

- (g) 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);
- (h) would not have formed 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, and would have ensured that the calculation of the cost of inventory was appropriate and complied with Australian Accounting Standards including AASB 102;
- (i) would not have formed 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;
- (j) would not have permitted DSH to account for inventory in that manner;
- (k) would have become aware that DSH had Inadequate Inventory Management;
- (l) 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;
- (m) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a);
- (n) would have taken steps to ensure that after HY15 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;
- (o) in the case of Wavish, Raine and Ishak would not have joined 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;
- (p) would not have joined in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (q) in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (r) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (s) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

773.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would have 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; and
- (b) in the premises, after HY15:
  - (i) DSH would not have had Inadequate Inventory Management; and
  - (ii) DSH would not have acquired and accumulated significant quantities of Bad Stock.

773.4 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:

- (a) 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) 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.

773.5 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.

773.6 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 HY15 Inventory Representations and/or the First HY15

Inventory Opinion Representations and/or engaged in the First HY15 Inventory Conduct.

773.7 Further particulars may be provided following evidence.

First HY15 rebate representations, opinions and conduct

**Paragraph 774.**

774.1 Had Deloitte not made the First HY15 Rebate Representations, the First HY15 Rebate Opinion Representations, or engaged in the First HY15 Rebate Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed 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 and would have become aware of the Rebate Drive Buying Practices;
- (b) would not have formed the view that:
  - (i) there had been a significant improvement in the quality of information and supporting evidence for rebates accrued; or
  - (ii) there had been a number of improvements in the recognition and reconciliation process around O&A rebates in the half year; or
  - (iii) all claims were uploaded in Profectus and there was an automatic interface with the accounting system; or
  - (iv) 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, and would have become aware of the matters referred to in the First Mills Affidavit at [92], [95], [102], [165] to [183], [191] to [194] and [208] to [225] and/or the matters referred to in Basford at [86];
- (c) 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;
- (d) would not have permitted DSH to account for rebates in that manner;
- (e) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in HY15 and thereafter;
- (f) in the case of Wavish, Raine and Ishak, would not have joined 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;

- (g) would not have joined in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (h) in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (i) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (j) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

774.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

774.4 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.

774.5 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.

774.6 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 HY15 Rebate Representations and/or the First HY15 Rebate Opinion Representations and/or engaged in the First HY15 Rebate Conduct.

774.7 Further particulars may be provided following evidence.

HY15 No Internal Control Deficiencies Representation

**Paragraph 775.**

775.1 Had Deloitte not made the HY15 Internal Control Deficiencies Representation, 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 not have formed 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) would have become aware of the matters referred to in the First Mills Affidavit at [92], [95], [102], [165] to [183], [191] to [194] and [208] to [225] and/or the matters referred to in Basford at [86];
- (d) would have been advised by Deloitte that it was necessary for DSH to implement new controls to address those matters;
- (e) would have ensured that DSH implemented new controls to address those matters;
- (f) in the case of Wavish, Raine and Ishak, would not have joined 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;
- (g) would not have joined in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (h) in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (i) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report;
- (j) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

775.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

775.3 Further, or in the alternative, had the above steps been taken, the implementation of new controls to address those matters 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.

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

- (a) DSH would only have recognised rebates, including O&A rebates, when it was appropriate to do so in accordance with the Australian Accounting Standards;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

775.5 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.

775.6 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 HY15 No Internal Control Deficiencies Representation.

775.7 Further particulars may be provided following evidence.

First HY15 impairment representation, opinion and conduct

**Paragraph 776.**

776.1 Had Deloitte not made the First HY15 Impairment Representations, the First HY15 Impairment Opinion Representations, or engaged in the First HY15 Impairment Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that no impairments of fixed assets had arisen in HY15;
- (b) would have become aware of the matters referred to in Basford at [185]-[192];
- (c) would have ensured that DSH conducted appropriate impairment testing in respect of HY15 and that that testing was reviewed by Deloitte;
- (d) in the case of Wavish, Raine and Ishak, would not have joined 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;
- (e) would not have joined 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, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (g) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (h) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

776.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

776.3 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.

776.4 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 HY15 Impairment Representations and/or the First HY15

Impairment Opinion Representations and/or engaged in the First HY15 Impairment Conduct.

776.5 Further particulars may be provided following evidence.

Second HY15 inventory representations, opinions and conduct

**Paragraph 777.**

777.1 Had Deloitte not made the Second HY15 Inventory Representations, the Second HY15 Inventory Opinion Representations, or engaged in the Second HY15 Inventory Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed 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;
- (b) would not have permitted DSH to account for inventory in that manner;
- (c) would have become aware that DSH had Inadequate Inventory Management;
- (d) 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;
- (e) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a);
- (f) would have taken steps to ensure that after HY15 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;
- (g) would not have joined in the resolution made by the Board on 16 February 2015 to pay the 2015 Interim Dividend;
- (h) in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (i) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (j) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

777.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would have 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;



- (b) in the premises, after HY15:
  - (i) DSH would not have had Inadequate Inventory Management;
  - (ii) DSH would not have acquired and accumulated significant quantities of Bad Stock.

777.4 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:

- (a) 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) 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.

777.5 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.

777.6 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 HY15 Inventory Representations and/or the Second HY15 Inventory Opinion Representations and/or engaged in the Second HY15 Inventory Conduct.

777.7 Further particulars may be provided following evidence.

Second HY15 rebate representations, opinions and conduct

**Paragraph 778.**

778.1 Had Deloitte not made the Second HY15 Rebate Representations, the Second HY15 Rebate Opinion Representations, or engaged in the Second HY15 Rebate Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that there had been a significant improvement in the quality of information and supporting evidence for rebates accrued and would have become aware of the matters referred to in the First Mills Affidavit at [92], [95], [102], [165] to [183], [191] to [194] and [208] to [225] and/or the matters referred to in Basford at [86];
- (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;
- (d) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in HY15 and thereafter;
- (e) would not have joined 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, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (g) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (h) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

778.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

778.4 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.

778.5 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.

778.6 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 HY15 Rebate Representations and/or the Second HY15 Rebate Opinion Representations and/or engaged in the Second HY15 Rebate Conduct.

778.7 Further particulars may be provided following evidence.

HY15 Anticipated Unqualified Review Report representation and conduct

**Paragraph 779.**

779.1 Had Deloitte not made the HY15 Anticipated Unqualified Review Report Representations, the HY15 Anticipated Unqualified Review Report Opinion Representations, or engaged in the HY15 Unqualified Anticipated Review 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 review report;
- (b) would not have formed the view that the HY15 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 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 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 HY15 and thereafter;
- (g) would not have formed 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;
- (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 HY15 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;
- (m) would not have joined 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, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (o) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report;
- (p) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

779.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

779.4 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.

779.5 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, after HY15:

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

779.6 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) 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) 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.

779.7 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.

779.8 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 HY15 Anticipated Unqualified Review Report Representations and/or engaged in the HY15 Anticipated Unqualified Review Report Conduct.

779.9 Further particulars may be provided following evidence.

Second HY15 impairment representation, opinion and conduct

**Paragraph 780.**

780.1 Had Deloitte not made the Second HY15 Impairment Representations, the Second HY15 Impairment Opinion Representations, or engaged in the Second HY15 Impairment Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would not have formed the view that no impairments of fixed assets had arisen in HY15;
- (b) would not have formed the view that DSH's asset impairment review complied with Australian Accounting Standards, including AASB 136;
- (c) would have become aware of the matters referred to in Basford at [185] to [192];
- (d) would have ensured that DSH conducted appropriate impairment testing in respect of HY15 and that that testing was reviewed by Deloitte;
- (e) would not have joined 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, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;

- (g) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (h) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

780.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

780.3 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 HY15 Impairment Representations and/or the Second HY15 Impairment Opinion Representations and/or engaged in the Second HY15 Impairment Conduct.

780.4 Further particulars may be provided following evidence.

HY15 unqualified review report representations, opinions and conduct

**Paragraph 781.**

781.1 Had Deloitte not made the HY15 Unqualified Review Report Representations, the HY15 Unqualified Review Report Opinion Representations, or engaged in the HY15 Unqualified Review Report Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have been informed by Deloitte of the basis on which they were not going to provide an unqualified review report and been informed of the reasons;
- (b) would not have formed the view that the HY15 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 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 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 HY15 and thereafter;

- (g) would not have formed 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;
- (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 HY15 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;
- (m) would have rescinded the resolution to pay the 2015 Interim Dividend;
- (n) in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (o) would not have joined in the resolution made by the Board on 16 February 2015 to adopt the HY15 Financial Report; and
- (p) would not have permitted DSH to release the HY15 Financial Report on 16 February 2015.

781.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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



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

781.4 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.

781.5 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, after HY15:

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

781.6 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) 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) 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.

781.7 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.

781.8 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 HY15 Unqualified Review Report Representations and/or the HY15 Unqualified Review Report Opinion Representations and/or engaged in the HY15 Unqualified Review Report Conduct.

781.9 Further particulars may be provided following evidence.

HY15 Corporations Act compliance representations, opinions and conduct

**Paragraph 782.**

782.1 Had Deloitte not made the HY15 Corporations Act Compliance Representations, HY15 Corporations Act Compliance Opinion Representations, or engaged in the HY15 Corporations Act Compliance Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have been informed by Deloitte of the basis on which they would not provide an unqualified review report;
- (b) would not have formed the view that the HY15 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 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 and would have become aware that it did not do so;
- (d) would have rescinded the resolution to pay the 2015 Interim Dividend;
- (e) further, or in the alternative, in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (f) would have rescinded the resolution to adopt the HY15 Financial Report;
- (g) further or in the alternative, would not have permitted DSH to release the HY15 Financial Report;
- (h) 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;
- (i) would not have permitted DSH to account for rebates in that manner;
- (j) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in HY15 and thereafter;

- (k) would not have formed 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;
- (l) would not have permitted DSH to account for inventory in that manner;
- (m) would have become aware that DSH had Inadequate Inventory Management;
- (n) 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;
- (o) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (p) would have taken steps to ensure that after HY15 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.

782.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

782.4 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.

782.5 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, after HY15:

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

782.6 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) 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) 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;
- (h) the 2015 Final Dividend would not have been declared or paid.

782.7 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.

782.8 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 HY15 Corporations Act Compliance Representations and/or the HY15 Corporations Act Compliance Opinion Representations and/or engaged in the HY15 Corporations Act Compliance Conduct.

782.9 Further particulars may be provided following evidence.

HY15 review compliance representations, opinions and conduct

**Paragraph 783.**

783.1 Had Deloitte not made the HY14 Audit Compliance Representations, HY15 Review Compliance Opinion Representations, or engaged in the HY15 Review Compliance Conduct, Wavish, Raine, Cave, Murray, Ishak and DSH:

- (a) would have become aware that Deloitte had not prepared the HY15 Audit in accordance with the Auditing Standards applicable for a half-year review;
- (b) would not have formed the view that the HY15 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 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 that date and would have become aware that it did not do so;
- (d) would have rescinded the resolution to pay the 2015 Interim Dividend;
- (e) further, or in the alternative, in the case of Raine, Ishak and Murray, would not have permitted DSH to pay the 2015 Interim Dividend on 30 April 2015;
- (f) would have rescinded the resolution to adopt the HY15 Financial Report;
- (g) further or in the alternative, would not have permitted DSH to release the HY15 Financial Report;
- (h) 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;
- (i) would not have permitted DSH to account for rebates in that manner;
- (j) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in HY15 and thereafter;
- (k) would not have formed 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;
- (l) would not have permitted DSH to account for inventory in that manner;
- (m) would have become aware that DSH had Inadequate Inventory Management;
- (n) 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;

- (o) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (p) would have taken steps to ensure that after HY15 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.

783.2 Had the above steps been taken, the 2015 Interim Dividend would not have been paid.

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

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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;
- (c) the 2015 Interim Dividend would not have been paid;
- (d) 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
- (e) the 2015 Final Dividend would not have been declared or paid.

783.4 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.

783.5 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, after HY15:

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

783.6 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.

783.7 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.

783.8 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 HY15 Review Compliance Representations and/or the HY15 Review Compliance Opinion Representations and/or engaged in the HY15 Review Compliance Conduct.

