Form 1 (version 4)
Practice Note No. SC Eq 3

AMENDED FIRST CROSS-CLAIM
CROSS-CLAIM STATEMENT

FILED
08 APR 2019
TK

SUPREME COURT OF NEW SOUTH WALES

COURT DETAILS

Court	Supreme Court of New South Wales
Division	Equity
List	Class Action Panel
Registry	Sydney
Case number	~~2017/294069 &~~ 2018/52431

TITLE OF PROCEEDINGS

~~Proceeding 2017/294069~~

~~First plaintiff~~	**~~Haliburton Charles David Findlay~~**
~~Second plaintiff~~	**~~Marian Jennifer Denny Findlay~~**
~~First defendant~~	**~~DSHE Holdings Limited ACN 166 237 841 (receivers and managers appointed) (in liquidation)~~**
~~Number of defendant~~	~~457~~

Proceeding 2018/52431

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

FILING DETAILS

Filed for	**DSHE Holdings Limited ACN 166 237 841 (receivers and managers appointed) (in liquidation),** First defendant
Filed in relation to	Plaintiffs' Amended Joint Statement of Claim
Legal representative	Scott Hedge, Colin Biggers & Paisley Pty Ltd
Legal representative reference	SGH:1709693
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A. NATURE OF DISPUTE

1. The plaintiffs in proceedings 2017/294069 (**Findlay proceedings**) and 2018/52431 (**Mastoris proceedings**) (collectively, the **plaintiffs**) bring these proceedings on their own behalf and on behalf of persons who:

   (a) in respect of the Findlay proceedings:

      (i) during the period commencing on 16 February 2015 and concluding on 3 January 2016 acquired an interest in ordinary shares in the first defendant, DSHE Holdings Limited (receivers and managers appointed) (in liquidation) (**DSH**); and

      (ii) have allegedly suffered loss or damage by, or which resulted from, the conduct of DSH and/or the second defendant (**Abboud**) and/or the third defendant (**Potts**) pleaded in the Amended Joint Statement of Claim;

   (b) in respect of the Mastoris proceedings:

      (i) during the period commencing 14 November 2013 to 14 February 2015, or the period 15 February 2015 to 3 January 2016 (provided they had signed a funding agreement with ICP Capital Pty Ltd and Investor Claim Partner Pty Ltd as at 14 February 2018), acquired an interest in fully paid ordinary shares in DSH; and

      (ii) have allegedly suffered loss or damage by reason of the conduct of DSH and/or Abboud and/or Potts pleaded in the Amended Joint Statement of Claim,

      (**Group Members**).

2. The plaintiffs allege various contraventions by DSH in connection with the Prospectus under which it made an offer of securities in 2013 (including contraventions of ss 674, 728, 1041E of the *Corporations Act 2001* (Cth) (**Corporations Act**)) and in connection with its 2014 and 2015 financial results (including contraventions of ss 674, 1041E, 1041H of the Corporations Act, s 12DA of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**) and s 18 of the Australian Consumer Law).

3. In particular, the plaintiffs allege that for the purposes of its pro-forma financial statements for the financial year ending 30 June 2013 (the **FY13 Report**) the first

quarter of 2014 (**1Q2014 Results**) (together, the **Prospectus Accounts**), and in its financial statements for the financial year ending 29 June 2014 (**FY14 Report**) and the financial year ending 28 June 2015 (**FY15 Report**), DSH adopted certain accounting approaches and made accounting decisions which were not prepared consistently with Australian Accounting Standards. The matters alleged include inadequate inventory provisioning, the accounting treatment of certain rebates, the accounting treatment of the Warranty Sign-on Liability (as defined at paragraph 193 of the Amended Joint Statement of Claim), the provisioning for doubtful debts, the capitalisation of wages and salaries, provisioning for onerous leases, and the deferral of a deed of release payment to FY2016. It is alleged that these methods and approaches had the consequence of materially overstating the financial position and performance of DSH in the relevant years, such that the accounts did not give a true and fair view of the financial position and performance of DSH and its controlled entities (**DSH Group**).

4. The plaintiffs allege that DSH made express representations in the Prospectus and in the FY14 Report and FY15 Report to the effect that the accounts had been prepared in accordance with Australian Accounting Standards and gave a true and fair view of the financial position and performance of DSH as a consolidated entity, were misleading or deceptive or likely to mislead and deceive, and that true financial position and performance was information that ought to have been disclosed.

5. The plaintiffs also allege that the auditor of DSSH and DSH, Deloitte Touche Tohmatsu (**DTT**), made express representations in the FY13 Report, FY14 Report and FY15 Report that it had conducted its audits of those financial statements in accordance with Australian Auditing Standards and that DTT was of the opinion that the financial statements complied with Australian Accounting Standards and gave a true and fair view of the Group's financial position and performance. It is also alleged that DTT impliedly represented that those representations were the product of DTT having conducted the audits in accordance with DTT's auditing obligations and having exercised reasonable care and skill (Amended Joint Statement of Claim, [415], [416], [420], [421], [425], [426]).

6. The plaintiffs allege that DTT's express representations were misleading or deceptive in contravention of s 1041E or 1041H of the Corporations Act, s 18 of the Australian Consumer Law or s 12DA of the ASIC Act. It is also alleged that DTT's implied representations were false and misleading in contravention of s 29(1)(b) of the Australian Consumer Law and/or s 12DB(1) of the ASIC Act, because the audits were not performed with reasonable care.

7. DSH does not admit that it is liable to the plaintiffs or the Group Members in the manner pleaded in the Amended Joint Statement of Claim, or at all.

8. In the event only that DSH is found liable to the plaintiffs or Group Members in these proceedings (which is not admitted), then DSH cross-claims against the Cross-Defendants, DTT and Deloitte Corporate Finance Pty Limited (**DCF**) for damages and/or equitable contribution.

9. As against DTT, DSH says that if, as alleged by the plaintiffs (which is not admitted), the accounting approaches adopted in the FY13 ~~Financial Statement~~Report, FY14 Report and FY15 Report meant that the financial statements did not comply with Australian Accounting Standards and did not give a true and fair view of the financial position and performance of DSH and the DSH Group, and that there was no adequate or reasonable basis for the express representations made by DSH to the contrary, then DSH claims that there was no adequate or reasonable basis for the express representations of DTT to similar effect, and that DTT failed to exercise reasonable skill and care in making those representations.

10. As for DCF, that entity was retained by DSH to prepare an Investigating~~dependent~~ Accountant's Report to the board of directors of DSH in connection with the initial public offering of shares in DSH and its subsequent listing on the ASX (**Offer**)~~,~~ to participate as a member of the due diligence committee in relation to the Offer and to prepare a report summarising the results of the due diligence.

11. DCF provided a Due Diligence Sign-Off for the Prospectus, in which it made express representations that it had performed the necessary procedures to enable it to provide the Due Diligence Sign-Off, the Investigating~~dependent~~ Accountant's Report and the Due Diligence Report and that it was of the opinion that the due diligence enquiries that had been made constituted all reasonable enquiries, and that the Prospectus did not contain information that was misleading or deceptive. DCF also made implied representations, including to the effect that its views were based on the exercise of reasonable skill and care.

12. If, as alleged by the plaintiffs (which is not admitted), financial information contained within the Prospectus was misleading or deceptive, then DSH claims against DCF that the Due Diligence Sign-Off was also misleading or deceptive in contravention of ~~s 1041E or 1041H~~ s 729 of the Corporations Act, s 18 of the Australian Consumer Law or s 12DA of the ASIC Act, and that DCF failed to exercise reasonable care and skill in making the representations which are the subject of this cross-claim.

13. DSH alleges by way of this cross-claim that its auditors, DTT, and specialist accounting and corporate advisors, DCF are liable to it for loss and damage they have caused, which loss or damage is the liability, if any, that DSH has to the plaintiffs in the main claim, together with DSH's legal costs. The liability of DTT and DCF arises by reason of: their misleading or deceptive conduct, their negligence, their breach of contract, or their liability to make contribution under the *Law Reform (Miscellaneous Provisions) Act 1946* or in equity.

B. ISSUES LIKELY TO ARISE

1. Did DTT engage in misleading or deceptive conduct that caused DSH's liability to the plaintiffs?

2. Did DTT fail to exercise reasonable care and skill in performing its audit and review duties such that it breached its common law duty of care to DSH, or the terms of its retainers, causing DSH's liability to the plaintiffs?

3. Is DCF a person liable to the plaintiffs under s 729(1) of the Corporations Act for the contravention of s 728 that the plaintiffs allege against DSH, such that DCF is liable to make contribution?

4. Did DCF engage in misleading or deceptive conduct that caused DSH's liability to the plaintiffs?

5. Did DCF fail to exercise reasonable care and skill in performing its duties under the DCF Retainer such that it breached its common law duty of care to DSH, or the terms of its retainer, causing DSH's liability to the plaintiffs?

Contents

A. THE PARTIES

6. For the purpose of this Cross-Claim Statement, DSH repeats paragraphs 38 to 56 of the Amended Joint Statement of Claim.

7. At all material times, the 1st to 454th Cross-Defendants:

   (a) are and were partners in an Australian partnership (**DTT**) and a member firm of the network of independent members firms affiliated with Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee;

   (b) conducted business within Australia in relation to accountancy, audit, tax, consulting, and financial advisory services under the partnership name "Deloitte Touche Tohmatsu";

   (c) held themselves out to be, inter alia, specialist auditors and accountants;

   (d) included among its partners and employees practising in Australia persons who were registered company auditors including Mr David White, each of whom was

      (i) a partner of DTT;

      (ii) a person for the purposes of:

         (A) s1041H of the *Corporations Act 2001* (**Corporations Act**);

         (B) s729 of the Corporations Act;

         ~~(B)~~(C) s12DA of the Australian Securities and Investments Commission Act 2001 (**ASIC Act**); and

         ~~(C)~~(D) s18 of the Australian Consumer Law.

8. At all material times, the 455th Cross-Defendant, DCF:

   (a) was a corporation registered in Australia and is entitled to sue and be sued in by its corporate name and style;

   (b) was wholly owned by DTT;

   (c) conducted business within Australia in relation to accountancy, audit, tax, consulting and financial advisory services;

   (d) held itself out to be, inter alia, a specialist accounting and corporate advisory firm;

(e) included among its personnel practising in Australia persons including Mr Steve Woosnam, Mr John Duivenvoorde, Mr David Hagger, Mr David White, Ms Samantha Lewis and Mr Mark Goldsmith, each of whom was:

(i) a partner of DTT;

(ii) a person for the purposes of:

(A) s1041H of the *Corporations Act*;

(B) s12DA of the ASIC Act; and

(C) s18 of the Australian Consumer Law.

B. THE DTT RETAINERS

B.1. FY13 Retainer

9. On or about 24 January 2013, or alternatively 3 December 2012, DTT was retained by Dick Smith Sub-Holdings (**DSSH**) to audit the financial report of DSSH for the ten month period ending 30 June 2013 (**FY13 Audit**) (**FY13 Retainer**).

Particulars

The FY13 Retainer was in writing and was comprised of:

(i) Letter of engagement dated 3 December 2012 from DTT to Tim Fawaz of DSSH (**2013 Engagement Letter**); and

(ii) DTT's Standard Terms and Conditions.

10. Each of the following was a term of the FY13 Retainer:

(a) that DTT would perform its audit pursuant to the requirements of the Corporations Act;

(b) that DTT would conduct its audit in accordance with Australian Auditing Standards;

(c) that DTT would perform audit procedures to obtain audit evidence about the amounts and disclosures in the financial report;

(d) that DTT would evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report;

(e) that DTT would, in making risk assessments, consider internal controls relevant to DSSH's preparation of the financial report in order to design audit procedures that were appropriate in the circumstances;

(f) that DTT would communicate to DSSH in writing concerning any significant deficiencies in internal controls relevant to the audit of the financial report identified during the audit;

(g) that DTT would perform specific audit procedures in accordance with *Australian Auditing Standard 510 Initial Audit Engagements - Opening Balances*, to obtain sufficient audit evidence that the opening balance was not materially misstated and the accounting policies reflected in the opening balances had been consistently applied in the financial report;

Particulars

2013 Engagement Letter. ~~Letter of engagement dated 3 December 2012 from DTT to Tim Fawaz of DSSH~~

(h) that DTT would express its opinion as to whether the financial report for DSSH was in accordance with the Corporations Act including:

(i) in giving a true and fair view of the financial position and performance of DSSH and its controlled entities as at 30 June 2013 for the ten month period ended on the date; and

(ii) in complying with the Australian Accounting Standards and the *Corporations Regulations 2001* (Cth) (**Corporations Regulations**);

(i) provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind; and

Particulars

Clause 3.1 of the Standard Terms and Conditions enclosed with the 2013 Engagement Letter.

(j) use reasonable skill and care in providing services pursuant to the FY13 Retainer.

Particulars

The term was implied by law.

11. Mr White was the lead audit partner for the FY13 Audit.

Particulars

Mr White signed the 2013 Engagement Letter at page 4.

The Working Paper 2302 "Dick Smith – Board report template RELEASE" (DEL.002.001.1211) was signed by Mr White as "Lead audit Partner" at page 2.

B.2. FY14 Retainer

12. On or about 13 December 2013, DTT was retained by DSH to audit the financial report of DSH for the year 29 June 2014 (**FY14 Audit**) (**FY14 Retainer**).

Particulars

The FY14 Retainer was in writing and was comprised of:

(A) Letter of engagement dated 13 December 2013 from DTT to Bill Wavish of DSH (**2014 Engagement Letter**); and

(B) DTT's Standard Terms and Conditions.~~,~~

~~(the FY14 Retainer).~~

13. It was a term of the FY14 Retainer that in relation to the FY14 Audit, DTT would:

(a) perform its ~~review and~~ audit pursuant to the Corporations Act requirements;

(b) conduct its ~~review and~~ audit in accordance with Australian Auditing Standards;

(c) perform procedures to obtain audit evidence about the amounts and disclosures in the financial report;

(d) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report;

(e) in making risk assessments, consider internal controls relevant to DSH's preparation of the financial report in order to design audit procedures that were appropriate in the circumstances;

(f) communicate to DSH in writing concerning any significant deficiencies in internal controls relevant to the audit of the financial report identified during the audit;

(g) review the interim financial report in accordance with the Australian Auditing Standard on *Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, issued by the Auditing and Assurance Standards Board;

(h) express its opinion as to whether the financial report for DSH was in accordance with the Corporations Act including:

(i) in giving a true and fair view of the DSH Group's financial position as at 29 June 2014 and of its performance for the period ended on the date; and

(ii) in complying with the Australian Accounting Standards and the Corporations Regulations.

Particulars

The 2014 Engagement Letter, pages 2, 7.

(i) provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind;

Particulars

Clause 3.1 of the DTT Standard Terms and Conditions enclosed with the 2014 Engagement Letter

(j) use reasonable skill and care in providing services pursuant to the FY14 Retainer.

Particulars

The term was implied by law

14. Mr White was the lead audit partner for the FY14 Audit.

Particulars

Mr White signed the 2014 Engagement Letter at page 5.

The report titled "Report to the Finance and Audit Committee for the year ended 29 June 2014" and dated 6 August 2014 (DSE.003.047.7218) was signed by Mr White as "Lead audit Partner" at page 2.

B.3. FY15 Retainer

15. On or about 13 November 2014, DTT was retained by DSH to audit the financial report of DSH for the year 28 June 2015 (**FY15 Audit**) (**FY15 Retainer**).

Particulars

The FY154 Retainer was in writing and was comprised of:

(A) Letter of engagement dated 13 November 20143 from DTT to Bill Wavish of DSH; and

(B) DTT Standard Terms and Conditions.

(**the FY15 Retainer**)

16. It was a term of the FY15 Retainer that DTT would:

(a) perform its audit pursuant to the requirements of the Corporations Act;

(b) conduct its audit in accordance with Australian Auditing Standards;

(c) perform procedures to obtain audit evidence about the amounts and disclosures in the financial report;

(d) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report;

(e) in making risk assessments, consider internal controls relevant to DSH's preparation of the financial report in order to design audit procedures that were appropriate in the circumstances;

(f) communicate to DSH in writing concerning any significant deficiencies in internal controls relevant to the audit of the financial report identified during the audit;

(g) express its opinion as to whether the financial report for DSH was in accordance with the Corporations Act including:

(i) in giving a true and fair view of the DSH Group's financial position as at 28 June 2015 and of its performance for the period ended on that date; and

(ii) in complying with Australian Accounting Standards and the Corporations Regulations;

Particulars

The 2015 Engagement Letter, pages 2, 7.

(h) provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind;

Particulars

Clause 3.1 of the DTT Standard Terms and Conditions enclosed with the 2014 Engagement Letter.

(i) use reasonable skill and care in providing services pursuant to the FY154 Retainer.

Particulars

The term was implied by law.

17. Mr White was the lead audit partner for the FY154 Audit.

Particulars

Mr White signed the 2015 Engagement Letter at page 5.

The report titled "Report to the Finance and Audit Committee for the year ended 28 June 2015" and dated 6 August 2015 (DSE.003.035.7799) was signed by Mr White as "Lead audit Partner" at page 2.

C. ACCOUNTING AND AUDITING FRAMEWORK

C.1. Corporations Act 2001

18. For the purpose only of this Cross-Claim Statement, and without admission, DSH repeats paragraphs 111 to 113 of the Amended Joint Statement of Claim.

19. For each of FY13, FY14 and FY15 DSSH and/or DSH retained DTT for the purpose of auditing, as required by s 301 of the Corporations Act, the consolidated financial statements to be included in the full year financial report for the periods ending 30 June 2013 (**FY13 Report**), 30 June 2014 (**FY14 Report**) and 30 June 2015 (**FY15 Report**).

20. Pursuant to s307 of the Corporations Act, DTT was required to form an opinion as to whether:

    (a) the FY13 Report, FY14 Report and FY15 Report were in accordance with the Corporations Act, including:

        (i) section 296 (compliance with accounting standards); and

        (ii) section 297 (true and fair view);

    (b) DTT had been given all information, explanation and assistance necessary for the conduct of the audit; and

    (c) DSH had kept financial records sufficient to enable the annual financial report to be prepared and audited.

21. Pursuant to s307A of the Corporations Act, DTT was required to conduct each of the FY13 Audit, FY14 Audit, and FY15 Audit in accordance with the auditing standards.

22. Pursuant to s308 of the Corporations Act:

    (a) DTT was required to report to the members of DSSH or DSH (as the case may be) on whether DTT was of the opinion that each of the FY13 Report, FY14 Report and FY15 Report was in accordance with the Corporations Act, including:

        (i) section 296 (compliance with accounting standards); and

        (ii) section 297 (true and fair view);

    (b) if DTT was not of the opinion referred to in subparagraph (a) above, DTT was required to say why;

(c) if DTT was of the opinion that the FY13, FY14 or FY15 Reports did not comply with an accounting standard, DTT's report was required, to the extent it was practicable to do so, to quantify the effect that non-compliance had on the relevant annual financial report. If it was not practicable to quantify the effect fully, DTT's report was required to say why; and

(d) in its reports, DTT was required to describe:

(i) any defect or irregularity in the annual financial report; and

(ii) any deficiency, failure or shortcoming in respect of the matters referred to in paragraphs 20(b) to (c) above.

