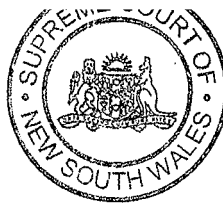


FILED

25 MAR 2020

FEB



BALL J

FOURTH CROSS-CLAIM

SECOND CROSS-DEFENDANT'S COMMERCIAL LIST CROSS-CLAIM RESPONSE TO THE AMENDED COMMERCIAL LIST CROSS-CLAIM STATEMENT

COURT DETAILS

Court	Supreme Court of New South Wales
Division	Equity Division
List	Commercial List
Registry	Sydney
Case number	2017/294069 & 2018/52431

TITLE OF PROCEEDINGS

Proceedings 2017/00294069

First plaintiff	Haliburton Charles David Findlay
Second plaintiff	Marian Jennifer Denny Findlay
First defendant	DSHE Holdings Ltd (receivers and managers appointed) (in liquidation)
Number of defendants	457

Proceedings 2018/00052431

First plaintiff	Epaminondas Mastoris
Second plaintiff	Lena Mastoris
First defendant	DSHE Holdings Ltd ACN 166 237 841 (receivers and managers appointed) (in liquidation)
Number of defendants	457

TITLE OF THIS CROSS-CLAIM

First cross-claimant	David Robert White t/as Deloitte Touche Tohmatsu
Number of cross-claimants	455
First cross-defendant	DSHE Holdings Ltd (receivers and managers appointed) (in liquidation)
Number of cross-defendants	3

FILING DETAILS

Filed for	Nicholas Abboud , Second cross-defendant
Legal representative	Sid Wang, Clayton Utz
Legal representative reference	135/19988/80173502
Contact name and telephone	Gabrielle Sheehan
Contact email	[REDACTED]

A. NATURE OF DISPUTE

1. The Second Cross-Defendant (**Abboud**) agrees that the Cross-Claimants' summary of the nature of the dispute reflects the Cross-Claimants' contentions in this proceeding.

B. ISSUES LIKELY TO ARISE

2. Abboud agrees that the issues identified by the Cross-Claimants are likely to arise in this proceeding.
3. Abboud says that further issues likely to arise are whether, if he engaged in misleading or deceptive conduct and/or made false and misleading representations (which is denied):
 - (a) he ought fairly to be excused for the contravention and/or relieved wholly or partly from any liability to which he would otherwise be subject; and/or
 - (b) any liability which he may have to the Cross-Claimants for an apportionable claim should be reduced to reflect the proportion of Cross-Claimants' loss that the Court considers just, having regard to the extent of his responsibility for that loss, and the extent of any concurrent wrongdoer and/or Cross-Claimants for that same loss.

C. SECOND CROSS-DEFENDANT'S RESPONSES TO CONTENTIONS

The Second Cross-Defendant, Nicholas Abboud, responds as follows to the allegations in the Amended Commercial List Cross-Claim Statement filed 5 February 2020 (**Commercial List Cross-Claim Statement**). (Unless otherwise indicated, defined terms in the Commercial List Cross-Claim Statement have the same meaning where used below.)

Introduction and parties

1. Abboud admits paragraph 1 of the Commercial List Cross-Claim Statement.
2. [Not used]
3. Abboud admits paragraph 3 of the Commercial List Cross-Claim Statement.

4. In response to paragraph 4 of the Commercial List Cross Claim Statement, Abboud:
 - (a) admits subparagraphs 4(a) and 4(c)-(e); and
 - (b) denies subparagraph 4(b) and says that DSSH was the ultimate holding company of the DSE Group at all relevant times until 9 December 2013.
5. In response to paragraph 5 of the Commercial List Cross Claim Statement, Abboud:
 - (a) denies subparagraph 5(a) and says that Abboud was the CEO of DSSH from 26 November 2012 until 4 January 2016; and
 - (b) admits subparagraphs 5(b) - 5(d).
6. Abboud admits paragraph 6 of the Commercial List Cross-Claim Statement.
7. Abboud does not plead to paragraph 7 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
8. Abboud does not admit paragraph 8 of the Commercial List Cross-Claim Statement.
9. Abboud does not plead to paragraph 9 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
10. Abboud does not admit paragraph 10 of the Commercial List Cross-Claim Statement.

Retainers & responsibilities

11. [Not used]
12. [Not used]
13. [Not used]

Deloitte Retainers

14. Abboud admits paragraph 14 of the Commercial List Cross-Claim Statement.
15. Abboud admits paragraph 15 of the Commercial List Cross-Claim Statement.
16. Abboud admits paragraph 16 of the Commercial List Cross-Claim Statement.
17. Abboud admits paragraph 17 of the Commercial List Cross-Claim Statement, and further says that it was a term of the FY13 Retainer that Deloitte would:

- (a) conduct its audit pursuant to the *Corporations Act 2001* (Cth) (the **Corporations Act**);
- (b) conduct its audit in accordance with the Auditing Standards;
- (c) perform procedures to obtain audit evidence about the amounts and disclosures in the financial report;
- (d) evaluate the appropriateness of DSSH's accounting policies;
- (e) evaluate the reasonableness of accounting estimates made by DSSH's management;
- (f) evaluate the overall presentation of the financial report;
- (g) communicate with DSSH in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that Deloitte identified during the audit; and
- (h) exercise reasonable skill, care and diligence in the performance of services as auditor, including in performing the FY13 Audit.

Particulars

As to subparagraphs (a)-(g) above, see pages 1-2 of the FY13 Engagement Letter.