783.9 Further particulars may be provided following evidence.

#### **HY15 recovery of loss or damage**

##### *First HY15 inventory representations, opinions and conduct*

#### **Paragraph 784.**

784.1 Paragraph 773 and the particulars to that paragraph (including any documents referred to) are repeated.

First HY15 rebate representations, opinions and conduct

**Paragraph 785.**

785.1 Paragraph 774 and the particulars to that paragraph (including any documents referred to) are repeated.

HY15 No Internal Control Deficiencies Representation

**Paragraph 786.**

786.1 Paragraph 775 and the particulars to that paragraph (including any documents referred to) are repeated.

First HY15 impairment representation, opinion and conduct

**Paragraph 787.**

787.1 Paragraph 776 and the particulars to that paragraph (including any documents referred to) are repeated.

Second HY15 inventory representations, opinions and conduct

**Paragraph 788.**

788.1 Paragraph 777 and the particulars to that paragraph (including any documents referred to) are repeated.

Second HY15 rebate representations, opinions and conduct

**Paragraph 789.**

789.1 Paragraph 778 and the particulars to that paragraph (including any documents referred to) are repeated.

HY15 Anticipated Unqualified Review Report representation and conduct

**Paragraph 790.**

790.1 Paragraph 779 and the particulars to that paragraph (including any documents referred to) are repeated.

Second HY15 impairment representation, opinion and conduct

**Paragraph 791.**

791.1 Paragraph 780 and the particulars to that paragraph (including any documents referred to) are repeated.



*HY15 unqualified review report representations, opinions and conduct*

**Paragraph 792.**

792.1 Paragraph 781 and the particulars to that paragraph (including any documents referred to) are repeated.

*HY15 Corporations Act compliance representations, opinions and conduct*

**Paragraph 793.**

793.1 Paragraph 782 and the particulars to that paragraph (including any documents referred to) are repeated.

*HY15 review compliance representations, opinions and conduct*

**Paragraph 794.**

794.1 Paragraph 783 and the particulars to that paragraph (including any documents referred to) are repeated.

**HY15 representations that services were of a particular standard or quality**

*ASRE 2410*

**Paragraph 795.**

795.1 Paragraph 740 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 796.**

796.1 Paragraph 740 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 797.** Intentionally blank

**Paragraph 798.**

798.1 Paragraph 710(dd) and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 799.**

799.1 Paragraph 710(dd) and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 800.** Intentionally blank

**Paragraph 801.**

801.1 Paragraph 770 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 802.**

802.1 Paragraph 783 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 803.**

803.1 Paragraph 794 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 804.** Intentionally blank

**Paragraph 805.**

805.1 The particulars to paragraph 712 (including any documents referred to) are repeated.

**Paragraph 806.**

806.1 The particulars to paragraph 715 (including any documents referred to) are repeated.

**Paragraph 806A.**

806A.1 The particulars to paragraph 718 (including any documents referred to) are repeated.

**Paragraph 807.**

807.1 The particulars to paragraph 721 (including any documents referred to) are repeated.

**Paragraph 808.**

808.1 The particulars to paragraph 724 (including any documents referred to) are repeated.

**Paragraph 809.**

809.1 The particulars to paragraph 727 (including any documents referred to) are repeated.

**Paragraph 810.**

810.1 The particulars to paragraph 732 (including any documents referred to) are repeated.

**Paragraph 811.**

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

**Paragraph 812.**

812.1 The particulars to paragraph 735 (including any documents referred to) are repeated.

**Paragraph 813.**

813.1 The particulars to paragraph 738 (including any documents referred to) are repeated.

**Paragraph 814.**

814.1 The particulars to paragraph 741 (including any documents referred to) are repeated.

**Paragraph 815.** Intentionally blank

**Paragraph 816.** Intentionally blank

**Paragraph 817.** Intentionally blank

**Paragraph 818.** Intentionally blank

**Paragraph 818A** Intentionally blank

**Paragraph 819.** Intentionally blank

**Paragraph 820.** Intentionally blank

**Paragraph 821.** Intentionally blank

**Paragraph 822.** Intentionally blank

**Paragraph 823.** Intentionally blank

**Paragraph 824.** Intentionally blank

**Paragraph 825.** Intentionally blank

**Paragraph 826.** Intentionally blank

**Paragraph 827.** Intentionally blank

**Paragraph 828.**

828.1 Paragraphs 773 and 817 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 829.**

829.1 Paragraphs 774 and 818 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 829A**

829A.1 Paragraphs 775 and 818A and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 830.**

830.1 Paragraphs 776 and 819 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 831.**

831.1 Paragraphs 777 and 820 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 832.**

832.1 Paragraphs 778 and 821 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 833.**

833.1 Paragraphs 780 and 822 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 833A.**

833A.1 Paragraphs 779 and 823 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 834.**

834.1 Paragraphs 781 and 824 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 835.**

835.1 Paragraphs 782 and 825 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 836.**

836.1 Paragraphs 783 and 826 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 837.**

837.1 Paragraphs 784 to 794 and the particulars to those paragraphs (including any documents referred to) are repeated.

**XIV. HY15 BREACH OF DUTY OF CARE****HY15 Duty of Care****Paragraph 838.**

838.1 Paragraphs 484 and 485 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 839.** Intentionally blank

**Paragraph 840.** Intentionally blank

**Paragraph 841.** Intentionally blank

**Paragraph 842.** Intentionally blank

**Paragraph 843.** Intentionally blank

**Paragraph 844.**

844.1 Paragraph 500 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 845.**

845.1 Paragraphs 484 and 485 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 846.**

846.1 DSH was under a statutory obligation pursuant to s 302 of the Corporations Act to have the HY15 Financial Report reviewed in accordance with Division 3 of the Corporations Act and obtain an auditor's report.

846.2 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 HY15 Financial Report by professional auditors subject to the HY15 Statutory Review Obligations.

846.3 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 Engagement and, to that extent, was unable to make an informed decision whether it was necessary or appropriate to terminate the Engagement and engage another auditor in place of Deloitte.

846.4 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 FY15 Deloitte Retainer.

**Paragraph 847.**

847.1 The matters at paragraph 846 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 HY15 Financial Report;
- (b) the FY15 Deloitte Retainer;
- (c) sections 296, 297 and 301 of the Corporations Act; and
- (d) the facts pleaded in paragraphs 838 to 846 and the particulars to those paragraphs (including any documents referred to) above.

**Paragraph 848.** Intentionally blank

**HY15 Breaches of the HY15 Duty of Care****Paragraph 849.**

849.1 Paragraphs 565, 579, 582, 591, 601, 611, 622, 637, 652, 658, 665, 671 and 676 and the particulars to those paragraphs (including any documents referred to) are repeated.

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

**Paragraph 850.**

850.1 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.

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

**HY15 Negligent Misstatement - DSH**

**Paragraph 851.** Intentionally blank

**Paragraph 852.**

852.1 Paragraphs 838 to 843 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 853.** Intentionally blank

**Paragraph 854.**

854.1 Paragraph 849 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 855.**

855.1 Paragraph 850 and the particulars to that paragraph (including any documents referred to) are repeated.

**HY15 Contribution**

**Paragraph 856.** Intentionally blank

**Paragraph 857.** Intentionally blank

**Paragraph 858.** Intentionally blank

**Paragraph 859.**

859.1 Paragraph 850 and the particulars to that paragraph (including any documents referred to) are repeated.

**HY15 Equitable Contribution**

**Paragraph 860.** Intentionally blank

**Paragraph 861.** Intentionally blank

**Paragraph 862.** Intentionally blank

**Paragraph 863.** Intentionally blank

**Paragraph 864.** Intentionally blank

**Paragraph 865.** Intentionally blank

**Paragraph 866.** Intentionally blank

**Paragraph 867.**

867.1 Paragraph 850 and the particulars to that paragraph (including any documents referred to) are repeated.

**FY15 AUDIT****XV. FY15 AUDIT OBLIGATIONS****DSH's FY15 Statutory Obligations**

**Paragraph 868.** Intentionally blank

**Paragraph 869.** Intentionally blank

**Paragraph 870.** Intentionally blank

**Paragraph 871.**

871.1 The NED Cross-Claimants rely upon the whole of the Full Year Accounting Standards for their full force and effect.

**Deloitte's FY15 Statutory Auditing Obligations**

**Paragraph 872.** Intentionally blank

**Paragraph 873.**

873.1 The NED Cross-Claimants rely upon the whole of the Full Year Auditing Standards (as in force at the relevant time) for their full force and effect.

873.2 The Full Year Auditing Standards in force during the FY15 Audit included:

- (a) ASA 200 (11 November 2013);
- (b) ASA 230 (11 November 2013);
- (c) ASA 240 (11 November 2013);

- (d) ASA 260 (11 November 2013);
- (e) ASA 265 (11 November 2013);
- (f) ASA 300 (11 November 2013);
- (g) ASA 315 (11 November 2013);
- (h) ASA 330 (27 October 2009);
- (i) ASA 500 (11 November 2013);
- (j) ASA 501 (27 June 2011);
- (k) ASA 520 (27 October 2009);
- (l) ASA 530 (27 October 2009);
- (m) ASA 540 (27 June 2011);
- (n) ASA 570 (1 July 2013);
- (o) ASA 580 (1 July 2013);
- (p) ASA 600 (11 November 2013);
- (q) ASA 700 (1 July 2013);
- (r) ASA 701 (27 June 2007).

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

#### **FY15 Deloitte Retainer**

**Paragraph 874.** Intentionally blank

**Paragraph 875.** Intentionally blank

#### **Paragraph 876.**

876.1 Paragraph 483 and the particulars to that paragraph (including any documents referred to) are repeated.

#### **Paragraph 877.**

877.1 Paragraph 484 and the particulars to that paragraph (including any documents referred to) are repeated.

#### **Paragraph 878.**

878.1 Paragraph 485 and the particulars to that paragraph (including any documents referred to) are repeated.

#### **Paragraph 879.**

879.1 Paragraph 486 and the particulars to that paragraph (including any documents referred to) are repeated.



**Paragraph 880.**

880.1 The term was express and contained on page 2 of the FY15 Engagement Letter.

**Paragraph 881.**

881.1 The term was express and contained on page 2 of the FY15 Engagement Letter.

**Paragraph 882.**

882.1 The term was express and contained on page 2 of the FY15 Engagement Letter.

**XVI. DELOITTE'S CONDUCT OF THE FY15 AUDIT**

**FY15 Audit Strategy**

**Paragraph 883.** Intentionally blank

**FAC Meeting on 19 May 2015**

**Paragraph 884.**

884.1 FAC Minutes for the FAC Meeting held on 19 May 2015.<sup>447</sup>

**Paragraph 885.**

885.1 FAC Minutes for the FAC Meeting held on 19 May 2015.<sup>448</sup>

**Performance of the FY15 Audit**

**Paragraph 886.**

886.1 FY15 Audit Strategy Presentation, section 6 "Appendix B – FY15 Timetable", page 14.<sup>449</sup>

**Paragraph 887.** Intentionally blank

**FY15 FAC Report**

**Paragraph 888.**

888.1 FY15 FAC Report.<sup>450</sup>

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<sup>447</sup> DSE.600.003.3463

<sup>448</sup> DSE.600.003.3463

<sup>449</sup> DSE.003.043.8812 at 8825

<sup>450</sup> DSE.003.035.7799

## **FAC Meeting on 11 August 2018**

### **Paragraph 889.**

889.1 FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>451</sup>

### **Paragraph 890.**

890.1 FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>452</sup>

## **FY15 Board meeting**

### **Paragraph 891.**

891.1 Board Minutes for the Board Meeting held on 17 August 2015.<sup>453</sup>

### **Paragraph 892.**

892.1 Board Minutes for the Board Meeting held on 17 August 2015.<sup>454</sup>

### **Paragraph 893.**

893.1 Board Minutes for the Board Meeting held on 17 August 2015.<sup>455</sup>

## **FY15 Audit Report**

### **Paragraph 894.**

894.1 The FY15 Audit Report appears at pages 49 to 50 of the DSH Annual Report 2015.

### **Paragraph 895.**

895.1 FY15 Audit Report.

## **FY15 Financial Report**

### **Paragraph 896.**

896.1 FY15 Financial Report.

### **Paragraph 897.**

897.1 FY15 Financial Report, "Consolidated Statement of Profit or Loss and Other Comprehensive Income", page 52.

### **Paragraph 898.**

898.1 FY15 Financial Report, "Consolidated Statement of Financial Position", page 53.

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<sup>451</sup> DSE.003.033.3813- DSE.003.033.3816

<sup>452</sup> DSE.003.033.3813- DSE.003.033.3816

<sup>453</sup> DSE.600.003.2095- DSE.600.003.2097

<sup>454</sup> DSE.600.003.2095- DSE.600.003.2097

<sup>455</sup> DSE.600.003.2095- DSE.600.003.2097

**Paragraph 899.**

899.1 FY15 Financial Report, Note 4 "Segment Information", page 66.

**FY15 Inventories****Paragraph 900.**

900.1 FY15 FAC Report, section 3 "Key Areas of Focus and Audit Response", sub-section 3.2 "Inventory – Costing Adjustments", page 8.<sup>456</sup>

**FY15 Rebates****Paragraph 901.**

901.1 First Mills Affidavit at [276]-[277] (including any documents referred to).

901.2 Deloitte work papers entitled:

(a) "2331AU Receivables Testing";<sup>457</sup> and

(b) "2331AU Receivables Testing\_Detail View".<sup>458</sup>

**Paragraph 902.**

902.1 Paragraph 901 and the particulars to that paragraph (including any documents referred to) are repeated.

**XVII. FY15 RISKS OF HARM****FY15 risks relating to FY14 audit findings**

**Paragraph 903.** Intentionally blank

**Paragraph 904.**

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

**Paragraph 905.**

905.1 Paragraph 519 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 906.**

906.1 Paragraph 520 and the particulars to that paragraph (including any documents referred to) are repeated.

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<sup>456</sup> DSE.003.035.7799 at 7806

<sup>457</sup> DEL.001.002.1462

<sup>458</sup> DEL.001.002.1463

**FY15 risks relating to rebates****Paragraph 907.** Intentionally blank**Paragraph 908.**

908.1 Paragraphs 20, 153 to 155, 255 and 522 and the particulars to those paragraphs (including any documents referred to) are repeated.