23. Pursuant to s310 of the Corporations Act, DTT:

(a) had a right of access at all reasonable times to the books of DSSH and DSH; and

(b) was able to require any officer of DSSH and DSH to give it information, explanations or other assistance for the purposes of the FY13 Audit, FY14 Audit, or FY15 Audit, so long as such request was reasonable.

C.2. Accounting Standards

24. For the purpose of this Cross-Claim Statement, DSH repeats paragraphs 114 to 134 of the Amended Joint Statement of Claim.

C.3. Auditing Standards

25. For the purpose of Cross-Claim Statement, DSH repeats Part F.3 of the Amended Joint Statement of Claim.

ASA 265

26. In performing the FY13 Audit, FY14 Audit and the FY15 Audit, DTT was required to comply with the Auditing Standard ASA 265 *Communicating Deficiencies in internal Control to those Charged with Governance and Management* (**ASA265**).

Particulars

Corporations Act, s 307A; ASA 265, paragraphs Aus 0.1.

27. At all material times ASA 265 provided, inter alia, that:

(a) the auditor shall determine whether, on the basis of the audit work performed, the auditor had identified one or more deficiencies in internal control (paragraph 7);

(b) if the auditor identified one or more deficiencies in internal control, the auditor shall determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies (paragraph 8);

(c) the auditor shall communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis (paragraph 9);

(d) the auditor shall also communicate to management at an appropriate level of responsibility on a timely basis:

(i) in writing, significant deficiencies in internal control that the auditor has communicated or intends to communicate to those charged with governance, unless it would be inappropriate to communicate directly to management in the circumstances; and

(ii) other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgement, are of sufficient importance to merit management's attention (paragraph 10).

D. REPRESENTATIONS BY DTT

D.1. The FY13 Inventory Representations

28. In the course of the FY13 Audit, inventory provisions in the FY13 Report were identified by DTT as a key area of focus and audit response.

Particulars

DTT's Report to the Board for the period ending 30 June 2013 and dated 17 October 2013 (DEL.002.001.1211) section 2.2 (**FY13 Board Report**).

29. DTT informed DSSH that the procedures which would be undertaken by DTT in the course of the FY13 Audit in relation to inventory balances in the FY13 Report included performing various alternative analyses, including reviewing:

(a) the various categories of inventory;

(b) the split of inventory between that acquired pre and post Acquisition by DSH;

(c) subsequent sales in the 3 month period to 30 September 2013 and the type of inventory held by the trading department;

Particulars

FY13 Board Report, section 2.2.

(d) reviewing the AASB 102 calculation prepared by management, including the challenging of assumptions and the assessment of inputs into the model;

(e) reviewing the inventory obsolescence calculations, focussing both on the opening balances of the provision, subsequent sales histories and assumptions built into the obsolescence provision at the period end; and

(f) reviewing management's assumptions of levels of shrinkage rates compared to past experience and industry benchmarks.

Particulars

External Audit Strategy Report for the period ending 30 June 2013, section 4.3.

30. On or about 15 October 2013, at the conclusion of the FY13 Audit, DTT reported that:

(a) given the lack of historical information and the significant changes to the stock profile over the period, support for the adjustments was relatively limited, and therefore DTT independently assessed the provision required at year end;

(b) in determining DTT's assessment of the appropriate provision for November 2012 inventory balances, DTT reviewed on a line by line basis the inventory per category and assessed the ageing, quality and sell through of the items through discussions with merchandising;

(c) DTT had estimated a provision of 20% for active inventory acquired in November 2012 that was still on hand in June 2013;

(d) DTT had estimated provision of 1% for Active and No Reorder stock and 10% for Discontinued stock acquired post November 2012.

Particulars

File Note from Damien Cork dated 15 October 2013, *Dick Smith FY13 Audit – Summary of Approach and Key Issues* (DEL.002.001.1191).

31. On about 17 October 2013, DTT reported that:

(a) the nature of the market that DSH operated in resulted in an ongoing risk of obsolete and unsaleable inventory;

(b) the methodology used to calculate the provision for stock obsolescence was re-assessed on acquisition, with management determining an approach based on an overall percentage calculation with reference to the category of inventory on hand as well as any additional specific provisions;

(c) a significant amount of management judgment was required to determine an appropriate fair value adjustment to inventory at the date of acquisition;

(d) the current methodology adopted by management did not allow for an accurate ageing of inventory and that DTT recommended that management adopt a means of generating a more accurate ageing report to assist the review of aged inventory and in determining an appropriate inventory provision; and

(e) the provision for inventory obsolescence as at 30 June 2013 was considered to be reasonable.

Particulars

FY13 Board Report, section 2.2.

32. On or about 17 October 2013, DTT represented that:

(a) DTT was of the opinion that the provision in respect of inventory obsolescence in the FY13 Report complied with AASB 102;

Particulars

The representation was partly express and partly implied.

To the extent it was express, DSH repeats paragraphs 30 and 31 above.

To the extent it is implied, it is implied by those statements.

(b) DTT had a reasonable basis for the opinions in paragraph (a) above, and those opinions were the result of DTT having exercised reasonable skill and care in performing the FY13 Audit and having complied with the Auditing Standards in respect of its work in relation to inventory in the course of the FY13 Audit

(**FY13 Inventory Representations**).

Particulars

The representation was implied by the matters set out in paragraphs 7, 10, 21, 25 to 27 and 32(a) above.

D.2. The FY13 Audit Report Representations

33. On or about 23 October 2013, DTT issued an Independent Auditor's Report to the Members of DSSH (**FY13 Audit Report**).

34. DSSH's financial report for the 10-month period ended 30 June 2013 containing the FY13 Audit Report was lodged with the Australian Securities Exchange on or about 31 October 2013.

35. The FY13 Audit Report stated, inter alia, that DTT was of the opinion that the FY13 Report was in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance the period ended on that date; and

(ii) complying with Australian Accounting Standard and the *Corporations Regulations 2001* (the **FY13 Unqualified Audit Statements**).

Particulars

Independent Auditor's Report to the Members of DSSH dated 23 October 2013.

36. In making the FY13 Unqualified Audit Statements, DTT represented ~~to DSH~~ that it had a reasonable basis for those statements, and that those statements were the result of DTT having exercised reasonable skill and care in performing the audit of the FY13 Report, and having complied with Auditing Standards in the course of the audit (the **FY13 Audit Report Representation**).

Particulars

The FY13 Audit Report Representation was partly express and partly implied.

To the extent it was express, DTT stated in the FY13 Report as follows: "*Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. ...An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report...We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.*"

To the extent it was implied, the representation was implied from the express statement in the FY13 Report and from the matters in paragraphs 7, 10, 21, 25 to 27 above.

D.3. The DTT Prospectus Representations

37. The Prospectus issued by DSH on 21 November 2013 contained Pro forma Historical Financial Information, comprised of:

(a) Pro forma Historical Consolidated Income Statements of DSSH for the financial years ended 26 June 2011, 24 June 2012 and 30 June 2013 and for the three months ended 29 September 2013;

(b) the Pro forma Consolidated Balance Sheet of the Company as at 30 June 2013

(**Pro forma Historical Financial Information**)

Particulars

(A) Prospectus, p 53;

(B) Letter from DCF to DSSH dated 13 November 2013.

38. The Prospectus stated that financial statements for the period ended 30 June 2013 were audited by DTT, which had issued an unqualified opinion.

Particulars

(A) Prospectus, p 53;

(B) Investigating Accountant's Report and Financial Services Guide dated 13 November 2013.

39. The Pro forma Historical Financial Information was derived from:

(a) the audited financial statements of DSSH for the period from 26 November 2012 to 30 June 2013;

(b) unaudited accounting records of DSH Holdings Pty Ltd for the period from 28 June 2010 to 26 November 2012;

(c) the pro forma adjustments applied to the Historical Financial Information to illustrate the effect of events and transactions related to the initial public offering.

40. On 13 November 2013, DTT gave its written consent to the inclusion in the Prospectus of statements specifically attributed to DTT in the text of the Prospectus, in the form and context in which they are included (and all other references to those statements) in the Prospectus.

Particulars

(A) Prospectus, p 139

(B) Letter from DTT to DSSH dated 13 November 2013.

41. DTT did not withdraw its consent to be named in the Prospectus prior to the lodgement with ASIC.

42. By giving its consent to be named in the Prospectus, save for adjustments to DSSH's Pro Forma Historical Financial Information disclosed in the Prospectus, DTT confirmed the FY13 Inventory Representations, FY13 Audit Report Representation and the FY13 Unqualified Audit Statements (**DTT Prospectus Representations**).

43. The FY13 Inventory Representations, the FY13 Unqualified Audit Statements, the FY13 Audit Report Representation and the DTT Prospectus Representations constituted conduct by DTT:

(a) in trade or commerce within the meaning of section 18 of the ACL;

(b) in trade or commerce in relation to financial service within the meaning of s12DA of the ASIC Act; and/or

(c) in relation to a financial product or a financial service within the meaning of section 1041H of the Corporations Act.

44. Further or in the alternative, the representation pleaded in paragraphs 32(b) and the FY13 Audit Report Representation were representations by DTT:

(a) in connection with the supply of services, that those services were of a particular standard, quality, value or grade, within the meaning of section 29(1)(b) of the ACL; and/or

(b) in connection with the supply of financial services, that services were of a particular standard or quality, value or grade, within the meaning of section 12DB(1)(a) of the ASIC Act.

Particulars

The services being supplied by DTT were its services as auditor of DSH in respect of the FY13 Audit.

The representation pleaded at paragraph 32(b) above, and the FY13 Audit Report Representation, being representations that DTT had exercised reasonable skill and care in performing the FY13 Audit and had complied with the Auditing Standards in the course of the audit were representations regarding the standard, quality, value or grade of DTT's services in respect of those engagements.

D.4. The FY14 Rebate Representations

45. The accounting treatment of rebates in the FY14 Report was identified by DTT as a key area of focus and audit response for DTT in the course of the FY14 Audit.

Particulars

DTT Report to the Finance and Audit Committee for the year ended 29 June 2014 and dated 6 August 2014 (**FY14 FAC Report**), section 3.3.

46. In around January 2014, DTT informed DSH that the procedures which would be undertaken by DTT in the course of the FY14 Audit in relation to the accounting treatment of rebates in the FY14 Report included:

(a) confirming the key controls associated with the completeness and validity of the recording of rebate revenues;

(b) performing substantive testing on a sample of rebates recorded in the year; and

(c) assessing the provision for any disputed claims which were expected to be granted by the vendors.

47. On or about 6 August 2014, DTT reported that the procedures which it had undertaken in the FY14 Audit in relation to the accounting treatment of rebates in the FY14 Report included:

(a) discussing the rebates with key members of DSH's management;

(b) analysing the various types of rebates recognised;

(c) performing detailed testing of a sample of rebates recognised throughout the year, with a focus on the rebates accrued as at 29 June 2014; and

(d) assessing whether any of these rebates represented amounts which should be deferred and recognised in profit or loss in the next financial year.

Particulars

FY14 FAC Report, p 11.

48. In the course of the FY14 Audit, in order for DTT to provide its view on the accounting treatment of O&A rebates for the purposes of the FY14 Audit, DTT requested and DSH provided to DTT, information on the manner in which such rebates were recognised and treated in the accounts of DSH (**O&A Rebate Accounting Treatment**).

Particulars

A. Email from Damien Cork of DTT to Potts dated 26 May 2014;

B. Email from Potts to David White of DTT dated 6 June 2014 attaching two papers titled:

a. "Position Paper – Vendor Rebates – Profit/Loss and Balance Sheet Recognition" dated 28 May 2014 and prepared by Nigel Mills of DSH; and

b. "Vendor Rebates – O&A".

49. The O&A Rebate Accounting Treatment involved recognising O&A rebates in the Profit and Loss Statement, either as a Cost of Doing Business, or as a Cost of Sales which derived the Gross Margin, depending on the purpose for which the O&A rebate was allowed to DSH.

Particulars

"Position Paper – Vendor Rebates – Profit/Loss and Balance Sheet Recognition" dated 28 May 2014 and prepared by Nigel Mills of DSH.

50. The information provided to DTT referred to in paragraph 48 above included a paper prepared by DSH management referring to the proposed reallocation of an amount in respect of O&A rebates from marketing expenses in the Costs of Doing Business to the Gross Margin (**FY14 Reallocation of O&A Rebates**).

Particulars

"Vendor Rebates – O&A" attached to the email of 6 June 2014 referred to in paragraph 48 above.

51. On or about 6 August 2014, DTT represented that:

(a) DTT was of the opinion that the O&A Rebate Accounting Treatment complied with Australian Accounting Standards;

Particulars

The representation is implied from the matters in paragraphs 47-49 above and the express statement in the FY14 FAC Report (p. 11) that DTT concurred with the accounting treatment of rebates which had been adopted by management of DSH in preparing the accounts of DSH (being the O&A Rebate Accounting Treatment described in paragraphs 48-49 above).

(b) DTT was of the opinion that the FY14 Reallocation of O&A Rebates was appropriate, complied with Australian Accounting Standards and did not have a material impact;

Particulars

The representation was partly express and partly implied.

To the extent it was express, DTT stated (FY14 FAC Report, p11) that: "*In the HY14 financial statements, the over and above rebates were recognised as a recovery of marketing and sale expenses...During the second half of the year, management undertook a review of the appropriateness of the classification of the over and above rebates. As these amounts are essentially a contribution to the selling costs of the inventory being cleared, it was determined that they should instead be recognised within cost of sales. We concur with this treatment and note that the classification does not have a material impact on the comparatives reported.*"

To the extent it is implied, it is implied from those express statements.

(c) DTT was of the opinion that the Australian Accounting Standards did not require the disclosure of the O&A Rebate Accounting Treatment or the FY14 Reallocation of O&A Rebates in the FY14 Report;

Particulars

The representation is implied from the circumstances that DTT:

A. audited the FY14 Report;

B. was informed of the O&A Rebate Accounting Treatment adopted in the FY14 Report and the FY14 Reallocation of O&A Rebates;

C. concurred with the adoption of the O&A Rebate Accounting Treatment in the FY14 Report and the FY14 Reallocation of O&A Rebates;

D. identified the treatment of rebates in the FY14 Report as a key area of focus and concern; and

E. did not advise management that it was necessary to make any disclosure of the O&A Rebate Accounting Treatment or the FY14 Reallocation of O&A Rebates in the FY14 Report, in circumstances where, to DSH's and DTT's knowledge, AASB 101 required DSH to disclose in a summary of significant accounting policies in the FY14 Report:

a. the measurement basis (or bases) used by DSH in preparing its financial statements, and the other accounting policies used that were relevant to an understanding of the financial statements; and

b. the judgments (apart from those involving estimations of uncertainty within the meaning of AASB 101 paragraph 125) that management made in the process of applying DSH's accounting policies and had the most significant effect on the amounts recognised in the financial statements;

(d) DTT had a reasonable basis for the opinions in subparagraphs (a) to (c) above, and these opinions were the result of DTT having exercised reasonable skill and care in performing the FY14 Audit, having performed the procedures referred to in paragraphs 46 to 48 above, and having complied with Auditing Standards in respect of its work in relation to rebates in the course of the FY14 Audit.

Particulars

The representation was implied from the matters in paragraphs 7, 13, 21, 25 to 27 and 45-48 above.

(**the FY14 Rebate Representations**).

D.5. The FY14 Inventory Representations

52. The inventory provisions in the FY14 Report was identified by DTT as a key area of focus and audit response in the course of the FY14 Audit.

Particulars

FY14 FAC Report, section 3.2.

53. In or around January 2014, DTT informed DSH that the audit responses which DTT had tailored to address the key risk area in relation to the inventory obsolescence provisions in the FY14 Report, and which would be performed in the course of the FY14 Audit included:

(a) reviewing the inventory costing and provisioning methodologies adopted as required under AASB 102;

(b) as part of that review, reviewing management's evolving provision methodologies and providing guidance as to the appropriateness of the methodology for both pre- and post-acquisition bases;

(c) analysing reports developed by management to track actual selling prices for stock sold during the period and the allocation of "scan" provision utilisation rates; and

(d) reviewing the provision of 1.0% of purchases which had been instituted by management to assist in building the required provision for obsolescence and to ensure adequate provisions are maintained, in order to ensure that the appropriate amount has been taken to profit or loss relating to inventory purchases.

Particulars

DTT presentation to DSH titled "External audit strategy for the financial year ending 29 June 2014", dated January 2014, p 8.

54. On or about 6 August 2014, DTT reported that the procedures carried out by DTT in the FY14 Audit in respect of inventory provisions included reviewing both the assumptions and methodology which were to be applied by management in the financial year ending 29 June 2014 in determining inventory provisions.

Particulars

FY14 FAC Report, p 10.

55. On or about 6 August 2014, at the conclusion of the FY14 Audit, DTT reported that:

(a) DSH's methodology used to calculate the provision for inventory obsolescence had been evolving as more historical data was available under the restructured business model;

(b) whilst the gross inventory balance had increased, the inventory provision had decreased mainly due to an improvement in the quality and ageing of inventory, and in addition management had implemented an "End of life" category which identified the inventory approaching the end of its life cycle but not under an active clearance program;

(c) as at 29 June 2014, a process was undertaken to assess the inventory obsolescence provision based on:

(i) inventory status;

(ii) inventory ageing;

(iii) sell through rates and months cover;

(iv) negative margins at current selling prices;

(v) current promotions or other adjustments;

(the **Revised Inventory Obsolescence Methodology**);

(d) this process included investigation of major product lines with the buying team to understand the expected future sell-through and potential future write-downs;

(e) the calculation of the obsolescence provision based on the Revised Inventory Obsolescence Methodology resulted in a provision of $7.2 million, compared to the provision recognised under the previous methodology of $8.7 million;

(f) no adjustment had been made by management as at 29 June 2014 to reflect the Revised Inventory Obsolescence Methodology on the basis that the previous assumptions were built into the prospectus forecast, but the Revised Inventory Obsolescence Methodology would be implemented in FY15; and

(g) DTT had reviewed the assumptions and methodology applied and concurred with the Revised Inventory Obsolescence Methodology.

Particulars

FY14 FAC Report, p 10.

56. On or about 6 August 2014, DTT represented that:

(a) DTT was of the opinion that the provision in respect of inventory obsolescence in the FY14 financial statements complied with AASB 102;

(b) DTT was of the opinion that the assumptions and methodology in the Revised Inventory Obsolescence Methodology were appropriate, and that the provision in respect of inventory obsolescence derived using that methodology complied with AASB 102:

Particulars

The representation was partly express and partly implied.

To the extent it was express, DSH repeats paragraph 5553 above.

To the extent it was implied, it was implied from those express statements.

(c) DTT had a reasonable basis for the opinions in paragraph (a) above, and those opinions were the result of DTT having exercised reasonable skill and care in reviewing the Revised Inventory Obsolescence Methodology, and having complied with Auditing Standards in respect of its work in relation to inventory in the course of the FY14 Audit.

Particulars

The representation was implied from the matters in paragraphs 7, 13, 21, 25 to 27 and 52 to 55 above.

(the **FY14 Inventory Representations**).

