252,318,487	67,827,215	16,420,997	336,566,699
Ijarah Muntahia Bittamleek	120,852,164	115,262,709	18,066,031	254,180,904
Istisna'a assets	11,870,386	-	-	11,870,386
Other assets	899,026	191,696	8,384,697	9,475,419
	2,407,666,745	224,645,114	124,307,246	2,756,619,105
Equity Investments	-	-	-	191,208,212
	2,407,666,745	224,645,114	124,307,246	2,947,827,317

Description	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD
ECL:				
Cash and cash equivalents	163,178			163,178
Commodity Murabaha and Wakala placements			21,192,792	21,192,792
Sukuk investments	689,063	3,972,819	10,585,098	15,246,980
Murabaha financing	1,596,233	88,310	42,653,923	44,338,466
Installment sales financing	14,632,999	1,910,009	11,981,690	28,524,698
Ijarah Muntahia Bittamleek	1,811,202	4,077,523	18,066,031	23,954,756
Istisna'a assets	32,832		-	32,832
Other assets			7,586,786	7,586,786
	18,925,507	10,048,661	112,066,320	141,040,488
Sukuk investments	-			1,017,075
Equity Investments	-	-	-	22,597,085
	18,925,507	10,048,661	112,066,320	164,654,648

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Description	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD
Gross carrying amount before ECL:				
Cash and cash equivalents	340,251,153	-	14,745	340,265,898
Commodity Murabaha and Wakala placements	36,000,000	-	52,413,562	88,413,562
Sukuk investments	1,085,680,311	8,007,369	10,585,098	1,104,272,778
Murabaha financing	80,507,194	7,291,777	53,870,143	141,669,114
Installment sales financing	386,902,409	68,808,434	84,307,736	540,018,579
Ijarah Muntahia Bittamleek	99,399,979	120,201,959	19,980,985	239,582,923
Istisna'a assets	13,655,753	-	-	13,655,753
Other assets	2,184,449	42,914	24,693,886	26,921,249
	<u>2,044,581,248</u>	<u>204,352,453</u>	<u>245,866,155</u>	<u>2,494,799,856</u>
Equity Investments	-	-	-	171,381,939
	<u>2,044,581,248</u>	<u>204,352,453</u>	<u>245,866,155</u>	<u>2,666,181,795</u>

Description	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD
ECL:				
Cash and cash equivalents	161,994	-	14,745	176,739
Commodity Murabaha and Wakala placements	147,834	-	35,936,904	36,084,738
Sukuk investments	2,662,896	32,360	10,585,098	13,280,354
Murabaha financing	2,732,632	184,943	53,870,143	56,787,718
Installment sales financing	9,765,877	4,112,342	22,923,953	36,802,172
Ijarah Muntahia Bittamleek	592,994	4,355,729	19,731,328	24,680,051
Istisna'a assets	96,201	-	-	96,201
Other assets	-	-	6,067,751	6,067,751
	<u>16,160,428</u>	<u>8,685,374</u>	<u>149,129,922</u>	<u>173,975,724</u>
Equity Investments	-	-	-	20,916,622
	<u>16,160,428</u>	<u>8,685,374</u>	<u>149,129,922</u>	<u>194,892,346</u>

An analysis of changes in ECL allowances in relation to Group's financial assets were as follows:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD
Provisions as at 1 January 2023	16,160,428	8,685,372	149,129,926	173,975,726
New assets originated or purchased	9,717,450	435,528	-	10,152,978
Assets repaid	(3,732,577)	(72,782)	(40,458,206)	(44,263,565)
Transfer from stage 1 to Stage 2	(295,375)	1,995,641	-	1,700,266
Transfer from stage 1 to Stage 3	(160,532)	-	38,803	(121,729)
Transfer from stage 2 to Stage 1	727,938	(1,863,875)	-	(1,135,937)
Transfer from stage 2 to Stage 3	-	(1,328,405)	4,068,532	2,740,127
Increase/decrease provision	<u>(3,491,825)</u>	<u>2,197,182</u>	<u>(712,735)</u>	<u>(2,007,378)</u>
	<u>18,925,507</u>	<u>10,048,661</u>	<u>112,066,320</u>	<u>141,040,488</u>
Sukuk Investments				1,017,075
Equity investment				22,597,085
Provisions as at 31 December 2023				<u>164,654,648</u>

