

- (a) in forming the view that the quality and ageing of inventory had improved;
- (b) in forming the view that the improvement in the quality and ageing of inventory had led to a reduction in the inventory provision;
- (c) in forming the view that the Revised Obsolescence Methodology took into account the improved quality and ageing of inventory;
- (d) in forming the view that the Revised Obsolescence Methodology was an appropriate methodology and suitable for adoption by DSH to determine its inventory provision in accordance with AASB 102;
- (e) in permitting DSH to adopt the Revised Obsolescence Methodology in HY15 (and in relation to Raine, Murray, Ishak and DSH only, in FY15);
- (f) in forming the view that the inclusion of warehouse costs and the costs of the buying team in the cost of inventory was appropriate and complied Australian Accounting Standards including AASB 102;
- (g) in forming the view that inventory balances had increased from FY13 as a result of additional stores opened as at 29 June 2014 and increased buying activity at the conclusion of FY14;
- (h) in forming the view that DSH had appropriate and effective inventory management systems;
- (i) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning), was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (j) in permitting DSH to account for inventory in that manner.

366.2 Further particulars may be provided following the service of evidence.

Paragraph 367.

367.1 The particulars to paragraph 366 (including any documents referred to) are repeated.

Paragraph 368.

368.1 The particulars to paragraph 366 (including any documents referred to) are repeated.

First FY14 rebate representations, opinions and conduct

Paragraph 369.

369.1 Each of Wavish, Raine, Cave, Ishak, Murray and DSH relied on the First FY14 Rebate Representations:

- (a) in forming the view that management's revised treatment of O&A rebates within COS rather than as a recovery of marketing and sales expenses was appropriate and complied with Australian Accounting Standards;

- (b) in forming the view that the reclassification from CODB to COS did not have a material impact on the comparatives reported;
- (c) in forming the view that the manner in which DSH accounted for rebates (including the reclassification from CODB to COS and the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (d) in permitting DSH to account for rebates in that manner.

369.2 Further particulars may be provided following the service of evidence.

Paragraph 370. Paragraph 370

370.1 The particulars to paragraph 369 (including any documents referred to) are repeated.

Paragraph 371.

371.1 The particulars to paragraph 369 (including any documents referred to) are repeated.

FY14 internal control deficiencies representation and non-disclosure

Paragraph 372.

372.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the FY14 No Internal Control Deficiencies Representation in forming the view that DSH's internal controls were appropriate and free from significant deficiencies.

372.2 Further particulars may be provided following the service of evidence.

Second FY14 inventory representations, opinions and conduct

Paragraph 373.

373.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the Second FY14 Inventory Representations:

- (a) in forming the view that the costs included in the cost of inventory were appropriate and complied with Australian Accounting Standards, including AASB 102;
- (b) in permitting DSH to include those costs in the cost of inventory in FY14, HY15 (and in relation to Raine, Murray, Ishak and DSH only, in FY15);
- (c) in forming the view that the quality and ageing of inventory had improved;
- (d) in forming the view that Deloitte had audited the assumptions underlying both the Old Obsolescence Methodology and the Revised Obsolescence Methodology and concurred that the Revised Obsolescence Methodology was more appropriate;
- (e) in forming the view that the Revised Obsolescence Methodology was an appropriate methodology and suitable for adoption by DSH;

- (f) in permitting DSH to adopt the Revised Obsolescence Methodology in HY15 (and in relation to Raine, Murray, Ishak and DSH only, in FY15);
- (g) in forming the view that DSH had appropriate and effective inventory management systems;
- (h) in forming the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (i) in permitting DSH to account for inventory in that manner.

373.2 Further particulars may be provided following the service of evidence.

Paragraph 374.

374.1 The particulars to paragraph 373 (including any documents referred to) are repeated.

Paragraph 375.

375.1 The particulars to paragraph 373 (including any documents referred to) are repeated.

Second FY14 rebate representations, opinions and conduct

Paragraph 376.

376.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the Second FY14 Rebate Representations:

- (a) in forming the view that none of the rebates included in the FY14 Financial Report should have been deferred into FY15 (other than the \$1.1 million extrapolated variance noted by Deloitte in the unadjusted differences summary);
- (b) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (c) in permitting DSH to account for rebates in that manner.

376.2 Further particulars may be provided following the service of evidence.

Paragraph 377.

377.1 The particulars to paragraph 376 (including any documents referred to) are repeated.

Paragraph 378.

378.1 The particulars to paragraph 376 (including any documents referred to) are repeated.

FY14 anticipated unqualified audit report representations and conduct

Paragraph 379.

379.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the FY14 Anticipated Unqualified Audit Report Representation:

- (a) in forming the view that the FY14 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date;
- (c) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in permitting DSH to account for rebates in that manner;
- (e) in forming the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (f) in permitting DSH to account for inventory in that manner.

379.2 Further particulars may be provided following the service of evidence.

Paragraph 380.

380.1 The particulars to paragraph 379 (including any documents referred to) are repeated.

FY14 clearance representations, opinions and conduct

Paragraph 381.

381.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the FY14 Clearance Representations:

- (a) in forming the view that the FY14 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date;
- (c) in forming the view that the FY14 Financial Report was appropriate for adoption by DSH;

- (d) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (e) in permitting DSH to account for rebates in that manner;
- (f) in forming the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (g) in permitting DSH to account for inventory in that manner.

381.2 Further particulars may be provided following the service of evidence.

Paragraph 382.

382.1 The particulars to paragraph 381 (including any documents referred to) are repeated.

Paragraph 383.

383.1 The particulars to paragraph 381 (including any documents referred to) are repeated.

FY14 Corporations Act compliance representation, opinion and conduct

Paragraph 384.

384.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the FY14 Corporations Act Compliance Representation.

- (a) in forming the view that the FY14 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date;
- (c) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in permitting DSH to account for rebates in that manner;
- (e) in forming the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (f) in permitting DSH to account for inventory in that manner.

384.2 Further particulars may be provided following the service of evidence.

Paragraph 385.

385.1 The particulars to paragraph 384 (including any documents referred to) are repeated.

Paragraph 386.

386.1 The particulars to paragraph 384 (including any documents referred to) are repeated.

FY14 audit compliance representation, opinion and conduct

Paragraph 387.

387.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the FY14 Audit Compliance Representation.

- (a) in forming the view that Deloitte had conducted the FY14 Audit in accordance with the Australian Auditing Standards;
- (b) in forming the view that the FY14 Financial Report complied with the Australian Accounting Standards;
- (c) in forming the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date;
- (d) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (e) in permitting DSH to account for rebates in that manner;
- (f) in forming the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102; and
- (g) in permitting DSH to account for inventory in that manner.

387.2 Further particulars may be provided following the service of evidence.

Paragraph 388.

388.1 The particulars to paragraph 387 (including any documents referred to) are repeated.

Paragraph 389.

389.1 The particulars to paragraph 387 (including any documents referred to) are repeated.

FY14 causation, loss or damage

First FY14 inventory representations, opinions and conduct

Paragraph 390.

390.1 Had Deloitte not made the First FY14 Inventory Representations, the First FY14 Inventory Opinion Representations, or engaged in the First FY14 Inventory Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that the Revised Obsolescence Methodology was an appropriate methodology and suitable for adoption by DSH;
- (b) would not have formed the view that the Revised Obsolescence Methodology took into account the improved quality and ageing of inventory;
- (c) would have become aware that the Revised Obsolescence Methodology was flawed for the reasons identified in paragraph 285(a);
- (d) would not have permitted DSH to adopt the Revised Obsolescence Methodology in HY15 (and in relation to Raine, Murray, Ishak and DSH only, in FY15);
- (e) would not have formed the view that the inclusion of warehouse costs and the costs of the buying team in the cost of inventory was appropriate and complied with Australian Accounting Standards including AASB 102 and would have ensured that the calculation of the cost of inventory was appropriate and complied with Australian Accounting Standards including AASB 102;
- (f) would not have formed the view that inventory balances had increased from FY13 as a result of additional stores opened as at 29 June 2014 and increased buying activity at the conclusion of FY14, but rather due, in part, to the Rebate Driven Buying Practices;
- (g) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (h) would not have permitted DSH to account for inventory in that manner;
- (i) would have become aware that DSH had Inadequate Inventory Management;
- (j) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (k) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a);
- (l) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.

390.2 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:

- (a) DSH would not have had Inadequate Inventory Management;
- (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.

390.3 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:

- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
- (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
- (c) there would not have been any profit after tax at HY15;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;
- (g) there would not have been any profit after tax at FY15; and
- (h) the 2015 Final Dividend would not have been declared or paid.

390.4 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 287, 299 and 310.

390.5 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.

390.6 The quantum of the loss or damage is:

- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
- (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the First FY14 Inventory Representations and/or the First FY14 Inventory Opinion Representations and/or engaged in the First FY14 Inventory Conduct.

390.7 Further particulars may be provided following evidence.

First FY14 rebate representations, opinions and conduct**Paragraph 391.**

391.1 Had Deloitte not made the First FY14 Rebate Representations, the First FY14 Rebate Opinion Representations, or engaged in the First FY14 Rebate Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that management's revised treatment of O&A rebates within COS rather than as a recovery of marketing and sales expenses was appropriate;
- (b) would have become aware that the manner in which DSH accounted for rebates (including the reclassification from CODB to COS and the value of rebates recognised by DSH) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102;
- (c) would not have permitted DSH to account for rebates in that manner; and
- (d) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter.

391.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported; and

(f) the 2015 Final Dividend would not have been declared or paid.

391.3 Further, or in the alternative, had the above steps been taken then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) the Rebate Driven Buying Practices would not have occurred; and
- (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.

391.4 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230 and 268.

391.5 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.

391.6 The quantum of the loss or damage is:

- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
- (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the First FY14 Rebate Representations and/or the First FY14 Rebate Opinion Representations and/or engaged in the First FY14 Rebate Conduct.

391.7 Further particulars may be provided following evidence.

FY14 internal control deficiencies representation and non-disclosure

Paragraph 392.

392.1 Had Deloitte not made the FY14 Internal Control Deficiencies Representation and/or not engaged in the FY14 Internal Control Deficiencies Non-Disclosure, then Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that DSH's internal controls were appropriate and free from significant deficiencies;
- (b) would have become aware of the Rebate Control Deficiencies;
- (c) would have been advised by Deloitte that it was necessary for DSH to implement new controls to address each of the Rebate Control Deficiencies; and
- (d) would have ensured that DSH implemented new controls to address each of the Rebate Control Deficiencies.

392.2 Had the above steps been taken, the implementation of new controls to address each of the Rebate Control Deficiencies would have meant that:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) the Rebate Driven Buying Practices would not have occurred;
- (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred
- (d) further, or in the alternative, the Rebate Uplift Practice would have been prevented;
- (e) further, or in the alternative, DSH would only have recognised rebates, including O&A rebates, when it was appropriate to do so in accordance with the Australian Accounting Standards;
- (f) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (g) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (h) the 2015 Interim Dividend would not have been paid;
- (i) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported; and
- (j) the 2015 Final Dividend would not have been declared or paid.

392.3 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraph 268.

392.4 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.

392.5 The quantum of the loss or damage is:

- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
- (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the FY14 No Internal Control Deficiencies Representation and/or engaged in the FY14 Internal Control Deficiencies Non-Disclosure.

392.6 Further particulars may be provided following evidence.

Second FY14 inventory representations, opinions and conduct

Paragraph 393.

393.1 Had Deloitte not made the Second FY14 Inventory Representations, the Second FY14 Inventory Opinion Representations, or engaged in the Second FY14 Inventory Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have become aware that the costs included in the costs of inventory were not appropriate and did not comply with AASB 202 and would have ensured that the calculation of the cost of inventory was appropriate and complied with Australian Accounting Standards including AASB 102;
- (b) would not have formed the view that the Revised Obsolescence Methodology was an appropriate methodology and suitable for adoption by DSH;
- (c) would have become aware that the Revised Obsolescence Methodology was flawed for the reasons identified in paragraph 285(a);
- (d) would not have permitted DSH to adopt the Revised Obsolescence Methodology in HY15 (and in relation to Raine, Murray and Ishak and DSH only, in FY15);
- (e) would not have formed the view that the manner in which DSH accounted for inventory (including value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (f) would not have permitted DSH to account for inventory in that manner;
- (g) would have become aware that DSH had Inadequate Inventory Management;
- (h) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (i) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and

- (j) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.
- 393.2 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:
- (a) DSH would not have had Inadequate Inventory Management; and
 - (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.
- 393.3 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:
- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
 - (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
 - (c) there would not have been any profit after tax at HY15;
 - (d) the 2015 Interim Dividend would not have been paid;
 - (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
 - (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;
 - (g) there would not have been any profit after tax at FY15; and
 - (h) the 2015 Final Dividend would not have been declared or paid.
- 393.4 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 287, 299 and 310.
- 393.5 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.
- 393.6 The quantum of the loss or damage is:
- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
 - (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or

- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the Second FY14 Inventory Representations and/or the Second FY14 Inventory Opinion Representations and/or engaged in the Second FY14 Inventory Conduct.

393.7 Further particulars may be provided following evidence.

Second FY14 rebate representations, opinions and conduct

Paragraph 394.

394.1 Had Deloitte not made the Second FY14 Rebate Representations, the Second FY14 Rebate Opinion Representations, or engaged in the Second FY14 Rebate Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have become aware that the FY14 Financial Report included rebates that should have been deferred into FY15;
- (b) would have become aware that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102;
- (c) would not have permitted DSH to account for rebates in that manner; and
- (d) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter.