D.6. The FY14 Audit Report Representations

57. On or about 18 August 2014, DTT informed the directors of DSH that it would be issuing an unqualified audit report on its audit of the FY14 Report, being an audit report that contained Unqualified Audit Statements to the effect set out in paragraph 58 below.

Particulars

The representation was partly express and partly implied.

To the extent it was express, see minutes of the meeting of the board of directors of DSH held on 18 August 2014, "Adoption of full year accounts".

To the extent it was implied, it was implied from this express statement and from the matters set out at paragraphs 13, 21, and 25 to 27 above.

58. On or about 18 August 2014, DTT issued an audit report, which stated, inter alia, that DTT was of the opinion that the FY14 Report:

(a) was in accordance with the Corporations Act, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ending on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations ~~2001~~;

(b) complied with International Reporting Standards.

(**the FY14 Unqualified Audit Statements**).

Particulars

Independent Auditor's Report to the Members of DSH dated 18 August 2014 (**FY14 Audit Report**).

59. In making the FY14 Unqualified Audit Statements, DTT represented to DSH that it had a reasonable basis for those statements, and that those statements were the result of DTT having exercised reasonable skill and care in performing the FY14 Audit, and having complied with Auditing Standards in the course of the FY14 Audit (the **FY14 Audit Report Representation**).

Particulars

The FY14 Audit Report Representation was partly express and partly implied.

To the extent it was express, DTT stated in the FY14 Report as follows: "Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. ...An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report...We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion."

To the extent it was implied, the representation was implied from the express statement in the FY14 Report and from the matters in paragraphs 13, 21 and 26 to 27 above.

60. The FY14 Inventory Representations, FY14 Rebate Representations, the FY14 Unqualified Audit Statements and the FY14 Audit Report Representation constituted conduct by DTT:

(a) in trade or commerce within the meaning of section 18 of the ACL;

(b) in trade or commerce in relation to financial service within the meaning of s12DA of the ASIC Act; and/or

(c) in relation to a financial product or a financial service within the meaning of section 1041H of the Corporations Act.

61. Further or in the alternative, the representations pleaded in paragraphs 51(d) and 56(c) and the FY14 Audit Report Representation were representations by DTT:

(a) in connection with the supply of services, that those services were of a particular standard, quality, value or grade, within the meaning of section 29(1)(b) of the ACL; and/or

(b) in connection with the supply of financial services, that services were of a particular standard or quality, value or grade, within the meaning of section 12DB(1)(a) of the ASIC Act.

Particulars

The services being supplied by DTT were its services as auditor of DSH in respect of the FY14 Audit.

The representation pleaded at paragraphs 51(d) and 56(c) and the FY14 Audit Report Representation, being representations that DTT had exercised reasonable skill and care in performing the FY14 Audit and had complied with the Auditing Standards in the course of the audit were representations regarding the standard, quality, value or grade of DTT's services in respect of those engagements.

D.7. The FY15 Rebate Representations

62. In the FY15 Report, DSH adopted the O&A Rebate Accounting Treatment which had been reviewed and approved by DTT in the course of the FY14 Audit.

63. The accounting treatment of rebates in the FY15 Report was identified by DTT as a key area of focus and audit response in the course of the FY15 Audit.

Particulars

DTT Report to the Finance and Audit Committee for the year ended 28 June 2015 (**FY15 FAC Report**), pp. 10-11.

64. DTT informed DSH that the procedures which would be undertaken by DTT in the course of the FY15 Audit in relation to the accounting treatment of rebates included:

(a) understanding the key controls associated with the completeness and validity of the recording of rebate income;

(b) critically evaluating management's methodologies in capturing, calculating and recognising rebates received and receivable, included the underlying key assumptions;

(c) testing the controls in place to ensure that they are operating effectively throughout the year;

(d) performing substantive testing on a sample of rebates recorded or accrued at balance sheet date as well as reviewing a sample of supplier agreements to ensure they have been correctly treated; and

(e) assessing the completeness and accuracy of the provision for any disputed claims with suppliers.

Particulars

DTT presentation to DSH entitled External Audit Strategy for the year ending 28 June 2015, dated 18 November 2014 (**FY15 Audit Strategy Presentation**), p. 8.

65. On or about 6 August 2015, DTT reported that the procedures which DTT had performed in the course of the FY15 Audit in relation to the accounting treatment of rebates in the FY15 Report included:

(a) analysing the various types of rebates recognised, by assessing the nature and the classification of the rebates;

(b) performing a walkthrough of the process for classifying rebates;

(c) carrying out testing of a sample of rebates recognised throughout the year by tracing to supporting documentation, with a focus on rebates accrued as at 28 June 2015;

(d) assessing whether any supplier rebates represented amounts which should be deferred;

(e) analysing the gross margin, net advertising costs and overall costs of doing business as a percentage of sales to determine whether the recognition of rebates was reasonable and reflected the fundamental economic nature of the activities;

(f) considering the reallocation by DSH management of a portion of the O&A Rebates in cost of sales where the rebates exceed the underlying promotional costs (**FY15 Reallocation of O&A Rebates**).

Particulars

FY15 FAC Report, pp. 10 and 11.

66. On or about 6 August 2015, DTT represented that:

(a) DTT was of the opinion that the O&A Rebate Accounting Treatment adopted in the FY15 Report complied with Australian Accounting Standards;

(b) DTT was of the opinion that the FY15 Reallocation of O&A Rebates was appropriate and complied with Australian Accounting Standards.

Particulars

The representations in (a) and (b) were partly express and partly implied.

To the extent they are express, DTT states in the FY15 FAC Report that DTT concurred with management's accounting treatment of O&A Rebates in the FY15 Report (p 10); and that DTT concurred with the allocation by DSH management of a portion of the O&A rebates in cost of sales where the rebates exceed the underlying promotional costs (p 11).

To the extent the representations in (a) and (b) were implied, they were implied from those express statements and from the fact that, having performed the procedures set out in paragraphs 63 to 65 above for the purposes of the ~~fy~~FY15 Audit, DTT did not report that the recording of rebates in the FY15 Report did not comply with Australian Accounting Standards in any respect.

(c) DTT was of the opinion that the Accounting Standards did not require the disclosure of the O&A Rebate Accounting Treatment in the FY15 Report;

Particulars

The representations were implied:

(A) from the express statements in the FY15 FAC Report that DTT concurred with management's accounting treatment of O&A Rebates in the FY15 Report (p. 10); and

(B) ~~as to subparagraph (b)~~ from the circumstances that DTT:

(1) audited the FY15 Report;

(2) was aware of the O&A Rebate Accounting Treatment adopted in the FY15 Report;

(3) identified the treatment of rebates in the FY15 Report as a key area of focus and concern, and did not advise the FAC or DSH management that it was necessary to make any disclosure of the O&A Rebate Accounting Treatment in the FY15 Report, in circumstances where AASB 101 required DSH to disclose in a summary of significant accounting policies in the FY15 Report:

(i) the measurement basis (or bases) used by DSH in preparing its financial statements, and the other accounting policies used that were relevant to an understanding of the financial statements; and

(ii) the judgments (apart from those involving estimations of uncertainty within the meaning of

AASB 101 paragraph 125) that management made in the process of applying DSH's accounting policies and had the most significant effect on the amounts recognised in the financial statements.

(d) DTT was of the opinion that there were no material deficiencies in the controls and systems which were in place at DSH in respect of recording, calculating and recognising rebates;

Particulars

The representation was partly express and partly implied.

To the extent it was express, DTT stated:

(i) in the FY15 FAC Report (p. 10) that DTT was of the view that DSH's processes, reconciliations and supporting evidence for O&A Rebates had significantly improved compared to the previous financial year ending 29 June 2014, with those rebates accrued in the accounts being based on supporting evidence provided by the buyers and reviewed by finance before accruals were raised;

(ii) in the FY15 FAC Report (p 15) that DTT had not identified, in the course of the FY15 Audit, any significant deficiencies in internal controls relating to the prevention or detection of fraud or error which would impact upon DTT's ability to provide an opinion on the FY15 Report.

To the extent it was implied, it was implied from those express statements and from the circumstances that:

(iii) DTT stated that it would perform the procedures in paragraph 64 above in the course of the FY15 Audit (including critically evaluating management's methodologies in capturing and recognising rebates received and receivable, testing the key controls associated with the completeness and validity of recording of rebate income, and performing substantive testing on a sample of rebates recorded or accrued);

(iv) DTT stated that it had performed in the course of the FY15 Audit the procedures in relation to rebates which are described

in paragraph 6564 above (including performing a walkthrough of the process for classifying rebates and performing detailed testing of a sample of rebates recognised throughout the year by tracing to support documentation);

(v) DTT did not, on the basis of any procedures referred to in paragraph (A) or (B) above, report any material deficiency in the controls and systems in place at DSH in respect of recording, calculating and recognising rebates and did not identify any unadjusted differences (FY15 FAC Report, p 10).

(e) DTT had a reasonable basis for the opinions in paragraphs (a)-(d) above, and that those opinions were the result of DTT having exercised reasonable skill and care in performing the FY15 Audit, having performed the procedures referred to in paragraphs 64-65 above, and having complied with Auditing Standards in respect of its work in relation to rebates in the course of the FY15 Audit.

Particulars

The representation was implied from the matters in paragraphs 63-65 above.

(the FY15 Rebate Representations).

D.8. The FY15 Inventory Representations

67. The inventory provisions in the FY15 Report were identified by DTT as a key area of focus and audit response for DTT in the course of the FY15 Audit.

Particulars

FY15 FAC Report, section 3.2.

68. On or about 6 August 2015, DTT reported that in the course of the FY15 Audit, DTT had assessed the assumptions and methodology applied by management in determining inventory provisions in the FY15 Report.

Particulars

FY15 FAC Report, p 9.

69. On or about 6 August 2015, DTT represented that:

(a) DTT was of the opinion that the assumptions and methodology applied by DSH management in determining inventory provisions in the FY15 Report were appropriate, and that the provision in respect of inventory obsolescence in the FY15 Report complied with AASB 102;

Particulars

The representation was partly express and partly implied.

To the extent it was express, DTT stated in the FY15 FAC Report that:

(i) the Revised Inventory Obsolescence Methodology (being the methodology which had been reviewed and approved by DTT in the course of the FY14 Audit (see paragraph 55 above)) had been adopted in the FY15 Report, subject to a refinement which had been adopted in the financial statements for HY2015; and

(ii) DTT had assessed the assumptions and methodology applied by DSH and concurred with the revised methodology and with the provision made for inventory obsolescence applying that methodology (pp 5 and 9).

To the extent the representation was implied, it was implied from those express statements.

(b) DTT had a reasonable basis for the opinions in paragraphs (a) above, and those opinions were the result of DTT having exercised reasonable skill and care in performing the FY15 Audit, having performed the procedures referred to in paragraph 68 above, and having complied with Auditing Standards in respect of its work in relation to rebates in the course of the FY15 Audit,

(FY15 Inventory Representations).

Particulars

The representation was implied from that matters in paragraphs 7, 16~~13~~, 21, 25 to~~26,~~ 27, 67, ~~and~~ 68 and 69(a) above.

D.9. The FY15 Audit Report Representations

70. On or about 17 August 2015, DTT informed the directors of DSH that it would be issuing an unqualified audit report on its audit of the FY15 Report, being an audit report that contained Unqualified Audit Statements to the effect set out in paragraph 71 below.

Particulars

Minutes of the meeting of the board of directors of DSH held on 17 August 2015, "Adoption of full year accounts", statement by DTT that it "gave clearance on the accounts".

71. On or about 17 August 2015, at the conclusion of the FY15 Audit, DTT issued an audit report which stated, inter alia, that DTT was of the opinion that the FY15 Report:

(a) was in accordance with the Corporations Act, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2015 and of its performance for the year ending on that date; and

(ii) complying with Australian Accounting Standards and Corporations Regulations ~~2001~~;

(b) complied with International Reporting Standards

(**the FY15 Unqualified Audit Statements**).

Particulars

Independent Auditor's Report to the Members of DSH dated 17 August 2015 (**FY15 Audit Report**).

72. In making the Unqualified Audit Statements, DTT represented to DSH that it had a reasonable basis for those statements, and that those statements were the result of DTT having exercised reasonable skill and care in performing the FY15 Audit, and having complied with Auditing Standards in the course of the FY15 Audit (the **FY15 Audit Report Representation**).

Particulars

The FY15 Audit Report Representation was partly express and partly implied.

To the extent it was express, DTT stated in the FY15 Report as follows: "Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. ...An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. ...We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion."

To the extent it was implied, the representation was implied from thate express statement in the FY15 Report and from the matters in paragraphs 16, 21, ~~26 and~~ 25 to 27 above.

73. The FY15 Inventory Representations, FY15 Rebate Representations, the FY15 Unqualified Audit Statements and the FY15 Audit Report Representation constituted conduct by DTT:

(a) in trade or commerce within the meaning of section 18 of the ACL;

(b) in trade or commerce in relation to financial service within the meaning of section 12DA of the ASIC Act; and/or

(c) in relation to a financial product or a financial service within the meaning of section 1041H of the Corporations Act.

74. Further or in the alternative, the representation pleaded in paragraphs 66(e), 69(b) above and the FY15 Audit Report Representation were representations by DTT:

(a) in connection with the supply of services, that those services were of a particular standard, quality, value or grade, within the meaning of section 29(1)(b) of the ACL; and/or

(b) in connection with the supply of financial services, that services were of a particular standard or quality, value or grade, within the meaning of section 12DB(1)(a) of the ASIC Act.

Particulars

The services being supplied by DTT were its services as auditor of DSH in respect of the FY14 Audit.

The representation pleaded at paragraphs 66(e), 69(b) above, and the FY15 Audit Report Representation, being representations that DTT had exercised reasonable skill and care in performing the FY15 Audit and had complied with the Auditing Standards in the course of the audit were representations regarding the standard, quality, value or grade of DTT's services in respect of those engagements.

E. MISLEADING AND DECEPTIVE CONDUCT BY DTT (INVENTORY REPRESENTATIONS)

E.1. Plaintiffs' allegations in respect of inventory provisions

75. For the purpose only of this Cross-Claim Statement, and without admission, DSH repeats paragraphs 135 to 151 and 223 to 226 of the Amended Joint Statement of Claim and the particulars thereto.

76. If the plaintiffs establish ~~the matters referred to in paragraph 75 above (which are not admitted), then~~that:

(a) DSH, by recording and making provisions for inventory in the method set out in paragraph 144 of the Amended Joint Statement of Claim, failed to provision for inventory in a way which complied with AASB 102 because it did not:

(i) take into consideration whether inventory was saleable in the future at or above its cost;

(ii) take into consideration the impact of holding levels of excess inventory; and

(iii) record inventory at the lower of the inventory cost or its net realisable value.

(b) DSSH and/or DSH (as the case may be) failed to provide for inventory and thereby overstated the carrying value of inventory in at least the following amounts in the following financial periods:

(i) As to FY13 – underprovision of $22.9 million;

(ii) As to 1Q14 – underprovision of $28.5 million;

(iii) As to FY14 – underprovision of $30.0 million;

(iv) As to FY15 – underprovision of $36.3 million;

(c) In overstating the carrying value of inventories and/or understating the provision against inventories, the financial statements of the consolidated DSH Group ~~DSH~~ in respect of FY13, 1Q2014, FY14 and~~,~~ FY15:

(i) overstated the total equity and net assets of DSH Group;

(ii) facilitated DSH Group reporting a higher value of inventories and consequently higher total equity in the consolidated statement of financial position that DSH would have reported had it complied with AASB 102;

(iii) did not present fairly DSSH's, DSH's and the DSH Group's financial performance;

(iv) did not represent fairly the effect of the~~its~~ inventory levels of the DSH Group according to the definitions set out in the AASB Framework because the selection and presentation of the financial information relating to the inventory was not neutral in the sense required by AASB Framework; and

(v) was not prepared in accordance with Australian Accounting Standards.

(d) in failing to write down the carrying value of inventories as an expense against gross profit (as required by AASB 102), the consolidated DSH Group's financial statements in respect of FY13, 1Q2014, FY14 and FY15:

(i) overstated the reported gross profit, EBITDA and net profit reported in the consolidated statement of profit and loss;

(ii) reported gross profit. EBITDA and net profit of an amount higher than it should have reported had it complied with AASB 102;

(iii) did not present fairly DSSH'S, DSH's and the DSH Group's financial performance;

(iv) did not disclose the carrying amount of inventories at fair value less costs to sell;

(v) did not faithfully represent the effect of its carrying value of inventory levels according to the definitions set out in the AASB Framework because the selection and presentation of the financial information relating to the carrying value of the inventory was not neutral in the sense required by the AASB Framework; and

(vi) were not prepared in accordance with the Australian Accounting Standards~~,~~.

then, by reason of the matters set out in sub-paragraphs (a) to (d) above, none of the: Pro Forma Historical Financial Information in relation to FY13 or 1Q2014; the FY14 Report; or the FY15 Report complied with Australian Accounting Standards ~~and did not give~~or gave a true and fair view of the financial position and performance of DSSH, DSH and/or the DSH Group.

E.2. DTT's failure to comply with Auditing Standards – FY13 Inventory Provisions

77. If the matters in paragraph 76 above are established in respect of the FY13 Report and Prospectus Accounts, then:

(a) DTT, in representing (as pleaded in paragraph 32(a) above) that it was of the opinion that the assumptions and methodology applied by DSSH management in the financial year ending 30 June 2013 in order to determine inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in the FY13 Report complied with AASB 102~~, either~~:

(i) failed to properly understand the assumptions and methodology applied by DSSH management in determining inventory provisions;~~ or~~

(ii) failed to gather sufficient appropriate audit evidence to enable DTT to express an opinion on whether the assumptions and methodology applied by management in determining the inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in the FY13 Report complied with AASB 102; or

(iii) failed properly to apply the requirements of AASB 102 to such audit evidence as DTT obtained in assessing the issue whether the inventory provisions in the FY13 Report complied with AASB 102~~,~~.

Particulars

The plaintiffs contend that the effect of DSH's approach to inventory provisioning was that the Prospectus Accounts reported and/or forecast Gross Profit, EBITDA, NPAT and equity at levels materially higher than that which would have been reported or forecast had the approach to inventory provisioning for the year ending 30 June 2013 not been adopted, and that that approach did not comply with AASB 102.

If those matters are established (which are not admitted), then the auditor exercising reasonable skill and care, who had obtained a proper understanding of DSH and who had performed audit procedures so as to evaluate whether the provisioning for the cost of inventory was appropriate and in accordance with the applicable financial reporting framework, would have concluded that the provision was not appropriate, and would have so reported. For the reasons set out in the particulars to paragraph 77(b) below, DTT failed to do so.