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	31 December 2022			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Provisions as at 1 January 2023	8,148,636	9,238,244	118,325,729	135,712,609
New assets originated or purchased	7,529,149	1,969,998	41,205,116	50,704,263
Assets repaid	(45,797)	(321,789)	(11,088,829)	(11,456,415)
Transfer from stage 1 to Stage 2	(5,675)	57,681	-	52,006
Transfer from stage 3 to Stage 2	-	936,860	(12,327,519)	(11,390,659)
Transfer from stage 3 to Stage 1	252,598	-	(557,956)	(305,358)
Increase/decrease provision	281,517	(3,195,620)	13,573,381	10,659,278
	<u>16,160,428</u>	<u>8,685,374</u>	<u>149,129,922</u>	<u>173,975,724</u>
Equity investment				20,916,622
Provisions as at 31 December 2023				<u>194,892,346</u>

The Group obtains adequate guarantees and employs other methods of credit enhancements that will protect the value of its investments. Guarantees and securities obtained by the Group 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 Group against these assets as of the reporting date were considered adequate to cover the outstanding exposures. Where the Group'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 Group 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 Group 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 Group 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 Group. The Group 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 Islamic foreign currency denominated assets and liabilities.

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

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 Group is exposed to changes in mark-up rates mainly on its placements, Sukuk investments, Murabaha, Installment Sales, Ijarah Muntahia Bittamleek, Istisna'a financing, Sukuk issued and Commodity Murabaha financing due to changes in the mark-up rates prevailing in the markets.

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In order to manage cash flow mark-up rate risk, the Board approved an “Asset and Liability Management policy” which requires that the Group follow the matched-funding principle in managing its assets and liabilities as well as profit rate swaps. Thus, the Group 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 Group’s investment income spread remains largely constant regardless of mark-up rate and exchange rate movements.

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

Equity price risk

The Group is exposed to equity price risk on its investments held at fair value. The Group has only one investment which is listed and, accordingly, the Group 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 Group follows a conservative approach by maintaining high liquidity levels invested in cash and cash equivalents, Commodity Murabaha and Wakala placements and Murabaha financing with short-term maturity of three to twelve months. Please see note 30 for the maturity schedule of the assets.

Shari’ah non-compliance Risk

The Group defines Shari’ah non-compliance risk as the risk of losses resulting from non-adherence to Shari’ah rules and principles as determined by the IsDB Group Shari’ah Board. The Group attaches value in safeguarding its operations from Shari’ah non-compliance risk (SNCR). Shari’ah compliance forms an integral part of ICD’s purpose in line with its Articles of Agreement. Consequently, the Group effectively manage SNCR through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shari’ah compliance, while the Shari’ah Compliance function of IsDB Group serves as the 2nd line of defence to strategically manage and monitor SNCR pre-execution of transactions / operations. IsDB Group’s internal Shari’ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a risk-based internal Shari’ah audit methodology.

32. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates.

Fair valuation with respect to investments, is disclosed in note 7.

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

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

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33. COMMITMENTS

In the normal course of business, the Group is a party to financial instruments with off-statement of financial position risk. These instruments comprise commitments to make project related disbursements, equity contribution commitments and other items and are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-statement of financial position commitments as it does for on-statement of financial position operations.

	<i>31 December</i> <i>2023</i> <i>USD</i>	<i>31 December</i> <i>2022</i> <i>USD</i>
Murabaha financing	25,000,000	-
Installment sales financing	83,182,424	83,803,592
Ijarah Muntahia Bittamleek	-	-
	<u>108,182,424</u>	<u>83,803,592</u>

34. EFFECTS OF NEW AND REVISED FINANCIAL ACCOUNTING STANDARDS

The following new financial accounting standards (“FAS”) of The Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”), which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements if found to be applicable.

Financial Accounting Standard - 39 “Financial Reporting for Zakah”

This standard aims at setting out accounting treatment of Zakah in the books of an Islamic financial institution, including the presentation and disclosure in its financial statements. The objective of this standard is to establish the principles of financial reporting related to Zakah attributable to different stakeholders of an Islamic financial institution. This standard shall be effective for the financial periods beginning on or after 1 January 2023 with early adoption permitted. The Group has evaluated the impact of this standard and concluded that it is not applicable as the Group is not a zakah payer

Financial Accounting Standard - 41 “Interim Financial Reporting”

This standard prescribes the principles for the preparation of interim financial reports and the relevant presentation and disclosure requirements, emphasizing the minimum disclosures specific to the Islamic financial institutions in line with AAOIFI FAS.

