

NZX ANNOUNCEMENT

27 September 2018

Vindication for Torchlight in Caymans – Crown agencies’ evidence ‘rejected’

The Grand Court of the Cayman Islands has released its judgment in the proceedings brought against the Torchlight Fund LP by Aurora Funds Management, Crown Asset Management Limited (CAML) and the Accident Compensation Corporation (ACC) (together known as the “Petitioners”).

Pyne Gould Corporation Limited’s (“PGC”) direct limited partner interests in the Torchlight Fund are currently 70.4% and it owns 100% of Torchlight GP Limited (the fund’s General Partner).

PGC Managing Director George Kerr said the judgment represents a complete vindication of the Torchlight Fund, its performance, and its management.

“The judgment confirms not only that the Petition had no merit and was an abuse of process, but also that a wind-up of Torchlight would not be in the best interests of its investors. The judge said it was beyond dispute that the Fund’s investments have *‘real and substantial value’*, noting that the Petitioners’ claims to the contrary were *‘entirely without foundation’*.”

“The judgment reveals that while a Crown agency was alleging that Torchlight was losing money and being managed in a way that was not in the best interests of its investors to auditors, regulators in New Zealand and Australia, and the media on both sides of the Tasman, its own independent professional valuation concluded the fund had considerable value.

“The judgment concluded that *‘where there have been any departures from the standards of fair dealing and a violation of the conditions of fair play such conduct has been attributable to the Petitioners’ conduct alone’*.”

“What should be concerning to many is the judge rejected the evidence of senior New Zealand public servants and directors, who were described in the judgment as *‘less than persuasive’*, *‘formulaic’*, *‘unconvincing’*, *‘tenuous’*, *‘unreliable’*, *‘emotional’* and *‘irrational’*,” Mr Kerr said.

Overall, the judgment concluded that: *“the Court has great difficulty in accepting the credibility of the Petitioners’ principal witnesses. In contrast, the Court has found both Mr Kerr and Mr Naylor to be honest and reliable. In circumstances where the Petitioners’ witnesses on the one hand and Mr Kerr and Mr Naylor on the other hand differ as to fact, the Court unreservedly prefers and accepts the evidence of Mr Kerr and Mr Naylor. It is as simple as that.”*

As was noted, in PGC’s announcement of 18 July 2018, the final outcome in terms of the settlement that was agreed between the Torchlight Fund and the Petitioners was substantially below the book value for the Petitioners’ limited partnership interests.

The judgment is attached.



For more details on the settlement, see previous PGC announcements on 11 July 2018 [*PGC to Report Material Uplift from Successful Torchlight Settlements*], 18 July 2018 [*Torchlight Fund – further settlement detail*] and 19 September 2018 [*Cayman court exonerates Kerr & Naylor*].

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