(b) failed to comply with the Auditing Standards in carrying out its work in respect of the inventory provisioning in the course of the FY13 Audit, and failed to exercise reasonable skill and care in performing such work, in that:

(i) DTT failed to design and perform audit procedures that were appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY13 Report (ASA 500 paragraphs 4, 6, A1-A25);

(ii) DTT failed to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (one of the key areas of risk identified by DTT being the provision for inventory in the FY13 Report), through designing and implementing appropriate responses to those risks (ASA 330, paragraphs 3, 5-7);

(iii) by reason of having failed to obtain sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY13 Report so as to reduce audit risk to an acceptably low level:

(A) DTT failed to obtain reasonable assurance about whether the FY13 Report as a whole was free from material misstatement, whether due to fraud or error (ASA 200 paragraph 5); and

(B) DTT was unable to draw reasonable conclusions on which to base the auditor's opinion on whether the FY13 Report was prepared, in all material respects, in accordance with the applicable financial reporting framework, and to report on the FY13 Report in accordance with the auditor's findings (ASA 200, paragraphs 11, 17);

(iv) DTT failed to perform risk assessment procedures (including enquiries of DSH personnel, analytical procedures and observation and inspection) sufficient to provide a basis for the identification and assessment of risks of material misstatement at the financial report level, and to provide a basis for designing and performing further audit procedures (ASA 315, paragraphs 5-6, 25-26);

(v) DTT failed to obtain an understanding of the application of accounting policies by DSSH in respect of inventory provisioning, sufficient to evaluate whether those policies were appropriate for its business and consistent with the applicable financial reporting framework (ASA 315, paragraph~~s~~ 11);

(vi) DTT failed to design and perform tests and controls in relation to inventory provisioning so as to obtain appropriate audit evidence regarding the operating effectiveness of such controls (ASA 330 paragraphs 8-10, 16);

(vii) DTT failed to test how management determined ~~DSH's determined~~ the inventory provisions, including by evaluating ~~DSH's~~ management's method of measuring the inventory provisions and whether the assumptions used by DSSH were reasonable in light of the applicable financial reporting framework (ASA 540, paragraph 13(b)).

(viii) DTT, having determined that there was a significant risk of material misstatement in respect of inventory provisions in the FY13 R~~r~~eport, failed to perform substantive procedures that are specifically responsive to that risk (ASA 330, paragraph 21);

(ix) DTT failed to perform adequate audit procedures to evaluate whether the overall presentation of the financial report was in accordance with the applicable financial reporting framework (ASA 330 paragraph 24) and to evaluate whether the assessments of risks of material misstatement at the assertion level remained appropriate (ASA 330, paragraph 25); and

(x) in circumstances where DTT had not obtained sufficient appropriate audit evidence in respect of the provisioning for inventory in the FY13 Report, DTT failed to express a qualified opinion or disclaim an opinion on the FY13 Report (ASA 330, paragraphs 26-27).

Particulars

i. In undertaking the FY2013 Audit, DTT:

a. identified "*provision for obsolete inventory*" as a "*focus area*" and "*key judgement area*" in respect of the FY13 Audit: [DEL.002.001.1191] at 1195, 1196;

b. reported that DSSH's current system did not permit accurate ageing of inventory as, amongst other matters, *"the ageing is based on the last activity date for a SKU rather than an individual SKU date of purchase"*: [DEL.002.001.1211] at 1219;

c. undertook its own alternative analysis of the provision for obsolete inventory, including *"reviewing the various categories of inventory, the split of inventory between that acquired pre and post acquisition by Dick Smith Holdings Pty Limited, subsequent sales in the 3 month period to 30 September 2013, and the type of inventory held by the trading department*": [DEL.002.001.1211] at 1219;

d. adopted DSSH's categorisation of inventory into Active, No reorder, Discontinued and Quit, but applied its own provision rates in respect of certain of these categories: [DEL.002.001.1191] at 1197;

e. concluded that DSSH's provision for obsolete inventory as at 30 June 2013 of $15.9 million "*is considered to be reasonable based on the profile of inventory and subsequent sales made to 30 September 2013*": [DEL.002.001.1211] at 1219;

ii. However, in undertaking its own alternative analysis of the provision for obsolete inventory, DTT failed, either adequately or at all, to:

a. undertake that analysis by reference to other available data (including purchase and sales data

for an individual SKU) so as to obtain an accurate age of the inventory;

b. assess the appropriateness of the allocation of the inventory to the Active, No reorder, Discontinued and Quit categories;

c. assess the appropriateness of certain provision rates in respect of these categories;

d. record that analysis in the audit papers; and

e. consider whether that analysis would comply with AASB 102;

iii. If the plaintiffs establish that DSSH's methodology for the provisioning of inventory was flawed such that the carrying value of inventory for FY13 was overstated by $22.9 million (which is not admitted), a reasonably competent auditor who had identified that DSSH's system did not allow for an accurate assessment of the ageing of inventory, and who had assumed responsibility for undertaking its own alternative analysis of the provision for obsolete inventory, would have:

a. undertaken that analysis by reference to other available data (including purchase and sales data for an individual SKU) so as to obtain an accurate age of the inventory;

b. assessed the appropriateness of the allocation of the inventory to the Active, No reorder, Discontinued and Quit categories;

c. assessed the appropriateness of certain provision rates in respect of these categories;

d. recorded that analysis in the audit papers; and

e. considered whether that analysis complied with AASB 102,

so as to identify any material overstatement in the carrying value of inventory for FY13.

i. The audit papers suggest that the work completed by DTT in respect of inventory provisioning for the FY13 Report comprised: (a) DTT making its own estimation of alternative provision percentages to apply to categories of stock on hand; and (b) DTT comparing its estimated provision with the provisioning proposed by DSH.

ii. DTT identified the provision for obsolete inventory as a key area of judgment [DEL.002.001.1191].

iii. In its report to the Board of DSH dated 17 October 2013, DTT stated that *"...the current system does not allow for an accurate ageing of inventory as the ageing is based on the last activity date for a SKU rather than an individual SKU date of purchase. We have therefore recommended to management that a means of generating a more accurate ageing report is developed to assist their review of aged inventory and in determining appropriate inventory provisions"* [DEL.002.001.1637].

iv. DTT noted that, *"Given the lack of historical information and significant changes to the stock profile over the period, support for the adjustments was relatively limited".* [DEL.002.001.1191].

v. In determining DTT's assessment of the appropriate provision, DTT said that it *"reviewed on a line-by-line basis the inventory per category and assessed the ageing (while noting that there are limitations in the accuracy of stock ageing), quality and sell through of the items through discussions with merchandising"* [DEL.002.001.1191]. However, there is no record in the work papers of that line by line analysis. DTT thereby failed to comply with ASA 315 (paragraphs 11-15, 18, 20-22 and 25-26) and with ASA 330 (paragraphs 5-10 and 16).

vi. The audit papers [DEL.002.001.1191] suggest that DTT's analysis of the ageing of stock relied on DSH's underlying data, which DTT acknowledged was of limited accuracy.

vii. In making its own estimate of the appropriate inventory provision to compare to DSH's proposed provisioning, DTT concluded, inter alia, that:

a. a provision rate of 20% was reasonable for active inventory acquired on 26 November 2012;

b. a provision rate of 1% for "Active" and "No Reorder" stock was considered appropriate,

c. however, the audit papers do not explain the basis upon which DTT concludes that those provision rates are reasonable and appropriate.

viii. DTT's working paper DEL.00.001.1637 sets out DTT's consideration of DSH's inventory obsolescence provision at 30 June 2013 and the retrospective adjustment required to inventory at the acquisition date of 26 November 2012. The work papers do not demonstrate or explain (as required by ASA 540, paragraph 13(b)):

- the basis for relying on the systems and processes used to determine the age of inventory and its categorisation into the categories (such as "Active" and "No Reorder") used by DSH to determine the obsolescence provisions in the FY13 Report;

- why DTT conducted an analysis based on DSH's aged stock data in circumstances where DTT was aware that the ageing of goods determined by DSH was inaccurate, because it was based on the last date of purchase of an item of a particular stock, rather than by the age of the individual SKU;

how DTT determined that stock aged less than three months was sold regularly. For example, the working papers do not contain an alternative ageing of the stock based on sales data or purchase data.

E.3. DTT's failure to comply with Auditing Standards – FY14 Inventory Provisions

78. Further or in the alternative, if the matters in paragraph 76 above are established in respect of the FY14 Report, then:

(a) DTT, in representing (as pleaded in paragraph 56(a) and 56(b) above) that it was of the opinion that the assumptions and methodology applied by DSH management in the financial year ending 30 June 2014 in order to determine inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in the FY14 Report complied with AASB 102, either:

(i) failed to properly understand the assumptions and methodology applied by DSH management in determining inventory provisions; or

(ii) failed to gather sufficient appropriate audit evidence to enable DTT to express an opinion on whether the assumptions and methodology applied by management in determining the inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in each of the FY14 Report complied with AASB 102;

(iii) failed properly to apply the requirements of AASB 102 to such audit evidence as DTT obtained in assessing the issue whether the inventory provisions in the FY14 Report complied with AASB 102.

Particulars

i. DTT was aware of the Revised Inventory Obsolescence Methodology and considered and commented on the appropriateness of that methodology in the course of the FY14 Audit.

ii. A reasonable auditor in the position of DTT, who was aware of the Revised Inventory Obsolescence Methodology, would have taken steps to understand the basis and application of that methodology, and would have identified and considered the appropriateness of the assumptions used in the methodology, in order to ascertain, and report, whether the application of the

methodology provided an appropriate measure of the cost of DSH's inventory as required by AASB 102.

iii. The plaintiffs contend that the Revised Inventory Obsolescence Methodology was flawed and did not provide an appropriate measure of the cost of DSH's inventory as required by AASB 102.

iv. If those matters are established (which are not admitted), then an auditor exercising reasonable care, who had obtained a proper understanding of the Revised Inventory Obsolescence Methodology, and who had performed audit procedures so as to evaluate whether that methodology was appropriate and whether it provided an appropriate measure of the cost of inventory in accordance with the applicant financial reporting framework, would have concluded that methodology was flawed and did not provide an appropriate measure of the cost of inventory as required by AASB 102, and would have so reported.

(b) failed to comply with the Auditing Standards in carrying out its work in respect of the inventory provisioning in the course of the FY14 Audit, and failed to exercise reasonable skill and care in performing such work, in that:

(i) DTT failed to design and perform audit procedures that were appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY14 Report (ASA 500 paragraphs 4, 6, A1-A25);

(ii) DTT failed to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (one of the key areas of risk identified by DTT being the provision for inventory in the FY14 Report), through designing and implementing appropriate responses to those risks (ASA 330, paragraphs 3, 5-7);

(iii) by reason of having failed to obtain sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY14 Report so as to reduce audit risk to an acceptably low level:

(A) DTT failed to obtain reasonable assurance about whether the FY14 Report as a whole was free from material misstatement, whether due to fraud or error (ASA 200 paragraph 5); and

(B) DTT was unable to draw reasonable conclusions on which to base the auditor's opinion on whether the FY14 Report was prepared, in all material respects, in accordance with the applicable financial reporting framework, and to report on the FY14 Report in accordance with the auditor's findings (ASA 200, paragraphs 11, 17);

(iv) DTT failed to perform risk assessment procedures (including enquiries of DSH personnel, analytical procedures and observation and inspection) sufficient to provide a basis for the identification and assessment of risks of material misstatement at the financial report level, and to provide a basis for designing and performing further audit procedures (ASA 315, paragraphs 5-6, 25-26);

(v) DTT failed to obtain an understanding of the application of accounting policies by DSH in respect of inventory provisioning, sufficient to evaluate whether those policies were appropriate for its business and consistent with the applicable financial reporting framework (ASA 315, paragraphs 11);

(vi) DTT failed to design and perform tests and controls in relation to inventory provisioning so as to obtain appropriate audit evidence regarding the operating effectiveness of such controls (ASA 330 paragraphs 8-10, 16);

(vii) DTT failed to test how management determined ~~DSH's determined~~ the inventory provisions, including by evaluating DSH's method of measuring the inventory provisions and whether the assumptions used by DSH were reasonable in light of the applicable financial reporting framework (ASA 540, paragraph 13(b)).

(viii) DTT, having determined that there was a significant risk of material misstatement in respect of inventory provisions in the FY14 report, failed to perform substantive procedures that were specifically responsive to that risk (ASA 330, paragraph 21);

(ix) DTT failed to perform adequate audit procedures to evaluate whether the overall presentation of the financial report was in accordance with the

applicable financial reporting framework (ASA 330 paragraph 24) and to evaluate whether the assessments of risks of material misstatement at the assertion level remained appropriate (ASA 330, paragraph 25); and

(x) in circumstances where DTT had not obtained sufficient appropriate audit evidence in respect of the provisioning for inventory in the FY14 Report, DTT failed to express a qualified opinion or disclaim an opinion on the FY14 Report (ASA 330, paragraphs 26-27).

Particulars

i. The audit papers suggest that the work completed by DTT in respect of the Revised Inventory Obsolescence Methodology comprised: (a) agreeing, on a sample basis, the unit cost of stock to supplier invoices [DEL.001.001.3985]; (b) comparing the ageing profile of stock within each category from FY13 to FY14 [DEL.001.001.4003]; and (c) Estimating that the provision equates to 35% of the value of stock over 12 months old plus 44% of No reorder/discontinued and quit stock less than 12 months old [DEL.001.001.4003].

ii. In its audit papers, DTT noted that the Revised Inventory Obsolescence Methodology was still based on the last purchase date of a stock item, not the purchase date of each item of stock of that type [DEL.001.001.3985]. Despite this limitation, DTT compared the ageing of stock in each category from June 2013 to June 2014 and concluded that the improvement in the ageing provided comfort on the quality of the stock held [DEL.001.001.4003].

iii. In circumstances where the Revised Inventory Obsolescence Methodology was dependent upon underlying data, which DTT had acknowledged in 2013 was flawed, a reasonable auditor in the position of DTT would have performed an alternative analysis of the ageing of stock. DTT failed to do so.

iv. In noting the decrease in the inventory provision despite an increase in stock on hand, DTT attributed this to the following factors: (a) an improvement in stock quality with

all November 2012 stock sold through; (b) improved buying policies; (c) incentivisation of buyers to clear older stocks; and (d) improved management of stock throughout the stock lifecycle [DEL.001.001.3985]. However, DTT's working papers to not disclose the information upon which it relied in reaching those conclusions (as required by ASA 540, paragraph 13(b)).

v. In its report to the Finance and Audit Committee, DTT reported that it had audited the assumptions under the 2013 inventory provisioning methodology and the Revised Inventory Obsolescence Methodology [DEL.001.001.6914], however, DTT's audit papers suggest that:

   a. DTT did not perform work on the 2013 inventory provisioning methodology as part of the FY14 Audit;

   b. DTT did not adequately test the assumptions underlying the Revised Inventory Obsolescence Methodology in that it did not review or test the categorisation of stock or the selling prices, or confirm or review the level, if any of November 2012 inventory on hand at 30 June 2014.

vi. DTT's acceptance of DSH's provision for inventory in the FY14 Report (which was calculated using the 2013 inventory provision methodology) appears to be based on a comparison to the provision that would have been calculated under the Revised Inventory Obsolescence Methodology, but DTT failed to audit the assumptions underlying the Revised Inventory Obsolescence Methodology (as described above in these particulars).

vii. On this basis, DTT's work was not sufficient to enable it to express a conclusion that the financial report was free from material misstatement.

E.4. DTT's failure to comply with Auditing Standards – FY15 Inventory Provisions

79. Further or in the alternative, if the matters in paragraph 76 above are established in respect of the FY15 Report, then:

(a) DTT, in representing (as pleaded in paragraph 69(a) above) that it was of the opinion that the assumptions and methodology applied by DSH management in the financial year ending 30 June 2015 in order to determine inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in the FY15 Report complied with AASB 102, either:

(i) failed to properly understand the assumptions and methodology applied by DSH management in determining inventory provisions; or

(ii) failed to gather sufficient appropriate audit evidence to enable DTT to express an opinion on whether the assumptions and methodology applied by management in determining the inventory provisions were appropriate, and that the provision in respect of inventory obsolescence in each of the FY154 Report complied with AASB 102;

(iii) failed properly to apply the requirements of AASB 102 to such audit evidence as DTT obtained in assessing the issue whether the inventory provisions in the FY15 Report complied with AASB 102.

Particulars

v. DTT was aware of the Revised Inventory Obsolescence Methodology and considered and commented on the appropriateness of that methodology in the course of the FY15 Audit.

vi. A reasonable auditor in the position of DTT, who was aware of the Revised Inventory Obsolescence Methodology, would have taken steps to understand the basis and application of that methodology, and would have identified and considered the appropriateness of the assumptions used in the methodology, in order to ascertain, and report, whether the application of the methodology provided an appropriate measure of the cost of DSH's inventory as required by AASB 102.

vii. The plaintiffs contend that the Revised Inventory Obsolescence Methodology was flawed and did not provide an appropriate measure of the cost of DSH's inventory as required by AASB 102.

viii. If those matters are established (which are not admitted), then an auditor exercising reasonable care, who had obtained a proper understanding of the Revised Inventory Obsolescence Methodology, and who had performed audit procedures so as to evaluate whether that methodology was appropriate and whether it provided an appropriate measure of the cost of inventory in accordance with the applicant financial reporting framework, would have concluded that methodology was flawed and did not provide an appropriate measure of the cost of inventory as required by AASB 102, and would have so reported.

(b) failed to comply with the Auditing Standards in carrying out its work in respect of the inventory provisioning in the course of the FY15 Audit, and failed to exercise reasonable skill and care in performing such work, in that:

(i) DTT failed to design and perform audit procedures that were appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY15 Report (ASA 500 paragraphs 4, 6, A1-A25);

(ii) DTT failed to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (one of the key areas of risk identified by DTT being the provision for inventory in the FY15 Report), through designing and implementing appropriate responses to those risks (ASA 330, paragraphs 3, 5-7);

(iii) by reason of having failed to obtain sufficient appropriate audit evidence in respect of the assumptions and methodology applied by management in determining inventory provisions in the FY15 Report so as to reduce audit risk to an acceptably low level:

(A) DTT failed to obtain reasonable assurance about whether the FY15 Report as a whole was free from material misstatement, whether due to fraud or error (ASA 200 paragraph 5); and

(B) DTT was unable to draw reasonable conclusions on which to base the auditor's opinion on whether the FY15 Report was prepared, in all material respects, in accordance with the applicable financial reporting framework, and to report on the FY15 Report in accordance with the auditor's findings (ASA 200, paragraphs 11, 17);

(iv) DTT failed to perform risk assessment procedures (including enquiries of DSH personnel, analytical procedures and observation and inspection) sufficient to provide a basis for the identification and assessment of risks of material misstatement at the financial report level, and to provide a basis for designing and performing further audit procedures (ASA 315, paragraphs 5-6, 25-26);

(v) DTT failed to obtain an understanding of the application of accounting policies by DSH in respect of inventory provisioning, sufficient to evaluate whether those policies were appropriate for its business and consistent with the applicable financial reporting framework (ASA 315, paragraphs 11);

(vi) DTT failed to design and perform tests and controls in relation to inventory provisioning so as to obtain appropriate audit evidence regarding the operating effectiveness of such controls (ASA 330 paragraphs 8-10, 16);

(vii) DTT failed to test how management determined ~~DSH's determined~~ the inventory provisions, including by evaluating DSH's method of measuring the inventory provisions and whether the assumptions used by DSH were reasonable in light of the applicable financial reporting framework (ASA 540, paragraph 13(b));~~,~~

(viii) DTT, having determined that there was a significant risk of material misstatement in respect of inventory provisions in the FY15 Report, failed to perform substantive procedures that were specifically responsive to that risk (ASA 330 paragraph 21);

(ix) DTT failed to perform adequate audit procedures to evaluate whether the overall presentation of the financial report was in accordance with the applicable financial reporting framework (ASA 330 paragraph 24) and to evaluate whether the assessments of risks of material misstatement at the assertion level remained appropriate (ASA 330, paragraph 25); and

(x) in circumstances where DTT had not obtained sufficient appropriate audit evidence in respect of the provisioning for inventory in the FY15 Report, DTT failed to express a qualified opinion or disclaim an opinion on the FY15 Report (ASA 330, paragraphs 26-27).