394.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
- (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
- (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
- (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
- (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:

- (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported;
 - (f) the 2015 Final Dividend would not have been declared or paid.
- 394.3 Further, or in the alternative, had the above steps been taken then:
- (a) DSH would not have adopted the Rebate Accounting Approach;
 - (b) the Rebate Driven Buying Practices would not have occurred; and
 - (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.
- 394.4 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230 and 268.
- 394.5 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.
- 394.6 The quantum of the loss or damage is:
- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
 - (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
 - (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the Second FY14 Rebate Representations and/or the Second FY14 Rebate Opinion Representations and/or engaged in the Second FY14 Rebate Conduct.
- 394.7 Further particulars may be provided following evidence.

FY14 anticipated unqualified audit report representations and conduct

Paragraph 395.

- 395.1 Had Deloitte not made the FY14 Anticipated Unqualified Audit Report Representations, the FY14 Anticipated Unqualified Audit Report Opinion Representations, or engaged in the FY14 Unqualified Anticipated Audit Report, Wavish, Raine, Cave, Murray, Ishak and DSH:
- (a) would have been informed by Deloitte of the basis on which they did not anticipate providing an unqualified audit report and been informed of the reasons;
 - (b) would not have formed the view that the FY14 Financial Report complied with the Australian Accounting Standards and would have become aware that it did not do so;

- (c) would not have formed the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date and would have become aware that it did not do so;
- (d) would not have formed the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102 and would have become aware that it did not do so;
- (e) would not have permitted DSH to account for rebates in that manner;
- (f) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter;
- (g) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (h) would not have permitted DSH to value and provision for inventory in that manner;
- (i) would have become aware that DSH had Inadequate Inventory Management;
- (j) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (k) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (l) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.

395.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;

- (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported; and
- (f) the 2015 Final Dividend would not have been declared or paid.

395.3 Further, or in the alternative, had the above steps been taken then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) the Rebate Driven Buying Practices would not have occurred; and
- (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.

395.4 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:

- (a) DSH would not have had Inadequate Inventory Management; and
- (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.

395.5 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:

- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
- (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
- (c) there would not have been any profit after tax at HY15;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;

- (g) there would not have been any profit after tax at FY15; and
 - (h) the 2015 Final Dividend would not have been declared or paid.
- 395.6 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230, 268, 287, 299 and 310 (including any documents referred to).
- 395.7 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.
- 395.8 The quantum of the loss or damage is:
- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
 - (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
 - (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the FY14 Anticipated Unqualified Audit Report Representations and/or engaged in the FY14 Anticipated Unqualified Audit Report Conduct.
- 395.9 Further particulars may be provided following evidence.

FY14 clearance representations, opinions and conduct

Paragraph 396.

- 396.1 Had Deloitte not made the FY14 Clearance Representations, the FY14 Clearance Opinion Representations, or engaged in the FY14 Clearance Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:
- (a) would have asked Deloitte why they were not going to provide an unqualified audit report and been informed of the reasons;
 - (b) would not have formed the view that the FY14 Financial Report complied with the Australian Accounting Standards and would have become aware that it did not do so;
 - (c) would not have formed the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date and would have become aware that it did not do so;
 - (d) would not have formed the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102 and would have become aware that it did not do so;
 - (e) would not have permitted DSH to account for rebates in that manner;

- (f) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter;
- (g) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (h) would not have permitted DSH to account for inventory in that manner;
- (i) would have become aware that DSH had Inadequate Inventory Management;
- (j) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (k) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (l) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.

396.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported; and
- (f) the 2015 Final Dividend would not have been declared or paid.

- 396.3 Further, or in the alternative, had the above steps been taken then:
- (a) DSH would not have adopted the Rebate Accounting Approach;
 - (b) the Rebate Driven Buying Practices would not have occurred; and
 - (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.
- 396.4 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:
- (a) DSH would not have had Inadequate Inventory Management; and
 - (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.
- 396.5 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:
- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
 - (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
 - (c) there would not have been any profit after tax at HY15;
 - (d) the 2015 Interim Dividend would not have been paid;
 - (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
 - (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;
 - (g) there would not have been any profit after tax at FY15; and
 - (h) the 2015 Final Dividend would not have been declared or paid.
- 396.6 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230, 268, 287, 299 and 310 and the particulars to those paragraphs (including any documents referred to).
- 396.7 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.
- 396.8 The quantum of the loss or damage is:

- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
- (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the FY14 Clearance Representations and/or the FY14 Clearance Opinion Representations and/or engaged in the FY14 Clearance Conduct.

396.9 Further particulars may be provided following evidence.

FY14 Corporations Act compliance representation, opinion and conduct

Paragraph 397.

397.1 Had Deloitte not made the FY14 Corporations Act Compliance Representations, FY14 Corporations Act Compliance Opinion Representations, on engaged in the FY14 Corporations Act Compliance Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have asked Deloitte why they would not provide an unqualified audit report and been informed of the reasons;
- (b) would not have formed the view that the FY14 Financial Report complied with the Australian Accounting Standards and would have become aware that it did not do so;
- (c) would not have formed the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date and would have become aware that it did not do so;
- (d) would not have formed the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102 and would have become aware that it did not do so;
- (e) would not have permitted DSH to account for rebates in that manner;
- (f) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter;
- (g) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (h) would not have permitted DSH to value and provision for inventory in that manner;
- (i) would have become aware that DSH had Inadequate Inventory Management;

- (j) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (k) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (l) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.

397.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported;
- (f) the 2015 Final Dividend would not have been declared or paid.

397.3 Further, or in the alternative, had the above steps been taken then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) the Rebate Driven Buying Practices would not have occurred; and
- (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.

- 397.4 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:
- (a) DSH would not have had Inadequate Inventory Management; and
 - (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.
- 397.5 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:
- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
 - (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
 - (c) there would not have been any profit after tax at HY15;
 - (d) the 2015 Interim Dividend would not have been paid;
 - (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
 - (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;
 - (g) there would not have been any profit after tax at FY15; and
 - (h) the 2015 Final Dividend would not have been declared or paid.
- 397.6 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230, 268, 287, 299 and 310 and the particulars to those paragraphs (including any documents referred to).
- 397.7 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.
- 397.8 The quantum of the loss or damage is:
- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
 - (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
 - (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the FY14 Corporations Act Compliance Representation and/or the

FY14 Corporations Act Compliance Opinion Representation and/or engaged in the FY14 Corporations Act Compliance Conduct.

397.9 Further particulars may be provided following evidence.

FY14 audit compliance representation, opinion and conduct

Paragraph 398.

398.1 Had Deloitte not made the FY14 Audit Compliance Representations, FY14 Audit Compliance Opinion Representations, on engaged in the FY14 Audit Compliance Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have become aware that Deloitte had not prepared the FY14 Audit in accordance with the Auditing Standards;
- (b) would not have formed the view that the FY14 Financial Report complied with the Australian Accounting Standards and would have become aware that it did not do so;
- (c) would not have formed the view that the FY14 Financial Report gave a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date and would have become aware that it did not do so;
- (d) would not have formed the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102 and would have become aware that it did not do so;
- (e) would not have permitted DSH to account for rebates in that manner;
- (f) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY14 and thereafter;
- (g) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and the level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (h) would not have permitted DSH to account for inventory in that manner;
- (i) would have become aware that DSH had Inadequate Inventory Management;
- (j) would have caused DSH to adopt the provisioning methodology referred to in Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102;
- (k) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and

- (l) would have taken steps to ensure that after FY14 DSH and the DSE Group did not acquire and accumulate Bad Stock and would have thereby prevented DSH and the DSE Group from acquiring and accumulating Bad Stock.

398.2 Had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) in the FY14 Financial Report:
 - (i) DSH's current assets and total assets would have been \$15.94 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$15.94 million less than reported;
- (c) in the HY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$32.696 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$16.759 million less than reported;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) in the FY15 Financial Report:
 - (i) DSH's current assets and total assets would have been \$30.056 million less than reported;
 - (ii) DSH's gross profit and net profit would have been \$12.93 million less than reported; and
- (f) the 2015 Final Dividend would not have been declared or paid.

398.3 Further, or in the alternative, had the above steps been taken then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) the Rebate Driven Buying Practices would not have occurred;
- (c) the consequences of the Rebate Driven Buying Practices alleged in paragraph 24 would not have occurred.

398.4 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102, after FY14:

- (a) DSH would not have had Inadequate Inventory Management;
- (b) DSH would not have acquired and accumulated significant quantities of Bad Stock.

398.5 Further, or in the alternative, having adopted the methodology for determining obsolescence referred to by Basford at [160] or some other alternative methodology that complied with Australian Accounting Standards, including AASB 102:

- (a) by no later than 28 December 2014, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 December 2014;
- (b) the provision in the HY15 Financial Report referred to above would have been \$58,236,949 or some other amount materially greater than the provision in fact adopted;
- (c) there would not have been any profit after tax at HY15;
- (d) the 2015 Interim Dividend would not have been paid;
- (e) by no later than 28 June 2015, DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (f) the provision in the FY15 Financial Report referred to above would have been \$55,861,519 or some other amount materially greater than the provision in fact adopted;
- (g) there would not have been any profit after tax at FY15; and
- (h) the 2015 Final Dividend would not have been declared or paid.

398.6 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs 188, 192, 230, 268, 287, 299 and 310 and the particulars to those paragraphs (including any documents referred to).

398.7 By reason of some or all of the matters referred to above, the NED Cross-Claimants would not have become liable to DSH in respect of the allegations made against them by DSH in the main proceedings.

398.8 The quantum of the loss or damage is:

- (a) the amount of any compensation, costs or interest that the NED Cross-Claimants are ordered to pay DSH in the main proceedings; and
- (b) the legal costs and disbursements incurred by the NED Cross-Claimants in these proceedings; or
- (c) such lesser amount as the NED Cross-Claimants would be liable to pay DSH had Deloitte not made the FY14 Audit Compliance Representation and/or the FY14 Audit Compliance Opinion Representations and/or engaged in the FY14 Audit Compliance Conduct.

398.9 Further particulars may be provided following evidence.

FY14 recovery of loss or damage

First FY14 inventory representations, opinions and conduct

Paragraph 399.

399.1 Paragraph 390 and the particulars to that paragraph (including any documents referred to) are repeated.

First FY14 rebate representations, opinions and conduct

Paragraph 400.

400.1 Paragraph 391 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 internal control deficiencies representation and non-disclosure

Paragraph 401.

401.1 Paragraph 392 and the particulars to that paragraph (including any documents referred to) are repeated.

Second FY14 inventory representations, opinions and conduct

Paragraph 402.

402.1 Paragraph 393 and the particulars to that paragraph (including any documents referred to) are repeated.

Second FY14 rebate representations, opinions and conduct

Paragraph 403.

403.1 Paragraph 394 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 anticipated unqualified audit report representations and conduct

Paragraph 404.

404.1 Paragraph 395 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 clearance representations, opinions and conduct

Paragraph 405.

405.1 Paragraph 396 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 Corporations Act compliance representation, opinion and conduct

Paragraph 406.

406.1 Paragraph 397 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 audit compliance representation, opinion and conduct

Paragraph 407.

407.1 Paragraph 398 and the particulars to that paragraph (including any documents referred to) are repeated.

FY14 representations that services were of a particular standard or quality

Australian Auditing Standards

Paragraph 408.

408.1 Paragraphs 334 and 335 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 409.

409.1 Paragraph 363 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 410.

410.1 Paragraphs 363 and 409 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 411.

411.1 Paragraph 340(t) and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 412. Intentionally blank

Paragraph 413. Intentionally blank

Paragraph 414.

414.1 Paragraph 387 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 415.

415.1 Paragraph 398 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 416.

416.1 Paragraph 407 and the particulars to that paragraph (including any documents referred to) are repeated.

Degree of skill, care and diligence expected of a professional providing services of the same kind and/or reasonable skill and care

Paragraph 417. Intentionally blank

Paragraph 418.

418.1 The particulars to paragraph 342 (including any documents referred to) are repeated.

Paragraph 419.

419.1 The particulars to paragraph 345 (including any documents referred to) are repeated.

Paragraph 420.

420.1 The particulars to paragraph 350 (including any documents referred to) are repeated.

Paragraph 421.

421.1 The particulars to paragraph 353 (including any documents referred to) are repeated.

Paragraph 422.

422.1 The particulars to paragraph 355 (including any documents referred to) are repeated.

Paragraph 423.

423.1 The particulars to paragraph 358 (including any documents referred to) are repeated.

Paragraph 424.

424.1 The particulars to paragraph 361 (including any documents referred to) are repeated.

Paragraph 425.

425.1 The particulars to paragraph 364 (including any documents referred to) are repeated.

Paragraph 426. Intentionally blank

Paragraph 427. Intentionally blank

Paragraph 428. Intentionally blank

Paragraph 429. Intentionally blank

Paragraph 430. Intentionally blank

Paragraph 431. Intentionally blank

Paragraph 432. Intentionally blank

Paragraph 433. Intentionally blank

Paragraph 434. Intentionally blank

Paragraph 435. Intentionally blank

Paragraph 436. Intentionally blank

Paragraph 437.