908.2 Deloitte work papers entitled:

- (a) "23000\_23100\_RSV\_Plan Control Testing"<sup>459</sup>; and
- (b) "23000\_23100\_RSV\_Plan Substantive Testing"<sup>460</sup>

**Paragraph 909.**

909.1 Paragraphs 20, 153 to 155, 255 and 523 and the particulars to those paragraph (including any documents referred to) are repeated.

909.2 Deloitte work papers entitled:

- (a) "23000\_23300\_Procedures to Address Risks Summary"<sup>461</sup>;
- (b) "23000\_23300\_RSV\_Conclude on Control Testing"<sup>462</sup>;
- (c) "26000\_26300\_RSV\_Conclude on Control Testing"<sup>463</sup>; and
- (d) "22310 Rebates Management Business Cycle - D&I Testing"<sup>464</sup>

**Paragraph 910.** Intentionally blank**Recognition of O&A rebates as receivables****Paragraph 911.** Intentionally blank**Paragraph 912.**

912.1 Paragraphs 158, 255 to 257 and 527 and the particulars to those paragraphs (including any documents referred to) are repeated.

912.2 Deloitte work papers entitled:

- (a) "23303 Memo - Vendor receivables and disputed claims"<sup>465</sup> and
- (b) "23311AU Receivable Testing"<sup>466</sup>

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<sup>459</sup> DEL.001.002.4390

<sup>460</sup> DEL.001.002.4391

<sup>461</sup> DEL.001.002.4395

<sup>462</sup> DEL.001.002.4396

<sup>463</sup> DEL.001.002.4531

<sup>464</sup> DEL.001.002.1226

<sup>465</sup> DEL.001.002.1449

<sup>466</sup> DEL.0001.002.1462

**Paragraph 913.**

913.1 Paragraphs 159, 255 to 257 and 528 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 914.** Intentionally blank

**Rebate treatment Risks**

**Paragraph 915.** Intentionally blank

**Paragraph 916.**

916.1 Paragraphs 109 to 115, 161, 255 to 257 and 531 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 917.**

917.1 Paragraphs 109 to 115, 162, 255 to 257 and 532 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 918.** Intentionally blank

**FY15 risks relating to COS**

**Paragraph 919.** Intentionally blank

**Paragraph 920.**

920.1 Paragraphs 109 to 115, 164, 255 to 257 and 535 and the particulars to those paragraphs (including any documents referred to) are repeated.

920.2 Deloitte work paper entitled "26000\_26200\_Procedures to Address Risks Summary"<sup>467</sup>

**Paragraph 921.**

921.1 Paragraphs 109 to 115, 165, 255 to 257 and 536 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 922.** Intentionally blank

**FY15 risks relating to inventory**

**Paragraph 923.** Intentionally blank

**Paragraph 924.**

924.1 Paragraphs 167 to 170, 272 to 299 and 539 and the particulars to those paragraphs (including any documents referred to) are repeated.

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<sup>467</sup> DEL.001.002.4521

924.2 Deloitte work papers entitled:

- (a) "23000\_23400\_RSV\_Plan Control Testing"<sup>468</sup>;
- (b) "22201 Expenditure & Inventory Management Business Cycle - D&I Testing"<sup>469</sup>;
- (c) "23410AU Inventories - Leadsheet and testing"<sup>470</sup>; and
- (d) "23000\_23400\_RSV\_Identify Risks"<sup>471</sup>.

**Paragraph 925.**

925.1 Paragraphs 169 and 539 to 540 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 926.** Intentionally blank

**FY15 risks relating to journal entries**

**Paragraph 927.** Intentionally blank

**Paragraph 928.**

928.1 Paragraphs 171 to 173, 227 to 254 and 543 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 929.**

929.1 Paragraphs 172 and 543 to 544 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 930.** Intentionally blank

**FY15 risks relating to other accounting issues**

**Paragraph 931.**

931.1 Paragraphs 301 to 310 and 546 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 932.**

932.1 Paragraphs 301 to 310 and 547 and the particulars to those paragraphs (including any documents referred to) are repeated.

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<sup>468</sup> DEL.001.002.4408

<sup>469</sup> DEL.001.002.1208

<sup>470</sup> DEL.001.002.1509

<sup>471</sup> DEL.001.002.4407

**Paragraph 933.** Intentionally blank

## **XVIII. FY15 AUDIT DEFICIENCIES**

### **FY15 recognition of unclaimed FY15 O&A rebates as assets**

**Paragraph 934.** Intentionally blank

**Paragraph 935.**

935.1 Deloitte's testing of Account 1392 for the purpose of the FY15 Audit was documented in the work papers entitled:

- (a) "23311AU Receivable Testing", Tab 3<sup>472</sup>.; and
- (b) "23311AU Receivable Testing\_Detail View".<sup>473</sup>

**Paragraph 936.**

936.1 The particulars to paragraph 935 (including any documents referred to) are repeated.

**Paragraph 937.**

937.1 Paragraph 177 and the particulars to that paragraph (including any documents referred to) are repeated

**Paragraph 938.**

938.1 Paragraph 178 and the particulars to that paragraph (including any documents referred to) are repeated

**Paragraph 939.**

939.1 Paragraph 179 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 940.** Intentionally blank

**Paragraph 941.**

941.1 Paragraph 181 and the particulars to that paragraph (including any documents referred to) are repeated

**Paragraph 942.**

942.1 Paragraph 182 and the particulars to that paragraph (including any documents referred to) are repeated.

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<sup>472</sup> DEL.001.002.1462

<sup>473</sup> DEL.001.002.1463

**Paragraph 943.**

943.1 Paragraphs 132 and 941 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 944.** Intentionally blank

**Paragraph 945.**

945.1 The particulars to paragraphs 934 to 944 (including any documents referred to) are repeated.

**Paragraph 946.** Intentionally blank

**Paragraph 947.**

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

**FY15 inadequate testing of Account 1392**

**Paragraph 948.** Intentionally blank

**Paragraph 949.**

949.1 The particulars to paragraph 190 (including any documents referred to) are repeated.

**Paragraph 950.** Intentionally blank

**Paragraph 951.**

951.1 The particulars to paragraph 192 (including any documents referred to) are repeated.

**Paragraph 952.**

952.1 Paragraphs 935 and 936 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 953.** Intentionally blank

**Paragraph 954.**

954.1 Deloitte work papers entitled:

- (a) "26511AU Operating Expenses Testing";<sup>474</sup>
- (b) "23311AU Receivable Testing";<sup>475</sup>
- (c) "23303 Memo - Vendor receivables and disputed claims";<sup>476</sup>
- (d) "23302AU Trade Accounts Receivable Testing\_Detail View"<sup>477</sup>.

954.2 Deloitte was aware, or ought to have been aware, from the provision of the documents referred to in paragraphs 111 and/or 113 that the economic substance of the rebates recorded

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<sup>474</sup> DEL.001.002.2629

<sup>475</sup> DEL.001.002.1462

<sup>476</sup> DEL.001.002.1449

<sup>477</sup> DEL.001.001.3953



in Account 1392 was that they related to inventory and that their description as "marketing support" did not properly reflect their economic substance.

954.3 Deloitte's documentation does not enable an independent auditor to conclude the activity which earns the rebate was complete and / or that the stock subject of the promotion had been sold by 29 June 2015.

### **FY15 inadequate testing of Account 4232**

**Paragraph 955.** Intentionally blank

**Paragraph 956.** Intentionally blank

**Paragraph 957.** Intentionally blank

**Paragraph 958.**

958.1 Deloitte work papers entitled :

- (a) "26511AU Operating Expenses Testing";<sup>478</sup> and
- (b) "26511AU Operating Expenses Testing\_Detail View".<sup>479</sup>

**Paragraph 959.**

959.1 The particulars to paragraph 958 (including any documents referred to) are repeated.

**Paragraph 960.**

960.1 The particulars to paragraph 958 (including any documents referred to) are repeated.

**Paragraph 961.**

961.1 The particulars to paragraphs 958 to 960 (including any documents referred to) are repeated.

**Paragraph 962.**

962.1 The particulars to paragraphs 958 to 960 (including any documents referred to) are repeated.

**Paragraph 963.**

963.1 The particulars to paragraphs 958 to 960 (including any documents referred to) are repeated.

**Paragraph 964.** Intentionally blank

**Paragraph 965.**

965.1 Paragraphs 937 and 957 and the particulars to those paragraphs (including any documents referred to) are repeated.

965.2 Basford at [88] to [97].

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<sup>478</sup> DEL.001.002.2629

<sup>479</sup> DEL.001.002.2630

**Paragraph 966.**

966.1 The particulars to paragraphs 958 to 960 (including any documents referred to) are repeated.

**Paragraph 967.** Intentionally blank

**Paragraph 968.**

968.1 Paragraphs 978 and 982 and the particulars to those paragraphs (including any documents referred to) are repeated.

**FY15 inadequate testing of Account 3324**

**Paragraph 969.** Intentionally blank

**Paragraph 970.**

970.1 The particulars to paragraph 190 (including any documents referred to) are repeated.

**Paragraph 971.**

971.1 The particulars to paragraph 190 (including any documents referred to) are repeated.

**Paragraph 972.**

972.1 Deloitte's testing of accounts comprising COS was contained within the work paper entitled "*26310AU Cost of sales Combined Leadsheet and testing*<sup>480</sup>."

**Paragraph 973.**

973.1 ASA 500 [A54] provides that an auditor may decide to select specific items from a population. Specific items selected may include high value or key items

**Paragraph 974.**

974.1 ASA 530 [A13] provides that the principal methods of selecting samples are the use of random selection, systematic selection and haphazard selection.

974.2 The particulars to paragraph 972 (including any documents referred to) are repeated.

**Paragraph 975.**

975.1 ASA 530 [A12] provides that "it is important that the auditor selects a representative sample, so that bias is avoided, by choosing sample items which have characteristics typical of the population."

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<sup>480</sup> DEL.001.002.2598

**Paragraph 976.** Intentionally blank

**Paragraph 977.** Intentionally blank

**Paragraph 978.**

978.1 First Mills affidavit at [149] (including any documents referred to).

978.2 Journal entry 409859 is contained in DRM.025.001.0065.

**Paragraph 979.**

979.1 The particulars to paragraphs 974 to 975 (including any documents referred to) are repeated.

**Paragraph 980.**

980.1 The particulars to paragraph 972 (including any documents referred to) are repeated.

**Paragraph 981.** Intentionally blank

**Paragraph 982.**

982.1 The particulars to paragraphs 971 to 975 and 978 to 979 (including any documents referred to) are repeated.

#### **FY15 inadequate Journal testing**

**Paragraph 983.** Intentionally blank

**Paragraph 984.** Intentionally blank

**Paragraph 985.**

985.1 Deloitte work papers entitled:

(a) "21303 Journal Entry Testing (JET) memo"<sup>481</sup>; and

(b) "21306 JET – Substantive AUS"<sup>482</sup>.