Particulars

i. In its strategy document for the FY15 Audit, DTT stated that its work in inventory obsolescence provisioning would include: (i) use of data analytics to analyse reports developed by management to track actual selling prices for stock sold during the period and the allocation of "scan" provision utilisation rates; and (ii) reviewing management's assessment based on this information and other evidence as to the appropriateness of the percentages provided on the stock lines [DEL001.001.9322].

ii. In relation to the inventory provision calculated by DSH, DTT performed the following work: (i) agreed, on a sample basis, the unit cost of stock to supplier invoices; (ii) confirmed the ageing of a sample of six stock items based on supplier invoices to confirm the last date of receipt; (iii) compared the ageing of profile of stock within each category from FY14 to FY15; and (iv) reviewed a sample of eight high margin items to ascertain whether the selling price listed in the obsolescence calculation was above cost.

iii. Based on its work papers DSH did not: (i) agree or test selling prices (other than as described above) or the categorisation of stock; (ii) use data analytics to track actual selling prices for stock sold during the period and the allocation of "scan" provision utilisation rates; or (iii) review management's assessment based on this information and other evidence as to the appropriateness of the percentages provided on stock lines.

iv. DTT conducted limited testing of stock obsolescence for certain categories of stock, however, (i) the testing was limited to a sample of high margin items and a sample of items aged (according to DSH's systems) between 3 and 6

months; (ii) DTT's work papers do not indicate the factors it considered in determining the sample (such as their characteristics, value or risk profile in relation to the total population from which the sample is chosen); and DTT's work confirmed the last date of receipt of that stock, not the ageing of individual items.

v. DTT relied on DSH's records of the ageing of inventory, notwithstanding that it had noted in FY13 and FY14 was flawed. In those circumstances, DTT should have conducted an alternative analysis of the ageing of stock. It failed to do so.

vi. On this basis, DTT's work was not sufficient to enable it to express a conclusion that the financial report was free from material misstatement.

E.5. Contravention of the ACL and/or Corporations Act and/or ASIC Act- DTT Inventory Representations

80. If the matters in paragraphs 77, 78 and/or 79 above are established, then DTT, in making the FY13 Inventory Representations, FY14 Inventory Representations and FY15 Inventory Representations (**DTT Inventory Representations**) engaged in conduct that was misleading or deceptive, or likely to mislead or deceive, in contravention of s 18 of the ACL and/or 1041H of the Corporations Act and/or s 12DA of the ASIC Act.

Particulars

By reason of DTT's failure to comply with Auditing Standards and failure to exercise reasonable skill and care, pleaded in paragraphs 77 to 79 above, DTT did not (contrary to the representations pleaded in paragraphs 32(b), 56(c) and 69(b) above) have a reasonable basis for the statements pleaded in paragraphs 32(a), 58(a) and 69(a) above, and the views expressed by DTT in relation to those matters were not the result of DTT having exercised reasonable skill and care and having complied with Auditing Standards in respect of its work in relation to rebates in the course of the FY13 Audit, FY14 Audit or the FY15 Audit.

81. Further or in the alternative, if the matters in paragraphs 77, 78 and/or 79 above are established, then DTT, in making the representations pleaded in paragraphs 32(b), 56(c) and 69(b) above, made a false or misleading representation in connection with the supply

of services, that services were of a particular standard, quality, value or grade, within the meaning of s29(1)(b) of the AC or s 12DB(1)(a) of the ASIC Act.

Particulars

(i) DSH repeats the particulars to paragraphs 77 to 79 above.

(ii) The representations pleaded in paragraphs 32(b), 56(c) and 69(b) above were false or misleading by reason that DTT had in fact failed to comply with Auditing Standards and failed to exercise reasonable skill and care in the course of providing services in respect of the FY13 Audit, the FY14 Audit and the FY15 Audit, for the reasons pleaded in paragraphs 77, 78 and/or 79 above, and therefore DTT did not have a reasonable basis for the representations made at the conclusion of the FY13 Audit, the FY14 Audit and the FY15 Audit which are pleaded (respectively) in paragraphs 32(a), 58(a) and 69(a) above.

F. MISLEADING AND DECEPTIVE CONDUCT BY DTT (REBATE REPRESENTATIONS)

F.1. Plaintiffs' allegations regarding adoption of the O&A Rebate Accounting Treatment

82. For the purposes only of this Cross-Claim Statement, and without admission, DSH repeats paragraphs 155-162, 163-169, 170-172, 173-175, 176, 177-179, 180-187, 188-192 of the Amended Joint Statement of Claim and the particulars thereto. In this Cross-Claim Statement, the "Switched invoice rebates", the "Volume rebates" and the "O&A Rebates" pleaded in the Amended Joint Statement of Claim are referred to as the "**Rebates**".

83. If (which are not admitted) the matters referred to in paragraph 82 above are established, then by reason of the adoption of the O&A Rebate Accounting Treatment and/or the FY14 Reallocation of O&A Rebates, which was reviewed and approved by DTT (as pleaded in paragraphs 48 to 50 and 62 above), neither the FY14 Report nor the FY15 Report complied with Australian Accounting Standards, including AASB 101, 102 and 108, and ~~did not give~~or gave a true and fair view of the financial position and performance of DSH and the DSH Group, for the reasons set out in those paragraphs of the Amended Joint Statement of Claim.

F.2. DTT's failure to comply with auditing standards – O&A Rebate Accounting Treatment

84. If the matters in paragraph 82 above (which are not admitted) are established, then:

(a) DTT, in representing (as pleaded in paragraphs 51(a), 51(b), 51(c) and 66(a), 66(b) and 66(c) above) that it was of the opinion that the O&A Rebate Accounting Treatment complied with Australian Accounting Standards; that the FY14 Reallocation of O&A Rebates and/or FY15 Reallocation of O&A Rebates complied with Australian Accounting Standards; and/or that the Australian Accounting Standards did not require disclosure of the O&A Rebate Accounting Treatment, either:

(i) failed properly to understand:

(A) the nature of the rebates recorded in the FY14 Report and the FY15 Report;

(B) the controls and systems in place at DSH in respect of recording, calculating and recognising rebates;

(C) the O&A Rebate Accounting Treatment; and/or

(D) the FY14 and FY15 Reallocation of O&A Rebates; ~~, or~~

(ii) failed to perform adequate testing work in order to obtain reasonable assurance whether the accounting treatment of rebates in the FY14 Report and the FY14 Reallocation of O&A Rebates complied with Australian Accounting Standards; ~~and/or~~

(iii) failed to perform adequate testing work in order to obtain reasonable assurance whether the accounting treatment of rebates in the FY15 Report and the FY15 Reallocation of O&A Rebates complied with Australian Accounting Standards; and/or

~~(iii)~~(iv) failed properly to apply the requirements of AASB 101, AASB 102 and/or AASB 108 to the O&A Rebate Accounting Treatment, and

(b) DTT thereby failed to comply with the Auditing Standards in carrying out its work in respect of inventory provisions, and failed to exercise reasonable skill and care in performing such work, in that DTT:

(i) failed to design and perform audit procedures that were appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence in respect of the recording, calculation and recognition of rebates in the FY14 Report and FY15 Report (ASA 500 paragraphs 4, 6, A1-A25);

(ii) failed to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (one of the key areas of risk identified by DTT being the recording of rebates in the FY14 Report and the FY15 Report), through designing and implementing appropriate responses to those risks (ASA 330, paragraphs 3, 5-7);

(iii) by reason of having failed to obtain sufficient appropriate audit evidence in respect of the recording of rebates so as to reduce audit risk to an acceptably low level:

(1) failed to obtain reasonable assurance about whether each of the FY14 Report and the FY15 Report as a whole was free from material misstatement, whether due to fraud or error (ASA 200 paragraph 5); and

(2) was unable to draw reasonable conclusions on which to base the auditor's opinion on whether each of the FY14 Report and FY15 Report was prepared, in all material respects, in accordance with the applicable financial reporting framework, and to report on the FY14 Report and FY15 Report in accordance with the auditor's findings (ASA 200, paragraphs 11, 17);

(iv) failed to obtain an understanding of the application of accounting policies by DSH in respect of rebates, sufficient to evaluate whether those policies were appropriate for its business and consistent with the applicable financial reporting framework (ASA 315, paragraphs 11);

(v) failed to perform adequate audit procedures to evaluate whether the overall presentation of the financial report was in accordance with the applicable financial reporting framework (ASA 330 paragraph 24) and to evaluate whether the assessments of risks of material misstatement at the assertion level remained appropriate (ASA 330, paragraph 25); and

(vi) in circumstances where DTT had not obtained sufficient appropriate audit evidence in respect of the recording of rebates in each of the FY14 Report and FY15 Report, failed to express a qualified opinion or to disclaim an opinion on each of the FY14 Report and FY15 Report (ASA 330, paragraphs 26-27).

Particulars

i. If (which is not admitted) the O&A Rebate Accounting Treatment and the reallocation of O&A Rebates were contrary to Australian Accounting Standards, and the failure to disclose the O&A Rebate Accounting Treatment in the financial reports of DSH was contrary to Australian Accounting Standards, then an auditor exercising reasonable skill and care, who had obtained a proper understanding of the O&A Rebate Accounting Treatment and the reallocation of O&A Rebates, and who had performed audit procedures so as to evaluate whether those matters were in accordance with the applicable financial reporting framework, would have concluded that those matters did not comply with Australian Accounting Standards, and would have concluded that it was necessary to disclose the Rebate Accounting Treatment in the financial report of DSH, and would have so reported. DTT failed to do so.

ii. A reasonable auditor in DTT's position, who was aware of the accounting treatment of rebates in the FY14 financial statements and the FY15 financial statements, including the O&A Rebate Accounting Treatment and the FY14 and FY15 Reallocation of O&A Rebates, would have:

    a. Obtained an understanding of the different categories of rebates, and the basis and application of the accounting treatment of rebates in the FY14 financial statements and the FY15 financial statements; and

    b. Determined whether the accounting treatment of rebates in the financial statements (including the FY14 and FY15 Reallocation of O&A Rebates) complied with Australian Auditing Standards by:

        i. Obtaining an understanding of the processes for dealing with rebates and in particular with O&A Rebates;

ii. Ascertaining the level of risk relating to the accounting treatment of rebates;

iii. Having regard to the level of risk, designed testing work to consider an appropriately sized sample that took account of the different providers of rebates;

iv. Obtaining, in respect of the rebates within that sample, evidence of the nature of any marketing and promotional support, the terms of such support, or whether those terms had been fulfilled, in order to form a view whether it was appropriate for such Rebates to be taken up in profits in the reporting period;

v. Making enquiries of management as to whether the services to be provided in exchange for the rebate had been fully provided by DSH; and

vi. Considering whether there was any basis for relying on the systems and processes used to determine whether rebates were included in the profits.

DTT's work papers do not establish that DTT designed and implemented adequate testing work in order to obtain reasonable assurance whether the accounting treatment of rebates in the FY14 financial statements (including the FY14 Reallocation of O&A Rebates) and the FY15 financial statements complied with Australian accounting standards.

iii. In its work paper [DEL.001.001.3973], DTT noted that (a) DSH had increased its focus on obtaining O&A Rebates from its vendors; (b) the O&A Rebates were not supported by formal agreements, but were determined via correspondence such as emails and phone calls between the buyer and the vendor; and (c) since these rebates were not directly related to purchase volumes, they could not be matched against the purchase cost of inventory and were recognised in the profit and loss account as soon as the related activities or conditions are satisfied.

iv. O&A Rebates were recognised in account number 1392. To test this account balance, DTT reviewed a sample of 15 rebates [DEL.001.001.3973].

v. DTT noted that: (a) a lack of formal documentation for these rebates made it hard to substantiate the rebate accruals from an audit testing perspective; and (b) The limited information that is provided to support rebates of this type, including a lack of description, terms and conditions and substance, noting that a rebate could be called "marketing" despite satisfying all the qualities of a volume rebate.

vi. Despite these limitations, DTT accepted the O&A Rebates as reasonable within account 1392 provided that (a) the correspondence reviewed was from an authorised representative of the vendor, evidenced by their email address and job title; (b) the emails referenced the type of activity as marketing support or product training support or alike; or (c) the correspondence mentioned the time period relevant to the financial year ended 30 June 2014.

vii. DTT did not test the credit side of the samples selected for review within account 1392, which would have been recognised within the income statement.

viii. O&A Rebates were also recognised through the income statement account 4232. In relation to that account, $19.1

million was recognised for FY14, compared to $6 million for FY13. Despite the size of the year-end balance, the increase in the prior year and identifying O&A Rebates as a significant area of risk on the balance sheet side, DTT assessed the income statement risk as "normal" and sample tested only six rebates, totalling $255,000 or approximately 1.3% of the account balance. The six items tested related to three vendors, and all related to invoices issued in December 2013 or January 2014. DTT does not identify how or why it chose those six items for testing, or why higher value items and a more diverse sample were not included.

ix. DTT's sample testing of CODB account 4232 was insufficient in its coverage.

x. DSH recorded the reclassification of rebates from CODB to COS in account 3324. The amount recognised in this account for Australia in the year ended 30 June 2014 was $21.7 million. DTT included account 3324 within a total of $29.4 million that it identified for audit testing and matching to supporting invoices. The amount of $29.4 million comprised 65 positive and negative account balances of which 3324 was the most significant at $21.7 million. Despite this, none of the 12 sample items related to account 3324. As such DTT did not conduct any testing on the rebates totalling $21.7 million reallocated from CODB to COS or confirm that the reallocation was appropriate.

xi. DTT reported to the Finance and Audit Committee that it agreed with the treatment of the reallocation of rebates from CODB to COS but did not perform any testing on whether the re-allocation was appropriate in order to support its conclusion;

xii. In addition, the reallocation to account 3324 was by way of a journal posted subsequent to the year end but relating to the period ended 30 June 2014. DTT's testing of journals included testing only up to journal number 390619. The majority of the reallocation occurred by way of journal

390865 for $20.5 million. This journal was outside of the range reviewed by DTT, notwithstanding that it related to the year ended 30 June 2014.

FY15 Report

i. In its work paper [DEL.001.001.1449], DTT noted that (a) DSH had increased its focus on obtaining O&A Rebates from its vendors; (b) the O&A rebates did not have formal agreements, but were determined via correspondence such as emails and phone calls between the buyer and the vendor; and (c) since these rebates were not directly related to purchase volumes, they could not be matched against the purchase cost of inventory and were recognised in the profit and loss account as soon as the related activities or conditions are satisfied.

ii. DTT's work in respect of the testing of rebates posted to the 1392 account in the course of the FY15 Audit [DEL.001.002.1462] was insufficient to enable an auditor to determine:

A. the strength of the evidentiary support for the transactions;

B. whether the sample selected was representative of the population of O&A rebate transactions so as to provide a basis for any audit conclusion;

C. whether DSH had performed all activities necessary for it to earn the rebates by 28 June 2015 or whether some part of the O&A rebates should be held back as deferred revenue;

D. whether some of the O&A rebates were closely related to inventory purchases and thus should be set against the cost of inventory;

E. whether under the terms of the O&A arrangements it was appropriate to include the amounts in profits in the FY15 Report;

F. whether there was an economic reason for non-merchandise suppliers to provide rebates, other than for continuance or renewal of a service contract, such that those rebates should be taken to profits over the term of those contracts.

iii. In respect of the testing of account 4232, DTT again sample tested only six rebates, totalling $89,000 (or less than 1% of the total rebates recognised in that account). The six items relate to just one vendor and all related to the month of October 2014. DTT's work papers do not identify how or why DTT selected these items for testing from amongst the wider population, or why higher value items, or a more diverse sample set, was not included.

iv. DSH recorded the reclassification of rebates from CODB to COS in account 3324. The amount recognised in this account for the year ended 30 June 2015 was $63.4 million. DTT sample tested 28 items in respect of account 3324, totalling $860,000. However, all of the sample items related to the period December 2014 to April 2015. No sample testing of this period had taken place in reviewing the HY2015 financial statements.

v. DTT's work papers do not demonstrate the basis upon which it accepted that the promotional activity was for a specific SKU promotion and that it was appropriate to reallocate the rebate to Cost of Sales.

vi. DTT reported to the Finance and Audit Committee that it agreed with the treatment of the reallocation of rebates from Cost of Doing Business to Cost of Sales but its work papers suggest that it did not perform any testing on whether the re-allocation was appropriate in order to support its conclusion.

Further particulars may be provided after disclosure by DTT and after expert evidence.

F.3. Contravention of the ACL and/or Corporations Act and/or ASIC Act- DTT Rebate Representations

85. If the matters in paragraphs 82-84 are established, then DTT, in making the FY14 Rebate Representations and the FY15 Rebate Representations (**DTT Rebate Representations**), engaged in conduct that was misleading or deceptive, or likely to mislead or deceive, in contravention of s 18 of the ACL and/or 1041H of the Corporations Act and/or s 12DA of the ASIC Act.

Particulars

By reason of DTT's failure to comply with Auditing Standards and failure to exercise reasonable skill and care, pleaded in paragraphs 84 above, DTT did not (contrary to the representations pleaded in paragraphs 51(d) and 66(e) above) have a reasonable basis for the statements pleaded in paragraphs 51(a) - 51(c)and 66(a) - 66(d) above, and the views expressed by DTT in relation to those matters were not the result of DTT having exercised reasonable skill and care and having complied with Auditing Standards in respect of its work in relation to rebates in the course of the FY14 Audit or the FY15 Audit.

86. Further or in the alternative, if the matters in paragraphs 82-84 above are established, then DTT, in making the representations pleaded in paragraphs 51(d) and 66(e) above, made a false or misleading representation in connection with the supply of services, that services were of a particular standard, quality, value or grade, within the meaning of s29(1)(b) of the ACL or s 12DB(1)(a) of the ASIC Act.

Particulars

i. DSH repeats the particulars to paragraph 85 above.

ii. The representations pleaded in paragraphs 51(d) and 66(e) above were false or misleading by reason that DTT had in fact failed to comply with Auditing Standards and failed to exercise reasonable skill and care in the course of providing services in respect of the FY14 Audit and the FY15 Audit, for the reasons pleaded in paragraphs 84 ~~to~~ ~~**Error! Reference source not found.**~~above, and therefore DTT did not have a reasonable basis for the representations made at the conclusion of the FY14 Audit

and the FY15 Audit which are pleaded (respectively) in paragraphs 51(a) - 51(c) and 66(a) - 66(d) above.

G. MISLEADING OR DECEPTIVE CONDUCT BY DTT – DTT REPORT REPRESENTATIONS

G.1. Plaintiffs' allegations in respect of the Prospectus and Financial Reports

87. For the purposes only of this Cross-Claim Statement, DSH repeats paragraphs 427 to 444, 445 to 455, 456 to 466, 469 to 472, 481 to 484, 493 to 4965 of the Amended Joint Statement of Claim and the particulars thereto.