As to subparagraph (h) above, see clause 3.1 of Deloitte's Standard Terms and Conditions.

18. Abboud admits paragraph 18 of the Commercial List Cross-Claim Statement, and further says that it was a term of each of the FY14 Retainer and the FY15 Retainer that Deloitte would:
- (a) conduct its audit pursuant to the Corporations Act;
 - (b) conduct its audit in accordance with the Auditing Standards;
 - (c) perform procedures to obtain audit evidence about the amounts and disclosures in the Financial Report;
 - (d) evaluate the appropriateness of DSH's accounting policies;
 - (e) evaluate the reasonableness of accounting estimates made by DSH's management;
 - (f) evaluate the overall presentation of the Financial Report;

- (g) communicate with DSH in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Report that Deloitte identified during the audit;
- (h) express an opinion on the Financial Report in the format outlined in the example Independent Auditor's Report as per Appendix A to the retainer; and
- (i) exercise reasonable skill, care and diligence in the performance of services as auditor, including in performing, respectively, the FY14 Audit and the FY15 Audit.

Particulars

As to subparagraphs (a)-(h) above, see page 2 of each of the FY14 Retainer and the FY15 Retainer.

As to subparagraph (i) above, see clause 3.1 of Deloitte's Standard Terms and Conditions.

FY13: DSSH's/DSSH Directors' Obligations

- 19. Abboud does not admit paragraph 19 of the Commercial List Cross-Claim Statement, and relies upon the terms of Chapter 2M, Part 2M.3 of the Corporations Act for its full terms and effect.
- 20. Abboud admits paragraph 20 of the Commercial List Cross-Claim Statement.
- 21. In response to paragraph 21 of the Commercial List Cross-Claim Statement, Abboud:
 - (a) admits subparagraph 21(a); and
 - (b) does not admit subparagraph 21(b).
- 22. Abboud does not admit paragraph 22 of the Commercial List Cross-Claim Statement, and relies on ss 298, 299 and 300 of the Corporations Act for their full terms and effect.
- 23. In response to paragraph 23 of the Commercial List Cross-Claim Statement, Abboud:
 - (a) as to subparagraph 23(a):
 - (i) admits that at all material times DSSH was required pursuant to s 314(1) of the Corporations Act to provide to the members of DSSH the reports pleaded in subparagraph 23(a), and denies that the section imposed any obligation on the DSSH Directors to do so; and

- (ii) further says that Deloitte was required to make the auditor's report to the members of DSSH, pursuant to s 308 of the Corporations Act;
 - (b) as to subparagraph 23(b), admits that on about 22 October 2013, DSSH issued the reports pleaded in that subparagraph in respect of the period 31 August 2012 to 30 June 2013, and denies that the DSSH Directors did so;
 - (c) admits subparagraph 23(c) so far as concerns the knowledge of DSSH and Abboud;
 - (d) denies subparagraph 23(d) so far as concerns Abboud, and repeats subparagraphs (a)-(c) above; and
 - (e) otherwise does not admit the allegations in paragraph 23 of the Commercial List Cross-Claim Statement.
24. In response to paragraph 24 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 111 to 114 of Abboud's Defence to the Plaintiffs' Claim (**Abboud's Defence**), and otherwise does not admit the allegations in paragraph 24 of the Commercial List Cross-Claim Statement.

25. [Not used]

FY14/FY15: DSH's/DSH Directors' Obligations

26. Abboud does not admit paragraph 26 of the Commercial List Cross-Claim Statement, and relies upon the terms of Chapter 2M, Part 2M.3 of the Corporations Act for its full terms and effect.
27. Abboud admits paragraph 27 of the Commercial List Cross-Claim Statement.
28. In response to paragraph 28 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits subparagraph 28(a); and
 - (b) does not admit subparagraph 28(b).
29. In response to paragraph 29 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits subparagraph 29(a) and relies upon s 295A of the Corporations Act for its full terms and effect; and
 - (b) does not admit subparagraph 29(b).
30. Abboud does not admit paragraph 30 of the Commercial List Cross-Claim Statement, and relies on ss 298-300A of the Corporations Act for their full terms and effect.

31. In response to paragraph 31 of the Commercial List Cross-Claim Statement, Abboud:

- (a) as to subparagraph 31(a):
 - (i) admits that at all material times DSH was required pursuant to s 314(1) of the Corporations Act to provide to the members of DSH the reports pleaded in subparagraph 31(a), and denies that the section imposed any obligation on the DSH Directors to do so; and
 - (ii) further says that Deloitte was required to make the auditor's report to the members of DSH, pursuant to s 308 of the Corporations Act;
- (b) as to subparagraph 31(b), admits that DSH issued the reports pleaded in that subparagraph to the ASX on about 18 August 2014, and denies that the DSH Directors did so;
- (c) admits subparagraph 31(c) so far as concerns the knowledge of DSH and Abboud;
- (d) denies subparagraph 31(d) so far as concerns Abboud, and repeats subparagraphs (a)-(c) above; and
- (e) admits that on about 17 August 2015 DSH issued the reports pleaded in subparagraph 31(e), and denies that the DSH Directors did so;
- (f) admits subparagraph 31(f) so far as concerns the knowledge of DSH and Abboud;
- (g) denies subparagraph 31(g) so far as concerns Abboud, and repeats subparagraphs 31(a), (e) and (f) above; and
- (h) otherwise does not admit the allegations in paragraph 31 of the Commercial List Cross-Claim Statement.

32. In response to paragraph 32 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 111 to 114 of Abboud's Defence, and otherwise does not admit the allegations in paragraph 24 of the Commercial List Cross-Claim Statement.