437.1 Paragraphs 390 and 428 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 438.

438.1 Paragraphs 391 and 429 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 439.

439.1 Paragraphs 393 and 430 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 440.

440.1 Paragraphs 394 and 431 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 441.

441.1 Paragraphs 395 and 432 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 442.

442.1 Paragraphs 396 and 433 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 443.

443.1 Paragraphs 397 and 434 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 444.

444.1 Paragraphs 398 and 435 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 445.

445.1 Paragraphs 399 to 407 and the particulars to those paragraphs (including any documents referred to) are repeated.

VIII. FY14 BREACH OF DUTY OF CARE**FY14 Duty of Care****Paragraph 446.**

446.1 Paragraphs 89 and 90 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 447. Intentionally blank

Paragraph 448. Intentionally blank

Paragraph 449. Intentionally blank

Paragraph 450. Intentionally blank

Paragraph 451. Intentionally blank

Paragraph 452.

452.1 Paragraph 106 and the particulars to that paragraphs (including any documents referred to) are repeated.

Paragraph 453.

453.1 Paragraphs 89 and 90 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 454.

454.1 DSH was under a statutory obligation pursuant to s 301 of the Corporations Act to have the FY14 Financial Report audited in accordance with Division 3 of the Corporations Act and obtain an auditor's report.

454.2 DSH was not at any time in a position itself to undertake the same or correspondence task of carrying out an independent review of the FY14 Financial Report by professional auditors subject to the FY14 Statutory Auditing Obligations.

- 454.3 DSH, having appointed Deloitte as auditor, was not in a position to be able to detect any non-compliance by Deloitte with applicable auditing standards in the performance of the FY14 Engagement and, to that extent, was unable to make an informed decision whether it was necessary or appropriate to terminate the FY14 Engagement and engage another auditor in place of Deloitte.
- 454.4 DSH was not at any time able to bargain with Deloitte for unlimited liability in respect of any losses, liabilities, claims, damages, costs or expenses however caused or arising as a result of Deloitte's performance of its services under the FY14 Deloitte Retainer.

Paragraph 455.

- 455.1 The matters at paragraph 454 were known or, alternatively, ought to have been known, to Deloitte by reason of:
- (a) its appointment as auditor of DSH in relation to the FY14 Financial Report;
 - (b) the FY14 Deloitte Retainer;
 - (c) sections 296, 297 and 301 of the Corporations Act; and
 - (d) the facts pleaded in paragraphs 446 to 454 above.

Paragraph 456. Intentionally blank

FY14 Breaches of the FY14 Duty of Care

Paragraph 457.

- 457.1 Paragraphs 186, 194, 210, 213, 226, 238, 253, 266, 270, 284, 297 and 312 and the particulars to those paragraph (including any documents referred to) are repeated.
- 457.2 Further particulars may be provided following the service of evidence.

Paragraph 458.

- 458.1 The NED Cross-Claimants will have suffered loss and damage in the amount of any order made against them in the main proceeding for damages, compensation, interest and/or costs, together with the amount of their own legal costs.
- 458.2 Further particulars may be provided following the service of evidence.

FY14 Negligent Misstatement - DSH

Paragraph 459. Intentionally blank

Paragraph 460.

- 460.1 Paragraphs 446 to 451 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 461. Intentionally blank

Paragraph 462.

462.1 Paragraph 457 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 463.

463.1 Paragraph 458 and the particulars to that paragraph are repeated.

FY14 Contribution

Paragraph 464. Intentionally blank

Paragraph 465. Intentionally blank

Paragraph 466. Intentionally blank

Paragraph 467.

467.1 Paragraph 458 and the particulars to that paragraph are repeated.

FY14 Equitable Contribution

Paragraph 468. Intentionally blank

Paragraph 469. Intentionally blank

Paragraph 470. Intentionally blank

Paragraph 471. Intentionally blank

Paragraph 472. Intentionally blank

Paragraph 473. Intentionally blank

Paragraph 474. Intentionally blank

Paragraph 475.

475.1 Paragraph 458 and the particulars to that paragraph are repeated.

HY15 REVIEW

IX. HY15 REVIEW OBLIGATIONS

DSH's HY15 Statutory Obligations

Paragraph 476. Intentionally blank

Paragraph 477. Intentionally blank

Paragraph 478. Intentionally blank

Paragraph 479.

479.1 The NED Cross-Claimants rely upon the whole of AASB 134 for its full force and effect.

479.2 The NED Cross-Claimants rely upon the whole of AASB 101 [15]-[35] for their full force and effect.

Deloitte's HY15 Statutory Review Obligations

Paragraph 480. Intentionally blank

Paragraph 481.

481.1 The NED Cross-Claimants rely upon the whole of ASRE 2410 for its full force and effect.

FY15 Deloitte Retainer

Paragraph 482.

482.1 The terms of the FY15 Deloitte Retainer are contained in:

- (a) a letter from Deloitte to "*Mr Bill Wavish, Chairman - Finance and Audit Committee*" of DSH dated 13 November 2014,³⁶⁰ and
- (b) the document entitled "*Deloitte Standard Terms and Conditions*" effective from 21 March 2013 which was enclosed with the letter,³⁶¹

(FY15 Engagement Letter).

Paragraph 483.

483.1 The term was express and appeared under the heading "*Review*" coupled with Appendix B to the FY15 Engagement Letter.

Paragraph 484.

484.1 The term was express and contained in clause 3.1 of the "*Deloitte Standard Terms and Conditions*" enclosed with the FY15 Engagement Letter.

³⁶⁰ DSE.003.043.9694

³⁶¹ DSE.300.001.2024

Paragraph 485.

485.1 The term was implied by law.

Paragraph 486.

486.1 The term was express and appeared under the heading "Review" coupled with Appendix A to the FY15 Engagement Letter.

X. DELOITTE'S CONDUCT OF THE HY15 REVIEW**FY15 Audit Strategy****Paragraph 487.**

487.1 The FY15 Audit Strategy is set out in the document entitled "*Dick Smith Holdings Limited External audit strategy for the year ending 28 June 2015 – 18 November 2014*" provided to DSH under cover letter attentioned to Wavish dated 18 November 2014 (**FY15 Audit Strategy Presentation**).³⁶²

487.2 The NED Cross-Claimants rely upon the whole of the FY15 Audit Strategy Presentation for its full force and effect.

Paragraph 488.

488.1 In respect of paragraph 488(a): FY15 Audit Strategy Presentation, section 1 "*Introduction*", sub-heading "*Audit Strategy, Risk Assessment & Responses*", page 4.³⁶³

488.2 In respect of paragraph 488(b): FY15 Audit Strategy Presentation, section 1 "*Introduction*", sub-heading "*Audit Strategy, Risk Assessment & Responses*", page 4.³⁶⁴

488.3 In respect of paragraph 488(c): FY15 Audit Strategy Presentation, section 2 "*Overview Audit Strategy*", page 5.³⁶⁵

Paragraph 489.

489.1 FY15 Audit Strategy Presentation, cover letter page 2.³⁶⁶

Paragraph 490.

490.1 In respect of paragraph 490(a): FY15 Audit Strategy Presentation, section 3 "*Risk Assessment & Audit Responses*", sub-heading 1 "*Rebates and vendor allowances*", page 8.³⁶⁷

³⁶² DSE.003.043.8812

³⁶³ DSE.003.043.8812 at 8815

³⁶⁴ DSE.003.043.8812 at 8815

³⁶⁵ DSE.003.043.8812 at 8816

³⁶⁶ DSE.003.043.8812 at 8813

³⁶⁷ DSE.003.043.8812 at 8819

490.2 In respect of paragraph 490(b): FY15 Audit Strategy Presentation, section 3 "*Risk Assessment & Audit Responses*", sub-heading 2 "*Stock obsolescence provision*", page 8.³⁶⁸

Paragraph 491.

491.1 FY15 Audit Strategy Presentation, cover letter page 2.³⁶⁹

FY15 rebate & vendor allowances audit procedures

Paragraph 492.

492.1 FY15 Audit Strategy Presentation, section 3 "*Risk Assessment & Audit Responses*", sub-heading 1 "*Rebates and vendor allowances*", page 8.³⁷⁰

FY15 stock obsolescence audit procedures

Paragraph 493.

493.1 FY15 Audit Strategy Presentation, section 3 "*Risk Assessment & Audit Responses*", sub-heading 2 "*Stock obsolescence provision*", page 8.³⁷¹

FY15 impairment procedures

Paragraph 494.

494.1 FY15 Audit Strategy Presentation, section 3 "*Risk Assessment & Audit Responses*", sub-heading 3 "*Impairment*", page 9.³⁷²

FY15 internal control and system procedure reporting

Paragraph 495.

495.1 FY15 Audit Strategy Presentation, section 4 "*Summary of Key Deliverables*", sub-heading "*Finance & Audit Committee Reports*", sub-heading "*Systems & Controls*", page 12.³⁷³

FAC Meeting on 25 November 2014

Paragraph 496.

496.1 FAC Minutes for the FAC Meeting held on 25 November 2014.³⁷⁴

³⁶⁸ DSE.003.043.8812 at 8819

³⁶⁹ DSE.003.043.8812 at 8813

³⁷⁰ DSE.003.043.8812 at 8819

³⁷¹ DSE.003.043.8812 at 8819

³⁷² DSE.003.043.8812 at 8820

³⁷³ DSE.003.043.8812 at 8823

³⁷⁴ DSE.003.043.6796-DSE.003.043.6797

Paragraph 497.

497.1 FAC Minutes for the FAC Meeting held on 25 November 2014.³⁷⁵

Performance of the HY15 Review**Paragraph 498.**

498.1 FY15 Audit Strategy Presentation, section 6 "Appendix B – FY15 Timetable", page 14.³⁷⁶

Paragraph 499.

499.1 ASRE 2410 [13] provides that the auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to:

- (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and
- (b) select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

499.2 ASRE 2410 [A9] provides that under ASA 315, the auditor who has audited the entity's financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. In planning a review of a financial report, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of internal control as it relates to the preparation of the financial report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report.

Paragraph 500. Intentionally blank

HY15 FAC Report**Paragraph 501.**

501.1 In respect of paragraphs 501(a) to (b): HY15 FAC Report, section 1 "Executive Summary"; sub-heading "Vendor Receivables Section 3.2", page 5.³⁷⁷

³⁷⁵ DSE.003.043.6796-DSE.003.043.6797

³⁷⁶ DSE.003.043.8812 at 8825

³⁷⁷ DSE.003.040.2917 at 2921

- 501.2 In respect of paragraphs 501(c) to (j): HY15 FAC Report, section 3 "*Key Areas of Focus and Review Response*", sub-section 3.2a "*Rebates and Vendor Receivables*", page 8.³⁷⁸
- 501.3 In respect of paragraphs 501(k) to (l): HY15 FAC Report, section 1 "*Executive Summary*"; sub-heading "*Inventory Section 3.3*", page 5.³⁷⁹
- 501.4 In respect of paragraphs 501(m) to (p): HY15 FAC Report, section 3 "*Key Areas of Focus and Review Response*", sub-section 3.3a "*Inventory Costing Adjustments*", page 10.³⁸⁰
- 501.5 In respect of paragraphs 501(q) to (u): HY15 FAC Report, section 3 "*Key Areas of Focus and Review Response*", sub-section 3.3b "*Inventory Provisions*", page 11.³⁸¹
- 501.6 In respect of paragraph 501(v): HY15 FAC Report, section 1 "*Executive Summary*"; sub-heading "*Inventory Section 3.3*", page 5.³⁸²
- 501.7 In respect of paragraphs 501(w) to (y): HY15 FAC Report, section 3 "*Key Areas of Focus and Review Response*", sub-section 3.3a "*Inventory Costing Adjustments*", page 10.³⁸³
- 501.8 In respect of paragraphs 501(z) to (bb): HY15 FAC Report, section 1 "*Executive Summary*"; sub-heading "*Impairment Section 3.4*", page 5.³⁸⁴
- 501.9 In respect of paragraphs 501(cc) to (ff): HY15 FAC Report, section 4 "*Assessment of Internal Controls*", sub-section 4.3 "*Assessment of internal controls and update on findings reported in prior periods*", page 14.³⁸⁵

FAC Meeting on 12 February 2015

Paragraph 502.

- 502.1 FAC Minutes for the FAC Meeting held on 12 February 2015.³⁸⁶

Paragraph 503.

- 503.1 FAC Minutes for the FAC Meeting held on 12 February 2015.³⁸⁷

HY15 Board Meeting

Paragraph 504.

- 504.1 Board Minutes for the Board Meeting held on 16 February 2015.³⁸⁸

³⁷⁸ DSE.003.040.2917 at 2924

³⁷⁹ DSE.003.040.2917 at 2921

³⁸⁰ DSE.003.040.2917 at 2926

³⁸¹ DSE.003.040.2917 at 2927

³⁸² DSE.003.040.2917 at 2921

³⁸³ DSE.003.040.2917 at 2926

³⁸⁴ DSE.003.040.2917 at 2921

³⁸⁵ DSE.003.040.2917 at 2930

³⁸⁶ DSE.003.037.7162-DSE.003.037.7163

³⁸⁷ DSE.003.037.7162-DSE.003.037.7163

³⁸⁸ DSE.600.002.8963- DSE.600.002.8965

Paragraph 505.

505.1 Board Minutes for the Board Meeting held on 16 February 2015.³⁸⁹

Paragraph 506.

506.1 Board Minutes for the Board Meeting held on 16 February 2015.³⁹⁰

HY15 Review Report

Paragraph 507.

507.1 The HY15 Review Report entitled "*Independent Auditor's Review Report to the Members of Dick Smith Holdings Limited*" dated 16 February 2015 appears at pages 4 to 5 of the HY15 Financial Report.