88. If the plaintiffs establish the matters referred to in paragraphs 75 and/or 82 above (which are not admitted), then:

(a) the O&A Rebate Accounting Treatment adopted in the FY14 Report and the FY15 Report did not comply with AASB 101, AASB 102 and/or AASB 108;

(b) the recording of rebates in the FY14 Report and the FY15 Report did not comply with AASB 101, AASB 102 and/or AASB 108;

(c) the non-disclosure in the FY14 Report and the FY15 Report of the O&A Rebate Accounting Treatment did not comply with AASB 101;

(d) the assumptions and methodologies used to determine inventory provisions in the FY13 Report, FY14 Report and FY15 Report were flawed and did not result in a carrying value for "Inventories" and a provision for inventory obsolescence that complied with AASB 102;

(e) by reason of the matters in subparagraphs (a)-(d) above, each of the FY13 Report, the FY14 Report and the FY15 Report was not prepared in accordance with Australian Accounting Standards, and did not give a true and fair view of the financial position and performance of DSSH, DSH and the DSH Group for the relevant reporting period.

(f) each of the FY13 Report, the FY14 Report and the FY15 Report materially understated marketing and selling costs and the cost of sales, and materially overstated EBITDA, net profits and total equity; and

(g) by reason of the matters pleaded in paragraphs 77 - 79 and 84 above, in performing its work in the FY14 Audit and the FY15 Audit in respect of the O&A Rebate Accounting Treatment and the FY14 and FY15 Reallocation of O&A Rebates and in the FY13 Audit, the FY14 Audit and the FY15 Audit in respect of

the recording of inventory provisions, DTT failed to comply with the Auditing Standards, and failed to exercise reasonable skill and care in respect of the matters in (a) to (d) above.

G.2. Contravention of the ACL and/or the ASIC Act and/or the Corporations Act

89. By reason of the matters set out in paragraph 88, and further or alternatively, by reason of the matters referred to in paragraphs 46~~79~~ to 47~~21~~ of the Amended Joint Statement of Claim, DTT, in issuing the FY13 Audit Report and thereby making the FY13 Unqualified Audit Statements and the FY13 Audit Report Representation, and by giving its consent to be named in the Prospectus, thereby making the DTT Prospectus Representations, engaged in conduct that was misleading or deceptive or likely to mislead or deceive in contravention of section 18 of the ACL and/or section 1041H of the Corporations Act and/or s12DA of the ASIC Act.

Particulars

By reason of DTT's failure to comply with Auditing Standards and failure to exercise reasonable skill and care in performing work in respect of the FY13 Audit, pleaded in paragraph 77 above, DTT did not (contrary to the FY13 Audit Report Representation) have a reasonable basis for the FY13 Unqualified Audit Statements, and those statements were not the result of DTT having exercised reasonable skill and care and having complied with Auditing Standards in the course of the FY13 Audit.

90. Further and alternatively, by reason of the matters set out in paragraph 88, and further or alternatively, by reason of the matters referred to in paragraphs 47~~981~~ to 48~~43~~ of the Amended Joint Statement of Claim, DTT, in issuing the FY14 Audit Report and thereby making the FY14 Unqualified Audit Statements and the FY14 Audit Report Representation, engaged in conduct that was misleading or deceptive or likely to mislead or deceive in contravention of section 18 of the ACL and/or section 1041H of the Corporations Act and/or s12DA of the ASIC Act.

Particulars

By reason of DTT's failure to comply with Auditing Standards and failure to exercise reasonable skill and care in performing work in respect of the FY14 Audit, pleaded in paragraph 78 and 84 above, DTT did not (contrary to the FY14 Audit Report Representation) have a reasonable basis for the FY14 Unqualified Audit

Statements, and those statements were not the result of DTT having exercised reasonable skill and care and having complied with Auditing Standards in the course of the FY14 Audit.

91. Further and alternatively, by reason of the matters set out in paragraph 88, and further or alternatively, by reason of the matters referred to in paragraphs 4913 to 4965 of the Amended Joint Statement of Claim, DTT, in issuing the FY15 Audit Report and thereby making the FY15 Unqualified Audit Statements and the FY15 Audit Report Representation, engaged in conduct that was misleading or deceptive or likely to mislead or deceive in contravention of section 18 of the ACL and/or section 1041H of the Corporations Act and/or section 12DA of the ASIC Act.

Particulars

By reason of DTT's failure to comply with Auditing Standards and failure to exercise reasonable skill and care in performing work in respect of the FY15 Audit, pleaded in paragraph 7978 and 84 above, DTT did not (contrary to the FY15 Audit Report Representation) have a reasonable basis for the FY15 Unqualified Audit Statements, and those statements were not the result of DTT having exercised reasonable skill and care and having complied with Auditing Standards in the course of the FY15 Audit.

92. Further or in the alternative, if the matters in paragraph 87 above are established, then DTT, in making the DTT Report Representations (or any of them), made a false or misleading representation:

(a) in connection with the supply of services, that services were of a particular standard, quality, value or grade, within the meaning of section 29(1)(b) of the ACL; and/or

(b) in connection with the supply of financial services, that services were of a particular standard, quality, value or grade, within the meaning of section 12DB(1)(a) of the ASIC Act.

Particulars

i. DSH repeats the particulars to paragraphs 79 and 847 above.

ii. The DTT Report Representations were false or misleading by reason that DTT failed to comply with Auditing

Standards and failed to exercise reasonable skill and care in the course of providing services in respect of the FY13 Audit, the FY14 Audit and the FY15 Audit, for the reasons pleaded in paragraphs 77 to 79 and~~,~~ 84 above, and therefore DTT did not have a reasonable basis for the Unqualified Audit Statements.

H. NEGLIGENCE

H.1. Risks of harm - Inventory

93. In respect of FY13, FY14 and FY15, there was a risk that:

(a) from the time of Acquisition, DSH and/or DSSH had not adopted a methodology, or maintained sufficient records to enable it to accurately determine the ageing of inventory;

(b) the methodology adopted by DSH and/or DSSH for the accounting of inventory obsolescence did not comply with Australian Accounting Standards;

(c) DSH's and/or DSSH's internal controls relating to inventory were inadequate; and

(d) as a result of one or more of sub-paragraphs (a) to (c) above:

(i) the FY13, FY14 and/or FY15 Reports:

(A) would not be free from material misstatement; and

(B) further and in the alternative:

(1) would not disclose the carrying amount of inventories at lower of cost or net realisable value;

(2) would not be prepared in accordance with Australian Accounting Standards;

(3) would not give a true and fair view of the financial performance and financial position of DSH~~, and~~ DSSH and the DSH Group; and

(ii) further and in the alternative, DSH would suffer economic loss.

94. DTT knew, or ought to have known, of the risks alleged in paragraph 93 above.

Particulars

That DTT knew, or ought to have known of the risks alleged in paragraph 94 is to be implied from the fact that DTT was DSSH's auditor in respect of the FY13 Audit, and DSH's auditor in respect of the FY14 Audit and FY15 Audit, and from the matters set out in paragraphs 7, 9, 10, 12, 13, 15, 16, 28, 29, 52, 53, 54, 67, and 68 above and the particulars thereto.

Further particulars may be provided after evidence.

95. The risks alleged in paragraph 93 were not insignificant.

H.2. Risk of harm - Rebates

96. In respect of each of FY14 and FY15, there was in each case a risk that:

(a) rebate amounts had been recognised inappropriately;

(b) rebate amounts had not been accounted for in accordance with the requirements of the Australian Accounting Standards, including AASB 101 and AASB 102;

(c) claims had been raised or recognised which were not approved rebates;

(d) DSH's internal controls in relation to rebates were inadequate;

(e) from the time of Acquisition, DSSH or DSH had adopted the Rebate Maximisation Policy, which resulted in DSSH and/or DSH purchasing poor quality stock;

(f) by reason of one or more of the matters referred to in this paragraph:

(i) the FY14 and/or FY15 Reports:

(A) would not be free from material misstatement;

(B) further, or in the alternative, would not comply with the Corporations Act, including that it would not:

(1) give a true and fair view of the financial position and performance of DSH and DSH Group;

(2) comply with Australian Accounting Standards and the Corporations Regulations;

(ii) further or in the alternative, DSH would suffer economic loss.

97. DTT knew, or ought to have known, of the risks alleged in paragraph 96 above.

Particulars

That DTT knew, or ought to have known of the risks alleged in paragraph 96 is to be implied from the fact that DTT was DSSH's auditor in respect of the FY13 Audit, and DSH's auditor in respect of the FY14 Audit and FY15 Audit, and from the matters set out in paragraphs 7, 12, 13, 15, 16, 45, 46, 47, 63, 64, and 65 and the particulars thereto.

Further particulars may be provided after evidence.

98. The risks alleged in paragraph 96 were not insignificant.

H.3. Risks of harm – Journal entries

99. In respect of FY13, FY14 and FY15, there was a risk that:

(a) journal entries had been made without appropriate support or otherwise inappropriately;

(b) journal entries had been overridden by management;

(c) there had been fraud at the assertion level;

(d) as a result of one or more of the matters referred to in this paragraph:

(i) the FY13, FY14 and/or FY15 Reports:

(A) would not be free from material misstatements;

(B) further or in the alternative, would not comply with the Corporations Act, including that it would not:

(1) give a true and fair view of the financial position and performance of DSH and the DSH Group;

(2) comply with Australian Accounting Standards and the Corporations Regulations 2001;

(ii) further, or in the alternative, DSH would suffer economic loss.

100. DTT knew, or ought to have known, of the risks alleged in paragraph 99 above.

Particulars

DSHE repeats the particulars at paragraphs 94 and 97 above.

101. The risks alleged in paragraph 99 were not insignificant.

H.4. Auditor's Duty of Care

FY13 Audit

102. DTT owed DSSH a duty to exercise reasonable skill, care and diligence in performing its services as auditor pursuant to the FY13 Retainer, including in auditing the FY13 Report.

Particulars

DSH repeats paragraphs 10 above and the particulars thereto.

103. At all relevant times, DTT held itself out as a registered auditor with the necessary knowledge, skills and experience to carry out a review and audit of, and report upon, DSSH's financial statements in accordance with the Corporations Act.

104. Further, as DSSH's auditor, DTT owed obligations under ss 307, 307A and 308 of the Corporations Act in respect of each of the FY13 Audit and FY13 Report as pleaded above at paragraphs 18 to 27 respectively.

105. By voluntarily accepting the FY13 Retainer, DTT accepted a general professional responsibility to ensure the retainer was carried out in relation to the FY13 Audit with the degree of care, skill and diligence of a professional providing services of the same kind.

106. DTT was paid for its professional services in carrying out the FY13 Audit.

107. During the performance of the FY13 Audit, and by at least 7 August 2013, DTT was aware that:

(a) the DSHE Group was in the process of preparing for an IPO;

(b) the IPO would be made by a newly incorporated Australian public company which would use the proceeds of the offer to acquire all of the issued share capital in

DSSH, thereby becoming the new parent and consolidated reporting entity of the DSH Group;

(c) the audited FY13 financial statements were likely to be used by the new company in a public offering document;

(d) as a consequence of (c) above:

(i) DTT would be required to prepare General Purpose Financial Reports; and

(ii) the engagement risk of the audit was raised to Greater Than Normal Risk and required the appointment of an Audit Engagement Quality Control Reviewer.

Particulars

That DTT was so aware is to be inferred from the following matters:

(i) David White, the Audit Partner for the FY13 Audit was also one of the partners responsible for DCF's performance of the DCF Retainer;

(ii) Email from Damien Cork to David White dated 7 August 2013 (DTT.004.005048);

(iii) Email from David White to Damien Cork dated 12 August 2013 (DTT.004.002140);

(iv) Letter to DSSH dated 5 September 2013 from David White and Steve Woosnam attaching an "IPO considerations paper" (DEL.002.001.3272);

(v) Email from David White to Tim Fawaz and Michael Potts dated 23 September 2013 (DSE.003207938);

(vi) DTT's report to the board of DSSH for the period ended 30 June 2013, p 16 (DEL.002.001.1211);

(vii) File note of Damien Cook dated 15 October 2013 "Dick Smith FY13 Audit – Summary of Approach and Key Issues" (DEL.002.001.1191).

108. DSH was incorporated as an Australian public company on 25 October 2013 for the purpose of the prospective IPO.

109. On 13 November 2013:

(a) DSH executed a share sale deed poll whereby it offered to purchase 100% of the shares in DSSH; and

Particulars

Share Sale Deed Poll – relating to shares in Dick Smith Sub-Holdings Pty Ltd ACN 160 162 925 dated 13 November 2013.

(b) the board of DSH resolved to appoint DTT as the auditor of DSH.

Particulars

Minutes of the meeting of the DSH board of directors dated 13 November 2013.

110. On or around 9 December 2013, DSH acquired all of the shares in DSSH.

111. At all material times, DTT was provided with access to:

(a) the persons within DSSH and DSH from whom DTT determined it necessary to obtain evidence; and

(b) all information of DSSH and DSH that was relevant,

in respect of the conduct of the FY13 Audit and the preparation of the FY13 Report.

112. DTT had exclusive control over the carrying out of the FY13 Audit.

113. DTT, as the auditor of DSSH and DSH, was in a situation of a particular advantage to know and ascertain whether the FY13 Report complied with the Corporations Act.

Particulars

DSH repeats paragraphs 10(i) and 10(j) above, and the particulars thereto.

114. At all material times, DSSH and DSH:

(a) were vulnerable in that they were unable to protect themselves from the consequences of DTT's failure to exercise the degree of skill, care and diligence

expected of a professional providing services of the same kind in conducting the FY13 Audit;

(b) could suffer loss and damage if DTT did not exercise the degree of skill, care and diligence expected of a professional providing services of the same kind in carrying out the FY13 Audit.

Particulars

DSSH was under a statutory obligation pursuant to s 301 of the Corporations Act to have the FY13 Report reviewed in accordance with Part 2M.3 Division 3 of the Corporations Act and obtain an auditor's report.

Neither DSSH nor DSH were in a position at any time to undertake the same or corresponding task of carrying out an independent audit of the FY13 Report by professional auditors subject to Part 2M.3 Division 3 of the Corporations Act and the Auditing Standards.

DSSH and DSH, both having appointed DTT as auditor, were not in a position to be able to detect any non-compliance by DTT with applicable auditing standards in the performance of the FY13 Retainer and, to that extent, were unable to make an informed decision whether it was necessary or appropriate for DSSH to terminate the FY13 Retainer and engage another auditor in place of DTT.

Neither DSSH nor DSH was at any time able to bargain with DTT for unlimited liability in respect of any losses, liabilities, claims, damages, costs or expenses however caused or arising as a result of DTT's performance of its services under the FY13 Retainer.

115. At all material times, DTT knew or expected, or ought reasonably to have known or expected, that DSH and its directors:

(a) would or would be likely to rely upon DTT to carry out its role as auditor of the FY13 Report with the skill and care reasonably to be expected from a professional auditor; and

(b) would or might suffer loss or damage if DTT failed to carry out its role as auditor of the FY13 Report with the skill and care reasonably to be expected from a professional auditor.

Particulars

DTT ought reasonably to have known or expected the matters by reason of:

(i) its practice as a registered company auditor within the meaning of s9 of the Corporations Act;

(ii) its appointment as auditor of DSSH in relation to the FY13 Report;

(iii) the FY13 Retainer;

(iv) sections 296, 297 and 301 of the Corporations Act;

(v) paragraphs 102 to 114 above and the particulars thereto.

116. In the premises, DTT owed DSH a duty:

(a) to carry out its office as auditor with the skill and care reasonably to be expected from a professional auditor; and

(b) without limiting subparagraph (a) above, to exercise due skill and care in:

(i) carrying out audit work in respect of DSSH, DSH and the DSH Group for FY13;

(ii) expressing opinions in respect of the DSSH, DSH and the DSH Group and the Prospectus Accounts and the FY13 Report; and

(iii) preparing the FY13 Audit Report,

(**FY13 Duty of Care**).

FY14 and FY15 Reports

~~102.~~117. DTT owed DSH a duty to exercise reasonable skill, care and diligence in performing its services as auditor pursuant to the ~~FY13 Retainer,~~ FY14 Retainer and the FY15 Retainer, including in:

~~(a) auditing the FY13 Report;~~

~~(b)~~(a) auditing the FY14 Report; and

~~(c)~~(b) auditing the FY15 Report.

Particulars

DSH repeats paragraphs ~~10,~~ 13 and 16 above, and the particulars thereto.

~~103.~~118. At all relevant times, DTT held itself out as a registered auditor with the necessary knowledge, skills and experience to carry out review and audit of, and report upon, DSH's financial statements in accordance with the Corporations Act.

~~104.~~119. Further, as DSH's auditor, DTT owed obligations under ss 307, 307A and 308 of the Corporations Act in respect of each of the ~~FY13 Audit,~~ FY14 Audit, FY15 Audit, ~~FY13 Report,~~ FY14 Report and FY15 Report, as pleaded above at paragraphs 18 to 26~~, 21 and 22 respectively~~.

~~105.~~120. By voluntarily accepting the ~~FY13 Retainer,~~ FY14 Retainer and the FY15 Retainer, DTT accepted a general professional responsibility to ensure those retainers were carried out in relation to the ~~FY13 Audit,~~ FY14 Audit and FY15 Audit with the degree of care, skill and diligence of a professional providing services of the same kind.

~~106.~~121. At all material times, DTT was provided with access to:

(a) the persons within DSH from whom DTT determined it necessary to obtain evidence; and

(b) all information of DSH that was relevant,

in respect of the conduct of the ~~FY13 Audit,~~ FY14 Audit, and FY15 Audit, and the preparation of the ~~FY13 Report,~~ FY14 Report, and the FY15 Report.

~~107.~~122. DTT, as DSH's auditor, was in a situation of a particular advantage to know and ascertain whether DSH's financial reports complied with the Corporations Act.

Particulars

DSH repeats paragraphs ~~10(i), 10(j),~~ 13(i), 13(j), 16(h) and 16(i) above, and the particulars thereto.

~~108.~~123. At all material times, DSH:

(a) was vulnerable in that it was unable to protect itself from the consequences of DTT's failure to exercise the degree of skill, care and diligence expected of a professional providing services of the same kind in conducting the ~~FY13 Audit,~~ FY14 Audit and FY15 Audit;

(b) could suffer loss and damage If DTT did not exercise the degree of skill, care and diligence expected of a professional providing services of the same kind in carrying out the ~~FY13 Audit,~~ FY14 Audit and FY15 Audit.

Particulars

DSH was under a statutory obligation pursuant to s 3012 of the Corporations Act to have the ~~FY13 Report,~~ FY14 Report and the FY15 Report ~~reviewed~~ audited in accordance with Division 3 of the Corporations Act and obtain an auditor's report.

DSH was not at any time in a position itself to undertake the same or corresponding task of carrying out an independent ~~review~~ audit of the financial reports by professional auditors subject to Part 2M.3 Division 3 of the Corporations Act~~the Statutory Obligations~~.

