

## **1MDB's 'tell all' raises more queries, say critics**

**MalaysiaKini.com**

**June 3, 2015**

**By Andrew Ong**

1MDB's attempt to account for how its RM42 billion in loans was spent raises more questions than answers, according to the company's top two critics.

Of the items listed, noted Petaling Jaya Utara MP Tony Pua and Pandan MP Rafizi Ramli, the most suspicious was the RM4.5 billion used for "cost of finance and working capital"

"To claim that RM4.5 billion was used as financing cost as part of the debt total is disingenuous. It means 1MDB borrowed more money to pay interest on its loans.

"It means all the assets it acquired don't earn enough to even pay for the interests incurred," Pua told Malaysiakini.

According to Rafizi, who is a certified chartered accountant, a financing cost bill of RM4.5 billion would mean that 1MDB's financing cost was around 10.7 percent - a record of sorts.

Rafizi speculated that the financing cost probably included consultancy, arranger fees and interest.

He explained the coupon rate of 1MDB's bonds are between 4 percent to 6 percent, thus it could be concluded that at a 10.7 percent financing cost, 1MDB could have paid "exorbitant" financing fees and short term interest.

"One would have to wonder what kind of short term financing and advisory (services) that 1MDB subscribed to because most of its debts are not due yet," he told Malaysiakini.

### **Why didn't they liquidate assets?**

Rafizi's estimate was based on an assumption that for the period of 2009 and 2010, financing for its RM6 billion loan was at 5 percent, or RM300 million per annum.

And thus, he said, the balance of the financing cost (RM3.9 billion) would have been paid over the period of 2011 and 2013 for the additional RM36 billion in loans.

Therefore, he added, an average of RM3.9 billion over RM36 billion would roughly translate to 10.7 percent financing cost over the loans taken in this three year period.

Meanwhile, Pua and Rafizi said 1MDB's claim that RM15.4 billion was used for Brazen Sky Ltd, 1MDB Global Investment Limited and Aabar Investment PJS also warranted further explanation.

"What is RM6.1 billion for Brazen Sky? Where is the RM5.1 billion invested by 1MDB in

Global Investment Limited? And why deposit RM4.1 billion with Aabar Investments PJS?" asked Pua.

Rafizi said the figures were already out in public domain, but what remains unknown is how the money was used and how much cash is left.

"What exactly are these assets? If they are cash, why was it not liquidated to pay for the loans, without having to resort to (business mogul) T Ananda Krishnan or the IPIC (International Petroleum Investment Company) injection?"

"It is precisely because 1MDB had failed to account for these details that the question of missing money arose in the first place," he said.

### **Foreign exchange loss**

On 1MDB's claim that RM900 million was incurred on foreign exchange cost, Rafizi said this should be read as "foreign exchange loss" which was "deplorable".

"What kind of company allows RM900 million realised in foreign exchange losses? This is purely bad management and incompetence, if not outright dereliction of duty.

"Which transactions and what assets had caused such losses?" he asked.

Both Rafizi and Pua agreed that 1MDB's explanation of where the money went did not help the company's credibility crisis and instead led to more questions regarding its management.

Earlier today, 1MDB issued a statement to explain how its RM41.8 billion in loans were used, in response to former premier Dr Mahathir Mohamad's claim that RM27 billion could not be traced.

1MDB president and group executive director Arul Kanda said this information was fully disclosed in 1MDB's audited accounts from 2010 to 2014 and was publicly available.

"We trust this clarification would help to clear any confusion on this matter," said Arul.