Paragraph 508.

508.1 HY15 Review Report.

HY15 Financial Report

Paragraph 509.

509.1 Appendix 4D and the HY15 Financial Report.

Paragraph 510.

510.1 HY15 Financial Report, page 8.

Paragraph 511.

511.1 HY15 Financial Report, page 15.

HY15 Inventories

Paragraph 512.

512.1 HY15 Financial Report, page 8.

512.2 HY15 FAC Report, section 3 "Key Areas of Focus and Review Response", sub-section 3.3a "Inventory Costing Adjustments", page 10.³⁹¹

HY15 Rebates

Paragraph 513.

513.1 Deloitte work papers entitled:

³⁸⁹ DSE.600.002.8963- DSE.600.002.8965

³⁹⁰ DSE.600.002.8963- DSE.600.002.8965

³⁹¹ DSE.003.040.2917 at 2926

- (a) "23320 Trade and other receivables Workpaper",³⁹²
- (b) "23330 Memo - Vendor receivables and disputed claims",³⁹³
- (c) "26170 Over and Above Vendor Rebate",³⁹⁴ and
- (d) "26120 Revenue workpaper".³⁹⁵

Paragraph 514.

514.1 The particulars to paragraph 513 (including any documents referred to) are repeated.

Paragraph 515.

515.1 The particulars to paragraph 513 (including any documents referred to) are repeated.

Paragraph 516.

516.1 The particulars to paragraph 513 (including any documents referred to) are repeated.

516.2 First Mills Affidavit at [212] to [213] (including any documents referred to).

516.3 Deloitte work paper entitled "#3324 Purchase Rebates Allocated",³⁹⁶

XI. HY15 RISKS OF HARM

HY15 risks relating to FY14 audit findings

Paragraph 517. Intentionally blank

Paragraph 518.

518.1 Paragraphs 187 to 188, 229 to 230, 267 to 268, 286 to 287 and 298 to 299 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 519.

519.1 Paragraph 518 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 520.

520.1 Paragraph 518 and the particulars to that paragraph (including any documents referred to) are repeated.

³⁹² DEL.001.003.1473

³⁹³ DEL.001.003.1480

³⁹⁴ DEL.001.003.1786

³⁹⁵ DEL.001.003.1759

³⁹⁶ DEL.001.002.2598

HY15 risks relating to rebates

Paragraph 521. Intentionally blank

Paragraph 522.

522.1 Paragraphs 20, 153 to 155 and 255 and the particulars to those paragraphs (including any documents referred to) are repeated.

522.2 Deloitte work papers entitled:

- (a) "23000_23100_RSV_Plan Control Testing"³⁹⁷; and
- (b) "23000_23100_RSV_Plan Substantive Testing"³⁹⁸

Paragraph 523.

523.1 Paragraphs 20, 153 to 155 and 255 and the particulars to those paragraphs (including any documents referred to) are repeated.

523.2 Deloitte work papers entitled:

- (a) "23000_23300_Procedures to Address Risks Summary"³⁹⁹;
- (b) "23000_23300_RSV_Conclude on Control Testing"⁴⁰⁰; and
- (c) "26000_26200_Procedures to Address Risks Summary"⁴⁰¹.

Paragraph 524.

524.1 Paragraphs 153 to 155 and the particulars to those paragraphs (including any documents referred to) are repeated.

Recognition of O&A rebates as receivables**Paragraph 525.**

525.1 Paragraphs 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

525.2 Deloitte work papers entitled:

- (a) "23330 Memo - Vendor receivables and disputed claims"⁴⁰²; and
- (b) "23310 Trade and other receivables Leadsheet"⁴⁰³

³⁹⁷ DEL.001.003.2261

³⁹⁸ DEL.001.003.2262

³⁹⁹ DEL.001.003.2275

⁴⁰⁰ DEL.001.003.2276

⁴⁰¹ DEL.001.003.2392

⁴⁰² DEL.001.003.1480

⁴⁰³ DEL.001.003.1470

Paragraph 526. Intentionally blank

Paragraph 527.

527.1 Paragraphs 158 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

527.2 First Mills Affidavit at [80] (including any documents referred to).

Paragraph 528.

528.1 Paragraphs 159 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 529. Intentionally blank

Rebate treatment risks

Paragraph 530. Intentionally blank

Paragraph 531.

531.1 Paragraphs 109 to 115, 161 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 532.

532.1 Paragraphs 109 to 115, 162 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 533. Intentionally blank

HY15 risks relating to COS

Paragraph 534. Intentionally blank

Paragraph 535.

535.1 Paragraphs 109 to 115, 164 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

535.2 Deloitte work papers entitled:

- (a) "11181 Identify material classes of transactions, account balances, and disclosures_Detail View"⁴⁰⁴; and
- (b) "26000_26200_Procedures to Address Risks Summary"⁴⁰⁵

⁴⁰⁴ DEL.001.002.9878

⁴⁰⁵ DEL.001.003.2392

Paragraph 536.

536.1 Paragraphs 109 to 115, 165 and 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 537. Intentionally blank

HY15 risks relating to inventory

Paragraph 538. Intentionally blank

Paragraph 539.

539.1 Paragraphs 167 to 170 and 272 to 299 and the particulars to those paragraphs (including any documents referred to) are repeated.

539.2 Deloitte work papers entitled:

- (a) "23000_23400_Procedures to Address Risks Summary"⁴⁰⁶
- (b) "23410 Inventories Leadsheet"⁴⁰⁷; and
- (c) "23000_23400_RSV_Identify Risks"⁴⁰⁸

Paragraph 540.

540.1 Paragraph 169 and 539 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 541. Intentionally blank

HY15 risks relating to journal entries

Paragraph 542. Intentionally blank

Paragraph 543.

543.1 Paragraphs 171 to 173 and 227 to 254 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 544.

544.1 Paragraph 172 and 543 and the particulars to those paragraphs (including any documents referred to) are repeated.

⁴⁰⁶ DEL.001.003.2284

⁴⁰⁷ DEL.001.003.1488

⁴⁰⁸ DEL.001.003.2287

Paragraph 545. Intentionally blank

HY15 risks relating to other accounting issues

Paragraph 546.

546.1 Paragraphs 301 to 310 and the particulars to those paragraphs (including any documents referred to) are repeated

Paragraph 547.

547.1 Paragraphs 301 to 310 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 548. Intentionally blank

XII. HY15 REVIEW DEFICIENCIES

HY15 failure to test controls

Paragraph 549. Intentionally blank

Paragraph 550.

550.1 Paragraph 499 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 551.

551.1 ASRE 2410 [16] provides that the auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

Paragraph 552.

552.1 ASRE 2410 [A4] provides that through performing the audit of the annual financial report, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity. Although other Auditing Standards do not apply to review engagements, they

include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.

Paragraph 553.

553.1 Paragraph 499 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 554.

554.1 ASRE 2410 [A10] provides that the auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied.

Paragraph 555.

555.1 ASRE 2410 [A19] provides that a review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied.

Paragraph 556.

556.1 Paragraph 552 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 557. Intentionally blank

Paragraph 558.

558.1 Paragraphs 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 559. Intentionally blank

Paragraph 560.

560.1 Deloitte's testing of Account 1392 is recorded in the work papers entitled:

- (a) "23320 Trade and other receivables Workpaper";⁴⁰⁹ and
- (b) "23320 Trade and other receivables Workpaper_Detail View".⁴¹⁰

560.2 The work papers record that Deloitte:

- (a) obtained the reconciliation of Account 1392, the balance of which as at HY15 was \$32.695 million;
- (b) judgmentally selected 4 buyers (3 Australian and 1 New Zealand) whose balances totalled \$13.763 million. The work paper does not indicate the basis for the number selected;
- (c) in respect to each selected Buyer, the detailed breakdown of each buyer was obtained;
- (d) for 2 sub-selections per Buyer, Deloitte obtained supporting documentation;
- (e) a total amount of \$5.6 million was traced to "supporting documentation" of which \$3 million related to "marketing and promotional support" for Vodafone.

560.3 Although, the work paper is headed a "walkthrough", the review program does not indicate it to be a "walkthrough". A "walkthrough" doesn't normally test this number of transactions. For these reasons the testing appears to be substantive testing.

560.4 During private witness examinations conducted by DSH, White:

- (a) said in respect of O&A rebates that Deloitte "*didn't do any detailed testing*";⁴¹¹
- (b) described his understanding of the review of Account 1392 by DSH during December 2014 to February 2015 as follows:⁴¹²

"I was aware that they were, you know, as part of their half-year process, considering the appropriateness of what was booked, and in our controls procedures, the way we've documented that and also done walk-throughs, we note that that's something that [Mr Mills] reviews on a monthly basis, so I would expect him to be doing a review that -that December"

560.5 During private witness examinations conducted by DSH, Cork:

- (a) said in respect of Account 1392 that "*I don't believe we did perform sample testing on those accounts*";⁴¹³

⁴⁰⁹ DEL.001.003.1473

⁴¹⁰ DEL.001.003.1474

⁴¹¹ NRF.002.001.0115

⁴¹² NRF.002.001.0115

⁴¹³ NRF.002.001.0175

- (b) said that Deloitte was "informed" that improvements in controls were in place by November 2014;⁴¹⁴
- (c) explained his understanding of the controls put in place for tracking and controlling rebates, and said that it included a month-end procedure performed by Mills, whereby;⁴¹⁵

"he would look line by line and assess the reasonableness, or otherwise, of those accruals. And if there wasn't sufficient documentary evidence in place he would reject the accrual and they would need to come up with more documentary evidence in order to accrue the amount."

Paragraph 561.

- 561.1 In particular, Deloitte did not conduct the HY15 Review in accordance with ASRE 2410 [A11(f)-(g)] or [Appendix 2, 4(e)].
- 561.2 ASRE 2410 [Appendix 2, 4(e)] provides that the auditor may obtain or update knowledge and understanding of the business, the key internal and external changes (including laws and regulations), and their effect on the scope of the review, materiality and risk assessment. This can be performed through (inter alia):
 - (a) considering whether additional procedures will be required on any significant accounts where internal controls relating to significant processes have been historically unreliable in detecting and preventing errors in the financial report;
 - (b) assessing the relevance and impact of the results of the above procedures on the current period.

Paragraph 562.

- 562.1 Paragraph 268 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 563. Intentionally blank

Paragraph 564.

- 564.1 Paragraph 560 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 565. Intentionally blank

Paragraph 566.

- 566.1 Basford at [86].

⁴¹⁴ NRF.002.001.0174

⁴¹⁵ NRF.002.001.0175

566.2 First Mills Affidavit at [92], [95], [102], [165]-[183], [191]-[194] and [208]-[228] (including any documents referred to).

HY15 recognition of unclaimed HY15 O&A rebates as assets

Paragraph 567. Intentionally blank

Paragraph 568.

568.1 Deloitte's testing of Account 1392 during the HY15 Review was as recorded in the work papers entitled:

- (a) "23320 Trade and other receivables Workpaper" (tab 4);⁴¹⁶
- (b) "23320 Trade and other receivables Workpaper_Detail View";⁴¹⁷
- (c) "23330 Memo - Vendor receivables and disputed claims".⁴¹⁸

Paragraph 569.

569.1 Paragraph 568 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 570.

570.1 ASRE 2410 [10] provides that the auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.

Paragraph 571.

571.1 ASRE 2410 [44] provides that the auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion, and to provide evidence that the review was performed in accordance with this Auditing Standard and applicable legal and regulatory requirements.

Paragraph 572.

572.1 ASRE 2410 [A7] provides that an attitude of professional scepticism denotes that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by management of the entity. ASA 200 includes guidance which may be helpful.

⁴¹⁶ DEL.001.003.1473

⁴¹⁷ DEL.001.003.1474

⁴¹⁸ DEL.001.003.1480 at 1484-1485

Paragraph 573. Intentionally blank

Paragraph 574.

574.1 Paragraph 255 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 575. Intentionally blank

Paragraph 576.

576.1 Paragraph 568 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 577. Intentionally blank

Paragraph 578.

578.1 Basford at [87(b)].

Paragraph 579.

579.1 Paragraphs 569 and 578 and the particulars to those paragraphs (including any documents referred to) are repeated

Paragraph 580.

580.1 Paragraphs 255 to 257 and the particulars to those paragraphs (including any documents referred to) are repeated.

580.2 Basford at [87].

Paragraph 581.

581.1 Paragraphs 567 to 580 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 582. Intentionally blank

Paragraph 583.

583.1 Basford at [12] to [14] and [104(a)].

583.2 Paragraphs 513 to 516 and the particulars to those paragraphs (including any documents referred to) are repeated.

583.3 Deloitte work paper entitled "23320 Trade and other receivables Workpaper" (tab 2).⁴¹⁹

⁴¹⁹ DEL.001.003.1473

Paragraph 584. Intentionally blank

HY15 inadequate testing of Account 1392

Paragraph 585. Intentionally blank

Paragraph 586. Intentionally blank

Paragraph 587. Intentionally blank

Paragraph 588. Intentionally blank

Paragraph 589. Intentionally blank

Paragraph 590.

590.1 Paragraphs 560, 568 and 569 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 591. Intentionally blank

Paragraph 592.

592.1 Paragraph 195 and the particulars to that paragraph (including any documents referred to) are repeated.

HY15 inadequate testing of Account 4232

Paragraph 593. Intentionally blank

Paragraph 594. Intentionally blank

Paragraph 595.