Declarations and representation letters given by Cross-Defendants

33. [Not used]

34. [Not used]

35. [Not used]

36. [Not used]

37. [Not used]

CEO/CFO Declarations

38. Abboud admits paragraph 38 of the Commercial List Cross-Claim Statement.
39. Abboud admits paragraph 39 of the Commercial List Cross-Claim Statement.
40. Abboud does not plead to paragraph 40 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
41. In response to paragraph 41 of the Commercial List Cross-Claim Statement, Abboud:
- (a) as to subparagraphs 41(a)-(d):
 - (i) denies that each of the CEO/CFO Declarations included statements to the effect that, to the best of each of Abboud's and Potts' knowledge, each of the matters in subparagraphs 41(a)-(d) of the Commercial List Cross-Claim Statement was the case; and
 - (ii) says that each of the CEO/CFO Declarations included statements to the effect that each of Abboud and Potts held opinions to the effect of those pleaded in subparagraphs 41(a)-(d) of the Commercial List Cross-Claim Statement;
 - (b) denies that each of the CEO/CFO Declarations included statements to the effect of those pleaded in subparagraphs 41(e)-(f) of the Commercial List Cross-Claim Statement, and says that each of the CEO/CFO Declarations included statements to the effect that:
 - (i) the CEO/CFO Declaration was founded on there being a sound system of risk management and internal control which implements policies adopted by the Board; and
 - (ii) as far as each of Abboud and Potts was aware, DSH's risk management and internal compliance control system was operating efficiently and effectively in all material respects in relation to business and financial reporting risks;
 - (c) further says that:
 - (i) in making the CEO/CFO Declaration for FY14, Abboud was aware of and relied on:
 - A. the contents of report by Deloitte headed "*Report to the Finance and Audit Committee for the year ended 29 June 2014*" and dated 6 August 2014 (**FY14 FAC Report**);

- B. the matters reported by Deloitte to the Finance and Audit Committee (**FAC**) at the meeting on 12 August 2014;

Particulars

Minutes of meeting of FAC on 12 August 2014.

- C. the statements made by Deloitte to Abboud, the FAC and/or the Board in the period up to and including 18 August 2014, regarding the procedures performed by Deloitte in the course of the FY14 Audit and the conclusions reached by Deloitte based on those procedures; and

Particulars

Affidavit of Abboud sworn 20 August 2019 (**Abboud Affidavit**), paragraphs 335, 336, 346-362, 365-366 and 372-374.

- D. the fact that Deloitte were of the opinion, based on their audit of the FY14 Report, that the FY14 Report complied with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSH for the year ended 29 June 2014;

Particulars

Abboud repeats the particulars to subparagraphs 41(c)(i)(A)-(C) above.

- (ii) in making the CEO/CFO Declaration for FY15, Abboud was aware of and relied on:

- A. the contents of the report by Deloitte headed "Report to the Finance and Audit Committee for the year ended 28 June 2015" and dated 6 August 2015 (**FY15 FAC Report**);
- B. the matters reported by Deloitte to the FAC at the meeting on 11 August 2015;

Particulars

Minutes of meeting of FAC on 11 August 2015.

- C. the statements made by Deloitte to Abboud, the FAC and/or the Board in the period up to and including 17 August 2015, regarding the procedures performed by Deloitte in the course of the FY15 Audit and the conclusions reached by Deloitte based on those procedures; and

Particulars

Abboud Affidavit, paragraphs 397, 400-411, 417 and 419-421.

- D. the fact that Deloitte were of the opinion, based on their audit of the FY15 Report, that the FY15 Report complied with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSH for the year ended 28 June 2015.

Particulars

Abboud repeats the particulars to subparagraphs 41(c)(ii)(A)-(C) above.

Audit Management Representation Letters

42. Abboud admits paragraph 42 of the Commercial List Cross-Claim Statement.
43. Abboud admits paragraph 43 of the Commercial List Cross-Claim Statement.
44. Abboud admits paragraph 44 of the Commercial List Cross-Claim Statement.
45. Abboud does not plead to paragraph 45 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
46. In response to paragraph 46 of the Commercial List Cross-Claim Statement, Abboud:
- (a) denies subparagraph 46(a) so far as concerns Abboud, and says that:
- (i) the FY13 Management Representation Letter states that it was provided in connection with Deloitte's audit of the FY13 Report, and that such audit work was undertaken by Deloitte for the purpose of Deloitte expressing an opinion as to whether the FY13 Report gave a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act;
- (ii) the FY14 Management Representation Letter states that it was provided in connection with Deloitte's audit of the FY14 Report, and that such audit work was undertaken by Deloitte for the purpose of Deloitte expressing an opinion as to whether the FY14 Report gave a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act;
- (iii) the FY15 Management Representation Letter states that it was provided in connection with Deloitte's audit of the FY15 Report, and that such audit work was undertaken by Deloitte for the purpose of Deloitte expressing an opinion as to

whether the FY15 Report gave a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act;

- (b) denies that subparagraph 46(b) fully and accurately summarises the effect of the statements made in the Management Representation Letters, and relies on those letters for their full terms and effect; and
- (c) does not plead to subparagraph 46(c) of the Commercial List Cross-Claim Statement, as it contains no allegations against him.

Audit Directors' Declarations

- 47. Abboud admits paragraph 47 of the Commercial List Cross-Claim Statement.
- 48. Abboud admits paragraph 48 of the Commercial List Cross-Claim Statement.
- 49. Abboud admits paragraph 49 of the Commercial List Cross-Claim Statement.
- 50. Abboud does not plead to paragraph 50 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
- 51. Abboud admits paragraph 51 of the Commercial List Cross-Claim Statement, and relies upon the Directors' Declarations for their full terms and effect.