The standard considers and aligns with the relevant requirements with FAS 1 “General Presentation and Disclosures in the Financial Statements” and other recently issued / revised FASs. This standard also provides an option for an institution to prepare and publish a complete set of financial statements at interim reporting dates in line with the respective FASs. This standard shall be effective for financial periods beginning on or after 1 January 2023.

The Group has evaluated the requirements of the standard and concluded that it is not applicable on the Group. The Group, being a supranatural institution, is not required under law or regulation to prepare interim financial reports neither it prepares interim financial reports on a voluntary basis.

Financial Accounting Standard - 44 “Determining Control of Assets and Business”

This standard prescribes the criteria of obtaining control of assets, i.e., having risks and rewards incidental to ownership of assets, including those related to underlying assets of instruments such as Sukuk and participatory arrangements such as Mudaraba, Musharaka and Wakala. Furthermore, the standard addresses circumstances when control is lost.

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This standard also sets out the principles for assessing the need to consolidate financial statements in case an institution controls a business, taking the form of an independent legal entity. This standard shall be effective for the financial periods ended 31 December 2023. The Group has evaluated the provisions of this standard and concluded that the Group is already in compliance with the requirements of the Standard.

35. Standards issued but not yet effective

The following new FASs have been issued. The Group intends to adopt these financial reporting standards when they become effective and is currently assessing the impact of these new FASs on its financial statements and systems.

Financial Accounting Standard - 40 “Financial Reporting for Islamic Finance Windows”

The objective of this standard is to establish financial reporting requirements for Islamic financial services offered by conventional financial institutions (in the form of Islamic finance windows). This standard shall be effective on the financial statements of the Islamic finance window of conventional financial institutions for the periods beginning on or after 1 January 2024 with early adoption permitted, subject to simultaneous compliance of Financial Accounting Standard – 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”. This standard is not applicable to the Group as it is not a conventional financial institution.

Financial Accounting Standard - 1 (Revised 2021) “General Presentation and Disclosures in the Financial Statements”

The revised FAS 1 describes and improves the overall presentation and disclosure requirements prescribed in line with the global best practices and supersedes the earlier FAS 1. It is applicable on all the Islamic financial institutions and other institutions following AAOIFI FASs. This standard sets out the overall requirements for presentation of financial statements, the minimum requirements for the contents of the financial statements and a recommended structure of financial statements that facilitate faithful presentation in line with Shari’ah principles and rules and comparability with the institution’s financial statements of previous periods, and the financial statements of other institutions. This standard shall be effective on the financial statements of the institutions beginning on or after 1 January 2024 with early adoption permitted. The Group is currently evaluating the impact of this standard on its financial statements.

Financial Accounting Standard - 42 “Presentation and Disclosures in the Financial Statements of Takaful Institutions”

This standard sets out the principles for the presentation and disclosure for the financial statements of Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules.

This standard improves the presentation and disclosure requirements, in line with the global best practices, and supersedes the existing FAS 12 “General Presentation and Disclosures in the Financial Statements of Islamic Insurance Companies”.

This standard shall be effective on the annual financial statements of the Takaful institutions beginning on or after 01 January 2025. FAS 42 shall not impact the financial statements as the Group is not a Takaful institution.

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Financial Accounting Standard - 43 “Accounting for Takaful: Recognition and Measurement”

This standard sets out the principles for the recognition, measurement and reporting of Takaful arrangements and ancillary transactions for the Takaful institutions. It aims to ensure that the Takaful institutions faithfully present the information related to these arrangements to the relevant stakeholders as per the contractual relationship between the parties and the business model of the Takaful business in line with the Shari’ah principles and rules. The requirements of this standard are duly aligned with the international best practices of financial reporting for the insurance business.

This standard shall be effective on the financial statements of the Takaful institution for the annual financial reporting period beginning on or after 01 January 2025. FAS 43 shall not impact the financial statements as the Group is not a Takaful institution.