595.1 Deloitte's testing of Account 4232 during the HY15 Review is recorded in the work papers entitled:

- (a) "26330 Operating Expenses Workpaper",⁴²⁰ and
- (b) "26330 Operating Expenses Workpaper_Detail View".⁴²¹

Paragraph 596.

596.1 Paragraph 595 and the particulars to that paragraph (including any documents referred to) are repeated.

⁴²⁰ DEL.001.003.1798

⁴²¹ DEL.001.003.1799

Paragraph 597. Intentionally blank

Paragraph 598. Intentionally blank

Paragraph 599.

599.1 Paragraphs 255 to 257 and 580 and 583 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 600.

600.1 Paragraphs 560, 568 to 569, 590 and 595 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 601. Intentionally blank

Paragraph 602.

602.1 Paragraphs 612 and 613 and the particulars to those paragraphs (including any documents referred to) are repeated.

HY15 inadequate testing of Account 3324

Paragraph 603. Intentionally blank

Paragraph 604. Intentionally blank

Paragraph 605.

605.1 Deloitte's testing in respect of Account 3324 and the reclassification to COS was contained in its work papers entitled:

- (a) "26120 Revenue workpaper.xlsx",⁴²²
- (b) "26170 Over and Above Vendor Rebate.docx",⁴²³ and
- (c) "26210 Cost of sales Leadsheet.xlsx".⁴²⁴

Paragraph 606.

606.1 Deloitte work paper in respect of the FY14 Audit entitled "26150 Over and Above Vendor Rebate.docx"⁴²⁵

⁴²² DEL.001.003.1759

⁴²³ DEL.001.003.1786

⁴²⁴ DEL.001.003.1792

⁴²⁵ DEL.001.001.5099

Paragraph 607. Intentionally blank

Paragraph 608. Intentionally blank

Paragraph 609.

609.1 Paragraphs 255 to 257 and 580 and 583 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 610.

610.1 Paragraph 605 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 611. Intentionally blank

Paragraph 612.

612.1 AS400 print screen of Journal No 399871.⁴²⁶

612.2 First Mills Affidavit at [149] (including any documents referred to).

Paragraph 613.

613.1 Paragraphs 513 to 516 and 612 and the particulars to those paragraphs (including any documents referred to) are repeated.

HY15 inadequate journal testing

Paragraph 614. Intentionally blank

Paragraph 615.

615.1 Paragraph 551 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 616.

616.1 ASRE 2410 [4] provides that the objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework.

Paragraph 617.

617.1 Deloitte work paper entitled "13203 Identification of Presumed Significant Risks & Audit Plan for presumed risks.docx".⁴²⁷

⁴²⁶ DRM.025.001.0034

⁴²⁷ DEL.001.003.0101 at 0102

Paragraph 618.

- 618.1 Paragraph 617 and the particulars to that paragraph (including any documents referred to) are repeated.
- 618.2 Deloitte assessed that there was a presumed significant risk in respect of management override of controls and in order to address/ respond to that risk would test the appropriateness of journal entries recorded in the general ledger.

Paragraph 619. Intentionally blank

Paragraph 620.

- 620.1 Paragraphs 614 to 619 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 621.

- 621.1 Paragraphs 617 and 618 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 622. Intentionally blank

Paragraph 623.

- 623.1 Deloitte work paper entitled "*Journal Listing P1 to P9*", row 1372, in respect of Journal No 399871 with description "*PROM ACTIVITY*".⁴²⁸

Paragraph 624.

- 624.1 First Mills Affidavit [211] (including any documents referred to).
- 624.2 Print screen from AS400 of Journal No 399978.⁴²⁹
- 624.3 Deloitte work paper entitled "*Journal Listing P1 to P9*", row 1425, in respect of Journal No 399978 with description "*O&A COY ALLOC*" in the total amount of \$47,467,637.46.⁴³⁰

Paragraph 625.

- 625.1 First Mills Affidavit [211] (including any documents referred to).
- 625.2 Print screen from AS400 of Journal No 399978.⁴³¹
- 625.3 Deloitte work paper entitled "*Journal Listing P1 to P9*", row 1425, in respect of Journal No 399978 with description "*O&A COY ALLOC*" in the total amount of \$47,467,637.46.⁴³²

⁴²⁸ DEL.001.002.0359

⁴²⁹ DRM.022.001.004

⁴³⁰ DEL.001.002.0359

⁴³¹ DRM.022.001.004

⁴³² DEL.001.002.0359

Paragraph 626.

- 626.1 Deloitte work paper entitled "*Journal Listing P1 to P9*".⁴³³
- 626.2 The eight journals referred to in sub-paragraph (a) included journals 39399871, 399978, 399990, 400266, 401357, and 401511.
- 626.3 Paragraph 246 and the particulars to that paragraph (including any documents referred to) are repeated.
- 626.4 The four journals referred to in sub-paragraph (b) would have been identified because they met Deloitte's criteria for selection which included:
- (a) large numerical values;
 - (b) round and absolute numbers;
 - (c) concerned an area of significant risk, namely rebates;
 - (d) of unusual appearance, being such a large, round number occurring after the end of the financial period and relating to an area of significant risk; and
 - (e) relevant to revenue.⁴³⁴
- 626.5 Further particulars may be provided following the service of evidence.

HY15 inadequate testing of inventory**Paragraph 627.** Intentionally blank**Paragraph 628.**

- 628.1 AASB 102 [9] provides that inventories shall be measured at the lower of cost and net realisable value.

Paragraph 629. Intentionally blank**Paragraph 630.**

- 630.1 Deloitte's testing in relation to inventory was as contained in its work papers entitled:
- (a) "*23410 Inventories Leadsheet.xlsx*";⁴³⁵
 - (b) "*23410 Inventories Leadsheet.xlsx*", Tab 6 entitled "*AASB 102 Calcs*";⁴³⁶ and
 - (c) "*23411 DS Obsolescence Calc by Item FY2015.xlsx*".⁴³⁷
- 630.2 HY15 FAC Report sections 3.2a (page 8), 3.2b (page 9), 3.3a (page10) and 3.3b (page 11).

⁴³³ DEL.001.002.0359⁴³⁴ DEL.001.001.5099⁴³⁵ DEL.001.003.1488⁴³⁶ DEL.001.003.1488⁴³⁷ DEL.001.003.1493

Paragraph 631.

631.1 Paragraph 630 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 632.

632.1 Paragraphs 272 to 299 and the particulars to those paragraphs (including any documents referred to) are repeated.

632.2 ASRE 2410 [Appendix 2, 4(c)].

Paragraph 633. Intentionally blank

Paragraph 634. Intentionally blank

Paragraph 635.

635.1 Paragraphs 627 to 628 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 636.

636.1 Paragraph 630 and the particulars to that paragraph (including any documents referred to) are repeated.

Paragraph 637. Intentionally blank

Paragraph 638.

638.1 Paragraphs 272 to 299 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 639.

639.1 Paragraphs 272 to 299 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 640.

640.1 Paragraph 1034 and the particulars to that paragraph (including any documents referred to) are repeated.

HY15 failure to advise in relation to improper capitalisation of overhead costs into inventory

Paragraph 641. Intentionally blank

Paragraph 642.

642.1 AASB 102 [10] provides that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Paragraph 643.

643.1 AASB 102 [16 (b)-(c)] provides that examples of costs excluded from the cost of inventories and recognised as expenses in the period in which they are incurred are, inter alia:

- (a) storage costs, unless those costs are necessary in the production process before a further production stage; and
- (b) administrative overheads that do not contribute to bringing inventories to their present location and condition.

Paragraph 644. Intentionally blank

Paragraph 645.

645.1 The particulars to paragraph 305 (including any documents referred to) are repeated.

Paragraph 646.

646.1 Paragraphs 642 and 643 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 647.

647.1 ASRE 2410 [Appendix 2, 91] provides that the procedures that may be performed in an engagement to review a financial report include discussing the policy in respect of capitalisation of interest and whether it is in accordance with Australian Accounting Standards.

Paragraph 648. Intentionally blank

Paragraph 649. Intentionally blank

Paragraph 650.

650.1 The particulars to paragraph 310 (including any documents referred to) are repeated.

Paragraph 651. Intentionally blank

Paragraph 652. Intentionally blank

HY15 going concern

Paragraph 653. Intentionally blank

Paragraph 654.

654.1 AASB 101 [25] provides that when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements

on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

654.2 ASRE 2410 [Appendix 2, 92] provides that the detailed procedures that may be performed in an engagement to review a financial report include considering the going concern assumption. When events or conditions come to attention which cast significant doubt on the entity's ability to continue as a going concern, perform additional procedures to assess the impact on the financial report and review report. Additional procedures may include:

- (a) discussion with those charged with governance to understand the events and circumstances that have contributed to the current situation to determine whether the risk arising can be mitigated;
- (b) plans for future actions, such as plans or intentions to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital; and
- (c) feasibility of the plans and whether those charged with governance believe that the outcome of these plans will improve the situation.

654.3 ASRE 2410 [Appendix 2, 93] provides that the detailed procedures that may be performed in an engagement to review a financial report include considering the adequacy of disclosure about such matters in the financial report.

Paragraph 655.

655.1 ASA 570 [6] provides that the auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial report and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern. This responsibility exists even if the financial reporting framework used in the preparation of the financial report does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern

655.2 ASA 570 [9] provides that the objectives of the auditor are:

- (a) to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern assumption in the preparation of the financial report;
- (b) to conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
- (c) to determine the implications for the auditor's report.

655.3 ASA 570[10] provides that when performing risk assessment procedures as required by ASA 3153 the auditor shall consider whether there are events or conditions that may cast

significant doubt on the entity's ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity's ability to continue as a going concern, and:

- (a) if such an assessment has been performed, the auditor shall discuss the assessment with management and determine whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, if so, management's plans to address them; or
 - (b) if such an assessment has not yet been performed, the auditor shall discuss with management the basis for the intended use of the going concern assumption, and enquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.
- 655.4 ASA 570 [11] provides that the auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- 655.5 ASA 570 [12] provides that the auditor shall evaluate management's assessment of the entity's ability to continue as a going concern.
- 655.6 ASA 570 [16] provides that if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include:
- (a) where management has not yet performed an assessment of the entity's ability to continue as a going concern, requesting management to make its assessment;
 - (b) evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. (Ref: Para. A16);
 - (c) where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future action: (Ref: Para. A17-A18)
 - (i) evaluating the reliability of the underlying data generated to prepare the forecast; and
 - (ii) determining whether there is adequate support for the assumptions underlying the forecast.
 - (d) considering whether any additional facts or information have become available since the date on which management made its assessment; and

- (e) requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future action and the feasibility of these plans.
- 655.7 ASA 570 [AUS 16.1] provides that if such events or conditions are identified, the auditor shall consider whether they affect the auditor's assessment of the risks of material misstatement in accordance with ASA 315.
- 655.8 ASA 570 [17] provides that based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's judgement, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary for:
- (a) in the case of a fair presentation financial reporting framework, the fair presentation of the financial report; or
 - (b) in the case of a compliance framework, the financial report not to be misleading.
- 655.9 ASA 570 [19] provides that if adequate disclosure is made in the financial report, the auditor shall express an unmodified opinion and include an Emphasis of Matter paragraph in the auditor's report to:
- (a) highlight the existence of a material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (b) draw attention to the note in the financial report that discloses the matters set out in paragraph 18 of this Auditing Standard.
- 655.10 ASA 570 [21] provides that if the financial report has been prepared on a going concern basis but, in the auditor's judgement, management's use of the going concern assumption in the financial report is inappropriate, the auditor shall express an adverse opinion.
- 655.11 ASA 570 [23] provides that if management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall consider the implications for the auditor's report
- 655.12 ASA 570 [A2] provides that the following are examples of events or conditions that, individually or collectively, may cast significant doubt about the going concern assumption. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists;

Financial

- (a) net liability or net current liability position;

- (b) fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets;
- (c) indications of withdrawal of financial support by creditors;
- (d) negative operating cash flows indicated by historical or prospective financial report;
- (e) adverse key financial ratios;
- (f) substantial operating losses or significant deterioration in the value of assets used to generate cash flows;
- (g) arrears or discontinuance of dividends;
- (h) inability to pay creditors on due dates;
- (i) inability to comply with the terms of loan agreements;
- (j) change from credit to cash-on-delivery transactions with suppliers;
- (k) inability to obtain financing for essential new product development or other essential investments;

Operating

- (l) management intentions to liquidate the entity or to cease operations;
- (m) loss of key management without replacement;
- (n) loss of a major market, key customer(s), franchise, licence, or principal supplier(s);

Labour difficulties.

- (o) shortages of important supplies;
- (p) emergence of a highly successful competitor;

Other

- (q) non-compliance with capital or other statutory requirements;
- (r) pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy;
- (s) changes in law or regulation or government policy expected to adversely affect the entity;
- (t) uninsured or underinsured catastrophes when they occur.

655.13 The significance of such events or conditions often can be mitigated by other factors. For example, the effect of an entity being unable to make its normal debt repayments may be counter-balanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional

capital. Similarly, the loss of a principal supplier may be mitigated by the availability of a suitable alternative source of supply.