**Paragraph 986.**

986.1 The particulars to paragraph 985 (including any documents referred to) are repeated.

**Paragraph 987.**

987.1 The particulars to paragraph 985 (including any documents referred to) are repeated.

**Paragraph 988.** Intentionally blank

**Paragraph 989.**

989.1 Paragraphs 241 to 243 and the particulars to those paragraphs (including any documents referred to) are repeated.

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<sup>481</sup> DEL.001.002.1085

<sup>482</sup> DEL.001.002.1093

**Paragraph 990.**

990.1 Paragraphs 241 to 243 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 991.**

991.1 The particulars to paragraph 595 (including any documents referred to) are repeated.

**Paragraph 992.**

992.1 The particulars to paragraph 980 (including any documents referred to) are repeated.

**Paragraph 993.** Intentionally blank

**Paragraph 994.**

994.1 Deloitte work paper entitled "*Journal Listing P1 to P9*"<sup>483</sup>

**Paragraph 995.**

995.1 Deloitte work paper entitled ""21306 JET – Substantive AUS"<sup>484</sup>

**Paragraph 996.**

996.1 Deloitte work paper entitled ""21306 JET – Substantive AUS"<sup>485</sup>

**Paragraph 997.**

997.1 Paragraphs 241 to 243 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 998.**

998.1 Paragraphs 241 to 243 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 999.**

999.1 Paragraphs 241 to 243 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1000.**

1000.1 Paragraph 985 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1001.**

1001.1 Paragraph 985 and the particulars to that paragraph (including any documents referred to) are repeated.

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<sup>483</sup> DEL.001.002.0359

<sup>484</sup> DEL.001.002.1093

<sup>485</sup> DEL.001.002.1093

**Paragraph 1002.**

1002.1 Paragraph 985 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1003.** Intentionally blank

**Paragraph 1004.**

1004.1 Paragraph 985 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1005.**

1005.1 The particulars to paragraphs 249 and 1004 (including any documents referred to) are repeated.

**Paragraph 1006.** Intentionally blank

**Paragraph 1007.**

1007.1 Paragraph 987 and the particulars to that paragraph (including any documents referred to) are repeated.

1007.2 Journal No 399871 and 409859 would have been selected for testing because it met Deloitte's criteria for selection which was:

- (a) a large numerical value;
- (b) a round and absolute number;
- (c) concerned an area of significant risk, namely rebates; and
- (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.<sup>486</sup>

**Paragraph 1008.**

1008.1 Paragraphs 989 and 990 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1009.** Intentionally blank

**Paragraph 1010.**

1010.1 Paragraph 982 and the particulars to that paragraph (including any documents referred to) are repeated.

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<sup>486</sup> DEL.001.002.1085

**Paragraph 1011.**

1011.1 Journal No 408670, Journal No 409667, Journal No 409668, Journal No 409669 and Journal No 409548 would have been selected for testing because they met Deloitte's criteria for selection which was:

- (a) a large numerical value;
- (b) concerned an area of significant risk, namely rebates; and
- (c) of unusual appearance, being such a large number occurring after the end of the financial period and relating to an area of significant risk.<sup>487</sup>

**Paragraph 1012.**

1012.1 Paragraphs 1000 to 1002 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1013.** Intentionally blank

**Paragraph 1014.**

1014.1 Paragraphs 995 and 996 and the particulars to those paragraphs (including any documents referred to) are repeated.

**FY15 inadequate testing of the Revised Obsolescence Methodology**

**Paragraph 1015.** Intentionally blank

**Paragraph 1016.**

1016.1 Paragraph 289 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1017.**

1017.1 The particulars to paragraph 290 (including any documents referred to) are repeated.

**Paragraph 1018.** Intentionally blank

**Paragraph 1019.**

1019.1 Deloitte work paper entitled "23402 Obsolescence Calc by Item (PBC)"<sup>488</sup>

**Paragraph 1020.**

1020.1 The particulars to paragraph 1019 (including any documents referred to) are repeated.

**Paragraph 1021.**

1021.1 Deloitte work paper entitled "23403 Inventory Obsolescence Memo"<sup>489</sup>

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<sup>487</sup> DEL.001.002.1085

<sup>488</sup> DEL.001.002.1494

<sup>489</sup> DEL.001.002.1498

**Paragraph 1022.** Intentionally blank

**Paragraph 1023.**

1023.1 Paragraphs 1016 and 1017 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1024.**

1024.1 Paragraphs 1019 to 1021 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1025.** Intentionally blank

**Paragraph 1026.**

1026.1 Basford at [130].

1026.2 Borg Affidavit at [74] (including any documents referred to).

**Paragraph 1027.** Intentionally blank

**FY15 failure to advise in relation to improper capitalisation of overhead costs into inventory**

**Paragraph 1028.** Intentionally blank

**Paragraph 1029.**

1029.1 The particulars to paragraph 642 (including any documents referred to) are repeated.

**Paragraph 1030.**

1030.1 The particulars to paragraph 643 (including any documents referred to) are repeated.

**Paragraph 1031.** Intentionally blank

**Paragraph 1032.**

1032.1 The particulars to paragraph 305 (including any documents referred to) are repeated.

**Paragraph 1033.**

1033.1 Paragraphs 1029 and 1030 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1034.**

1034.1 The particulars to paragraph 647 (including any documents referred to) are repeated.

**Paragraph 1035.** Intentionally blank

**Paragraph 1036.** Intentionally blank

**Paragraph 1037.**

1037.1 The particulars to paragraph 310 (including any documents referred to) are repeated.

**Paragraph 1038.** Intentionally blank

**Paragraph 1039.** Intentionally blank

#### **FY15 going concern**

**Paragraph 1040.** Intentionally blank

**Paragraph 1041.**

1041.1 The particulars to paragraph 654 (including any documents referred to) are repeated

**Paragraph 1042.** Intentionally blank

**Paragraph 1043.**

1043.1 The particulars to paragraph 656 (including any documents referred to) are repeated.

**Paragraph 1044.** Intentionally blank

**Paragraph 1045.** Intentionally blank

#### **FY15 deferred tax assets**

**Paragraph 1046.** Intentionally blank

**Paragraph 1047.**

1047.1 The particulars to paragraph 660 (including any documents referred to) are repeated.

**Paragraph 1048.**

1048.1 Basford at [171].

**Paragraph 1049.**

1049.1 The particulars to paragraph 663 (including any documents referred to) are repeated

**Paragraph 1050.** Intentionally blank

**Paragraph 1051.** Intentionally blank

#### **FY15 property, plant and equipment impairment**

**Paragraph 1052.** Intentionally blank

**Paragraph 1053.**

1053.1 The particulars to paragraph 667 (including any documents referred to) are repeated.

**Paragraph 1054.** Intentionally blank

**Paragraph 1055.**

1055.1 Basford at [187].



**Paragraph 1056.**

1056.1 The particulars to paragraph 669 (including any documents referred to) are repeated.

**Paragraph 1057.** Intentionally blank

**Paragraph 1058.** Intentionally blank

**FY15 onerous lease provisions**

**Paragraph 1059.** Intentionally blank

**Paragraph 1060.**

1060.1 The particulars to paragraph 673 (including any documents referred to) are repeated.

**Paragraph 1061.** Intentionally blank

**Paragraph 1062.**

1062.1 The particulars to paragraph 674 (including any documents referred to) are repeated.

**Paragraph 1063.** Intentionally blank

**Paragraph 1064.** Intentionally blank

**XIX. FY15 MISLEADING OR DECEPTIVE CONDUCT****FY15 representations, opinions and conduct****First FY15 inventory representations, opinions and conduct****Paragraph 1065.**

1065.1 The representations in sub-paragraphs 1065(a) to (d) and (f) to (h) were express:

- (a) the representations were made by Deloitte, in writing, in the FY15 FAC Report as alleged in sub-paragraphs 888(k) to (t),<sup>490</sup> and
- (b) the representations were made to Raine, Ishak, Murray, Tomlinson and DSH when they were provided with the FY15 FAC Report.

1065.2 The representations in sub-paragraphs 1065(e), (i) and (j) were implied by reason of:

- (a) the express representations in sub-paragraphs 1065(a) to (d) and (f) to (h);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 1065(a) to (d) and (f) to (h);
- (c) the context in which the representations were made;

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<sup>490</sup> DSE.003.035.7799

- (d) the matters alleged in paragraph 14;
- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(k) to (y).

1065.3 Further particulars may be provided following evidence.

**Paragraph 1066.**

1066.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 1065(a) to (d) and (f) to (h);
- (b) the implied representations in sub-paragraphs 1065(e), (i) and (j);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1065;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(k) to (y).

1066.2 Further particulars may be provided following evidence.

**Paragraph 1067.**

1067.1 The particulars to paragraphs 1065 and/or 1066 (including any documents referred to) are repeated.

First FY15 rebate representations, opinions and conduct**Paragraph 1068.**

1068.1 The representations in sub-paragraphs 1068(a) to (c), (e), (g) and (h) were express:

- (a) the representations were made by Deloitte, in writing, in the FY15 FAC Report as alleged in sub-paragraphs 888(b) to (j);<sup>491</sup> and
- (b) the representations were made to Raine, Ishak, Murray, Tomlinson and DSH when they were provided with the FY15 FAC Report.

1068.2 The representations in sub-paragraphs 1068(d), (f), (i) and (j) were implied by reason of:

- (a) the express representations in sub-paragraphs 1068(a) to (c), (e), (g) and (h);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 1068(a) to (c), (e), (g) and (h);
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(b) to (j).

1068.3 Further particulars may be provided following evidence.

**Paragraph 1069.**

1069.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 1068(a) to (c), (e), (g) and (h);
- (b) the implied representations in sub-paragraphs 1068(d), (f), (i) and (j);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1068;
- (d) the context in which the representations were made;

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<sup>491</sup> DSE.003.035.7799

- (e) the matters alleged in paragraph 14;
- (f) Deloitte's expertise in auditing and accounting matters;
- (g) the FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (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 888(b) to (j).

1069.2 Further particulars may be provided following evidence.

**Paragraph 1070.**

1070.1 The particulars to paragraphs 1068 and/or 1069 (including any documents referred to) are repeated.

**FY15 No Internal Control Deficiencies Representation**

**Paragraph 1071.**

1071.1 The representations in paragraph 1071 were express:

- (a) the representations were made by Deloitte, in writing, in the FY15 FAC Report as alleged in sub-paragraphs 888(ii) and (kk);<sup>492</sup> and
- (b) the representations were made to Raine, Ishak, Murray, Tomlinson and DSH when they were provided with the FY15 FAC Report.

1071.2 Further particulars may be provided following evidence.

**Paragraph 1071A.**

1071A.1 The particulars to paragraph 1071 (including any documents referred to) are repeated.

**Paragraph 1071B.**

1071B.1 The particulars to paragraph 1071 (including any documents referred to) are repeated.

**First FY15 impairment representations, opinion and conduct**

**Paragraph 1072.**

1072.1 The representation in sub-paragraph 1072(a) was express:

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<sup>492</sup> DSE.003.035.7799

- (a) the representations were made by Deloitte, in writing, in the FY15 FAC Report as alleged in sub-paragraph 888(z);<sup>493</sup> and
- (b) the representations were made to Raine, Ishak, Murray, Tomlinson and DSH when they were provided with the FY15 FAC Report.

1072.2 The representation in sub-paragraph 1072(b) was implied by reason of:

- (a) the express representation in sub-paragraph 1072(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 1072(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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(z) to (hh).

1072.3 Further particulars may be provided following evidence.

**Paragraph 1073.**

1073.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 1072(a);
- (b) the implied representation in sub-paragraph 1072(b);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1072;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (h) the terms of the FY15 Deloitte Retainer;

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<sup>493</sup> DSE.003.035.7799

- (i) Deloitte's obligation to exercise due skill and care in the provision of services relating to the FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(z) to (hh).

1073.2 Further particulars may be provided following evidence.

**Paragraph 1073A.**

1073.3 The particulars to paragraphs 1072 and/or 1073 (including any documents referred to) are repeated.

**Second FY15 inventory representations, opinions and conduct**

**Paragraph 1074.**

1074.1 The representations in sub-paragraphs 1074(a) and (b) were express:

- (a) the representations were made orally by White, on behalf of Deloitte, to Tomlinson, Raine, Ishak and Murray at the FAC Meeting held on 11 August 2015; and
- (b) the representations were documented in the FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>494</sup>

1074.2 The representations in sub-paragraphs 1074(c) and (d) were implied by reason of:

- (a) the express representations in sub-paragraphs 1074(a) and (b);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 1074(a) and (b);
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(k) to (y).

<sup>494</sup> DSE.003.033.3813- DSE.003.033.3816

1074.3 Further particulars may be provided following evidence.

**Paragraph 1075.**

1075.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 1074(a) and (b);
- (b) the implied representations in sub-paragraphs 1074(c) and (d);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1074;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(b), 491 and 493; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(k) to (y).

