

1MDB boss confirms S'wak Report docs authentic, denies lying
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1MDB president and executive director Arul Kanda has confirmed the minutes of a 1MDB board meeting published by Sarawak Report to be authentic.

"[...] I can confirm that, in this particular case, it (Sarawak Report) appears to have published an authentic 1MDB document, namely minutes of a Jan 12, 2015 board meeting," he said in an email to Malaysiakini.

Arul revealed this was the first 1MDB board meeting he attended; a week after he joined the company on Jan 5.

Responding to the whistleblower website which described the minutes as evidence that Arul was a "liar", the 1MDB boss begged to differ.

"My strong track record speaks for itself and my only professional agenda is to fix the challenges in 1MDB.

"There is no need for me to lie or cover-up what has happened in the past, as has been alleged by those who make sensationalist claims to drive their own political agenda," he stressed.

Sarawak Report had said the minutes was proof that Arul was a "liar" in relation to his claim about "cash in the bank" at BSI Bank in Singapore.

Arul had said the assets held at BSI were in the form of 'units', which Sarawak Report claimed it had established are categorised as 'Level 3', whereby there is no guarantee as to their actual worth.

The whistleblower site said based on the minutes, Arul had given detailed assurances to board members that there was indeed cash in the Brazen Sky company account at BSI Bank.

The 1MDB president in his response to Sarawak Report said that he had told board members based on his understanding of events that had occurred before he joined the company that the redemption of fund units happened in cash for an amount of US\$940 million.

"However, upon further investigation and verification, it became clear that this was a misunderstanding, which I then clarified to the board and our shareholder, the Ministry of Finance," he added.

Explained in detail

Confirming via a press statement on Jan 13, a day after the meeting, that the remaining amount of US\$1.11 billion had been redeemed in full, Arul said it was however not made clear that the redemptions happened partly in cash and partly through the sale of fund units, with cash payment being deferred.

“It is this important distinction which caused a misinterpretation of my statement, first during a Business Times interview on Feb 9, 2015 and subsequently by the Ministry of Finance, in a Parliamentary answer on March 12, 2015.

“I have explained in detail the sequence of events to the National Audit Department and to 1MDB's auditors, Deloitte, as part of their thorough and professional review of 1MDB's past transactions. In addition, I have openly and publicly taken full responsibility in June 2015 for the misunderstanding on this matter – the buck stops with me.

“Accordingly, I look forward to being questioned in detail on this matter at the upcoming Public Accounts Committee hearings and for my answers to be a part of the public record, to conclusively put this matter to rest,” he said

Meanwhile, 1MDB explained that the fund units, owned by 1MDB subsidiary Brazen Sky Limited, were originally valued at US\$2.318 billion in Sept 2012, as the eventual outcome of various equity and murabaha loan investments totalling US\$1.83 billion by 1MDB with PetroSaudi between 2009 and 2011.

“Over the investment horizon, 1MDB has received and reflected in its audited financial statements, cash returns- approximately US\$81 million murabaha profit, and approximately US\$263 million dividends from fund unit investments- a total cash return of approximately US\$346 million and a total gain over time of US\$488 million (US\$2.318 billion less US\$1.83 billion),” said the firm.

As of March 31, 2014, the fund units were valued at US\$2.33 billion.

On Nov 5, 2014, an amount of approximately US\$1.22 billion had been redeemed, in cash, with proceeds being substantially utilised for debt interest payment, working capital and payments to Aabar as refundable deposits for options termination.

“A sum of approximately US\$1.11 billion in fund units remained, which together with a dividend of approximately US\$130 million, equates to the remainder sum of US\$1.23 billion described in the notes to 1MDB's accounts,” said 1MDB.

1MDB further explained that approximately US\$170 million of the US\$1.11 billion fund units were redeemed, in cash, on Nov 14 and Nov 24 last year, leaving a balance of approximately US\$940 million in fund units.

“On Jan 2, 2015, prior to Arul joining 1MDB, a final redemption of approximately US\$940

million was undertaken through a sale of fund units to Aabar, with cash payment being deferred,” said the company in its response.

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