655.14 ASA 570 [A15] provides that audit procedures that are relevant to the requirement in paragraph 16 may include the following:

- (a) analysing and discussing cash flow, profit and other relevant forecasts with management;
- (b) analysing and discussing the entity's latest available interim financial report;
- (c) reading the terms of debentures and loan agreements and determining whether any have been breached;
- (d) reading minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties;
- (e) enquiring of the entity's legal counsel regarding the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications;
- (f) confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with related and third parties and assessing the financial ability of such parties to provide additional funds;
- (g) evaluating the entity's plans to deal with unfilled customer orders;
- (h) performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern;
- (i) confirming the existence, terms and adequacy of borrowing facilities;
- (j) obtaining and reviewing reports of regulatory actions; and
- (k) determining the adequacy of support for any planned disposals of assets.

655.15 ASA 570 [A26] provides that if the entity's management is required, or elects, to prepare the financial report when the use of the going concern assumption is not appropriate in the circumstances, the financial report is prepared on an alternative basis (for example, liquidation basis). The auditor may be able to perform an audit of that financial report provided that the auditor determines that the alternative basis is an acceptable financial reporting framework in the circumstances. The auditor may be able to express an unmodified opinion on that financial report, provided there is adequate disclosure therein but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in the auditor's report to draw the user's attention to that alternative basis and the reasons for its use.

Paragraph 656.

656.1 Basford at [168]-[170].

656.2 ASRE 2410 [40], [41] and [A50].

Paragraph 657. Intentionally blank

Paragraph 658. Intentionally blank

HY15 deferred tax assets

Paragraph 659. Intentionally blank

Paragraph 660.

660.1 AASB 112 [26] provides that a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (a) is not a business combination; and
- (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a deferred tax asset shall be recognised in accordance with AASB 112 [44].

660.2 AASB 112 [27] provides that the reversal of deductible temporary differences results in deductions in determining taxable profits of future periods. However, economic benefits in the form of reductions in tax payments will flow to the entity only if it earns sufficient taxable profits against which the deductions can be offset. Therefore, an entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

660.3 AASB 112 [29] provides that when there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that:

- (a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). In evaluating whether it will have sufficient taxable profit in future periods, an entity ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from these deductible temporary differences will itself require future taxable profit in order to be utilised; or
- (b) provides that tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.

- 660.4 AASB 112 [31] provides that when an entity has a history of recent losses, the entity considers the guidance in AASB 112 [35] and [36].
- 660.5 AASB 112 [34] provides that a deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.
- 660.6 AASB 112 [35] provides that the criteria for recognising deferred tax assets arising from the carry forward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. However, the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity. In such circumstances, AASB 112 [82] requires disclosure of the amount of the deferred tax asset and the nature of the evidence supporting its recognition.

Paragraph 661.

- 661.1 ASRE 2410 [Appendix 2, 75] provides that the procedures that may be performed in an engagement to review a financial report include enquiring with management as to the adequacy of the recognised deferred and current tax assets and/or liabilities including provisions in respect of prior periods..

Paragraph 662.

- 662.1 Basford at [171].

Paragraph 663.

- 663.1 Basford at [185] and [190]-[191].

Paragraph 664. Intentionally blank

Paragraph 665. Intentionally blank

HY15 Property, plant and equipment

Paragraph 666. Intentionally blank

Paragraph 667.

- 667.1 AASB 136 [6] provides that:

- (a) "*carrying amount*" is the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

- (b) “*fair value*” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see AASB 13);
- (c) an “*impairment loss*” is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount;
- (d) the “*recoverable amount*” of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

667.2 AASB 136 [9] provides that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

667.3 AASB 136 [12] provides that in assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

- (a) external sources of information
 - (i) there are observable indications that the asset’s value has declined during the period significantly more than would be expected as a result of the passage of time or normal use;
 - (ii) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
 - (iii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset’s value in use and decrease the asset’s recoverable amount materially;
 - (iv) the carrying amount of the net assets of the entity is more than its market capitalisation;
- (b) Internal sources of information
 - (i) evidence is available of obsolescence or physical damage of an asset;
 - (ii) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and

- (iii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
- (c) Dividend from a subsidiary, joint venture or associate
 - (i) for an investment in a subsidiary, joint venture or associate, the investor recognises a dividend from the investment and evidence is available that:
 - (ii) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
 - (iii) the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared.
- (d) AASB 136 [14] provides that evidence from internal reporting that indicates that an asset may be impaired includes the existence of:
 - (i) cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
 - (ii) actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted;
 - (iii) a significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset; or
 - (iv) operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

667.4 AASB 136 [59] provides that if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

667.5 AASB 136 [60] provides that an impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another AAS (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other AAS.

667.6 AASB 136 [66] provides that if there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

667.7 ASRE 2410 [Appendix 2, 6(b)] provides that the detailed procedures that may be performed in an engagement to review a financial report include enquiring of persons responsible for financial reporting about policies and procedures used to assess asset impairment and any consequential estimation of recoverable amounts.

667.8 ASRE 2410 [Appendix 2, 43] provides that the detailed procedures that may be performed in an engagement to review a financial report include enquiry about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether there are any indicators of impairment and whether the property, plant and equipment have suffered a material, permanent impairment in value.

667.9 ASRE 2410 [Appendix 2, 43] provides that the detailed procedures that may be performed in an engagement to review a financial report include enquiry about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether there are any indicators of impairment and whether the property, plant and equipment have suffered a material, permanent impairment in value.

Paragraph 668.

668.1 Basford at [187].

Paragraph 669.

669.1 Basford at [185] and [190]-[191].

Paragraph 670. Intentionally blank

Paragraph 671. Intentionally blank

HY15 onerous lease provisions

Paragraph 672. Intentionally blank

Paragraph 673.

673.1 AASB 137 [10] provides that an "*onerous contract*" is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

673.2 AASB 137 [66] provides that if an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

673.3 Basford at [195]-[196].

Paragraph 674.

674.1 Basford at [194] and [197].

Paragraph 675. Intentionally blank

Paragraph 676. Intentionally blank

XIII. HY15 MISLEADING OR DECEPTIVE CONDUCT

HY15 representations, opinions and conduct

First HY15 inventory representations, opinions and conduct

Paragraph 677.

677.1 The representations in sub-paragraphs 677(a) to (g) were express:

- (a) the representations were made by Deloitte, in writing, in the HY15 FAC Report as alleged in sub-paragraphs 501(k) to (x);⁴³⁸ and
- (b) the representations were made to Wavish, Raine, Ishak, Cave, Murray and DSH when they were provided with the HY15 FAC Report.

677.2 The representations in sub-paragraphs 677(h) and (i) were implied by reason of:

- (a) the express representations in sub-paragraphs 677(a) to (g);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 677(a) to (g);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(k) to (x).

677.3 Further particulars may be provided following evidence.

Paragraph 678.

678.1 The representations were implied by reason of:

⁴³⁸ DSE.003.040.2917

- (a) the express representations in sub-paragraphs 677(a) to (g);
- (b) the implied representations in sub-paragraphs 677(h) and (i);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 677;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(k) to (x).

678.2 Further particulars may be provided following evidence.

Paragraph 679.

679.1 The particulars to paragraphs 677 and/or 678 (including any documents referred to) are repeated.

First HY15 rebate representations, opinions and conduct

Paragraph 680.

680.1 The representations in sub-paragraphs 680(a) to (f), (h) and (i) were express:

- (a) the representations were made by Deloitte, in writing, in the HY15 FAC Report, as alleged in sub-paragraphs 501(a) to (j);⁴³⁹ and
- (b) the representations were made to Wavish, Raine, Ishak, Cave, Murray and DSH when they were provided with the HY15 FAC Report.

680.2 The representations in sub-paragraphs 680(g), (j) and (k) were implied by reason of:

- (a) the express representations in sub-paragraphs 680(a) to (f), (h) and (i);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 680(a) to (f), (h) and (i);
- (c) the context in which the representations were made;

⁴³⁹ DSE.003.040.2917

- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(a) to (j).

680.3 Further particulars may be provided following evidence.

Paragraph 681.

681.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 680(a) to (f), (h) and (i);
- (b) the implied representations in sub-paragraphs 680(g), (j) and (k);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 680;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(a) to (j).

681.2 Further particulars may be provided following evidence.

Paragraph 682.

682.1 The particulars to paragraphs 680 and/or 681 (including any documents referred to) are repeated.

HY15 No Internal Control Deficiencies representation

Paragraph 683.

683.1 The representations in paragraph 683 were express:

- (a) the representations were made by Deloitte, in writing, in the HY15 FAC Report as alleged in sub-paragraphs 501(cc) to (ff),⁴⁴⁰ and
- (b) the representations were made to Wavish, Raine, Ishak, Cave, Murray and DSH when they were provided with the HY15 FAC Report.

683.2 Further particulars may be provided following evidence.

Paragraph 684.

684.1 The representations were implied by reason of:

- (a) the express representations in paragraph 683;
- (b) the absence of any qualification or reservation in respect of the representations in paragraph 683;
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

684.2 Further particulars may be provided following evidence.

Paragraph 685.

685.1 The particulars to paragraphs 683 and/or 684 (including any documents referred to) are repeated.

⁴⁴⁰ DSE.003.040.2917

First HY15 impairment representation, opinion and conduct

Paragraph 686.

686.1 The representation in paragraph 686 was express:

- (a) the representation was made by Deloitte, in writing, in the HY15 FAC Report as alleged in sub-paragraphs 501(z) to (bb);⁴⁴¹ and
- (b) the representation was made to Wavish, Raine, Ishak, Cave, Murray and DSH when they were provided with the HY15 FAC Report.

686.2 Further particulars may be provided following evidence.

Paragraph 687.

687.1 The representations were implied by reason of:

- (a) the express representation in paragraph 686;
- (b) the absence of any qualification or reservation in respect of the representation in paragraph 686;
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(z) to (bb).

687.2 Further particulars may be provided following evidence.

Paragraph 688.

688.1 The particulars to paragraphs 686 and/or 687 (including any documents referred to) are repeated.

⁴⁴¹ DSE.003.040.2917

Second HY15 inventory representations, opinions and conduct

Paragraph 689.

689.1 The representation in sub-paragraph 689(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Wavish, Raine and Ishak at the FAC Meeting held on 12 February 2015; and
- (b) the representation was documented in the FAC Minutes for the FAC Meeting held on 12 February 2015.⁴⁴²

689.2 The representation in sub-paragraph 689(b) was implied by reason of:

- (a) the express representation in sub-paragraph 689(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 689(a);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(k) to (x).

689.3 Further particulars may be provided following evidence.

Paragraph 690.

690.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 689(a);
- (b) the implied representation in sub-paragraph 689(b);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 689;
- (d) the context in which the representations were made;

⁴⁴² DSE.003.037.7162-DSE.003.037.7163

- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(k) to (x).

690.2 Further particulars may be provided following evidence.

Paragraph 691.

691.1 The particulars to paragraphs 689 and/or 690 (including any documents referred to) are repeated.

Second HY15 rebate representations, opinions and conduct

Paragraph 692.

692.1 The representation in sub-paragraph 692(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Wavish, Raine and Ishak at the FAC Meeting held on 12 February 2015; and
- (b) the representation was documented in the FAC Minutes of the FAC Meeting held on 12 February 2015.⁴⁴³

692.2 The representation in sub-paragraph 692(b) was implied by reason of:

- (a) the express representation in sub-paragraph 692(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 692(a);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;

⁴⁴³ DSE.003.037.7162-DSE.003.037.7163

- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(a) to (j).

692.3 Further particulars may be provided following evidence.

Paragraph 693.

693.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 692(a);
- (b) the implied representation in sub-paragraph 692(b);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 692;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(a) to (j).

693.2 Further particulars may be provided following evidence.

Paragraph 694.

694.1 The particulars to paragraphs 692 and/or 693 (including any documents referred to) are repeated.

HY15 Anticipated Unqualified Review Report representation and conduct

Paragraph 695.

695.1 The representation in sub-paragraph 695(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Wavish, Raine and Ishak at the FAC Meeting held on 12 February 2015; and

- (b) the representation was documented in the FAC Minutes of the FAC Meeting held on 12 February 2015.⁴⁴⁴.

695.2 The representation in sub-paragraph 695(b) was implied by reason of:

- (a) the express representation in sub-paragraph 695(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 695(a);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

695.3 Further particulars may be provided following evidence.

Paragraph 696.

696.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 695(a);
- (b) the implied representation in sub-paragraph 695(b);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 695;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;

⁴⁴⁴ DSE.003.037.7162-DSE.003.037.7163

- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

696.2 Further particulars may be provided following evidence.

Second HY15 impairment representations, opinions and conduct

Paragraph 697.

697.1 The representations in sub-paragraphs 697(a) to (c) were express:

- (a) the representations were made orally by White, on behalf of Deloitte, to Wavish, Raine and Ishak at the FAC Meeting held on 12 February 2015; and
- (b) the representations were documented in the FAC Minutes of the FAC Meeting held on 12 February 2015.⁴⁴⁵

697.2 The representation in sub-paragraph 697(d) was implied by reason of:

- (a) the express representations in sub-paragraphs 697(a) to (c);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 697(a) to (c);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(z) to (bb).

697.3 Further particulars may be provided following evidence.

Paragraph 698.

698.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 697(a) to (c);

⁴⁴⁵ DSE.003.037.7162-DSE.003.037.7163

- (b) the implied representation in sub-paragraph 697(d);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 697;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(z) to (bb).

698.2 Further particulars may be provided following evidence.

Paragraph 699.

699.1 The particulars to paragraphs 697 and/or 698 (including any documents referred to) are repeated.

HY15 unqualified review report representations, opinions and conduct

Paragraph 700.