1075.2 Further particulars may be provided following evidence.

**Paragraph 1076.** Paragraph 1076

1076.1 The particulars to paragraphs 1074 and/or 1075 (including any documents referred to) are repeated.

**Second FY15 rebate representations, opinions and conduct**

**Paragraph 1077.**

1077.1 The representation in sub-paragraph 1077(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Tomlinson, Raine, Ishak and Murray at the FAC Meeting held on 11 August 2015; and
- (b) the representation was documented in the FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>495</sup>

1077.2 The representation in sub-paragraph 1077(b) was implied by reason of:

<sup>495</sup> DSE.003.033.3813- DSE.003.033.3816

- (a) the express representation in sub-paragraph 1077(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 1077(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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(b) to (j).

1077.3 Further particulars may be provided following evidence.

**Paragraph 1078.**

1078.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 1077(a);
- (b) the implied representation in sub-paragraph 1077(b);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1077;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(a), 491 and 492; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(b) to (j).

1078.2 Further particulars may be provided following evidence.



**Paragraph 1079.**

1079.1 The particulars to paragraphs 1077 and/or 1078 (including any documents referred to) are repeated.

**Second impairment representations, opinions and conduct****Paragraph 1080.**

1080.1 The representation in sub-paragraph 1080(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Tomlinson, Raine, Ishak and Murray at the FAC Meeting held on 11 August 2015; and
- (b) the representation was documented in the FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>496</sup>

1080.2 The representation in sub-paragraph 1080(b) was implied by reason of:

- (a) the express representation in sub-paragraph 1080(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 1080(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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(z) to (hh).

1080.3 Further particulars may be provided following evidence.

**Paragraph 1081.**

1081.1 The representations were implied by reason of:

- (a) the express representation in sub-paragraph 1080(a);
- (b) the implied representation in sub-paragraph 1080(b);

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<sup>496</sup> DSE.003.033.3813- DSE.003.033.3816

- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1080;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 490(c), 491 and 494; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(z) to (hh).

1081.2 Further particulars may be provided following evidence.

**Paragraph 1082.**

1082.1 The particulars to paragraphs 1080 and/or 1081 (including any documents referred to) are repeated.

**FY15 anticipated unqualified audit report representations and conduct**

**Paragraph 1083.**

1083.1 The representations in sub-paragraphs 1083(a) and (b) were express:

- (a) the representations were made orally by White, on behalf of Deloitte, to Tomlinson, Raine, Ishak and Murray at the FAC Meeting held on 11 August 2015 as alleged in sub-paragraph 890(a); and
- (b) the representations were documented in the FAC Minutes for the FAC Meeting held on 11 August 2015.<sup>497</sup>

1083.2 The representation in sub-paragraph 1083(c) was implied by reason of:

- (a) the express representations in sub-paragraphs 1083(a) and (b);
- (b) the absence of any qualification or reservation in respect of the express representations in sub-paragraphs 1083(a) and (b);
- (c) the context in which the representations were made;
- (d) the matters alleged in paragraph 14;

<sup>497</sup> DSE.003.033.3813- DSE.003.033.3816

- (e) Deloitte's expertise in auditing and accounting matters;
- (f) the FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1083.3 Further particulars may be provided following evidence.

**Paragraph 1084.**

1084.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraph 1083(a) and (b);
- (b) the implied representation in sub-paragraph 1083(c);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1083;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1084.2 Further particulars may be provided following evidence.

**FY15 clearance representations, opinions and conduct**

**Paragraph 1085.**

1085.1 The representation in sub-paragraph 1085(a) was express:

- (a) the representation was made orally by White, on behalf of Deloitte, to Tomlinson, Raine, Ishak and Murray and DSH at the Board Meeting held on 17 August 2015; and
- (b) the representation was documented in the Board Minutes of Board Meeting held on 17 August 2015.<sup>498</sup>

1085.2 The representations in sub-paragraphs 1085(b) to (e) were implied by reason of:

- (a) the express representation in sub-paragraph 1085(a);
- (b) the absence of any qualification or reservation in respect of the express representation in sub-paragraph 1085(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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1085.3 Further particulars may be provided following evidence.

**Paragraph 1086.**

1086.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraphs 1085(a);
- (b) the implied representations in sub-paragraphs 1085(b) to (e);
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1085;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;

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<sup>498</sup> DSE.600.003.2095- DSE.600.003.2097

- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (ll).

1086.2 Further particulars may be provided following evidence.

**Paragraph 1087.**

1087.1 The particulars to paragraphs 1085 and/or 1086 (including any documents referred to) are repeated.

**FY15 Corporations Act compliance representation, opinion and conduct**

**Paragraph 1088.**

1088.1 The representations in paragraph 1088 were express and were made by Deloitte to (inter alia) the NED Cross-Claimants and DSH, in writing, in the FY15 Audit Report<sup>499</sup> as alleged in paragraph 895(d).

1088.2 Further, or in the alternative, the representations in paragraph 1088 were implied by reason of:

- (a) the express representation in paragraph 1088;
- (b) the absence of any qualification or reservation in respect of the express representation in paragraph 1088;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and

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<sup>499</sup> DSE.003.035.7799

- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1088.3 Further particulars may be provided following evidence.

**Paragraph 1089.**

1089.1 The representations were implied by reason of:

- (a) the express representations in sub-paragraph 1088;
- (b) further or in the alternative, the implied representation in sub-paragraph 1088;
- (c) the absence of any qualification or reservation in respect of the representations in paragraph 1088;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (j) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (k) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1089.2 Further particulars may be provided following evidence.

**Paragraph 1090.**

1090.1 The particulars to paragraphs 1088 and/or 1089 (including any documents referred to) are repeated.

**FY15 Audit Compliance representation, opinion and conduct**

**Paragraph 1091.**

1091.1 The representations in paragraph 1091 were express and were made by Deloitte, in writing, to (inter alia) the NED Cross-Claimants and DSH in the FY15 Audit Report<sup>500</sup> as alleged in paragraph 895(c).

1091.2 Further particulars may be provided following evidence.

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<sup>500</sup> DSE.003.035.7799

**Paragraph 1092.**

1092.1 The representations were implied by reason of:

- (a) the express representations in paragraph 1091;
- (b) the absence of any qualification or reservation in respect of the representations in paragraph 1091;
- (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 FY15 Statutory Auditing Obligations alleged in paragraph 872;
- (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 FY15 Audit;
- (i) the FY15 Audit Strategy, including the matters alleged in paragraphs 488, 489, 490 and 495; and
- (j) the statements in the FY15 FAC Report referred to in sub-paragraphs 888(a) and (ii) to (II).

1092.2 Further particulars may be provided following evidence.

**Paragraph 1093.**

1093.1 The particulars to paragraphs 1091 and/or 1092 (including any documents referred to) are repeated.

**FY15 trade /commerce, financial product and financial services**

**Paragraph 1094.** Intentionally blank

**FY15 misleading or deceptive conduct****First FY15 inventory representations, opinions and conduct****Paragraph 1095.**

1095.1 Contrary to the First FY15 Inventory Representations:

- (a) the value of DSH's inventory as at 28 June 2015 was not \$293 million;
- (b) the provision for obsolete stock of \$5.4 million was not appropriate and did not comply with Australian Accounting Standards, including AASB 102;

- (c) inventory balances had not increased from FY14 as a result of additional store openings and increased buying activities at the conclusion of FY15, but rather because of, in part, the Rebate Driven Buying Practices;
- (d) the ageing and condition of stock had not improved;
- (e) the costs that DSH had included in the value of inventory, including warehouse costs and the costs of the buying team, were not appropriate and did not comply with Australia Accounting Standards, including AASB 102; and
- (f) 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.

1095.2 Paragraphs 2, 18, 19, 21, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 35, 43, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1095.3 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 [159] and [160] to [163].

1095.4 Further, or in the alternative, the NED Cross-Claimants refer to and rely on paragraphs 1015 to 1027 and the particulars to those paragraphs (including any documents referred to).

**Paragraph 1096.**

1096.1 Contrary to the First FY15 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.

1096.2 The particulars to paragraph 1095 (including any documents referred to) are repeated.

**Paragraph 1097.**

1097.1 The particulars to paragraphs 1095 and 1096 (including any documents referred to) are repeated.

**First FY15 rebate representations, opinions and conduct**

**Paragraph 1098.**

1098.1 Contrary to the First FY15 Rebate Representations:

- (a) the quality of information and supporting evidence had not improved;



- (b) the increase in O&A rebate receivables at 28 June 2015 was due, in part, to the Rebate Driven Buying Practices;
- (c) management's treatment of O&A rebates was not appropriate and did not comply with Australian Accounting Standards, including AASB 102;
- (d) some of the rebates that were included in the FY15 Financial Report should have been deferred into the next period;
- (e) the processes, reconciliations and supporting evidence for O&A rebates had not significantly improved compared to FY14 with accrued rebates based on supporting evidence provided by the buyers and reviewed by finance before accruals were raised;
- (f) the reallocation of a portion of O&A rebates to COS was not appropriate and did not comply with Australian Accounting Standards, including AASB 102; 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,

1098.2 The NED Cross-Claimants refer to and rely on paragraphs 2, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 30, 40(a), 41, 52, 55, 57, 64(d), 65(c), 75(a)-(b) and 77(a) and the particulars to those paragraphs (including any documents referred to).

1098.3 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].

1098.4 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).

1098.5 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).

1098.6 Further, or in the alternative, paragraphs 934 to 947, 948 to 954, 955 to 968, 969 to 982, 983 to 1014 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1099.**

1099.1 Contrary to the First FY15 Rebate 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;

- (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.

1099.2 The particulars to paragraph 1098 (including any documents referred to) are repeated.

**Paragraph 1100.**

1100.1 The particulars to paragraphs 1098 and 1099 (including any documents referred to) are repeated.

**FY15 No Internal Control Deficiencies Representation**

**Paragraph 1101.**

1101.1 Contrary to the FY15 Internal Control Deficiencies Representation:

- (a) Deloitte had identified significant control deficiencies during the FY14 Audit;
- (b) there had been continued improvement in the quality of review controls, documentation supporting adjustments and balances, and in particular improvement in the reconciliation and supporting documentation relating to rebates, support for key positions and journal entries.

1101.2 The NED Cross-Claimants refer to and rely on Basford at [86].

1101.3 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], [165] to [173], [174] to [181], [182] to [183], [198] to [201] and [208] to [211] (including any documents referred to).

1101.4 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).

**Paragraph 1101A.**

1101A.1 The particulars to paragraph 1101 (including any documents referred to) are repeated.

**Paragraph 1101B.**

1101B.1 The particulars to paragraph 1101 (including any documents referred to) are repeated.

**First FY15 Impairment representations, opinion and conduct**

**Paragraph 1102.**

1102.1 Contrary to the First FY15 Impairment Representation, an impairment provision of \$2.2 million was not appropriate in respect of DSH's property, plant and equipment and did not comply with Australian Accounting Standards, including AASB 136.

1102.2 Paragraphs 2, 18, 40(f), 41, 52, 55(f) and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1102.3 The NED Cross-Claimants refer to and rely on Basford at [182] to [192].

1102.4 Further, or in the alternative, paragraphs 1052 to 1058 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1103.**

1103.1 Contrary to the First FY15 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.

1103.2 The particulars to paragraph 1102 (including any documents referred to) are repeated.

**Paragraph 1104.**

1104.1 The particulars to paragraphs 1102 and 1103 (including any documents referred to) are repeated.

**Second FY15 inventory representations, opinions and conduct**

**Paragraph 1105.**

1105.1 Contrary to the Second FY15 Inventory Representations:

- (a) the basis of absorption costing inventory and the inventory obsolescence calculation were not appropriate and did not comply with Australian Accounting Standards, including AASB 102; and
- (b) the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) was appropriate and in accordance with Australian Accounting Standards, including AASB 102.

1105.2 Paragraphs 2, 18, 19, 21, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 35, 43, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1105.3 Further, or in the alternative, the NED Cross Claimants refer to and rely on Basford at [10], [15]-[30], [31]-[32], [107]-[117], [118]-[123], [124]-[127], [128]-[159] and [160]-[163].

1105.4 Further, or in the alternative, paragraphs 1015 to 1027 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1106.**

1106.1 Contrary to the Second FY15 Inventory 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.

1106.2 The particulars to paragraph 1105 (including any documents referred to) are repeated.

**Paragraph 1107.**

1107.1 The particulars to paragraph 1105 (including any documents referred to) are repeated.

**Second FY15 rebate representations, opinions and conduct**

**Paragraph 1108.**

1108.1 Contrary to the Second FY15 Rebate Representations

- (a) there had not been an improvement in the accounting for rebates; and
- (b) 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.

1108.2 Paragraphs 2, 18, 19, 21, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 35, 43, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1108.3 Further, or in the alternative, the NED Cross Claimants refer to and rely on Basford at [10], [11]-[14], [45]-[74] and [75]-[105].