The FY13 Audit

- 52. In response to paragraph 52 of the Commercial List Cross-Claim Statement, Abboud:
 - (a) admits that he and the other directors of DSSH resolved, at a meeting of the Board on 22 October 2013, to adopt the FY13 Report;
 - (b) says that the resolution in subparagraph (a) was passed for the purpose of DSSH complying with its reporting obligations under the Corporations Act;
 - (c) says that, prior to the Board passing this resolution, Mr White of Deloitte reported to the Board that Deloitte had concluded their audit of the FY13 Report, and were of the opinion, based on their audit, that the FY13 Report complied with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSSH for the 10 month period ended 30 June 2013 (the **FY13 Unqualified Audit Statements**);

Particulars

The FY13 Unqualified Audit Statements were partly express and partly implied.

To the extent they were express, see: Deloitte's report to the Board on the audit of the FY13 Report dated 17 October 2013 (**FY13 Board Report**), section 1.1 and Abboud Affidavit, paragraph 313.

To the extent they were implied, they were implied from those express statements and from the terms of the FY13 Retainer.

- (d) further says that, following the making of and in reliance on the FY13 Unqualified Audit Statements, Abboud and the other directors of DSSH passed the resolution referred to in subparagraph (a) above; and
 - (e) otherwise does not admit paragraph 52 of the Commercial List Cross-Claim Statement.
53. In response to paragraph 53 of the Commercial List Cross-Claim Statement, Abboud admits that White in his capacity as lead auditor signed the FY13 Audit Report, in his name and in the name of Deloitte pursuant to s324AB(3) of the Corporations Act, and otherwise does not admit the allegations in that paragraph.
54. In response to paragraph 54 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits subparagraph 54(a); and
 - (b) does not plead to subparagraph 54(b), as it contains no allegations against him.
55. In response to paragraph 55 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits that he and each of the other directors of DSSH joined in the resolution of the Board to adopt the FY13 Report;
 - (b) says that DSSH issued and published the FY13 Report following the passing of that resolution; and
 - (c) otherwise denies the allegations in that paragraph.
56. [Not used]
57. [Not used]
58. [Not used]
59. [Not used]
60. [Not used]
61. [Not used]

62. [Not used]

63. [Not used]

64. [Not used]

65. [Not used]

The FY14 Audit

66. In response to paragraph 66 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits that he and the other directors of DSH resolved, at a meeting of the Board on 18 August 2014, to adopt the FY14 Report;
 - (b) says that the resolution in subparagraph (a) was passed for the purpose of DSH complying with its reporting obligations under the Corporations Act;
 - (c) says that, prior to the Board passing this resolution, Mr White of Deloitte reported to the Board that Deloitte had concluded their audit of the FY14 Report, and were of the opinion, based on their audit, that the FY14 Report complied with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSH for the year ended 29 June 2014 (the **FY14 Unqualified Audit Statements**);

Particulars

The FY14 Unqualified Audit Statements were partly express and partly implied.

To the extent they were express, see (1) Minutes of the meeting of the board of directors of DSH held on 18 August 2014, "*Adoption of full year accounts*", (2) the signed FY14 Audit Report provided in "escrow" on 15 August 2014 (pleaded in paragraph 67(c) below), and (3) Abboud Affidavit, paragraphs 365-366.

To the extent they were implied, they were implied from those express statements and from the terms of the FY14 Retainer.

- (d) further says that, following the making of and in reliance on the FY14 Unqualified Audit Statements, Abboud and the other directors of DSH passed the resolution referred to in subparagraph (a) above; and
 - (e) otherwise does not admit paragraph 66 of the Commercial List Cross-Claim Statement.
67. Abboud denies paragraph 67 of the Commercial List Cross-Claim Statement, and says that:

- (a) on or before 15 August 2014, Mr White, in his capacity as lead auditor, signed the FY14 Audit Report in his own name and in the name of Deloitte, pursuant to s324AB(3) of the Corporations Act;
- (b) Mr White signed the FY14 Audit Report prior to:
 - (i) the giving of the FY14 Management Representation Letter;
 - (ii) the making of the FY14 CEO/CFO Declaration;
 - (iii) the making of the FY14 Directors' Declaration; and
 - (iv) the passing of the resolution by the directors of DSH to adopt the FY14 Report;
- (c) on 15 August 2014, Deloitte provided the signed FY14 Audit Report to DSH in "escrow", subject to various matters including the signing of the FY14 Management Representation Letter, the giving of the FY14 Directors' Declaration and the Directors' Adoption of the FY14 Report.

Particulars

Email sent from Mr Cork of Deloitte to Potts on 15 August 2014
 [POT.010.011.6618] and attachments [POT.010.011.6619], [POT.010.011.6621]
 and [POT.010.011.6622].

- 68. In response to paragraph 68 of the Commercial List Cross-Claim Statement, Abboud:
 - (a) admits subparagraph 68(a); and
 - (b) does not plead to subparagraph 68(b), as it contains no allegations against him.
- 69. In response to paragraph 69 of the Commercial List Cross-Claim Statement, Abboud:
 - (a) admits that he and each of the other directors of DSH joined in the resolution of the Board to adopt the FY14 Report;
 - (b) says that DSH issued and published the FY14 Report following the passing of that resolution; and
 - (c) otherwise denies the allegations in that paragraph.