700.1 The representation in sub-paragraph 700(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Wavish, Cave, Raine, Murray and Ishak and DSH at the Board Meeting held on 16 February 2015; and
- (b) the representation was documented in the Board Minutes of Board Meeting held on 16 February 2015.⁴⁴⁶

700.2 The representations in sub-paragraphs 700(b) to (f) were implied by reason of:

- (a) the express representation in sub-paragraph 700(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 700(a);
- (c) the context in which the representations were made;

⁴⁴⁶ DSE.600.002.8963- DSE.600.002.8965

- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

700.3 Further particulars may be provided following evidence.

Paragraph 701.

701.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 700(a);
- (b) the implied representations in sub-paragraphs 700(b) to (f);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 700;
- (d) the context in which the representations were made;
- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (h) the terms of the FY15 Deloitte Retainer;
- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (k) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

701.2 Further particulars may be provided following evidence.

Paragraph 702.

702.1 The particulars to paragraphs 700 and/or 701 (including any documents referred to) are repeated.

HY15 Corporations Act compliance representations, opinion and conduct

Paragraph 703.

703.1 The representations in paragraph 703 were express and were made by Deloitte to (inter alia) the NED Cross-Claimants and DSH, in writing, in the HY15 Review Report as alleged in paragraph 508(d).

703.2 Further, or in the alternative, the representations in paragraph 703 were implied by reason of:

- (a) the express representation in paragraph 703.1;
- (b) the absence of any qualification or reservation in respect of the express representation in paragraph 703.1;
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

703.3 Further particulars may be provided following evidence.

Paragraph 704.

704.1 The particulars to paragraph 703.2 (including any documents referred to) are repeated.

704.2 Further particulars may be provided following evidence.

Paragraph 705.

705.1 The representations in paragraph 705(a) and (b) were express and were made by Deloitte to (inter alia) the NED Cross-Claimants and DSH, in writing, in the HY15 Review Report as alleged in paragraph 508(d).

705.2 Further, or in the alternative, the representations in paragraph 705 were implied by reason of:

- (a) the express representation in paragraph 705.1;
- (b) the absence of any qualification or reservation in respect of the express representation in paragraph 705.1;
- (c) the context in which the representations were made;

- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;
- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

705.3 Further particulars may be provided following evidence.

Paragraph 706.

706.1 The particulars to paragraphs 703 and/or 704 and/or 705 (including any documents referred to) are repeated.

HY15 review compliance representation, opinion and conduct

Paragraph 707.

707.1 The representations in paragraph 707 were express:

- (a) the representations were made by Deloitte, in writing, in the HY15 Review Report as alleged in sub-paragraph 508(b); and
- (b) the representations were made to Wavish, Raine, Ishak, Cave, Murray and DSH (inter alia) when they were provided with the HY15 Review Report.

707.2 Further particulars may be provided following evidence.

Paragraph 708.

708.1 The representations were implied by reason of:

- (a) the express representations in paragraph 707;
- (b) the absence of any qualification or reservation in respect of the representations in paragraph 707;
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the HY15 Statutory Review Obligations alleged in paragraph 480;
- (g) the terms of the FY15 Deloitte Retainer;

- (h) Deloitte's obligation to exercise due skill and care in the provision of services relating to the HY15 Review;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the HY15 FAC Report referred to in sub-paragraphs 501(cc) to (ff).

708.2 Further particulars may be provided following evidence.

Paragraph 709.

709.1 The particulars to paragraphs 707 and/or 708 (including any documents referred to) are repeated.

HY15 trade/commerce, financial product, financial services

Paragraph 710. Intentionally blank

HY15 misleading or deceptive conduct

First HY15 inventory representations, opinions and conduct

Paragraph 711.

711.1 Contrary to the First HY15 Inventory Representations:

- (a) the quality and ageing of inventory had not improved;
- (b) obsolescence provisions had not decreased due to the change in the obsolescence methodology to reflect an improved stock quality and profile because stock quality and profile had not improved;
- (c) the value of DSH's inventory as at 28 December 2014 was not \$335.8 million;
- (d) the provision for obsolete stock of \$5.4 million was not appropriate and did not comply with Australian Accounting Standards, including AASB 102;
- (e) inventory balances had not increased from FY14 as a result of additional stores opened as at 28 December 2014 and increased buying practices in the period, but rather in part or in whole, because of Rebate Driven Buying Practices;
- (f) irrespective of the further refinement by management the Revised Obsolescence Methodology was not appropriate for adoption by DSH to determine its inventory provision in accordance with AASB 102;
- (g) the costs that DSH had included in the value of inventory, including the increased warehouse costs and the increased costs of the buying team, were not appropriate and did not comply with Australian Accounting Standards, including AASB 102;

- (h) the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102.
- 711.2 Paragraphs 2, 18, 19, 20, 22, 23, 24(a) to (c), 25, 29, 30, 31, 33, 36, 40(b) to (c) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.
- 711.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on Basford at [10], [15] to [30], [31] to [32], [107] to [117], [118] to [123], [124] to [127], [128] to [146], [149] to [150], [152] to [159] and [160] to [163].
- 711.4 Further, or in the alternative, the NED Cross-Claimants refer to and rely on paragraphs 627 to 640 and the particulars to those paragraphs (including any documents referred to).

Paragraph 712.

- 712.1 Contrary to the First HY15 Inventory Opinion Representations, Deloitte:
- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
 - (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.
- 712.2 The particulars to paragraph 711 (including any documents referred to) are repeated.

Paragraph 713.

- 713.1 The particulars to paragraphs 711 and 712 (including any documents referred to) are repeated.

First HY15 rebate representations, opinions and conduct

Paragraph 714.

- 714.1 Contrary to the First HY15 Rebate Representations:
- (a) the increase in rebate receivables at 28 December 2014 was due, in part or in whole, to the Rebate Driven Buying Practices;
 - (b) there had not been a significant improvement in the quality of information and supporting evidence for rebates accrued;
 - (c) there had not been a number of improvements in the recognition and reconciliation process around O&A rebates in the half year;
 - (d) all claims were not uploaded in Profectus and there was not an automatic interface with the accounting system;

- (e) management did not (adequately or at all) review the listing of O&A rebates that was maintained by the Buying department as part of its month end reporting processes and investigate any reconciling differences between the listing and Profectus;
 - (f) some of the rebates that were included in the HY15 Financial Report should have been deferred into the next period; and
 - (g) the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102.
- 714.2 Paragraphs 2, 18, 19, 20, 21, 22, 23, 26, 27, 28, 30, 36, 40(a) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.
- 714.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on Basford at [10], [11] to [14], [45] to [74] and [75] to [105].
- 714.4 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the First Mills Affidavit at [92], [102], [117] to [118], [141] to [149], [165] to [173], [174] to [181], [182] to [183], [191] to [194], [198] to [201], [208] to [211] and [214] to [220] (including any documents referred to).
- 714.5 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the Borg Affidavit at [54] and [55] (including any documents referred to).
- 714.6 Further, or in the alternative, paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613 and 614 to 626 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 715.

- 715.1 Contrary to the First HY15 Rebate Opinion Representations, Deloitte:
- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
 - (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.
- 715.2 The particulars to paragraph 714 (including any documents referred to) are repeated.

Paragraph 716.

- 716.1 The particulars to paragraphs 714 and 715 (including any documents referred to) are repeated.

HY15 No Internal Control Deficiencies Representation**Paragraph 717.**

717.1 Contrary to the HY15 No Internal Control Deficiencies Representation:

- (a) Deloitte had identified significant control deficiencies during the FY14 Audit, namely the Rebate Control Deficiencies;
- (b) the internal control environment had not continued to improve since the FY14 year and, specifically around (inter alia) rebates, impairment and the financial statement process.

717.2 The NED Cross-Claimants refer to and rely on Basford at [86].

717.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the First Mills Affidavit at [92,] [102], [117] to [118], [119] to [123], [141] to [149], and [165] to [173], [174] to [181], [182] to [183], [198] to [201] and [208] to [211] (including any documents referred to).

717.4 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the Borg Affidavit at [54]-[55] (including any documents referred to).

First HY15 impairment representation, opinion and conduct**Paragraph 718.**

718.1 Contrary to the HY15 No Internal Control Deficiencies Opinion Representation, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

718.2 The NED Cross-Claimants refer to and rely on paragraphs 549 to 566 and the particulars to those paragraphs (including any documents referred to).

Paragraph 719.

719.1 The particulars to paragraphs 717 and 718 (including any documents referred to) are repeated.

Paragraph 720.

720.1 Contrary to the First HY15 Impairment Representation, a change to the impairment provision (then \$0.7 million) was required in respect of DSH's property, plant and equipment.

720.2 Paragraphs 2, 18, 36, 40(f) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

720.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on Basford at [182] to [192].

Paragraph 721.

721.1 Contrary to the First HY15 Impairment Opinion Representation, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

721.2 The particulars to paragraph 720 (including any documents referred to) are repeated.

Paragraph 722.

722.1 The particulars to paragraphs 720 and 721 (including any documents referred to) are repeated.

Second HY15 inventory representations, opinions and conduct

Paragraph 723.

723.1 Contrary to the Second HY15 Inventory Representations:

- (a) the quality and management of inventory had not improved during HY15; and
- (b) the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102.

723.2 Paragraphs 2, 18, 19, 20, 21, 22, 23, 24(a)-(c), 25, 29, 30, 31, 33, 36, 40(b)-(c) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

723.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on Basford at [10], [15] to [30], [31] to [32], [107] to [117], [118] to [123], [124] to [127], [128] to [146], [149] to [150], [152] to [159] and [160] to [163].

723.4 Further, or in the alternative, paragraphs 627 to 640 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 724.

724.1 Contrary to the Second HY15 Inventory Opinion Representations, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and

- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

724.2 The particulars to paragraph 723 (including any documents referred to) are repeated.

Paragraph 725.

725.1 The particulars to paragraphs 723 and 724 (including any documents referred to) are repeated.

Second HY15 rebate representations, opinions and conduct

Paragraph 726.

726.1 Contrary to the Second HY15 Rebate Representations:

- (a) there had not been a significant improvement in the quality of information and supporting evidence for rebates accrued;
- (b) a more automated process of rebate collection was not being put in place by DSH to further improve the rebate collection process; and
- (c) the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102.

726.2 Paragraphs 2, 18, 19, 20, 21, 22, 23, 26, 27, 28, 30, 36, 40(a) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

726.3 Further, or in the alternative, the NED Cross-Claimants refer to and rely on Basford at [10], [11] to [14], [45] to [74] and [75] to [105].

726.4 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the First Mills Affidavit at [92], [102], [117] to [118], [141] to [149], [165] to [173], [174] to [181], [182] to [183], [191] to [194], [198] to [201], [208] to [211] and [214] to [220] (including any documents referred to).

726.5 Further, or in the alternative, the NED Cross-Claimants refer to and rely on the Borg Affidavit at [54] to [55] (including any documents referred to).

726.6 Further, or in the alternative, paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613, 614 to 626 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 727.

727.1 Contrary to the Second HY15 Rebate Opinion Representations, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

727.2 The particulars to paragraph 726 (including any documents referred to) are repeated.

Paragraph 728.

728.1 The particulars to paragraphs 726 and 727 (including any documents referred to) are repeated.

HY15 Anticipated Unqualified Review Report representation and conduct

Paragraph 729.

729.1 Contrary to the HY15 Anticipated Unqualified Review Report Representation, in reaching the conclusion that it would issue an unmodified review conclusion, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care; and
- (b) (further or alternatively) did not have reasonable grounds for reaching that conclusion based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

729.2 Paragraphs 2, 18 to 36 and 40 to 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

729.3 Further, paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613, 614 to 626 and 627 to 640 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 730.

730.1 The particulars to paragraph 729 (including any documents referred to) are repeated

Second HY15 impairment representation, opinion and conduct

Paragraph 731.

731.1 Contrary to the Second HY15 Impairment Representation:

- (a) DSH did exhibit signs of impairment; and
- (b) DSH's asset impairment review was not appropriate and did not comply with Australian Accounting Standards, including AASB 136.

731.2 Paragraphs 2, 18, 36, 40(f) and 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

731.3 The NED Cross-Claimants refer to and rely on Basford at [182] to [192].

Paragraph 732.

732.1 Contrary to the Second HY15 Impairment Opinion Representation, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

732.2 The particulars to paragraph 731 (including any documents referred to) are repeated.

Paragraph 733.

733.1 The particulars to paragraphs 731 and 732 (including any documents referred to) are repeated.

HY15 unqualified review report representations, opinions and conduct

Paragraph 734.

734.1 Contrary to the HY15 Unqualified Review Report Representations:

- (a) the HY15 Financial Report was not appropriate for adoption by DSH;
- (b) the HY15 Financial Report was not in accordance with the Corporations Act, and:
 - (i) did not give a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended that date;
 - (ii) did not comply with Australian Accounting Standards and the Corporations Regulations 2001;
- (c) the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was not appropriate and did not comply with Australian Accounting Standards, including AASB 102; and
- (d) the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was not appropriate and did not comply with AASB 102.

734.2 Paragraphs 2, 18 to 36, and 40 to 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

734.3 Further, or in the alternative, the NED Cross Claimants refer to and rely on Basford at [10], [11] to [14], [15] to [30], [31] to [32], [33] to [34], [35], [36] to [38], [39], [40] to [42], [45] to [74],

[75] to [105], [107] to [117], [118] to [123], [124] to [127], [128] to [146], [149] to [150], [152] to [159], [160] to [163], [164] to [166], [167] to [170], [171] to [181], [182] to [187], [189] to [192], [193] to [198] and [199] to [202].