1108.4 Further, or in the alternative, the NED Cross Claimants refer to and rely on paragraphs [92], [102], [117]-[118], [141]-[149], [165]-[173], [174]-[181], [182]-[183], [191]-[194], [198]-[201], [208]-[211] and [214]-[220] of the First Mills Affidavit.

1108.5 Further, or in the alternative, paragraphs 934 to 947, 948 to 954, 955 to 968, 969 to 982, 984 to 1014 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1109.**

1109.1 Contrary to the Second FY15 Rebate 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.

1109.2 The particulars to paragraph 1108 (including any documents referred to) are repeated.

**Paragraph 1110.**

1110.1 The particulars to paragraphs 1108 and 1109 (including any documents referred to) are repeated.

**Second FY15 Impairment representations, opinion and conduct**

**Paragraph 1111.**

1111.1 Contrary to the Second FY15 Impairment Representation, an additional impairment charge of \$1.6 million relating to Dick Smith's New Zealand and David Jones stores only, was not appropriate and did not comply with Australian Accounting Standards, including AASB 136.

1111.2 Paragraphs 2, 18, 40(f), 41, 55(f) and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1111.3 The NED Cross-Claimants refer to and rely on Basford at [182] to [192].

1111.4 Further, or in the alternative, paragraphs 1052 to 1058 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1112.**

1112.1 Contrary to the Second FY15 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.

1112.2 The particulars to paragraph 1111 (including any documents referred to) are repeated.

**Paragraph 1113.**

1113.1 The particulars to paragraphs 1111 and 1112 (including any documents referred to) are repeated.

FY15 anticipated unqualified audit report representations and conduct**Paragraph 1114.**

1114.1 Contrary to the FY15 Anticipated Unqualified Audit Report Representations in reaching the conclusion that (subject to the matters specified) it would issue an unqualified audit report, 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.

1114.2 Paragraphs 2, 18, 41, 52, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1114.3 Further, or in the alternative, paragraphs 934 to 947, 948 to 954, 955 to 968, 969 to 982, 983 to 1014, 1015 to 1027, 1028 to 1039, 1040 to 1045, 1046 to 1051, 1052 to 1058, 1059 to 1064 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1115.**

1115.1 The particulars to paragraph 1114 (including any documents referred to) are repeated.

FY15 clearance representations, opinion and conduct**Paragraph 1116.**

1116.1 Contrary to the FY15 Clearance Representations:

- (a) the FY15 Financial Report was not appropriate for adoption by DSH;
- (b) the FY15 Financial Report was not in accordance with the Corporations Act, and did not:
  - (i) give a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended that date;
  - (ii) 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 Australian Accounting Standards, including AASB 102.

1116.2 Paragraphs 2, 18, 52, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1116.3 Further, or in the alternative, paragraphs 934 to 947, 948 to 954, 955 to 968, 969 to 982, 983 to 1014, 1015 to 1027, 1028 to 1039, 1040 to 1045, 1046 to 1051, 1052 to 1058, 1059 to 1064 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1117.**

1117.1 The particulars to paragraph 1116 (including any documents referred to) are repeated.

**Paragraph 1118.**

1118.1 The particulars to paragraph 1116 (including any documents referred to) are repeated.

**FY15 Corporations Act compliance representation, opinion and conduct**

**Paragraph 1119.**

1119.1 Contrary to the FY15 Corporations Act Compliance Representation, the FY15 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 June 2015 and of its performance for the year ended that date; and
- (b) comply with Australian Accounting Standards and the Corporations Regulations 2001.

1119.2 The particulars to paragraph 1116 (including any documents referred to) are repeated.

**Paragraph 1120.**

1120.1 Contrary to the FY15 Corporations Act Compliance 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.

1120.2 The particulars to paragraph 1119 are repeated.

**Paragraph 1121.**

1121.1 The particulars to paragraphs 1119 and 1120 (including any documents referred to) are repeated.

FY15 audit compliance representation, opinion and conduct**Paragraph 1122.**

1122.1 Contrary to the FY15 Audit Compliance Representation, Deloitte did not conduct its audit of the FY15 Financial Report in accordance with Australian Auditing Standards.

1122.2 Paragraphs 2, 18, 52, 55 and 57 and the particulars to those paragraphs (including any documents referred to) are repeated.

1122.3 Further, or in the alternative, paragraphs 934 to 947, 948 to 954, 955 to 968, 969 to 982, 983 to 1014, 1015 to 1027, 1028 to 1039, 1040 to 1045, 1046 to 1051, 1052 to 1058, 1059 to 1064 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1123.**

1123.1 Contrary to the FY15 Audit Compliance 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.

1123.2 The particulars to paragraph 1122 (including any documents referred to) are repeated.

**Paragraph 1124.**

1124.1 The particulars to paragraphs 1122 and 1123 (including any documents referred to) are repeated.

**FY15 reliance**First FY15 inventory representations, opinions and conduct**Paragraph 1125.**

1125.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the First FY15 Inventory Representations:

- (a) in forming the view that the quality and ageing of inventory had improved;
- (b) in forming the view that the Revised Obsolescence Methodology (as refined by management) was based on stock ageing and sell through rates rather than stock categories;
- (c) in forming the view that Deloitte had assessed the assumptions and methodology applied and concurred with it;
- (d) in forming the view that value of DSH's inventory as at 28 June 2015 was \$293 million;



- (e) in forming the view that provision for obsolete stock of \$5.4 million was appropriate and complied with Australian Accounting Standards, including AASB 102
- (f) in forming the view that inventory balances had increased from FY14 as a result of additional store openings and increased buying activities at the conclusion of FY15;
- (g) in forming the view that the ageing and condition of stock had improved;
- (h) 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;
- (i) in forming the view that the costs that DSH had included in the value of inventory, including warehouse costs and the costs of the buying team, were appropriate and complied with Australian Accounting Standards, including AASB 102;
- (j) in forming the view that the Revised Obsolescence Methodology (as further refined by management) was an appropriate methodology and suitable for adoption by DSH;
- (k) in permitting DSH to adopt the Revised Obsolescence Methodology in FY15;
- (l) in forming the view that DSH had appropriate and effective inventory management systems;
- (m) 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;
- (n) in permitting DSH to account for inventory in that manner;
- (o) in joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (p) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (q) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (r) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1125.2 Further particulars may be provided following evidence.

**Paragraph 1126.**

1126.1 The particulars to paragraph 1125 (including any documents referred to) are repeated.

**Paragraph 1127.**

1127.1 The particulars to paragraph 1125 (including any documents referred to) are repeated.

First FY15 rebate representations, opinions and conduct**Paragraph 1128.**

1128.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the First FY15 Rebate Representations:

- (a) in forming the view that the quality of information and supporting evidence for rebates had improved;
- (b) in forming the view that the increase in O&A rebate receivables at 28 June 2015 was due to the increased amount of purchasing for the new stores opened, higher buying activity in the final months of the year as well as promotional launches such as the Oppo smartphone;
- (c) in forming the view that Deloitte had assessed management's treatment of the O&A rebates and concurred with the treatment;
- (d) in forming the view that management's treatment of O&A rebates was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (e) in forming the view that none of the rebates that were included in the FY15 Financial Report should have been deferred into the next period;
- (f) in forming the view that the processes, reconciliations and supporting evidence for O&A rebates had significantly improved compared to FY14 with accrued rebates based on supporting evidence provided by the buyers and reviewed by finance before accruals were raised;
- (g) in forming the view that the reallocation of a portion of O&A rebates in COS was appropriate and complied with Australian Accounting Standards including AASB102;
- (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; and
- (j) in joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (k) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (l) in permitting DSH to release the FY15 Financial Report on 17 August 2015;
- (m) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1128.2 Further particulars may be provided following evidence.

**Paragraph 1129.**

1129.1 The particulars to paragraph 1128 (including any documents referred to) are repeated.

**Paragraph 1130.**

1130.1 The particulars to paragraph 1128 (including any documents referred to) are repeated.

**FY15 No Internal Control Deficiencies Representation****Paragraph 1131.**

1131.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the FY15 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 there had been continued improvement in the quality of review controls, documentation supporting adjustments and balances, and in particular improvement in the reconciliation and supporting documentation relating to rebates, support for key positions and journal entries;
- (c) in joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (d) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (e) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (f) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1131.2 Further particulars may be provided following evidence.

**Paragraph 1131A.**

1131A.1 The particulars to paragraph 1131 (including any documents referred to) are repeated.

**Paragraph 1131B.**

1131B.1 The particulars to paragraph 1131 (including any documents referred to) are repeated.

**First FY15 Impairment representations, opinion and conduct****Paragraph 1132.**

1132.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the First FY15 Impairment Representation:

- (a) in forming the view that the DSE Group's fixed assets had been assessed for indicators of impairment and the resulting impairment provision of \$2.2 million was appropriate and complied with Australian Accounting Standards, including AASB 136;

- (b) in joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (c) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (d) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (e) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1132.2 Further particulars may be provided following evidence.

**Paragraph 1133.**

1133.1 The particulars to paragraph 1132 (including any documents referred to) are repeated.

**Paragraph 1134.**

1134.1 The particulars to paragraph 1132 (including any documents referred to) are repeated.

**Second FY15 inventory representations, opinions and conduct**

**Paragraph 1135.**

1135.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the Second FY15 Inventory Representations:

- (a) in forming the view that the basis of absorption costing in inventory and the inventory obsolescence calculation were appropriate and complied with Australian Accounting Standards, including AASB 102;
- (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 17 August 2015 to pay the 2015 Final Dividend;
- (f) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (g) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (h) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1135.2 Further particulars may be provided following evidence.

**Paragraph 1136.**

1136.1 The particulars to paragraph 1135 (including any documents referred to) are repeated.

**Paragraph 1137.**

1137.1 The particulars to paragraph 1135 (including any documents referred to) are repeated.

**Second FY15 rebate representations, opinions and conduct****Paragraph 1138.**

1138.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the Second FY15 Rebate Representations:

- (a) in forming the view that there had been an improvement in the accounting for rebates;
- (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 17 August 2015 to pay the 2015 Final Dividend;
- (e) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (f) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (g) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1138.2 Further particulars may be provided following evidence.

**Paragraph 1139.**

1139.1 The particulars to paragraph 1138 (including any documents referred to) are repeated.

**Paragraph 1140.**

1140.1 The particulars to paragraph 1138 (including any documents referred to) are repeated.

**Second FY15 impairment representations, opinions and conduct****Paragraph 1141.**

1141.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the Second FY15 Impairment Representation:

- (a) in forming the view that the DSE Group's fixed assets had been assessed for indicators of impairment and the resulting additional impairment charge of \$1.6 million was appropriate and complied with Australian Accounting Standards, including AASB 136;

- (b) in joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (c) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (d) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (e) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1141.2 Further particulars may be provided following evidence.

**Paragraph 1142.**

1142.1 The particulars to paragraph 1141 (including any documents referred to) are repeated.

**Paragraph 1143.**

1143.1 The particulars to paragraph 1141 (including any documents referred to) are repeated.

**FY15 anticipated unqualified audit report representations and conduct**

**Paragraph 1144.**

1144.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the FY15 Anticipated Unqualified Audit Report Representation:

- (a) in forming the view that the FY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 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 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 joining in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (h) in joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (i) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and

- (j) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1144.2 Further particulars may be provided following evidence.

**Paragraph 1145.**

1145.1 The particulars to paragraph 1144 (including any documents referred to) are repeated.

1145.2 Further particulars may be provided following evidence.

**FY15 clearance representations, opinions and conduct**

**Paragraph 1146.**

1146.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the FY15 Clearance Representations:

- (a) in forming the view that the FY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended that date;
- (c) in forming the view that the FY15 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 joining in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (g) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (h) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1146.2 Further particulars may be provided following evidence.

**Paragraph 1147.**

1147.1 The particulars to paragraph 1146 (including any documents referred to) are repeated.

**Paragraph 1148.**

1148.1 The particulars to paragraph 1146 (including any documents referred to) are repeated.

FY15 Corporations Act compliance representation, opinion and conduct

**Paragraph 1149.**

1149.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the FY15 Corporations Act Compliance Representation.

- (a) in forming the view that the FY15 Financial Report complied with the Australian Accounting Standards;
- (b) in forming the view that the FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 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 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 permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (h) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1149.2 Further particulars may be provided following evidence.