The FY15 Audit

- 70. In response to paragraph 70 of the Commercial List Cross-Claim Statement, Abboud:

- (a) admits that he and the other directors of DSH resolved, at a meeting of the Board on 17 August 2015, to adopt the FY15 Report;
- (b) says that the resolution in subparagraph (a) was passed for the purpose of DSH complying with its reporting obligations under the Corporations Act;
- (c) says that, prior to the Board passing this resolution, Mr White of Deloitte reported to the Board that Deloitte had concluded their audit of the FY15 Report, and were of the opinion, based on their audit, that the FY15 Report complied with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSH for the year ended 28 June 2015 (the **FY15 Unqualified Audit Statements**);

Particulars

The FY15 Unqualified Audit Statements were partly express and partly implied.

To the extent they were express, see (1) Minutes of the meeting of the board of directors of DSH held on 17 August 2015, (2) the signed FY15 Audit Report which was provided to DSH prior to 17 August 2015 (pleaded in paragraph 71(c) below), and (3) Abboud Affidavit, paragraph 417

To the extent they were implied, they were implied from those express statements and from the terms of the FY15 Retainer.

- (d) further says that, following the making of and in reliance on the FY15 Unqualified Audit Statements, Abboud and the other directors of DSH passed the resolution referred to in subparagraph (a) above; and
 - (e) otherwise does not admit paragraph 70 of the Commercial List Cross-Claim Statement.
71. Abboud denies paragraph 71 of the Commercial List Cross-Claim Statement, and says that:
- (a) on or before 13 August 2015, Mr White, in his capacity as lead auditor, signed the FY15 Audit Report in his own name and in the name of Deloitte, pursuant to s 324AB(3) of the Corporations Act;
 - (b) Mr White signed the FY15 Report prior to:
 - (i) the making of the FY15 CEO/CFO Declaration;
 - (ii) the making of the FY15 Directors' Declaration; and
 - (iii) the passing of the resolution by the directors of DSH to adopt the FY15 Report; and

- (c) on 13 August 2015, Deloitte provided the signed FY2015 Audit Report to DSH.

Particulars

Email sent from Mr Cork of Deloitte to Potts on 13 August 2015
[POT.010.022.0841] and attachments [POT.010.020.0843] and
[POT.010.020.0844].

72. In response to paragraph 72 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits subparagraph 72(a); and
 - (b) does not plead to subparagraph 72(b), as it contains no allegations against him.
73. In response to paragraph 73 of the Commercial List Cross-Claim Statement, Abboud:
- (a) admits that he and each of the other directors of DSH joined in the resolution of the Board to adopt the FY15 Report;
 - (b) says that DSH issued and published the FY15 Report following the passing of that resolution; and
 - (c) otherwise does not admit the allegations in that paragraph.

Factual allegations repeated

74. In response to paragraph 74 of the Commercial List Cross-Claim Statement, Abboud repeats:
- (a) Parts A to E of Abboud's Defence;
 - (b) his Commercial List Response to the Company Claim; and
 - (c) his Commercial List Response to the Bank Claim.
75. Abboud denies paragraph 75 of the Commercial List Cross-Claim Statement insofar as it contains allegations against him, and otherwise does not plead to the allegations in that paragraph.
76. Abboud denies paragraph 76 of the Commercial List Cross-Claim Statement insofar as it contains allegations against him, and otherwise does not plead to the allegations in that paragraph.

Alleged Representations

Alleged FY13 Representations

77. In response to paragraph 77 of the Commercial List Cross-Claim Statement, Abboud:

- (a) as to subparagraphs 77(a) and (b):
 - (i) repeats paragraph 46(a)(i) above;
 - (ii) says that Abboud was of the opinion, as at the date of the FY13 Management Representation Letter, that the statements made by that letter were correct;
 - (iii) in forming that opinion, Abboud was aware of and relied on:
 - (A) the contents of the FY13 Board Report, and Mr White's presentation to the board of DSSH in relation to the FY13 Board Report;

Particulars

Abboud Affidavit, paragraphs 310-313.

- (B) the matters in paragraphs 52(c) above;
 - (iv) otherwise denies subparagraphs 77(a) and (b) of the Commercial List Cross-Claim Statement; and
- (b) as to subparagraphs 77(c) and 79(d):
- (i) says that the statements in the Directors' Declarations which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement were, and were expressed to be, statements of opinion,
 - (ii) says that it was true, as at the date that the FY13 Directors' Declaration was made, that Abboud held the opinions in respect of the FY13 Report which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement and which were made by the FY13 Directors' Declaration;
 - (iii) says that in forming those opinions, Abboud was aware of and relied on the matters pleaded in subparagraph 77(a)(iii) above; and
 - (iv) otherwise denies subparagraphs 77(c) and (d) of the Commercial List Cross-Claim Statement;
- (c) denies subparagraph 77(e)-(f), and repeats paragraphs 52, 55 and 77(a)-(b) above.

