fastFT Noble Group Ltd

Singapore authorities launch probe into Noble Group

Commodity trader under investigation over suspected false financial statements

Stefania Palma, Neil Hume and David Sheppard 7 HOURS AGO

Singapore authorities have launched an "unprecedented" investigation into suspected false and misleading statements at Noble Group, the commodity trader trying to push through a $3.5bn debt restructuring to stave off collapse.

The investigation, which involves the commercial affairs department of the Singapore police force, comes almost four years after a former employee, Arnaud Vagner, published the first in a series of reports highly critical of Noble's accounts.

Shares in Noble have since slumped more than 99 per cent as the company, has struggled to service a large debt burden and answer questions about its inability to convert profits into cash.

The police, the Monetary Authority of Singapore, the country's de facto central bank and the Accounting and Corporate Regulatory Authority said in a joint statement on Tuesday they were investigating potential "false and misleading statements" as well as "potential non-compliance with accounting standards", and has asked Noble to provide documents.

The probe covers the period from 2012 to 2016 when the company was run by Yusuf Alireza, a former Goldman Sachs banker, and audited by Ernst & Young in Hong Kong. Its chairman was the British-born founder of the company, Richard Elman, who at the time owned a fifth of the company.

"The first reaction was 'better late than never'. But for such a serious matter you need to assemble your evidence very carefully and deliberately," said Lawrence Loh, director of the centre for governance at NUS Business School.

"Considering the magnitude of Noble's restructuring, this investigation is probably unprecedented in Singapore, which is why the delay is not surprising," he said. "But once you reach this stage you expect the next few steps to be done very expeditiously."

The investigation will also examine alleged non-compliance with accounting standards at Noble Resources International, its key corporate entity in Singapore and the subsidiary that handled much of its coal trading.

In addition, the Accounting and Corporate Regulatory Authority said it had uncovered suspected breaches of Singapore's Companies Act.

Authorities in Singapore have been criticised for their handling of the Noble crisis, which has destroyed approximately $6bn in the company's market value, with many small retail shareholders essentially wiped out.

The police investigation could disrupt the company's controversial debt restructuring plan, which was entering its final stages after approval by creditors, shareholders and courts in the UK and Bermuda. In its current form, the deal will leave Will Randall, a protégé of Mr Elman, as Noble's chief executive.

Mr Randall was the head of Noble's coal business at the time the investigation covers. This unit was responsible for many of its problems including the eventual writedown of billions of dollars of long-term supply contracts that critics allege had been used to boost its results.

Trading in Noble shares was suspended on Friday last week as part of the company's debt-for-equity swap, which will see a group of creditors — primarily hedge funds that had bought its debt — take a controlling stake.

A spokesperson for the Singapore Stock Exchange said its regulatory arm would review "whether the investigations impact" the financial statements disclosed by Noble during the long-running debt restructuring process, which has also faced criticism for the high level of fees paid to creditors.

"Trading can only start after restructuring has been completed and this is in turn dependent on our review," the SGX said.

Noble did not respond to requests for comment but the company has previously defended its accounting.

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Founded in Hong Kong by Mr Elman more than 30 years ago with $100,000 capital, Noble grew rapidly as it helped meet China's seemingly insatiable appetite for raw materials.

It had ambitions to be an Asia-based version of Glencore, buying up mining and agriculture assets and growing to become a full-scale international commodity trader.

But over the past four years questions about its accounting and leverage led to its near collapse.

The company was worth more than $6bn when Mr Vagner, writing under the name of Iceberg Research, published the first of his devastating reports. Today, Noble's shares value the company at just $78m.

Noble had been expected to announce a new board by the end of the month with former Morgan Stanley banker Ian Potter set to be named chairman, replacing Paul Brough, a restructuring expert who was appointed in May last year to try to save the company. Mr Potter did not respond to emails seeking comment on Tuesday.

"This adds to the doubts about the ability of Noble's management team to run the company and beyond that its sheer survival," said Jean-François Lambert, a former HSBC banker who now runs Lambert Commodities, a consultancy.

In a letter to the Financial Times this month, Mr Vagner said he had"relentlessly" raised issues about Noble's balance sheet and auditing but his concerns were not taken seriously. SGX said it had directly engaged with Iceberg and took a series of public actions with regard to Noble.

"As we have a very mixed opinion of Singapore's regulatory system, we will wait to see what happens," said Mr Vagner on Tuesday. "This comes at the worst time for Noble at the end of their restructuring."

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