**Paragraph 1150.**

1150.1 The particulars to paragraph 1149 (including any documents referred to) are repeated.

**Paragraph 1151.**

1151.1 The particulars to paragraph 1149 (including any documents referred to) are repeated.

FY15 audit compliance representation, opinion and conduct

**Paragraph 1152.**

1152.1 Each of Raine, Ishak, Murray, Tomlinson and DSH relied on the FY15 Audit Compliance Representation.

- (a) in forming the view that Deloitte had conducted the FY15 Audit in accordance with the Auditing Standards;
- (b) in forming the view that the FY15 Financial Report complied with the Australian Accounting Standards;



- (c) in forming the view that the FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended that date;
- (d) in forming the view that the manner in which DSH accounted for inventory (including the level of provisioning) 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), and the manner in which these were calculated, was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (g) in permitting DSH value and provision for inventory in that manner.
- (h) in permitting DSH to release the FY15 Financial Report on 17 August 2015; and
- (i) in permitting DSH to pay the 2015 Final Dividend on 30 September 2015.

1152.2 Further particulars may be provided following evidence.

**Paragraph 1153.**

1153.1 The particulars to paragraph 1152 (including any documents referred to) are repeated.

**Paragraph 1154.**

1154.1 The particulars to paragraph 1152 (including any documents referred to) are repeated.

**FY15 causation, loss or damage**

**First FY15 inventory representations, opinions and conduct**

**Paragraph 1155.**

1155.1 Had Deloitte not made the First FY15 Inventory Representations, the First FY15 Inventory Opinion Representations, or engaged in the First FY15 Inventory Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that value of DSH's inventory as at 28 June 2015 was \$293 million;
- (b) would not have formed the view that 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 inventory balances had increased from FY14 as a result of additional store openings and increased buying activities at the conclusion of FY15;

- (d) would not have formed the view that obsolescence provisions had decrease, due in part to improvements in the ageing and condition of the stock;
- (e) 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;
- (f) would not have formed the view that the costs that DSH had included in the value of inventory, including warehouse costs and the costs of the buying team, were appropriate and complied with Australia Accounting Standards, including AASB 102;
- (g) would not have formed the view that the Revised Obsolescence Methodology (as refined by management) was an appropriate methodology and suitable for adoption by DSH;
- (h) would have become aware that the Revised Obsolescence Methodology (as refined by management) was flawed for the reasons identified in paragraph 285(a);
- (i) would not have permitted DSH to adopt the Revised Obsolescence Methodology (as refined by management) in FY15;
- (j) would not have formed 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) would not have permitted DSH to account for inventory in that manner;
- (l) would have become aware that DSH had Inadequate Inventory Management;
- (m) 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;
- (n) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a);
- (o) would have taken steps to ensure that after FY15 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;
- (p) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (q) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (r) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015;
- (s) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1155.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1155.3 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, after FY15:

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

1155.4 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:

- (a) DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (b) 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;
- (c) there would not have been any profit after tax at FY15; and
- (d) the 2015 Final Dividend would not have been declared or paid.

1155.5 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.

1155.6 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 FY15 Inventory Representations and/or the First FY15 Inventory Opinion Representations and/or engaged in the First FY15 Inventory Conduct.

1155.7 Further particulars may be provided following evidence.

First FY15 rebate representations, opinions and conduct

**Paragraph 1156.**

1156.1 Had Deloitte not made the First FY15 Rebate Representations, the First FY15 Rebate Opinion Representations, or engaged in the First FY15 Rebate Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that the increase in rebate receivables at 28 June 2015 was due to the increased amount of purchasing for the new stores opened, higher buying activity in the final months of the year as well as promotional launches such as the Oppo smartphone and would have become aware of the Rebate Driven Buying Practices;
- (b) would have become aware of the matters referred to in the First Mills Affidavit at [92], [106], [114] to [118], [119] to [123], [130] to [154], [174] to [181], [198] to [225], [241] to [242], [255] to [259], [275] to [277], [293] to [299] and [305] and/or the matters referred to in Basford at [86];
- (c) would not have formed the view that the quality of information and supporting evidence for rebates had improved;
- (d) would not have formed the view that the increase in O&A rebate receivables at 28 June 2015 was due to the increased amount of purchasing for the new stores opened, higher buying activity in the final months of the year as well as promotional launches such as the Oppo smartphone;
- (e) would not have formed the view that Deloitte had assessed management's treatment of the O&A rebates and concurred with the treatment;
- (f) would not have formed the view that management's treatment of O&A rebates was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (g) would not have formed the view that none of the rebates that were included in the FY15 Financial Report should have been deferred into the next period;
- (h) would not have formed the view that the of reallocation of a portion of O&A rebates in COS was appropriate and complied with Australian Accounting Standards;
- (i) 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;
- (j) would not have permitted DSH to account for rebates in that manner;
- (k) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY15 and thereafter;
- (l) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (m) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (n) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (o) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1156.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1156.3 Further, or in the alternative, had the above steps been taken, then:

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

1156.4 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.

1156.5 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.

1156.6 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 FY15 Rebate Representations and/or the First FY15 Rebate Opinion Representations and/or engaged in the First FY15 Rebate Conduct.

1156.7 Further particulars may be provided following evidence.

*FY15 No Internal Control Deficiencies Representation*

**Paragraph 1157.**

1157.1 Had Deloitte not made the FY15 Internal Control Deficiencies Representation, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that DSH's internal controls were appropriate and free from significant deficiencies;

- (b) would not have formed the view that there had been continued improvement in the quality of review controls, documentation supporting adjustments and balances, and in particular improvement in the reconciliation and supporting documentation relating to rebates, support for key positions and journal entries;
- (c) would have become aware of the matters referred to in First Mills Affidavit at [92], [106], [114] to [118], [119] to [123], [130] to [154], [174] to [181], [198] to [225], [241] to [242], [255] to [259], [275] to [277], [293] to [299] and [305] and/or the matters referred to in Basford at [86];
- (d) would have been advised by Deloitte that it was necessary for DSH to implement new controls to address those matters;
- (e) would have ensured that DSH implemented new controls to address those matters;
- (f) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (g) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (h) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015;
- (i) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1157.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1157.3 Further, or in the alternative, had the above steps been taken, the implementation of new controls to address those matters 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; and
- (d) further, or in the alternative, the Rebate Uplift Practice would have been prevented.

1157.4 Further, or in the alternative, had the above steps been taken:

- (a) DSH would only have recognised rebates, including O&A rebates, when it was appropriate to do so in accordance with the Australian Accounting Standards;
- (b) 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

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

1157.5 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.

1157.6 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 FY15 No Internal Control Deficiencies Representation.

1157.7 Further particulars may be provided following evidence.

First FY15 Impairment Representations, opinion and conduct

**Paragraph 1157A.**

1157A.1 Had Deloitte not made the First FY15 Impairment Representations, the First FY15 Impairment Opinion Representations, or engaged in the First FY15 Impairment Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that the impairment provision of \$2.2 million was appropriate and complied with Australian Accounting Standards, including AASB 136
- (b) would have become aware of the matters referred to in Basford at [185]-[192];
- (c) would have ensured that DSH conducted appropriate impairment testing in respect of FY15 and that that testing was reviewed by Deloitte;
- (d) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (e) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (f) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (g) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1157A.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1157A.3 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.

1157A.4 Further particulars may be provided following evidence.

Second FY15 inventory representations, opinions and conduct

**Paragraph 1158.**

1158.1 Had Deloitte not made the Second FY15 Inventory Representations, the Second FY15 Inventory Opinion Representations, or engaged in the Second FY15 Inventory Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that the basis of absorption costing in inventory and the inventory obsolescence calculation were appropriate and complied with Australian Accounting Standards, including AASB 102;
- (b) would not have formed the view that DSH had appropriate and effective inventory management systems;
- (c) would not have formed the view that the manner in which DSH accounted for inventory (including the value of inventory and level of provisioning) the value of inventory and the level of provisioning and the manner in which these were calculated, was appropriate and complied with Australian Accounting Standards, including AASB 102;
- (d) would not have permitted DSH to account for inventory in that manner;
- (e) would have become aware that DSH had Inadequate Inventory Management;
- (f) 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;
- (g) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a);
- (h) would have taken steps to ensure that after FY15 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;
- (i) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (j) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (k) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (l) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1158.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.



1158.3 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 after FY15:

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

1158.4 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:

- (a) DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (b) 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;
- (c) there would not have been any profit after tax at FY15; and
- (d) the 2015 Final Dividend would not have been declared or paid.

1158.5 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.

1158.6 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 FY15 Inventory Representations and/or the Second FY15 Inventory Opinion Representations and/or engaged in the Second FY15 Inventory Conduct.

1158.7 Further particulars may be provided following evidence.

Second FY15 rebate representations, opinions and conduct

**Paragraph 1159.**

1159.1 Had Deloitte not made the Second FY15 Rebate Representations, the Second FY15 Rebate Opinion Representations, or engaged in the Second FY15 Rebate Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that there had been an improvement in the accounting for rebates;
- (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;
- (d) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY15 and thereafter;
- (e) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (f) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (g) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (h) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1159.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1159.3 Further, or in the alternative, had the above steps been taken, then:

- (a) DSH would not have adopted the Rebate Accounting Approach;
- (b) 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
- (c) the 2015 Final Dividend would not have been declared or paid.

1159.4 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.

1159.5 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.

1159.6 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 FY15 Rebate Representations and/or the Second FY15 Rebate Opinion Representations and/or engaged in the Second FY15 Rebate Conduct.

1159.7 Further particulars may be provided following evidence.

*FY15 anticipated unqualified audit report representations and conduct*

**Paragraph 1160.**

1160.1 Had Deloitte not made the FY15 Anticipated Unqualified Audit Report Representations, the FY15 Anticipated Unqualified Audit Report Opinion Representations, or engaged in the FY15 Unqualified Anticipated Audit Report, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would have been informed by Deloitte of the basis on which they did not anticipate providing an unqualified audit report;
- (b) would not have formed the view that the FY15 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 FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 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 FY15 and thereafter;
- (g) would not have formed 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;
- (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 FY15 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;
- (m) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (n) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (o) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (p) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1160.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1160.3 Further, or in the alternative, had the above steps been taken, then:

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

1160.4 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.

1160.5 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, after FY15:

- (a) DSH would not have had Inadequate Inventory Management; and

(b) DSH would not have acquired and accumulated significant quantities of Bad Stock.

1160.6 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) DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (b) 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;
- (c) there would not have been any profit after tax at FY15; and
- (d) the 2015 Final Dividend would not have been declared or paid.

1160.7 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.

1160.8 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 FY15 Anticipated Unqualified Audit Report Representations and/or engaged in the FY15 Anticipated Unqualified Audit Report Conduct.

1160.9 Further particulars may be provided following evidence.

*Second FY15 Impairment representations, opinion and conduct*

**Paragraph 1161.**

1161.1 Had Deloitte not made the Second FY15 Impairment Representations, the Second FY15 Impairment Opinion Representations, or engaged in the Second FY15 Impairment Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would not have formed the view that that the additional impairment charge of \$1.6 million was appropriate and complied with Australian Accounting Standards, including AASB 136
- (b) would have become aware of the matters referred to in Basford at [185]-[192];
- (c) would have ensured that DSH conducted appropriate impairment testing in respect of FY15 and that that testing was reviewed by Deloitte;

- (d) would not have joined in the resolution made by the Board on 17 August 2015 to pay the 2015 Final Dividend;
- (e) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (f) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (g) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1161.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1161.3 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.

1161.4 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 FY15 Impairment Representations, the Second FY15 Impairment Opinion Representations, or engaged in the Second FY15 Impairment Conduct.

1161.5 Further particulars may be provided following evidence.

*FY15 clearance representations, opinions and conduct*

**Paragraph 1162.**

1162.1 Had Deloitte not made the FY15 Clearance Representations, the FY15 Clearance Opinion Representations, or engaged in the FY15 Clearance Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would have been informed by Deloitte the basis on which 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 FY15 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 FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 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 FY15 and thereafter;
- (g) would not have formed 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;
- (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 FY15 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;
- (m) would not have joined in the resolution made by the Board on 17 August 2015 to adopt the FY15 Financial Report;
- (n) would not have permitted DSH to release the FY15 Financial Report on 17 August 2015; and
- (o) would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015.

1162.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1162.3 Further, or in the alternative, had the above steps been taken, then:

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

1162.4 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.

1162.5 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, after FY15:

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

1162.6 Further, or alternatively, 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) DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (b) 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;
- (c) there would not have been any profit after tax at FY15; and
- (d) the 2015 Final Dividend would not have been declared or paid.

1162.7 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.

1162.8 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 FY15 Clearance Representations and/or the FY15 Clearance Opinion Representations and/or engaged in the FY15 Clearance Conduct.