78. [Not used]

Alleged FY14 Representations

79. In response to paragraph 79 of the Commercial List Cross-Claim Statement, Abboud:

- (a) as to subparagraphs 79(a) and (b):
 - (i) repeats paragraph 41 above;
 - (ii) says that the FY14 CEO/CFO Declaration contained statements of opinion by Abboud to the effect of those pleaded in paragraph 41(a)(ii) above;
 - (iii) says that it was true that Abboud held those opinions as at the date of the FY14 CEO/CFO Declaration; and
 - (iv) says that, in forming those opinions, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(i)(A)-(D) above;
 - (v) otherwise denies subparagraphs 79(a) and (b) of the Commercial List Cross-Claim Statement; and
- (b) as to subparagraphs 79(c) and (d):
 - (i) repeats paragraph 46(a)(ii) above;
 - (ii) says that Abboud was of the opinion, as at the date of the FY14 Management Representation Letter, that the statements made by that letter were correct;
 - (iii) in forming that opinion, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(i)(A)-(D) above;
 - (iv) otherwise denies subparagraphs 79(c) and (d) of the Commercial List Cross-Claim Statement; and
- (c) as to subparagraphs 79(e) and 79(f):
 - (i) says that the statements in the Directors' Declarations which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement were, and were expressed to be, statements of opinion;
 - (ii) says that it was true, as at the date that the FY14 Directors' Declaration was made, that Abboud held the opinions in respect of the FY14 Report which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement and which were made by the FY14 Directors' Declaration;

- (iii) says that in forming those opinions, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(i)(A)-(D) above; and
- (iv) otherwise denies subparagraphs 79(e) and (f) of the Commercial List Cross-Claim Statement;
- (d) denies subparagraph 79(g)-(h), and repeats paragraphs 41, 46(a)(ii), 66, 69 and 79(a)-(c) above.

Alleged FY15 Representations

80. In response to paragraph 80 of the Commercial List Cross-Claim Statement, Abboud:

- (a) as to subparagraphs 80(a) and (b):
 - (i) repeats paragraph 41 above;
 - (ii) says that the FY15 CEO/CFO Declaration contained statements of opinion by Abboud to the effect of those pleaded in paragraph 41(a)(ii) above;
 - (iii) says that it was true that Abboud held those opinions as at the date of the FY15 CEO/CFO Declaration;
 - (iv) says that, in forming those opinions, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(ii)(A)-(D) above; and
 - (v) otherwise denies subparagraphs 80(a) and (b) of the Commercial List Cross-Claim Statement;
- (b) as to subparagraphs 80(c) and (d):
 - (i) repeats paragraph 46(a)(iii) above;
 - (ii) says that Abboud was of the opinion, as at the date of the FY15 Management Representation Letter, that the statements made in that letter were correct;
 - (iii) in forming that opinion, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(ii)(A)-(D) above; and
 - (iv) otherwise denies subparagraphs 80(c) and (d) of the Commercial List Cross-Claim Statement;
- (c) as to subparagraphs 80(e) and 80(f):

- (i) says that the statements in the Directors' Declarations which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement were, and were expressed to be, statements of opinion,
 - (ii) says that it was true, as at the date that the FY15 Directors' Declaration was made, that Abboud held the opinions in respect of the FY15 Report which are pleaded in paragraph 51 of the Commercial List Cross-Claim Statement and which were made by the FY15 Directors' Declaration;
 - (iii) says that in forming those opinions, Abboud was aware of and relied on the matters pleaded in subparagraphs 41(c)(ii)(A)-(D) above; and
 - (iv) otherwise denies subparagraphs 80(e) and (f) of the Commercial List Cross-Claim Statement;
- (d) denies subparagraphs 80(g)-(h), and repeats paragraphs 41, 46(a)(iii), 70, 73 and 80(a)-(c) above.

Statutory provisions engaged

- 81. Abboud denies paragraph 81 of the Commercial List Cross-Claim Statement.
- 82. Abboud denies paragraph 82 of the Commercial List Cross-Claim Statement.

FY13 Conduct

- 83. In response to paragraph 83 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 74-76 above.
- 84. Abboud denies paragraph 84 of the Commercial List Cross-Claim Statement.
- 85. Abboud denies paragraph 85 of the Commercial List Cross-Claim Statement.
- 86. Abboud denies paragraph 86 of the Commercial List Cross-Claim Statement.
- 87. Abboud denies paragraph 87 of the Commercial List Cross-Claim Statement.
- 88. [Not used]
- 89. [Not used]
- 90. [Not used]
- 91. [Not used]

92. [Not used]

FY14 Conduct

93. In response to paragraph 93 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 74-76 above.
94. Abboud denies paragraph 94 of the Commercial List Cross-Claim Statement.
95. Abboud denies paragraph 95 of the Commercial List Cross-Claim Statement.
96. Abboud denies paragraph 96 of the Commercial List Cross-Claim Statement.
97. Abboud denies paragraph 97 of the Commercial List Cross-Claim Statement.

FY15 Conduct

98. In response to paragraph 98 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 74-76 above.
99. Abboud denies paragraph 99 of the Commercial List Cross-Claim Statement.
100. Abboud denies paragraph 100 of the Commercial List Cross-Claim Statement.
101. Abboud denies paragraph 101 of the Commercial List Cross-Claim Statement.
102. Abboud denies paragraph 102 of the Commercial List Cross-Claim Statement.

Alleged Abboud and Potts Misleading Conduct Contraventions

103. Abboud denies paragraph 103 of the Commercial List Cross-Claim Statement.
104. Abboud does not plead to paragraph 104 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
105. In response to paragraph 105 of the Commercial List Cross-Claim Statement, Abboud denies the alleged Abboud Misleading Conduct Contraventions and otherwise does not plead to paragraph 105 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
106. [Not used]
107. [Not used]
108. [Not used]

109. [Not used]

ALLEGED BREACH OF S 1041E

110. [Not used]

111. [Not used]

112. [Not used]

113. [Not used]

114. [Not used]

115. Abboud denies paragraph 115 of the Commercial List Cross-Claim Statement and repeats paragraphs 69 and 73 above.

116. Abboud denies paragraph 116 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

117. Abboud denies paragraph 117 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

118. Abboud denies paragraph 118 of the Commercial List Cross-Claim Statement so far as concerns Abboud, repeats paragraphs 115-117 above, and otherwise does not plead to the allegations in paragraph 118.