DSH, having appointed DTT as auditor, was not in a position to be able to detect any non-compliance by DTT with applicable auditing standards in the performance of the ~~FY13 Retainer,~~ FY14 Retainer and the FY15 Retainer and, to that extent, was unable to make an informed decision whether it was necessary or appropriate to terminate the ~~FY13 Retainer~~ FY14 Retainer or FY15 Retainer and engage another auditor in place of DTT.

DSH was not at any time able to bargain with DTT for unlimited liability in respect of any losses, liabilities, claims, damages, costs or expenses however caused or arising as a result of DTT's performance of its services under the ~~FY13 Retainer,~~ FY14 Retainer or the FY15 Retainer.

~~109.~~124. DTT was paid by DSH for its professional services in carrying out the ~~FY13 Audit,~~ FY14 Audit and FY15 Audit.

~~110.~~125. DTT had exclusive control over the carrying out of the ~~FY13 Audit,~~ FY14 Audit, and the FY15 Audit.

~~111.~~126. At all material times, DTT knew or expected, or ought reasonably to have known or expected, that DSH and its directors:

(a) would or would be likely to rely upon DTT to carry out its role as auditor with the skill and care reasonably to be expected from a professional auditor; and

(b) would or might suffer loss or damage if DTT failed to carry out its role as auditor with the skill and care reasonably to be expected from a professional auditor.

Particulars

DTT ought reasonably to have known or expected the matters by reason of:

(i) its practice as a registered company auditor within the meaning of s9 of the Corporations Act;

(ii) its appointment as auditor of DSH in relation to the ~~FY13 Report,~~ FY14 Report and FY15 Report;

(iii) the ~~FY13 Retainer,~~ FY14 Retainer and the FY15 Retainer;

(iv) sections 296, 297 and 301 of the Corporations Act;

(v) paragraphs 102 to ~~110~~125 above and the particulars thereto.

~~112.~~127. DTT knew, or ought to have known, of the risks of harm set out in paragraphs 93, 96 and ~~to~~ 99 above.

~~113.~~128. By reason of the FY13 Retainer, FY14 Retainer and FY15 Retainer and the matters pleaded at paragraphs 102 to 127~~104 and 105~~ above, at all material times DTT owed to ~~DSSH and/or~~ DSH a duty:

(a) to carry out its office as auditor with the skill and care reasonably to be expected from a professional auditor; and

(b) without limiting subparagraph (a) above, to exercise due skill and care in:

(i) carrying out audit work in respect of DSSH, DSH and the DSH Group;

(ii) expressing opinions in respect of the respect of DSSH, DSH and the DSH Group and the Prospectus Accounts, the FY13 Report, the FY14 Report, and the FY15 Report;

(iii) preparing the FY13 Audit Report, the FY14 Audit Report and the FY15 ~~Review~~ Audit Report.

(together with the FY13 Duty of Care, the **Auditor's Duty of Care**)

H.5. Breach of Auditor's Duty of Care

~~114.~~129. For the reasons set out in paragraph 77 above and the particulars thereto, DTT failed to exercise the degree of skill, care and diligence expected of a professional providing services of the same kind, and thereby breached the Auditor's Duty of Care, when:

(a) conducting the FY13 Audit; and

(b) making statements and expressing opinions in respect of the FY13 Report and the Prospectus Accounts, including the FY13 Inventory Representation, DTT Prospectus Representations, FY13 Unqualified Audit Statements and the FY13 Audit Report Representation.

Particulars

DSH repeats paragraph 77 above and the particulars thereto.

~~115.~~130. By reason of the matters set out in paragraphs 78 and 84 above (as those paragraphs pertain relates to the FY14 Audit and FY14 Report) above, DTT failed to exercise the degree of skill, care and diligence expected of a professional providing services of the same kind and thereby breached the Auditor's Duty of Care, when:

(a) conducting the FY14 Audit; and

(b) making statements and expressing opinions in respect of the FY14 Report, including the FY14 Rebate Representations, FY14 Inventory Representations, FY14 Unqualified Audit Statements and the FY14 Audit Report Representation.

Particulars

DSH repeats paragraphs 78 and 84 above and the particulars thereto.

~~116.~~131. By reason of the matters set out in paragraphs 79 and 84 above (as those paragraphs relates to the FY15 Audit and FY15 Report), DTT failed to exercise the degree of skill, care and diligence expected of a professional providing services of the same kind and thereby breached the Auditor's Duty of Care, when:

(a) c~~C~~onducting the FY15 Audit; and

(b) m~~M~~aking statements and forming opinions in respect of the FY15 Report, including the FY15 Rebate Representations, FY15 Inventory Representations, FY15 Unqualified Audit Statements and the FY15 Audit Report Representation.

Particulars

DSH repeats paragraphs 79 and 84 above and the particulars thereto.

H.6. Negligent misstatement

~~117.~~132. DTT knew that DSH would rely on:

(a) the FY13 Inventory Representation, the FY13 Unqualified Audit Statements and the FY13 Report Representation, when publishing the FY13 Report;

(b) the FY13 Inventory Representation, FY13 Unqualified Audit Statements, FY13 Audit Report Representation and the DTT Prospectus Representations when publishing the Prospectus;

(c) the FY14 Rebate Representation, the FY14 Inventory Representation, the FY14 Unqualified Audit Statements, and the FY14 Report Representation when publishing the FY14 Report; and/or

(d) the FY15 Rebate Representation, the FY15 Inventory Representation, the FY15 Unqualified Audit Statements, and the FY15 Report Representation when publishing the FY15 Report.

~~118.~~133. In making any statement or expressing any opinion in the course of the FY13 Audit, FY14 Audit or FY15 Audit in accordance with the FY13 Retainer, FY14 Retainer or the FY15 Retainer, DTT assumed responsibility for exercising reasonable care in making any such statement or expressing any such opinion.

Particulars

DSH repeats paragraphs 102 to ~~110~~125 above and the particulars thereto.

~~119.~~134. In the premises, DTT owed DSH a duty to exercise reasonable skill and care in making any statement or expressing any opinion in the course of the performance of the FY13 Audit, FY14 Audit, and/or FY15 Audit, including in making the:

(a) FY13 Inventory Representation;

(b) FY13 Unqualified Audit Statements;

(c) FY14 Rebate Representation;

(d) FY14 Inventory Representation;

(e) FY14 Unqualified Audit Statements;

(f) FY15 Rebate Representation;

(g) FY15 Inventory Representation;

(h) FY15 Unqualified Audit Statements,

(**Misstatement Duty**).

~~120.~~135. By reason of the matters pleaded at paragraphs 77, 78, 79 and 84 above, DTT failed to exercise reasonable skill and care when making each of the following:

(a) FY13 Inventory Representation;

(b) FY13 Unqualified Audit Statements;

(c) FY14 Rebate Representation;

(d) FY14 Inventory Representation;

(e) FY14 Unqualified Audit Statements;

(f) FY15 Rebate Representation;

(g) FY15 Inventory Representation;

(h) FY15 Unqualified Audit Statements,

Particulars

DSH repeats paragraphs 77, 78, 79 and 84 above and the particulars thereto.

~~121. By reason of the matters set out at paragraphs 114 to 116 and 120 above, DSH has suffered loss and damage.~~

I. DTT'S BREACH OF CONTRACT

~~122.~~136. If the Plaintiffs establish the matters pleaded at paragraph 75, 76, 82 and/or 83 above then DSH pleads as follows.

~~123. By reason of the matters set out in paragraphs 77 above, DTT:~~

~~(a) failed to conduct the FY13 Audit with due skill and care and in accordance with the Corporations Act and applicable Auditing Standards; and~~

~~(b) in the premises, breached:~~

~~(i) the term of the FY13 Retainer that DTT would perform its audit pursuant to the requirements of the Corporations Act (pleaded above at paragraph 10(a));~~

~~(ii) the term of the fy13 Retainer that DTT would conduct its audit in accordance with Australian Accounting Standards (pleaded above at paragraph 10(b));~~

~~(iii) the term of FY13 Retainer that DTT provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind as DTT (pleaded above at paragraph 10(i));~~

~~(iv) the term of the FY13 Retainer that DTT use reasonable skill and care in providing services pursuant to the FY13 Retainer (pleaded above at paragraph 10(j)).~~

~~**Particulars**~~

~~DSH repeats paragraphs 77 above and the particulars thereto.~~

~~124.~~137. By reason of the matters set out in paragraphs 78 and 84 above (as those paragraphs pertain to the FY14 Audit and FY14 Report), DTT:

(a) failed to conduct the FY14 Audit with due skill and care and in accordance with the Corporations Act and applicable Auditing Standards; and

(b) in the premises, breached:

(i) the term of the FY14 Retainer that DTT would perform its audit pursuant to the requirements of the Corporations Act (pleaded above at paragraph 13(a));

(ii) the term of the FY14 Retainer that DTT would conduct its audit in accordance with Australian Accounting Standards (pleaded above at paragraph 13(b));

(iii) the term of FY14 Retainer that DTT provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind as DTT (pleaded above at paragraph 13(i));

(iv) the term of the FY14 Retainer that DTT use reasonable skill and care in providing services pursuant to the FY13 Retainer (pleaded above at paragraph 13(j)).

Particulars

DSH repeats paragraphs 78 and 84 above and the particulars thereto.

~~125.~~138. By reason of the matters set out in 79 and 84 above (as those paragraphs pertain to the FY15 Audit and FY15 Report) above, DTT:

(a) failed to conduct the FY15 Audit with due skill and care and in accordance with the Corporations Act and applicable Auditing Standards; and

(b) in the premises, breached:

(i) the term of the FY15 Retainer that DTT would perform its audit pursuant to the requirements of the Corporations Act (pleaded above at paragraph 16(a));

(ii) the term of the FY15 Retainer that DTT would conduct its audit in accordance with Australian Accounting Standards (pleaded above at paragraph 16(b));

(iii) the express term of FY15 Retainer that DTT provide its services with the degree of skill, care and diligence expected of a professional providing services of the same kind as DTT (pleaded above at paragraph 16(h));

(iv) the implied term of the FY15 Retainer that DTT use reasonable skill and care in providing services pursuant to the FY13 Retainer (pleaded above at paragraph 16(i)).

Particulars

DSH repeats paragraphs 79 and 84 above and the particulars thereto.

~~126. By reason of the matters set out at paragraphs 123 to 125 above, DSH has suffered loss and damage.~~

J. LOSS OR DAMAGE

~~127.~~139. In the event that any of the contraventions pleaded against DSH in Parts D.1, D.2 and D.3 of the Amended Joint Statement of Claim are established (each of which is not admitted), then for the purposes only of this Cross-Claim Statement, DSH pleads as follows.

J.1. Loss and damage - Prospectus Accounts

~~128.~~140. As at 21 November 2013, DSH ~~and/or DSSH~~ was aware of the statements made by DTT in relation to the FY13 Report (including the matters pleaded in paragraphs 28 to 32, 35 and 36 above) and that DTT had given its consent to be named in the Prospectus on 13 November 2013.

~~129.~~141. In reliance on the FY13 Inventory Representation, the FY13 Unqualified Audit Statements, the Audit Report Representation and/or the DTT Prospectus Representations, DSH:

(a) formed the view that the Prospectus Accounts complied with Australian Accounting Standards;

(a) formed the view that the Prospectus Accounts:

(i) gave a true and fair view of the position and performance of DSH and the DSH Group as the time of issuance of the Prospectus;

(ii) complied with the Corporations Act; and

(iii) were prepared in accordance with Australian Accounting Standards;

(b) issued and published the Prospectus (pleaded in paragraphs 53 and 54 of the Amended Joint Statement of Claim);

~~130.~~142. If the plaintiffs establish (which is not admitted) that:

(a) in respect of inventory provisioning:

(i) in preparing the Prospectus Accounts, DSH adopted the approach to the calculation of inventory provision pleaded at paragraphs 135 to 137 of the Amended Joint Statement of Claim;

(ii) that approach to the calculation of inventory provision did not comply with Australian Accounting Standards; and

(iii) the adoption of the approach to the calculation of inventory provision had the effect of enabling DSH to report, in the Prospectus Accounts, Gross Profit, EBITDA, NPAT, the value of inventories and equity, at levels in excess of what should have been reported had those matters not been adopted;

(b) by reason of the matters in paragraphs (a) ~~and/or (b)~~ above, the Prospectus Accounts did not:

(i) give a true and fair view of the financial position and performance of DSH and the DSH Group as at 21 November 2013;

(ii) comply with Australian Accounting Standards; or

(iii) comply with the Corporations Act; and

(c) DSH contravened ss 674, 728 and 1041E of the Corporations Act (as pleaded in Parts D.1.1, ~~and~~ D.2.1 and D.3 of the Amended Joint Statement of Claim);

then DSH repeats paragraphs 77 above, and the particulars thereto and says that if DSH engaged in misleading and deceptive conduct by issuing and publishing the Prospectus then DSH will have suffered loss or damage as the result of the misleading or deceptive and/or negligent conduct of DTT.

Particulars

(i) If DTT had exercised reasonable skill and care and complied with Auditing Standards in respect of its audit of the FY13 Report, including by conducting an alternative analysis of the provision for inventory obsolescence as set out in particular iii. to paragraph 77 above, then on the basis that the plaintiffs establish that ~~the approach to the calculation of~~ the inventory provision for FY13 was not reasonable and/or did not comply with Australian Accounting Standards (which is not admitted), DTT would have ascertained such non-compliance and would have reported to DSSH and/or DSH that, by reason of such non-compliance, the FY13 Report and/or the Prospectus Accounts had not been prepared in accordance with Australian Accounting Standards, and did not give a true and fair view of the financial position and performance of DSSH and the DSH Group as at 30~~29~~ June 2013;

(ii) Had DTT informed DSSH and/or DSH of those matters, then:

(A) the FY13 Report and/or Prospectus Accounts would have been issued in a form which complied with Australian Accounting Standards, and which did present a true and fair view of the financial position and performance of DSSH and the DSH Group as at 30~~29~~ June 2013; and

(B) the ~~Prospectus Financial Information~~Pro Forma Historical Information would have reflected the form of the Prospectus Accounts referred to in subparagraph (A) above; and

(C) the consequence of subparagraphs (A) to (B) above is that, but for DTT's:

(1) negligence in conducting the FY13 Audit and making statements and expressing opinions in respect of the FY13 Report, including the FY13 Inventory Representation, the FY13 Unqualified Audit Statements and the FY13 Audit Report Representation (as pleaded above at paragraph 129); and/or

~~(C)~~(2) misleading or deceptive conduct in making those statements,

the Prospectus Accounts would not have been issued in the form in which they were, and DSH would not have engaged in the conduct which the plaintiffs plead as giving rise to its liability to them and the Group Members (which is not admitted); and

(D) Accordingly, if DSH is found liable to the plaintiffs and/or the Group Members then DSH will have suffered, by reason of DTT's misleading or deceptive conduct and/or its negligence, loss or damage in the amount of any order made against it in the main proceeding for damages, compensation, interest and/or costs, together with the amount of its own legal costs.

J.2. Loss and damage - FY14 Report

~~131.~~143. As at 29 June 2014, DSH was aware of the statements made by DTT in relation to the FY13 Report (including the matters pleaded in paragraphs 28 to 32 ~~29 – 31~~, 35, 40 above), and the FY14 FAC Report (including the matters pleaded at paragraphs ~~46,~~ 45 to 47 and 51 above) and that DTT had given its consent to be named in the PDS on 13 November 2013.

~~132.~~144. In reliance on the FY14 Rebate Representations, the FY14 Inventory Representations, the FY14 Unqualified Audit Statements and/or the FY14 Audit Report Representation, DSH:

(a) formed the view that the O&A Rebate Accounting Treatment and the FY14 Reallocation of O&A Rebates complied with Australian Accounting Standards;

(b) formed the view that the Revised Inventory Obsolescence Methodology complied with Australian Accounting Standards;

(c) formed the view that the FY14 Report:

(i) gave a true and fair view of the position and performance of DSH and the DSH Group as 29 June 2014;

(ii) complied with the Corporations Act;

(iii) was prepared in accordance with Australian Accounting Standards;

(d) issued and published the FY14 Report and the FY14 ASX Announcement & Results briefing; and

(e) did not correct or qualify the FY14 Report.

~~133.~~145. If the plaintiffs establish the matters pleaded at paragraphs 75, 76, 82 and/or 83 above, then DSH repeats paragraphs 78 and 84 and says that if DSH engaged in misleading and deceptive conduct by issuing and publishing the FY14 Report and/or the FY14 ASX Announcement & Results Briefing (as pleaded in paragraph 23~~94~~5 to 24~~45~~0 of the Amended Joint Statement of Claim) then DSH will have suffered loss or damage as the result of the misleading or deceptive conduct, negligence and/or breach of contract of DTT.

Particulars

(i) If DTT had exercised reasonable skill and care and complied with Auditing Standards in respect of the FY14~~5~~ Audit, and had not failed to take the steps pleaded in paragraphs 78 and 84 above, then on the basis that the plaintiffs establish that the O&A Rebate Accounting Treatment or the FY14 Reallocation of O&A Rebates or the Revised Inventory Obsolescence Methodology did not comply with Australian Accounting Standards (which is not admitted), DTT would have ascertained such non-compliance and would have reported to DSH that, by reason of such non-compliance, the FY14 Report had not been prepared in accordance with Australian Accounting Standards, and did not give a true and fair view of the financial

position and performance of DSH and the DSH Group as at 29 June 2014 ~~December 2013~~;

(ii) Had DTT informed DSH of those matters, then:

(A) DSH would have ensured that the O&A Rebate Accounting Treatment, any reallocation of rebates and the accounting for inventory complied with Australian Accounting Standards, by addressing such deficiencies as were identified by DTT;

(B) the FY14 Report would have been issued in a form which complied with Australian Accounting Standards, and which presented a true and fair view of the financial position and performance of DSH and the DSH Group as at 29 June 2014; and

(C) the FY14 ASX Announcement & Results Briefing would have reflected the form of the FY14 Report referred to in subparagraph (B) above;

(D) the consequence of subparagraphs (A) to (C) above is that, but for DTT's:

(1) misleading conduct in making the FY14 Rebate Representations, the FY14 Inventory Representations and the FY14 Audit Report Representations;

(2) its negligence in conducting the FY14 Audit or making statements and expressing opinions in respect of the FY14 Report (as pleaded above at paragraph 130); and/or

~~(2)~~(3) its breach of the FY14 Retainer (as pleaded above at paragraph 137),

the FY14 Report would not have been issued in the form in which it was, and DSH would not have engaged in the conduct referred to in paragraph 139~~143~~ above which the plaintiffs plead as giving rise to its liability to them and the Group Members (which is not admitted); and

(E) Accordingly, if DSH is found liable to the plaintiffs and/or the Group Members in respect of the alleged conduct in paragraphs 75, 76, 82 and/or 83 above, then DSH will have suffered, by reason of

DTT's misleading and deceptive conduct, negligence and/or breach of contract, loss and damage in the amount of any order made against it in the main proceeding for damages, compensation, interest and/or costs, together with the amount of its own legal costs.

