

IPIC contradicts 1MDB, says never guaranteed 'fund units' in Cayman Islands
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Abu Dhabi-based International Petroleum Company (IPIC) has denied its subsidiary Aabar Investments PJS guaranteed 1MDB's controversial "fund units" in a Cayman Islands-registered fund, according to the *Wall Street Journal* (WSJ).

This was despite 1MDB's auditors testifying before the Public Accounts Committee (PAC) that it had scrutinised the Cayman investment and were satisfied with the guarantee, which they claimed was by Abu-Dhabi's Aabar.

The "fund units" invested by 1MDB's Singapore-based subsidiary Brazen Sky Limited had previously generated controversy after Prime Minister Najib Abdul Razak, who is also finance minister, told Parliament it was kept in cash in the form of US dollars.

It was later revealed that there was no cash but "fund units" and 1MDB president and group chief executive Arul Kanda took responsibility for the "mistake".

In the latest development, IPIC in its 2015 financial report said: "1MDB has intimated the existence of guarantees of approximately US\$940 million provided by Aabar in respect of fund units in a Cayman registered fund, owned by 1MDB subsidiary Brazen Sky and further guarantees from Aabar BVI of fund investments held with various third party fund managers in the amount of approximately US\$1.5 billion."

"Both IPIC and Aabar confirm there is no record of any such guarantees being provided by Aabar and as such no disclosure of financial guarantees needs to be made in these consolidated financial statements and further confirm that neither IPIC nor Aabar has received any payments, assets or fund units from Brazen Sky," it said.

The financial report was filed with the London Stock Exchange yesterday.

WSJ said the guarantee was significant as it had formed the basis for valuation by auditors, which IPIC now claims does not exist.

According to the PAC Hansard, 1MDB's auditor Deloitte had testified: "We were satisfied on the guarantee given, and Aabar is a subsidiary of IPIC, and IPIC credit rating is double 'A'. We checked on that."

"I think the guarantee is very important because it forms a basis of the valuation," said one auditor who testified.

According to 1MDB, the fund units were valued at US\$2.33 billion as at March 31, 2014.

Up to November 2014, 1MDB said only US\$940 million worth of fund units was left as the rest had been redeemed.

1MDB had intended to use the US\$940 million in fund units to pay Aabar as part of its debt for an asset swap deal with IPIC under the binding term sheet.

The Malaysian fund in a statement on October 10, 2015 stated: "Aabar was separately a guarantor of the fund in which the units were invested but by mutual agreement, the redemption was via sale of fund units instead of calling on the guarantee.

"This fund unit sale agreement was subsequently superceded via the binding term sheet signed between 1MDB and IPIC, the 'AA' rated parent of Aabar, on May 27, 2015, upon which a payment of US\$1 billion was made by IPIC to 1MDB."

The statement appears to indicate that 1MDB was referring to Abu Dhabi's Aabar and not the British Virgin Island-based Aabar Limited (Aabar BVI) even though IPIC now claims there is no such guarantee.

The binding term sheet has since been terminated by IPIC following a dispute with 1MDB where the Abu Dhabi-fund accused the Malaysian-fund of non-payment.

It is unclear what has happened to the US\$940 million of "fund units" following the termination of the binding term sheet.

The dispute partly stems from the fact that Abu Dhabi's Aabar was to receive US\$3.5 billion from 1MDB but the funds were diverted to Aabar BVI which had no relation with IPIC.

1MDB in a statement on April 12 said it only made the payment to Aabar BVI after communicating with executives at IPIC and said it was confident of 1MDB's legal position in the matter.

IPIC has since initiated legal action against 1MDB and Malaysia's Finance Ministry and is seeking US\$6.5 billion.

Malaysiakini has emailed 1MDB for a response to the latest *WSJ* article.

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