1162.9 Further particulars may be provided following evidence.



*FY15 Corporations Act compliance representation, opinion and conduct*

**Paragraph 1163.**

1163.1 Had Deloitte not made the FY15 Corporations Act Compliance Representations, FY15 Corporations Act Compliance Opinion Representations, or engaged in the FY15 Corporations Act Compliance Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would have been informed by Deloitte the basis on which they would not provide an unqualified audit report and been informed of the reasons;
- (b) would not have formed the view that the FY15 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 FY15 Financial Report gave a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ended that date and would have become aware that it did not do so;
- (d) would have rescinded the resolution to pay the 2015 Final Dividend;
- (e) further, or in the alternative, would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015;
- (f) would have rescinded the resolution to adopt the FY15 Financial Report;
- (g) further, or in the alternative, would not have permitted DSH to release the FY15 Financial Report;
- (h) 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;
- (i) would not have permitted DSH to account for rebates in that manner;
- (j) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY15 and thereafter;
- (k) would not have formed 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;
- (l) would not have permitted DSH to account for inventory in that manner;
- (m) would have become aware that DSH had Inadequate Inventory Management;
- (n) 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;

- (o) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (p) would have taken steps to ensure that after FY15 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.

1163.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1163.3 Had the above steps been taken, then:

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

1163.4 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.

1163.5 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, after FY15:

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

1163.6 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) DSH would have made provisions and write-offs with respect to Bad Stock held or likely to be held as at 28 June 2015;
- (b) 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;
- (c) there would not have been any profit after tax at FY15; and

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

1163.7 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.

1163.8 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 FY15 Corporations Act Compliance Representation and/or the FY15 Corporations Act Compliance Opinion Representation and/or engaged in the FY15 Corporations Act Compliance Conduct.

1163.9 Further particulars may be provided following evidence.

*FY15 audit compliance representation, opinion and conduct*

**Paragraph 1164.**

1164.1 Had Deloitte not made the FY15 Audit Compliance Representations, FY15 Audit Compliance Opinion Representations, or engaged in the FY15 Audit Compliance Conduct, Raine, Ishak, Murray, Tomlinson and DSH:

- (a) would have become aware that Deloitte had not prepared the FY15 Audit in accordance with the Auditing Standards;
- (b) would not have formed the view that the FY15 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 FY15 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 have rescinded the resolution to pay the 2015 Final Dividend;
- (e) further, or in the alternative, would not have permitted DSH to pay the 2015 Final Dividend on 30 September 2015;
- (f) would have rescinded the resolution to adopt the FY15 Financial Report;
- (g) further, or in the alternative, would not have permitted DSH to release the FY15 Financial Report;

- (h) 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;
- (i) would not have permitted DSH to account for rebates in that manner;
- (j) would have ensured that DSH's accounting treatment for rebates complied with Australian Accounting Standards in FY15 and thereafter;
- (k) would not have formed 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;
- (l) would not have permitted DSH to account for inventory in that manner;
- (m) would have become aware that DSH had Inadequate Inventory Management;
- (n) 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;
- (o) would have become aware that the quality and ageing of inventory had not improved and of the matters alleged in paragraph 24(a); and
- (p) would have taken steps to ensure that after FY15 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.

1164.2 Had the above steps been taken, the 2015 Final Dividend would not have been paid.

1164.3 Further, or in the alternative, had the above steps been taken, then:

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

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

1164.4 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.

1164.5 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, after FY15:

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

1164.6 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.

1164.7 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.

1164.8 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 FY15 Audit Compliance Representation and/or the FY15 Audit Compliance Opinion Representations and/or engaged in the FY15 Audit Compliance Conduct.

1164.9 Further particulars may be provided following evidence.

**FY15 recovery of loss or damage**

First FY15 inventory representations, opinions and conduct

**Paragraph 1165.**

1165.1 Paragraph 1155 and the particulars to that paragraph (including any documents referred to) are repeated.

First FY15 rebate representations, opinions and conduct

**Paragraph 1166.**

1166.1 Paragraph 1156 and the particulars to that paragraph (including any documents referred to) are repeated.

FY15 No internal Control Deficiencies Representation

**Paragraph 1167.**

1167.1 Paragraph 1157 and the particulars to that paragraph (including any documents referred to) are repeated.

First FY15 impairment representations, opinions and conduct

**Paragraph 1167A.**

1167A.1 Paragraph 1157A and the particulars to that paragraph (including any documents referred to) are repeated.

Second FY15 inventory representations, opinions and conduct

**Paragraph 1168.**

1168.1 Paragraph 1158 and the particulars to that paragraph (including any documents referred to) are repeated.

Second FY15 rebate representations, opinions and conduct

**Paragraph 1169.**

1169.1 Paragraph 1159 and the particulars to that paragraph (including any documents referred to) are repeated.

Second FY15 impairment representations, opinions and conduct

**Paragraph 1169A.**

1169A.1 Paragraph 1161 and the particulars to that paragraph (including any documents referred to) are repeated.

FY15 anticipated unqualified audit report representations and conduct

**Paragraph 1170.**

1170.1 Paragraph 1160 and the particulars to that paragraph (including any documents referred to) are repeated.

FY15 clearance representations, opinions and conduct

**Paragraph 1171.**

1171.1 Paragraph 1162 and the particulars to that paragraph (including any documents referred to) are repeated.

FY15 Corporations Act compliance representation, opinion and conduct

**Paragraph 1172.**

1172.1 Paragraph 1163 and the particulars to that paragraph (including any documents referred to) are repeated.

FY15 audit compliance representation, opinion and conduct

**Paragraph 1173.**

1173.1 Paragraph 1164 and the particulars to that paragraph (including any documents referred to) are repeated.

**FY15 representations that services were of a particular standard or quality**

Australian Auditing Standards

**Paragraph 1174.**

1174.1 Paragraphs 1088 and 1089 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1175.**

1175.1 Paragraph 1119 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1176.**

1176.1 Paragraphs 1119 and 1175 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1177.**

1177.1 Paragraph 1094(s) and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1178.** Intentionally blank

**Paragraph 1179.** Intentionally blank

**Paragraph 1180.**

1180.1 Paragraph 1152 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1181.**

1181.1 Paragraph 1164 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1182.**

1182.1 Paragraph 1173 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 1183.** Intentionally blank

**Paragraph 1184.**

1184.1 The particulars to paragraph 1096 (including any documents referred to) are repeated.

**Paragraph 1185.**

1185.1 The particulars to paragraph 1099 (including any documents referred to) are repeated.

**Paragraph 1185A.**

1185A.1 The particulars to paragraph 1101A (including any documents referred to) are repeated.

**Paragraph 1186.**

1186.1 The particulars to paragraph 1103 (including any documents referred to) are repeated.



**Paragraph 1187.**

1187.1 The particulars to paragraph 1106 (including any documents referred to) are repeated.

**Paragraph 1188.**

1188.1 The particulars to paragraph 1109 (including any documents referred to) are repeated.

**Paragraph 1189.**

1189.1 The particulars to paragraph 1112 (including any documents referred to) are repeated.

**Paragraph 1190.**

1190.1 The particulars to paragraph 1114 (including any documents referred to) are repeated.

**Paragraph 1191.**

1191.1 The particulars to paragraph 1117 (including any documents referred to) are repeated.

**Paragraph 1192.**

1192.1 The particulars to paragraph 1120 (including any documents referred to) are repeated.

**Paragraph 1193.**

1193.1 The particulars to paragraph 1123 (including any documents referred to) are repeated.

**Paragraph 1194.** Intentionally blank

**Paragraph 1195.** Intentionally blank

**Paragraph 1196.** Intentionally blank

**Paragraph 1197.** Intentionally blank

**Paragraph 1197A.** Intentionally blank

**Paragraph 1198.** Intentionally blank

**Paragraph 1199.** Intentionally blank

**Paragraph 1200.** Intentionally blank

**Paragraph 1201.** Intentionally blank

**Paragraph 1202.** Intentionally blank

**Paragraph 1203.** Intentionally blank

**Paragraph 1204.** Intentionally blank

**Paragraph 1205.** Intentionally blank

**Paragraph 1206.** Intentionally blank

**Paragraph 1207.**

1207.1 Paragraphs 1155 and 1196 (including any documents referred to) are repeated.

**Paragraph 1208.**

1208.1 Paragraphs 1156 and 1197 (including any documents referred to) are repeated.

**Paragraph 1208A.**

1208A.1 Paragraphs 1157 and 1197A (including any documents referred to) are repeated.

**Paragraph 1209.**

1209.1 Paragraphs 1157A and 1198 (including any documents referred to) are repeated.

**Paragraph 1210.**

1210.1 Paragraphs 1158 and 1199 (including any documents referred to) are repeated.

**Paragraph 1211.**

1211.1 Paragraphs 1159 and 1200 (including any documents referred to) are repeated.

**Paragraph 1212.**

1212.1 Paragraphs 1161 and 1201 (including any documents referred to) are repeated.

**Paragraph 1213.**

1213.1 Paragraphs 1160 and 1202 (including any documents referred to) are repeated.

**Paragraph 1213A.**

1213A. Paragraphs 1162 and 1203 (including any documents referred to) are repeated.

**Paragraph 1214.**

1214.1 Paragraphs 1163 and 1204 (including any documents referred to) are repeated.

**Paragraph 1215.**

1215.1 Paragraphs 1164 and 1205 (including any documents referred to) are repeated.

**Paragraph 1216.**

1216.1 Paragraphs 1165 to 1173 (including any documents referred to) are repeated.

**XX. FY15 BREACH OF DUTY OF CARE**

**FY15 Duty of Care**

**Paragraph 1217.**

1217.1 Paragraphs 484 and 485 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1218.** Intentionally blank

**Paragraph 1219.** Intentionally blank

**Paragraph 1220.** Intentionally blank

**Paragraph 1221.** Intentionally blank

**Paragraph 1222.** Intentionally blank

**Paragraph 1223.**

1223.1 Paragraph 887 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1224.**

1224.1 Paragraphs 484 and 485 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1225.**

1225.1 DSH was under a statutory obligation pursuant to section 301 of the Corporations Act to have its FY15 Financial Report audited in accordance with Division 3 of the Corporations Act and obtain an auditor's report.

1225.2 DSH was not at any time in a position itself to undertake the same or correspondence task of carrying out an independent audit of the FY15 Financial Report by professional auditors subject to the FY15 Statutory Auditing Obligations.

1225.3 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 Engagement and, to that extent, was unable to make an informed decision whether it was necessary or appropriate to terminate the Engagement and engage another auditor in place of Deloitte.

1225.4 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 FY15 Deloitte Retainer.

**Paragraph 1226.**

1226.1 The matters at paragraph 1225 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 FY15 Financial Report;
- (b) the FY15 Deloitte Retainer;
- (c) sections 296, 297 and 301 of the Corporations Act; and
- (d) the facts pleaded in paragraphs 1217 to 1225.

**Paragraph 1227.** Intentionally blank

**FY15 Breaches of the FY15 Duty of Care**

**Paragraph 1228.**

1228.1 Paragraphs 946, 953, 967, 981, 1009, 1013, 1025, 1039, 1045, 1051, 1058 and 1064 and the particulars to those paragraphs (including any documents referred to) are repeated.

1228.2 Further particulars may be provided following the service of evidence.

**Paragraph 1229.**

1229.1 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.

1229.2 Further particulars may be provided following the service of evidence.

**FY15 Negligent Misstatement - DSH**

**Paragraph 1230.** Intentionally blank

**Paragraph 1231.**

1231.1 Paragraphs 1217 to 1222 and the particulars to those paragraphs (including any documents referred to) are repeated.

**Paragraph 1232.** Intentionally blank

**Paragraph 1233.**

1233.1 Paragraph 1228 and the particulars to that paragraph (including any documents referred to) are repeated.

**Paragraph 1234.**

1234.1 Paragraph 1229 and the particulars to that paragraph (including any documents referred to) are repeated.

**FY15 Contribution**

**Paragraph 1235.** Intentionally blank

**Paragraph 1236.** Intentionally blank

**Paragraph 1237.** Intentionally blank

**Paragraph 1238.**

1238.1 Paragraph 1229 and the particulars to that paragraph (including any documents referred to) are repeated.

**FY15 Equitable Contribution**

**Paragraph 1239.** Intentionally blank

**Paragraph 1240.** Intentionally blank

**Paragraph 1241.** Intentionally blank

**Paragraph 1242.** Intentionally blank

**Paragraph 1243.** Intentionally blank

**Paragraph 1244.** Intentionally blank

**Paragraph 1245.** Intentionally blank

**Paragraph 1246.**

1246.1 Paragraph 1229 and the particulars to that paragraph (including any documents referred to) are repeated.