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Noble Group Rescue Plan in Doubt as Singapore Blocks Listing (1)
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By Krystal Chia, Jack Farchy and Javier Blas
(Bloomberg) -- Noble Group Ltd.'s hopes of survival were dealt a huge blow after Singapore said the commodity trader can't relist as a new entity, blocking its debt restructuring and potentially leaving the company facing insolvency.
After announcing a probe into the company last month, the country's authorities said Thursday that there were "significant uncertainties about the financial position of New Noble". The entity's net asset value would be as much as 45 percent lower than declared by the trader, when the accounting regulator's standards are applied, according to a statement by the central bank, the police's white-collar crime dept. and Singapore Exchange Ltd.
Singapore's decision deepens the crisis at the once giant commodity trader, which has been brought to the brink of collapse by accusations it had inflated profits, first made by Iceberg Research in 2015. After posting huge losses and billions of dollars of writedowns, the company had been pinning its hopes for survival on the restructuring masterminded by Chairman Paul Brough.
"This is bad news for everyone involved," said Ang Chung Yuh, senior analyst at Ifast Financial Pte Ltd. "Noble has said that its recovery in the case of insolvency will be very little."
In a shareholder circular in August, the company said the mammoth debt rescue, which would hand control to a group of senior creditors, couldn't go ahead without Singapore Exchange giving consent for the restructured entity to be re-listed.

Only Alternative

Without that approval, Noble and its creditors may see the only alternative as filing for insolvency. In the shareholder circular, they set out a detailed account of an "alternative restructuring" plan involving filing for administration in the

U.K. The creditors would take control of the company, and shareholders and perpetual bondholders could be wiped out.
Noble's board is now considering its options to maximize value for stakeholders, according to a person familiar with the matter, who asked not to be named as the discussions are private. A spokeswoman for Noble had no immediate comment.

The struggling trader was on the verge of completing the $3.5 billion restructuring last month when Singapore announced its three-agency probe by the Monetary Authority of Singapore, the Commercial Affairs Department of the Singapore Police Force, and the Accounting and Corporate Regulatory Authority. Days later it won a few weeks breathing room to get the revamp over the line by a new deadline of Dec. 11 as the probe continued.
As part of the investigation, Noble had to submit a set of simulated financial statements to show how New Noble's finances would be affected under accounting standards stipulated by ACRA.
That simulation showed the company's net asset value as at Dec. 31, 2017 could be as much as 40 percent lower, and 45 percent as of March 31, 2018, according to Thursday's statement. There could be even further reductions as the probe looks beyond the scope of ACRA's review, it said.

Mark-to-Market

The accounting matters highlighted in the investigation were focused on the company's use of mark-to-market accounting, according to people familiar with the matter -- an area which has been a lightning rod for Noble's critics for several years.
In the past two years, Noble has already made substantial reserves and writedowns of its so-called "net fair value gains" on commodity and derivative assets. However, the net fair value gains were still worth $353 million and $272 million at the end of December 2017 and March 2018, respectively, according to the company's accounts. That's equivalent to 40.4 percent and 45.7 percent of New Noble's net asset value at those dates, according to illustrative accounts the company published in August.
The accounting simulation demanded by the regulator involved writing off the vast majority of those gains, according to a person familiar with the matter.

Blow to Creditors

Should the restructuring plan fail, it would be a blow to Noble's creditors, including hedge funds Taconic Capital Advisors, Varde Partners and Owl Creek Asset Management, as well as Deutsche Bank AG and ING Groep NV.
While they may still be able to take control of the company's assets should it file for administration, the move

would introduce significant uncertainty and may trigger clauses that would allow some of Noble's counterparties to walk away from contracts.

Singapore Exchange has suggested it could block the restructuring unless it was assured the executives who will run the revamped commodity trader aren't implicated in the investigation.

Jean-Francois Lambert, a former trade finance banker at HSBC Holdings Plc and industry consultant, said he doubted Noble's restructuring could go ahead until the Singaporean investigation is concluded.

"Unless the management of the new company is cleared of any wrongdoing, the restructuring is pointless," Lambert said. "For the existing creditors, it now boils down to the following question: between a long, protracted and uncertain re-birthing exercise or an outright liquidation, where are they likely to lose the least?"

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