Financial Accounting Standard - 45 “Quasi-Equity (including Investment Accounts)”

This standard prescribes the principles of financial reporting related to the participatory investment instruments (including investment accounts) in which an Islamic financial institution controls the underlying assets (mostly, as a working partner), on behalf of the stakeholders other than the owners’ equity. Such instruments (including, in particular, the unrestricted investment accounts) normally qualify for on-balance sheet accounting and are reported as quasi-equity.

This standard provides the overall criteria for on-balance-sheet accounting for participatory investment instruments and quasi-equity, as well as, pooling, recognition, derecognition, measurement, presentation and disclosure of quasi-equity. It further addresses financial reporting related to other quasi-equity instruments and certain specific issues.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Group is currently evaluating the impact of this standard on its financial statements.

Financial Accounting Standard - 46 “Off-Balance-Sheet Assets Under Management”

This standard prescribes the criteria for characterization of off-balance sheet assets under management and the related principles of financial reporting in line with the “AAOIFI conceptual framework for financial reporting”.

This standard encompasses the aspects of recognition, derecognition, measurement, selection and adoption of accounting policies etc relating to off balance sheet assets under management, as well as, certain specific aspects of financial reporting, e.g. impairment and onerous commitments by the institution. The standard also includes the presentation and disclosure requirements, particularly aligning the same with the requirements of FAS 1 “General Presentation and Disclosures in the Financial Statements” in respect of the Statement of changes in the off balance sheet assets under management.

This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. This standard shall be adopted at the same time as adoption of FAS 45 “Quasi-Equity (including Investment Accounts)”. The Group is currently evaluating the impact of this standard on its financial statements.

Financial Accounting Standard - 47 “Transfer of Assets Between Investment Pools”

This standard prescribes the financial reporting principles and disclosure requirements applicable to all transfer of assets between investment pools related to (and where material, between significant categories of) owners’ equity, quasi-equity and off-balance sheet assets under management of an institution. It requires adoption and consistent application of accounting policies for such transfers in line with Sha’riah principles and rules and describes general disclosure requirements in this respect.

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This standard shall be effective for the financial reporting period beginning on or after 01 January 2026 with early adoption permitted. The Standard is not applicable to the Group as it does not have investment pools.

36. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2023, the Group decided to sell certain entities which were classified as held for sale. The result of operations of these entities were also presented as discontinued operations in the consolidated income statement with the comparatives for 2022 also re-presented.

a) *Banque Islamic Guinea ("BIG")*

Islamic Bank of Guinea (BIG), with a carrying value of USD 8 million and in which the Corporation held a 68.4% equity stake, was sold for USD 15.8 million in December 2023. However, the legal transfer process is yet to be finalized. Consequently, the investment has been classified as held for sale as at December 31, 2023.

The results of the discontinued operations of BIG, which have been included in the profit for the year, were as follows:

	<i>2023</i>	<i>2022</i>
	<i>USD</i>	<i>USD</i>
NET INCOME		
Income from financing assets	9,459,596	5,993,129
Other income	<u>10,094,214</u>	<u>8,508,679</u>
Net income	<u>19,553,810</u>	<u>14,501,808</u>
OPERATING EXPENSES		
Staff costs	(5,907,259)	(4,622,346)
Other administrative expenses	(4,866,942)	(3,808,312)
Depreciation	<u>(1,768,824)</u>	<u>(1,107,125)</u>
Total operating expenses	<u>(12,543,025)</u>	<u>(9,537,783)</u>
Net operating income before impairment charges	7,010,785	4,964,025
Impairment loss	<u>(1,963,088)</u>	<u>(11,171,001)</u>
Net profit for the year before taxation	5,047,697	(6,206,976)
Income tax	<u>(648,496)</u>	<u>(674,912)</u>
Net profit for the year	<u>4,399,201</u>	<u>(6,881,888)</u>

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	<i>31 December</i>
	<i>2023</i>
	<i>USD</i>
Cash and cash equivalents	45,407,996
Installment sales financing	93,615,234
Investments in Sukuk, shares and other securities	46,616,159
Other assets	<u>45,765,708</u>
Total assets classified as held for sale	<u>231,405,097</u>
Total liabilities associated with assets classified as held for sale	<u>(219,722,418)</u>
Net assets	<u>11,682,679</u>

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b) ICD Money Market Fund LLP ("MMF")

ICD and ICD Asset Management Labuan (entirely owned by ICD), as limited partners in the ICD Money Market Fund LLP (MMF), reached an agreement with all the unit holders to redeem their entire investment units from the fund. Consequently, ICD and ICD Asset Management Labuan have completed their redemption by receiving full amounts in May 2023 and June 2023, respectively. As of the redemption date, ICD held 81.69% of MMF. Following this redemption, the fund was liquidated and dissolved.