119. In response to paragraph 119 of the Commercial List Cross-Claim Statement, Abboud denies the allegations of conduct and knowledge pleaded against Abboud in paragraph 118 of the Commercial List Cross-Claim Statement, and otherwise does not plead to the allegations in paragraph 119.

120. Abboud denies paragraph 120 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

DSH's ALLEGED BREACH OF CONTRACT

121. In response to paragraph 121 of the Commercial List Cross-Claim Statement, Abboud:

- (a) repeats paragraphs 74-76 above;
- (b) denies the allegations in paragraph 121 so far as concerns Abboud; and
- (c) otherwise does not plead to the allegations in that paragraph.

122. Abboud denies paragraph 122 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and repeats paragraphs 74-76 above.
123. In response to paragraph 123 of the Commercial List Cross-Claim Statement, Abboud:
- (a) repeats paragraphs 74-76 above;
 - (b) denies subparagraphs 123(a) and 123(b); and
 - (c) does not plead to the allegations in subparagraphs 123(c) and 123(d), as they contain no allegations against him.
124. In response to paragraph 124 of the Commercial List Cross-Claim Statement, Abboud repeats paragraphs 121 to 123 above, and otherwise does not plead to paragraph 124 as it contains no allegations against him.
125. [Not used]
126. [Not used]
127. [Not used]
128. [Not used]

CONTRIBUTION

129. Abboud does not plead to paragraph 129 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.

Plaintiffs' Claim

130. Abboud denies paragraph 130 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
131. Abboud denies paragraph 131 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
132. Abboud denies paragraph 132 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
133. Abboud does not plead to paragraph 133 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.
134. Abboud denies paragraph 134 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

Cross-Claims against Deloitte

135. Abboud denies paragraph 135 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
136. Abboud denies paragraph 136 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
137. Abboud denies paragraph 137 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
138. Abboud denies paragraph 138 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
139. [Not used]
140. [Not used]
141. [Not used]
142. [Not used]
143. [Not used]

CAUSATION

144. Abboud denies paragraph 144 of the Commercial List Cross-Claim Statement.
145. [Not used]
146. Abboud denies paragraph 146 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
147. Abboud denies paragraph 147 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
148. Abboud denies paragraph 148 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
149. Abboud denies paragraph 149 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.
150. Abboud denies paragraph 150 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

151. Abboud does not plead to paragraph 151 of the Commercial List Cross-Claim Statement, as it contains no allegations against him.

152. [Not used]

153. [Not used]

154. [Not used]

RELIEF

Damages

155. Abboud denies paragraph 155 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

156. [Not used]

Set-Off

157. Abboud denies paragraph 157 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

158. [Not used]

Injunction

159. Abboud denies paragraph 159 of the Commercial List Cross-Claim Statement so far as concerns Abboud, and otherwise does not plead to the allegations in that paragraph.

160. [Not used]

DEFENCES

Relief pursuant to section 1318 of the Corporations Act

161. In further answer to the whole of the Commercial List Cross-Claim Statement, Abboud says that, if it is established that he engaged in misleading or deceptive conduct in contravention of the Corporations Act, the ASIC Act and/or the ACL NSW, as pleaded in paragraphs 103 and 120 of the Commercial List Cross-Claim Statement (which is denied), he acted honestly and, having regard to all the circumstances of the case, he ought fairly be excused for the contravening conduct pursuant to s 1318 of the Corporations Act.

Proportionate Liability – Apportionable Claims

162. In further answer to the whole of the Commercial List Cross-Claim Statement, Abboud says that, if (which is denied) Abboud contravened s12DA of the ASIC Act or s 1041H of the

Corporations Act and/or s 18 of the ACL NSW, and is liable to Deloitte for any loss or damage which resulted from any such contravention, then each of the claims of Deloitte against Abboud in respect of such loss or damage is an apportionable claim within the meaning of (respectively) s 1041L of the Corporations Act, s 12GP of the ASIC Act and s 34 of the *Civil Liability Act 2002* (NSW) (CLA).

163. If it is established (as pleaded in paragraph 75 and 83 of the Commercial List Cross-Claim Statement) that, by reason of the Plaintiffs' Claim being made out, Abboud knew the matters in paragraph 75 which relate to FY13 (which is denied), then:

(a) any such matters were also known to the other directors of DSSH;

Particulars

In pleading knowledge of directors relating to FY13, the Plaintiffs' Claim does not draw any distinction between the knowledge of Abboud and the knowledge of the other directors (see paragraph 252 of the Plaintiffs' Claim).

- (b) if Abboud engaged in misleading or deceptive conduct in contravention of provisions of the Corporations Act, the ASIC Act and/or the ACL NSW in joining in the FY13 Directors' Declaration, Directors' Adoption of the FY13 Report, the Directors' Issue of the FY13 Report, in circumstances where he had knowledge of such matters (which is denied), then each of the other directors of DSSH likewise engaged in misleading or deceptive conduct in contravention of the same provisions in circumstances where they had knowledge of those same matters;
- (c) insofar as Deloitte suffered any loss by reason of the FY13 Directors' Declaration, Directors' Adoption of the FY13 Report, the Directors' Issue of the FY13 Report (as alleged against Abboud, which is denied), then the conduct of the other directors of DSSH referred to in subparagraph (b) above caused or contributed to that same loss or damage; and
- (d) in the premises, each of the other directors of DSSH and (if the matters established in paragraph 8 of the Commercial List Cross-Claim Statement are established) DSSH is a person whose acts or omissions caused the loss allegedly suffered by Deloitte which is the subject of their claim in respect of the FY13 Audit, and therefore, each is a concurrent wrongdoer within the meaning of s 1041L of the CA, s 12GP of the ASIC Act and s 34 of the CLA.

