

RM1.8 bil loss at 1MDB if not for revaluation gains?

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The country's so-called strategic fund, 1Malaysia Development Fund could have made as much as RM1.8 billion in losses if not for massive revaluation gains which could have amounted to as much as RM2.7 billion.

According to a recent Singapore Business Time (SBT) report, the fund, which had RM42 billion in debts as at Mar 31, 2013, booked RM2.7 billion in fair value gains from property investments.

However, it's abbreviated accounts released on Wednesday showed a pre-tax profit of some RM878 million (see table). That means that if not for the RM2.7 billion gain, the fund would have incurred losses of RM1.822 billion (RM2.7 billion minus RM878 million).

The revaluation surplus is likely from the government land 1MDB acquired at way below market prices earlier.

The SBT report added 1MDB incurred a loss on impairment of goodwill of RM1.2 billion on the acquisition of power assets from Tanjong and Genting for which it paid over RM10 billion. Accounting policies typically require amortisation of goodwill — basically the excess of acquisition cost over net book value — to be spread out over a number of years.

1Malaysia Development Bhd reported a sharp rise in pre-tax profit to RM877.7 million for the year to Mar 31, 2013 compared to just RM44.7 million previously.

However liabilities, basically debt, came up to some RM42 billion as at the end of the financial year. Net profit meanwhile came in at RM778.2 million for the same period from the RM44.7 million for the previous year when there was no tax.

The much delayed accounts have finally been submitted to the Companies Commission of Malaysia (CCM). The accounts which have been pending for a year, were submitted to the commission earlier this month.

In its abbreviated accounts for the financial year ending March 31, 2013 (FY13), the sovereign fund recorded an increased revenue of RM2.59 billion up from the RM633.2 million seen in the previous corresponding year.

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