The results of the discontinued operations of ICD Money Market Fund LLP (MMF), which have been included in the profit for the year, were as follows:

	<i>2023</i>	<i>2022</i>
	<i>USD</i>	<i>USD</i>
NET INCOME		
Income from commodity placement	1,091,965	1,268,647
Income from sukuk investments	672,381	1,774,941
Other expense	<u>(153,562)</u>	<u>(4,050,723)</u>
Net income	<u>1,610,784</u>	<u>(1,007,135)</u>
OPERATING EXPENSES		
Other administrative expenses	<u>(544,140)</u>	<u>(371,677)</u>
Total operating expenses	<u>(544,140)</u>	<u>(371,677)</u>
Net operating income before impairment charges	1,066,644	(1,378,812)
Impairment reversals	<u>182,930</u>	<u>313,825</u>
Net profit for the year	<u>1,249,574</u>	<u>(1,064,987)</u>

The major classes of assets and liabilities of ICD Money Market Fund LLP (MMF) at the date of redemption is as follows:

	<i>At the date of redemption</i>
	<i>USD</i>
Assets	
Cash and cash equivalents	45,939,462
Placements with banks and financial Institutions	13,885,785
Investments in Sukuk	23,691,178
Other assets	<u>3,002,162</u>
Total assets	<u>86,518,587</u>
Liabilities	
Accrued and Other Liabilities	<u>690,272</u>
Total liabilities	<u>690,272</u>
Net assets redeemed	85,828,315

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c) Azerbaijan Leasing

Azerbaijan Leasing with a negative carrying value of USD 92k, in which the Corporation held a 100% equity stake, was sold for USD 6.5k in January 2024. Therefore, the investment is classified as held for sale

The results of the discontinued operations of Azerbaijan Leasing, which have been included in the profit for the year, were as follows:

	<i>2023</i>	<i>2022</i>
	<i>USD</i>	<i>USD</i>
NET INCOME		
Other Income	<u>11,176</u>	15,294
Total income	<u>11,176</u>	15,294
Financing cost	<u>(12,454)</u>	(12,353)
Net (loss)/income	<u>(1,278)</u>	2,941
OPERATING EXPENSES		
Staff costs	(79,923)	(108,235)
Other administrative expenses	(13,914)	(70,000)
Depreciation	<u>(3,388)</u>	(10,589)
Total operating expenses	<u>(97,225)</u>	(188,824)
Net operating income before impairment charges	<u>(98,503)</u>	(185,883)
Impairment reversals	<u>-</u>	94,706
Net profit for the year	<u>(98,503)</u>	(91,177)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	<i>31 December</i>
	<i>2023</i>
	<i>USD</i>
Cash and cash equivalents	<u>6,054</u>
Installment sales financing	-
Investments in Sukuk, shares and other securities	-
Other assets	<u>334,057</u>
Total assets classified as held for sale	<u>340,111</u>
Total liabilities associated with assets classified as held for sale	<u>(432,205)</u>
Net assets	<u>92,094</u>

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d) Islamic Bank of Niger (BIN)

In 2022, The Group disposed of 100% shares of Islamic Bank of Niger (BIN) at net book value of USD 17.3 million. The disposal was completed on 22 July 2022.

The results of the discontinued operations (BIN), which have been included in the profit for the year, were as follows:

	<u>2023</u>	<u>2022</u>
Other Income	-	6,345,050
Other administrative expenses	-	(5,536,508)
Net profit before zakat	-	808,542
Zakat	-	-
Net profit for the year	<u>-</u>	<u>808,542</u>

37. AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue in accordance with the resolution of the Board of Directors dated 19 March 2024 (corresponding to 9 Ramadan 1445 AH).