164. Further or alternatively, in the event that Deloitte establishes that:

- (a) Potts engaged in conduct in contravention of the Corporations Act, the ASIC Act and/or the ACL NSW (as pleaded in paragraphs 104 and 120 of the Commercial List Cross-Claim Statement);
- (b) DSH engaged in conduct in contravention of the Corporations Act, the ASIC Act and/or the ACL NSW (as pleaded in paragraphs 105 and 120 of the Commercial List Cross-Claim Statement), or breached the terms of its contract with Deloitte (as pleaded in paragraph 124 of the Commercial List Cross-Claim Statement); and
- (c) the conduct in subparagraphs (a) and/or (b) above caused and/or contributed to the loss pleaded by Deloitte against each of Potts, Abboud and DSH in paragraphs 144-151 of the Commercial List Cross-Claim Statement;

each of Potts, Abboud and DSH is a person whose acts or omissions caused the loss allegedly suffered by Deloitte which is the subject of their claim in respect of the FY14 Audit and the FY15 Audit, and therefore, each is a concurrent wrongdoer within the meaning of s 1041L of the CA, s 12GP of the ASIC Act and s 34 of the CLA.

165. Further or alternatively, Abboud:

- (a) repeats paragraphs 5-10, 54, 55(e)-(h), 56(c)-(f), 57(e)-(h), 60-75, 79, 85-88, 90(c) and 102-104 of the Sixth Cross-Claim Commercial List Cross-Claim Statement in Proceeding No. 2017/00081927; and
- (b) says that if the matters referred to in paragraph (a) are established, then:
 - (i) each of Robert Murray, Lorna Raine, Robert Ishak, Jamie Tomlinson, William Wavish and Phillip Cave (the **NEDs**) engaged in conduct in contravention of the Corporations Act, the ASIC Act and/or the ACL NSW;
 - (ii) but for such conduct, Deloitte would not have taken the steps pleaded in paragraphs 67-68 and 71-72 of the Commercial List Cross-Claim Statement in this proceeding; and
 - (iii) in the premises, the contravening conduct referred to in subparagraph (i) above caused and/or contributed to the same loss or damage which is claimed by Deloitte against Abboud in respect of the FY14 Audit and the FY15 Audit, and therefore each is a concurrent wrongdoer within the meaning of s 1041L of the CA, s 12GP of the ASIC Act and s 34 of the CLA.

166. By reason of the matters pleaded in paragraphs 163, 164 and/or 165 above, and pursuant to s 1041N of the CA, s 12GR of the ASIC Act and/or s 35 of the CLA, any liability (which is denied) of Abboud to Deloitte is to be limited to an amount reflecting that proportion of the loss or

damage claimed that the Court considers just having regard to the extent of Abboud's responsibility, and the extent of the responsibility of each of the other directors of DSSH, DSSH, Potts, DSH and the NEDs for such loss or damage.

167. [Not used]

168. [Not used]

169. [Not used]

Contributory negligence

170. In further answer to the whole of the Commercial List Cross-Claim Statement, Abboud says that, if (which is denied) Abboud contravened s 12DA of the ASIC Act and/or s 1041H of the Corporations Act, and is liable to Deloitte for any loss or damage which resulted from any such contravention, then:

- (a) such a claim is a claim for economic loss allegedly caused by the conduct of Abboud, within the meaning of s 12GF(1B) of the ASIC Act and s 1041I(1B) of the Corporations Act;
- (b) any such loss or damage was suffered wholly or partly as a result of Deloitte's failure to take reasonable care;

Particulars

Abboud repeats paragraphs 26A - 34, 49 - 58, 66 - 70, 77 - 90, 89A - 98 and 99A - 105 of the Second Cross-Claim, Further Amended Statement of Cross-Claim.

As pleaded in those paragraphs, Deloitte failed to take reasonable care in performing each of the FY13 Audit, FY14 Audit and the FY15 Audit; and but for Deloitte's failure to take reasonable care, Abboud would not have given the CEO/CFO Declarations, the Management Representation Letters or the Directors' Declarations and would not have joined in the resolutions to adopt the Financial Reports in the form in which they were issued, and Deloitte would not have given the FY14 Audit Report or the FY15 Audit Report in respect of Financial Reports in that form.

- (c) by reason of the matters pleaded in subparagraphs 170(a)-(b) above, and pursuant to s 12GM of the ASIC Act and/or s 1041I(1B) of the Corporations Act, any liability (which is denied) of Abboud to Deloitte is to be limited to an amount reflecting that proportion of the loss or damage claimed that the Court considers just having regard to the extent of Deloitte's responsibility for such loss or damage.

D. QUESTIONS APPROPRIATE FOR REFERRAL TO A REFEREE

None.

E. MEDIATION STATEMENT

The parties have attempted mediation of the underlying proceeding (i.e. not including the Fourth Cross-Claim) on 26-27 February 2019 and 30-31 January 2020 and did not succeed in resolving the dispute. The Second Cross-Defendant is willing to proceed to further mediation at an appropriate time.

SIGNATURE OF LEGAL REPRESENTATIVE

Signature



Capacity

Solicitor on record

Date of signature

27.2.20