734.4 Further, or in the alternative, paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613, 614 to 626 and 627 to 640 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 735.

735.1 Contrary to the HY15 Unqualified Review Report Opinion Representations, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and
- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

735.2 The particulars to paragraph 734 (including any documents referred to) are repeated.

Paragraph 736.

736.1 The particulars to paragraphs 734 and 735 (including any documents referred to) are repeated.

HY15 Corporations Act compliance representation, opinion and conduct

Paragraph 737.

737.1 Contrary to the HY15 Corporations Act Compliance Representations, the HY15 Financial Report was not in accordance with the Corporations Act and did not:

- (a) give a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half year ended that date; and
- (b) comply with Australian Accounting Standards and the Corporations Regulations 2001.

737.2 The particulars to paragraph 734 (including any documents referred to) are repeated.

737.3 Paragraphs 2, 18 to 36, and 40 to 41 and the particulars to those paragraphs (including any documents referred to) are repeated.

737.4 Further, or in the alternative, paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613, 614 to 626 and 627 to 640 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 738.

738.1 Contrary to the HY15 Corporations Act Compliance Opinion Representations, in making the statements that it had not become aware of any matter that made it believe that the FY14 Financial Report was not in accordance with the Corporations Act, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half year ended that date;
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001;

Deloitte

- (c) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care; and
- (d) (further or alternatively) did not have reasonable grounds for making the above statements based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

738.2 The particulars to paragraph 737 (including any documents referred to) are repeated.

Paragraph 738A.

738A.1 The particulars to paragraphs 737 and 738 (including any documents referred to) are repeated.

Paragraph 739.

739.1 The particulars to paragraphs 737 and 738 (including any documents referred to) are repeated.

HY15 review compliance representation, opinion and conduct**Paragraph 740.**

740.1 Contrary to the HY15 Review Compliance Representations, Deloitte did not conduct its review of the HY15 Financial Report in accordance with ASRE 2410.

740.2 Paragraphs 549 to 566, 567 to 584, 585 to 592, 593 to 602, 603 to 613, 614 to 626 and 627 to 640 and the particulars to those paragraphs (including any documents referred to) are repeated.

Paragraph 741.

741.1 Contrary to the HY15 Review Compliance Opinion Representations, Deloitte:

- (a) had not acted with the degree of skill, care and diligence expected of a professional providing services of the same kind and/or with reasonable skill and care in reaching the opinions; and

- (b) (further or alternatively) did not have reasonable grounds for reaching the opinions based upon sufficient appropriate audit evidence and a proper interpretation of the Australian Accounting Standards.

741.2 The particulars to paragraph 740 (including any documents referred to) are repeated.

Paragraph 742.

742.1 The particulars to paragraphs 741 and 740 (including any documents referred to) are repeated.

HY15 reliance

First HY15 inventory representations, opinions and conduct

Paragraph 743.

743.1 Each of Wavish, Raine, Cave, Ishak, Murray and DSH relied on the First HY15 Inventory Representations:

- (a) in forming the view that the quality and ageing of inventory had improved;
- (b) in forming the view that the value of DSH's inventory as at 28 December 2014 was \$335.8 million;
- (c) in forming the view that the provision for obsolete stock of \$5.4 million was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in forming the view that obsolescence provisions had decreased due to the change in the obsolescence methodology to reflect an improved stock quality and profile;
- (e) in forming the view that inventory balances had increased from FY14 as a result of additional stores opened as at 28 December 2014 and increased buying practices in the period;
- (f) in forming the view that (save for the further refinement, in respect of which an immaterial unadjusted difference of \$1.26 million had been identified), the Revised Obsolescence Methodology (as further refined by management) was an appropriate methodology for DSH to adopt to determine its inventory provision in accordance with AASB 102;
- (g) in permitting DSH to adopt the Revised Obsolescence Methodology in HY15 (and in relation to Raine, Murray, Ishak and DSH only, in FY15);
- (h) in forming the view that the costs that DSH had included in the value of inventory, including the increased warehouse costs and the increased costs of the buying team, were appropriate and complied with Australian Accounting Standards, including AASB 102;

- (i) in forming the view that DSH had appropriate and effective inventory management systems;
- (j) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning), was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (k) in permitting DSH to account for inventory in that manner;
- (l) in the case of Wavish, Raine and Ishak, in joining in the resolution made by the FAC on 12 February 2015 to recommend to the Board that the 2015 Interim Dividend be paid and the HY15 Financial Report be adopted;
- (m) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (n) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (o) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (p) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 744.

744.1 The particulars to paragraph 743 (including any documents referred to) are repeated.

Paragraph 745.

745.1 The particulars to paragraph 743 (including any documents referred to) are repeated.

First HY15 rebate representations, opinions and conduct

Paragraph 746.

746.1 Each of Wavish, Raine, Cave, Ishak, Murray and DSH relied on the First HY15 Rebate Representations:

- (a) in forming the view that the increase in rebate receivables at 28 December 2014 was due to the increased amount of purchasing for the new stores opened and anticipated sales over the coming months;
- (b) in forming the view that there had been a significant improvement in the quality of information and supporting evidence for rebates accrued;
- (c) in forming the view that there had been a number of improvements in the recognition and reconciliation process around O&A rebates in the half year;
- (d) in forming the view that all claims were uploaded in Profectus and there was an automatic interface with the accounting system;

- (e) in forming the view that management also reviewed the listing of O&A rebates that was maintained by the buying department as part of its month end reporting processes and investigated any reconciling differences between the listing and Profectus;
- (f) in forming the view that none of the rebates included in the HY15 Financial Report should have been deferred into the next period;
- (g) in forming the view that the recognition of O&A rebates was reasonable or reflected the economic nature of the activities;
- (h) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (i) in permitting DSH to account for rebates in that manner;
- (j) in the case of Wavish, Raine and Ishak, in joining in the resolution made by the FAC on 12 February 2015 to recommend to the Board that the 2015 Interim Dividend be paid and the HY15 Financial Report be adopted;
- (k) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (l) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (m) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (n) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 747.

747.1 The particulars to paragraph 746 (including any documents referred to) are repeated.

Paragraph 748.

748.1 The particulars to paragraph 746 (including any documents referred to) are repeated.

HY15 No Internal Control Deficiencies Representation

Paragraph 749.

749.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 No Internal Control Deficiencies Representation:

- (a) in forming the view that DSH's internal controls were appropriate and free from significant deficiencies;

- (b) in forming the view that the internal control environment had continued to improve since the FY14 year and, specifically around (inter alia) rebates, impairment and the financial statement process;
- (c) in the case of Wavish, Raine and Ishak, in joining in the resolution made by the FAC on 12 February 2015 to recommend to the Board that the 2015 Interim Dividend be paid and the HY15 Financial Report be adopted;
- (d) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (e) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (f) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (g) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 749A.

749A.1 The particulars to paragraph 749 (including any documents referred to) are repeated.

Paragraph 749B.

749B.1 The particulars to paragraph 749 (including any documents referred to) are repeated.

First HY15 impairment representation, opinion and conduct

Paragraph 750.

750.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 Impairment Representation:

- (a) in forming the view that no change to the impairment provision of \$0.7 million was required in respect of DSH's property, plant and equipment;
- (b) in the case of Wavish, Raine, Murray and Ishak, in joining in the resolution made by the FAC on 12 February 2015 to recommend to the Board that the 2015 Interim Dividend be paid and the HY15 Financial Report be adopted;
- (c) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (d) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (e) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (f) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 751.

751.1 The particulars to paragraph 750 (including any documents referred to) are repeated.

Paragraph 752.

752.1 The particulars to paragraph 750 (including any documents referred to) are repeated.

Second HY15 inventory representations, opinions and conduct**Paragraph 753.**

753.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the Second HY15 Inventory Representations:

- (a) in forming the view that the quality and ageing of inventory had improved;
- (b) in forming the view that DSH had appropriate and effective inventory management systems;
- (c) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning), was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in permitting DSH to account for inventory in that manner;
- (e) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (f) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (g) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (h) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 754.

754.1 The particulars to paragraph 753 (including any documents referred to) are repeated.

Paragraph 755.

755.1 The particulars to paragraph 753 (including any documents referred to) are repeated.

Second HY15 rebate representations, opinions and conduct**Paragraph 756.**

756.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the Second HY15 Rebate Representations:

- (a) in forming the view that there had been a significant improvement in the quality of information and supporting evidence for rebates accrued;

- (b) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (c) in permitting DSH to account for rebates in that manner;
- (d) in joining in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (e) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (f) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (g) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 757.

757.1 The particulars to paragraph 756 (including any documents referred to) are repeated.

Paragraph 758.

758.1 The particulars to paragraph 756 (including any documents referred to) are repeated.

HY15 Anticipated Unqualified Review Report representation and conduct

Paragraph 759.

759.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 Anticipated Unqualified Review Report Representation:

- (a) in forming the view that the HY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the HY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date;
- (c) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in permitting DSH to account for rebates in that manner;
- (e) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (f) in permitting DSH to account for inventory in that manner;
- (g) in forming the view that DSH was a going concern;

- (h) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (i) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (j) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 760.

760.1 The particulars to paragraph 759 (including any documents referred to) are repeated.

Second HY15 impairment representation, opinion and conduct

Paragraph 761.

761.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the Second HY15 Impairment Representations:

- (a) in forming the view that DSH did not exhibit signs of impairment;
- (b) in forming the view that DSH had undertaken an asset impairment review at store or CGU level as required by AASB 136;
- (c) in forming the view that DSH's asset impairment review was appropriate and complied with Australian Accounting Standards, including AASB 136;
- (d) in permitting DSH to recognise impairments in accordance with the asset impairment review;
- (e) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (f) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (g) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 762.

762.1 The particulars to paragraph 761 (including any documents referred to) are repeated.

Paragraph 763.

763.1 The particulars to paragraph 761 (including any documents referred to) are repeated.

HY15 unqualified review report representations, opinions and conduct

Paragraph 764.

764.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 Unqualified Review Report Representations:

- (a) in forming the view that the HY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the HY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date;
- (c) in forming the view that the HY15 Financial Report was appropriate for adoption by DSH;
- (d) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (e) in permitting DSH to account for rebates in that manner;
- (f) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning), was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (g) in permitting DSH to account for inventory in that manner;
- (h) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (i) in joining in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (j) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 765.

765.1 The particulars to paragraph 764 (including any documents referred to) are repeated.

Paragraph 766.

766.1 The particulars to paragraph 764 (including any documents referred to) are repeated.

HY15 Corporations Act compliance representation, opinion and conduct

Paragraph 767.

767.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 Corporations Act Compliance Representation.

- (a) in forming the view that the HY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the HY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date;

- (c) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) in permitting DSH to account for rebates in that manner;
- (e) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (f) in permitting DSH to account for inventory in that manner;
- (g) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015; and
- (h) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 768.

768.1 The particulars to paragraph 767 (including any documents referred to) are repeated.

Paragraph 768A.

768A.1 The particulars to paragraph 767 (including any documents referred to) are repeated.

Paragraph 769.

769.1 The particulars to paragraph 767 (including any documents referred to) are repeated.

HY15 review compliance representation, opinion and conduct

Paragraph 770.

770.1 Each of Wavish, Raine, Cave, Murray, Ishak and DSH relied on the HY15 Review Compliance Representation.

- (a) in forming the view that Deloitte had conducted the HY15 Review in accordance with the Auditing Standards applicable for a half-year review;
- (b) in forming the view that the HY15 Financial Report complied with the Australian Accounting Standards;
- (c) in forming the view that the HY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date;
- (d) in forming the view that the manner in which DSH accounted for rebates (including the value of rebates recognised by DSH) was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (e) in permitting DSH to account for rebates in that manner;

- (f) in forming the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning), was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (g) in permitting DSH to account for inventory in that manner;
- (h) in the case of Raine, Ishak and Murray, in permitting DSH to pay the 2015 Interim Dividend on 30 April 2015; and
- (i) in permitting DSH to release the HY15 Financial Report on 16 February 2015.

Paragraph 771.

771.1 The particulars to paragraph 770 (including any documents referred to) are repeated.

Paragraph 772.

772.1 The particulars to paragraph 770 (including any documents referred to) are repeated.

HY15 causation and loss or damage

First HY15 inventory representations, opinions and conduct

Paragraph 773.

- 773.1 Had Deloitte not made the First HY15 Inventory Representations, the First HY15 Inventory Opinion Representations, or engaged in the First HY15 Inventory Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:
- (a) would not have formed the view that the value of DSH's inventory as at 28 December 2014 was \$335.8 million;
 - (b) would not have formed the view that the provision for obsolete stock of \$5.4 million was appropriate and complied with Australian Accounting Standards, including AASB 102;
 - (c) would not have formed the view that obsolescence provisions had decreased due to the change in the obsolescence methodology to reflect an improved stock quality and profile;
 - (d) would not have formed the view that inventory balances had increased from FY14 as a result of additional stores opened as at 28 December 2014 and increased buying practices in the period and would have become aware of the Rebate Driven Buying Practices;
 - (e) would not have formed the view that the Revised Obsolescence Methodology was an appropriate methodology and suitable for DSH to adopt to determine its inventory provision in accordance with AASB 102;
 - (f) would have become aware that the Revised Obsolescence Methodology was flawed for the reasons identified in paragraph 285(a);