J.3. Loss and damage - FY15 Report

~~134.~~146. In reliance on the FY15 Rebate Representation, FY15 Inventory Representation and/or the FY15 Audit Report Representation, DSH:

(a) formed the view that the O&A Rebate Accounting Treatment complied with Australian Accounting Standards;

(b) formed the view that the Revised Inventory Obsolescence Methodology and the accounting of inventory complied with Australian Accounting Standards;

(c) formed the view that the FY15 Report:

(i) gave a true and fair view of the position and performance of DSH and the DSH Group as 28 June 2015;

(ii) complied with the Corporations Act;

(iii) was prepared in accordance with Australian Accounting Standards;

(d) issued and published the FY15 Report and the FY15 ASX Announcement & Results Briefing; and

(e) did not correct or qualify the FY15 Report.

~~135.~~147. If the plaintiffs establish the matters pleaded at paragraphs 75, 76, 82 and/or 83 above in respect of the FY15 Report, then DSH repeats paragraphs 79 and 84 above and says that if DSH engaged in misleading and deceptive conduct by issuing and publishing the FY15 Report and/or the FY15 ASX Announcement & Results Briefing (as pleaded in paragraph ~~264-273~~245-250 of the Amended Joint Statement of Claim) then DSH will have suffered loss or damage as the result of the misleading or deceptive conduct, negligence and/or breach of contract of DTT.

Particulars

(i) DSH repeats the particulars to paragraphs 79 and 84 above;

(ii) If DTT had exercised reasonable skill and care and complied with Auditing Standards in respect of the FY15 Audit, then on the basis that the plaintiffs establish that the O&A Rebate Accounting Treatment, the FY14 Reallocation of O&A Rebates or the Revised Inventory Obsolescence Methodology did not comply with Australian Accounting Standards (which is not admitted), DTT would have ascertained such non-compliance and would have reported to DSH that, by reason of such non-compliance, the FY15 Report had not been prepared in accordance with Australian Accounting Standards, and did not give a true and fair view of the financial position and performance of DSH and the DSH Group as at 28 June 2015;

(iii) Had DTT informed DSH of those matters, then:

(A) DSH would have ensured that the O&A Rebate Accounting Treatment complied with Australian Accounting Standards, by addressing such deficiencies as were identified by DTT;

(B) DSH would have ensured that the ~~Revised~~ Inventory Obsolescence ~~Approach~~ Methodology complied with Australian Accounting Standards, by addressing such deficiencies as were identified by DTT;

(C) the FY15 Report would have been issued in a form which complied with Australian Accounting Standards, and which presented a true and fair view of the financial position and performance of DSH and the DSH Group as at 28 June 2015; and

(D) the FY15 ASX Announcement & Results Briefing would have reflected the form of the FY15 Report referred to in subparagraph (C) above;

(E) the consequence of subparagraphs (A) to (D) above is that, but for DTT's

(1) misleading conduct in making the FY15 Rebate Representations, the FY15 Inventory Representations and the FY15 Audit Report Representations;

(2) its negligence in conducting the FY15 Audit, or making statements and expressing opinions in the FY15 Report (as alleged at paragraph 131 above); and/or

(3) its breach of the FY15 Retainer (as pleaded at paragraph 138 above),

the FY15 Report would not have been issued in the form in which it was, and DSH would not have engaged in the conduct referred to in paragraphs 75, 76, 82 and/or 83 above which the plaintiffs plead as giving rise to its liability to them and the Group Members (which is not admitted); and

(F) Accordingly, if DSH is found liable to the plaintiffs and/or the Group Members in respect of the alleged conduct in paragraphs 75, 76, 82 and/or 83 above, then DSH will have suffered, by reason of DTT's misleading and deceptive conduct, loss and damage in the amount of any order made against it in the main proceeding for damages, compensation, interest and/or costs, together with the amount of its own legal costs.

K. CONTRIBUTION

~~136.~~148. In the event that the Plaintiffs establish (which is not admitted) that:

(a) DSH engaged in misleading or deceptive conduct in contravention of s 1041E of the Corporations Act; and

(b) by reason of such contravening conduct, the plaintiffs and/or the Group Members have suffered loss or damage

then DSH pleads as follows.

~~137.~~149. For the purposes only of this contribution claim, and without any admission, DSH repeats paragraphs 251-273 of the Amended Joint Statement of Claim.

K.1. Coordinate liability — Claims in respect of the Prospectus

~~138.~~150. If the matters pleaded in paragraphs 227 – 238, 251-253, 279, 282-284 of the Amended Joint Statement of Claim (or any of them) are established (which are denied), and the matters pleaded in paragraphs 357-366 of the Amended Joint Statement of Claim are established (which are denied), then:

(a) the conduct by DSH alleged to have contravened s1041E of the Corporations Act, including the issue and publication of the Prospectus, caused, after 21 November 2013, the market price of DSH shares to be substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and the Group Members have suffered loss by purchasing shares in DSH after 21 November 2013, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct.

~~139.~~151. If the matters in paragraph 150 above (which are not admitted) are established, then it will also follow that:

(a) the conduct by DTT pleaded in paragraphs 80, 81 and 89 above which contravened ss 18 and/or 29(1)(b) of the ACL and/or ss 12DA and/or s 12DB(1)(a) of the ASIC Act and/or s 1041H of the Corporations Act caused, after 21 November 2013, the market price of DSH shares to be substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and the Group Members have suffered loss by purchasing shares in DSH after 21 November 2013, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for DTT's contravening conduct.

Particulars

(A) If not for DTT's contravening conduct, the FY13 Report would not have been issued in the form in which it was. DSH repeats the particulars to paragraph 142 above;

(B) Further or in alternative, if DTT had issued a report to members of DSH in relation to the Prospectus Accounts which reported that matters had come to DTT's attention which caused it to believe that the Prospectus Accounts did not comply with Australian Accounting Standards, then such information would have been taken into account in the issue price and/or market price of DSH shares from the date of such report.

~~140.~~152. By reason of the matters pleaded in paragraphs 150 and 151 above:

(a) DTT's contravening conduct, pleaded in paragraphs 80, 81 and~~,~~ 89 ~~and 92~~ above, caused the same loss or damage to the plaintiffs and/or the Group Members that was allegedly caused by DSH's contravening conduct in respect of the Prospectus (which is denied); and

(b) DTT and DSH are co-ordinately liable to the plaintiffs and/or the Group Members in respect of any such loss or damage.

K.2. Coordinate liability — Claims in respect of the FY14 Report

~~141.~~153. If the matters pleaded in paragraphs 254-263 and 357-366 of Joint the Statement of Claim are established (which are denied by DSH), then:

(a) the conduct by DSH alleged to have contravened s1041E of the Corporations Act, including publishing of the FY14 Report and the FY14 ASX Announcement & Results Briefing on 19 August 2014 caused, after 19 August 2014, the market price of DSH shares to be substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and Group Members have suffered loss by purchasing shares in DSH after 19 August 2014, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct.

~~142.~~154. If the matters in paragraph 153 above are established, then it will also follow that:

(a) the conduct by DTT pleaded in paragraphs 80, 81, 85, 86 and 90 above which contravened s18 of the ACL and/or s1041H of the Corporations Act, being the issuing of the FY14 Audit Report which was published with the FY14 Report, caused, after 19 August 2014, the market price of DSH shares to be substantially greater than

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and Group Members have suffered loss by purchasing shares in DSH after 19 August 2014, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for DTT's contravening conduct.

Particulars

(A) If not for DTT's contravening conduct, the FY14 Report would not have been issued in the form in which it was in fact issued. DSH repeats the particulars to paragraph 145 above.

(B) Further or in the alternative, if DTT had issued a report to members of DSH in relation to the FY14 Audit which reported that the FY14 Report did not comply with Australian Accounting Standards, then such information would have been taken into account in the market price of DSH shares from the date of such report.

~~143.~~155. By reason of the matters pleaded in paragraphs 153-154 above:

(a) DTT's contravening conduct in respect of the FY14 Audit Report, pleaded in paragraphs 80,81, 85, 86 and 90 above, caused the same loss or damage to the plaintiffs and/or the Group Members that was allegedly caused by DSH's contravening conduct in respect of the FY14 Report (which is denied); and

(b) DTT and DSH are co-ordinately liable to the plaintiffs and/or the Group Members in respect of any such loss or damage.

K.3. Coordinate liability — Claims in respect of the FY15 Report

~~144.~~156. If the matters pleaded in paragraphs 264-273 and 357-366 of Joint the Statement of Claim are established (which are denied by DSH), then:

(a) the conduct by DSH alleged to have contravened s1041E of the Corporations Act, including publishing of the FY15 Report and the FY15 ASX Announcement & Results Briefing on 18 August 2015 caused, after 18 August 2015, the market price of DSH shares to be substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and Group Members have suffered loss by purchasing shares in DSH after 18 August 2015, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct.

~~145.~~157. If the matters in paragraph 156 above are established, then it will also follow that:

(a) the conduct by DTT pleaded in paragraphs 80, 81, 85, 86 and 91 above which contravened s18 of the ACL and/or s1041H of the Corporations Act, being the issuing of the FY15 Audit Report which was published with the FY15 Report, caused, after 18 August 2015, the market price of DSH shares to be substantially greater than

(i) their true value; or

(ii) the market price that would have prevailed but for that contravening conduct; and

(b) the plaintiffs and Group Members have suffered loss by purchasing shares in DSH after 18 August 2015, in the circumstances where the market price of those shares was substantially greater than:

(i) their true value; or

(ii) the market price that would have prevailed but for DTT's contravening conduct.

Particulars

(A) If not for DTT's contravening conduct, the FY15 Report and FY15 ASX Announcement & Results Breifing would not have been issued in the form in which they were in fact issued. DSH repeats the particulars to paragraph 147 above.

(B) Further or in the alternative, if DTT had issued a report to members of DSH in relation to the FY15 Audit which reported that the O&A Rebate Accounting Treatment and the Revised Inventory Obsolescence ~~Approach~~ Methodology did not comply with Australian Accounting Standards, then such information would have been taken into account in the market price of DSH shares from the date of such report.

~~146.~~158. By reason of the matters pleaded in paragraphs 156-157 above:

(a) DTT's contravening conduct in respect of the FY15 Audit Report, pleaded in paragraphs 80, 81, 85, 86 and 91 above, caused the same loss or damage to the plaintiffs and/or the Group Members that was allegedly caused by DSH's contravening conduct in respect of the FY15 Report (which is denied); and

(b) DTT and DSH are co-ordinately liable to the plaintiffs and/or the Group Members in respect of any such loss or damage.

K.4. Claim for Contribution

~~147.~~159. By reason of the matters pleaded in paragraphs 150-152, 153-155 and/or 156-158 above, if it is established that DSH is liable for the loss and damage allegedly suffered by the plaintiffs and/or the Group Members (which is denied), then DSH is entitled to recover from DTT contribution to any such liability pursuant to s 5 of the *Law Reform (Miscellaneous Provisions) Act 1946* or further or alternatively in equity.

L. THE DCF RETAINER

~~148.~~160. On or about 10 September 2013 DCF was retained by DSH to:

(a) prepare an Investigating Accountant's Report to the board of directors (the **Directors**) of the Company in connection with the initial public offering of shares in DSH and its subsequent listing on the ASX (**Offer**);

(b) participate as a member of the Due Diligence Committee (**DDC**) established by the Company in relation to the Offer and provide a due diligence sign off under *Australian Professional and Ethical Standard 350* (**APES 350**) addressed to and able to be relied on by the DDC, its members and their representatives; and

(c) prepare a report summarising the results of the due diligence to the DDC

(**the DCF Retainer**).

Particulars

The DCF Retainer was in writing and was comprised of:

(A) Letter from DCF to DSH dated 10 September 2013 (**DCF Engagement Letter**);

(B) DCF's standard terms and conditions.

~~149.~~161. Each of the following was a term of the DCF Retainer:

(a) DCF would conduct its engagement in accordance with *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*;

(b) DCF would perform a review of the Pro forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything came to its attention that would cause DCF to believe that the Pro forma Historical Financial Information is not presented fairly, in all material respects, by the Directors on the stated basis of preparation;

(c) DCF would perform a review of the Forecast Financial Information and the underlying best-estimate assumptions of the Directors, including the pro forma adjustments incorporated into the Pro forma Forecast Financial Information, in order to state whether anything came to DCF's attention that caused it to believe that:

(i) the Directors' best-estimate assumptions did not provide reasonable grounds for the preparation of the Forecast Financial Information;

(ii) in all material respects the Forecast Financial Information was not:

(A) prepared on the basis of the Directors' best-estimate assumptions;

(B) presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards, applied to the Forecast Financial Information and DSH's adopted accounting policies and the pro forma adjustments as disclosed in the Prospectus; and

(iii) the Forecast Financial Information itself was unreasonable.

(d) DCF would, as a member of the DDC:

(i) attend all DDC meetings;

(ii) consider, comment on and approve the Due Diligence Planning Memorandum (**DDPM**);

(iii) provide a materiality guidance letter addressed to members of the DDC and their representatives and the Directors which considered the appropriate level of quantitative materiality to be adopted in the due diligence process;

(iv) consider all information presented to the DDC;

(v) participate in the functions (including the decision making process) of the DDC including presenting to the DDC in connection with DCF's work, answering questions from the DDC in relation to that work and the Financial Information and carrying out its responsibilities as set out in the DDPM;

(vi) read and comment on (where necessary) the minutes of DDC meetings;

(vii) read and comment on drafts of the Prospectus (including the final version) and in particular consider the disclosure of the Financial Information in the Prospectus in the form and context in which it was disclosed;

(viii) verify the IAR as included in the Prospectus;

(ix) perform those procedures considered necessary to enable DCF to provide a Due Diligence Sign Off in relation to the Financial Information to the DDC; and

(x) sign the final report of the DDC and the new circumstances sign-off as contemplated in the DDPM;

(e) DCF would provide a Due Diligence Sign Off as to whether, on the basis of the procedures performed and applying the materiality guidelines adopted by the DDC, anything had come to its attention in relation to the Financial Information, which caused it to believe that:

(i) the Financial Information was misleading or deceptive (including by omission) in the form and context in which it appeared; or

(ii) the due diligence enquiries set out in the DDPM as they relate to the Financial Information did not constitute all inquiries which were reasonable in the circumstances so far as the Financial Information was concerned.

(f) DCF would perform its duties under the DCF Retainer with reasonable skill and care.

Particulars

This term was implied by law.

~~150.~~162. On or about 13 November 2013, the DCF Retainer was novated from DSSH to DSH pursuant to which:

(a) DSSH novated absolutely to DSH all its rights and obligations under the DCF Retainer; and

(b) DCF consented to the novation and agreed to continue to perform its obligations under the DCF Retainer, as if the DCF Retainer had been with DSH.

Particulars

The novation was in writing and was comprised of a letter from DCF to DSSH and DSH dated 13 November 2013

M. STATUTORY AND ASSURANCE FRAMEWORK

M.1. Corporations Act

~~151.~~163. DSH repeats paragraphs 57, 238 and 253 of the Amended Joint Statement of Claim.

M.2. Assurance Framework

ASAE 3450

~~152.~~164. In:

(a) preparing the IAR in connection with the Offer;

(b) participating as a member of the DDC; and

(c) preparing a report summarising the results of DCF's due diligence to the DDC;

DCF was required to comply with Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* (**ASAE 3450**).

Particulars

DCF Engagement Letter, p. 1

~~153.~~165. At all material times ASAE 3450 provided, inter alia, that:

(a) the assurance practitioner must obtain an understanding of the entity and its environment and to identify and assess risks of material misstatement in the financial information, such procedures to include:

(i) enquiries of those persons within the entity who, in the assurance practitioner's judgement, have information that is likely to assist in identifying and assessing risks of material misstatement;

(ii) Analytical procedures (ASAE 3450, paragraph 36, A20-A22);

(iii) Observation and inspection (ASAE 3450, paragraph 36, A23-A25);

(b) in order to obtain an understanding of the entity and its environment and to identify and assess risks of material misstatement, notwithstanding any prior knowledge, the assurance practitioner must obtain an understanding of:

(i) the stated basis of preparation chosen by the responsible party for the financial information, if it is different from prior audited or reviewed historical financial information also included in the document, and if so, why;

(ii) the financial information;

(iii) the event(s) and transaction(s) that may have a significant impact on the preparation of the financial information;

(iv) an understanding of any recent key changes in the entity's business activities, and how they affect the financial information;

(v) internal control over the process used to prepare the financial information;

(ASAE 3450, paragraph 38)

(c) the understanding of the matters referred to in subparagraph (b) must:

(i) be sufficient to enable the assurance practitioner to identify and assess any risks that the financial information may not be prepared in accordance with the stated basis of preparation; and

(ii) enable the assurance practitioner to plan and design assurance procedures whose nature, timing and extent are responsive to assessed risks of material misstatement and allow the assurance practitioner to obtain the required level of assurance;

(ASAE 3450, paragraph 39, A31-A32)

(d) the assurance practitioner must design and implement procedures to respond to, and address the assessed risks of material misstatement of the financial information (ASAE 3450 paragraphs 49, A36-A37);

(e) the assurance practitioner must conclude as to whether the assurance practitioner has obtained the required level of assurance on the financial information, or elements of the financial information. In forming the conclusion the assurance practitioner shall consider the assurance practitioner's conclusion regarding the sufficiency and appropriateness of evidence obtained and an evaluation of whether any uncorrected misstatements are material, either individually or in aggregate, to the financial information (ASAE 3450, paragraphs 80-81);

(f) the assurance practitioner shall express an unmodified conclusion in the assurance report when the assurance practitioner, having obtained sufficient appropriate evidence, concludes that the financial information, or elements of the financial information, do not require material modification (ASAE 3450, paragraphs 82).

(g) in relation to Pro Forma Historical Financial Information (in addition to the matters referred to in subparagraph (a)-(b) above):

(i) an understanding of the source of the unadjusted historical financial information used in the preparation of the pro forma historical financial information (ASAE 3450, paragraph 99);

(ii) assurance procedures must include:

(A) if the source of the unadjusted historical financial information has been previously audited or reviewed, such procedures as are necessary, in the assurance practitioner's professional judgement, to obtain sufficient appropriate evidence on which to rely for engagement purposes (ASAE 340, paragraph 100, A81);

(B) understanding the stated basis of preparation for the pro forma historical financial information ASAE 340, paragraph 100);

(C) understanding the basis for, and calculations underlying, the pro forma adjustments;

(h) in relation to Prospective Financial Information (in addition to the matters referred to in subparagraph (a)-(b) above):

(i) an understanding of:

(A) whether the prospective financial information is a forecast, a projection, or a pro forma forecast;

(B) the stated basis of preparation chosen by the responsible party including:

(1) its relevance, completeness, reliability, and understandability; and

(2) any differences between the basis and that used in the most recent audited or

(3) reviewed historical financial information;

(C) the accuracy of any forecasts prepared in prior time periods, and the reasons for any material variances; and

(D) key expectations and relationships in the prospective financial information for use when designing and performing analytical procedures

(ii) assurance procedures must include making relevant enquiries of the responsible party, other experts and relevant parties on the nature of the source of the prospective financial information (ASAE 3450, paragraphs 109).

(i) an opinion of limited assurance, in respect of which ASAE 3450 stated that the practitioner must also comply with ASRE 2405 *Review of ~~h~~Historical Financial Information Other than a ~~F~~financial Report.*

~~154.~~166. At all material times, ASRE 2405 provided that:

(a) the practitioner shall plan and perform the review by exercising professional judgment with an attitude of professional scepticism, recognising that circumstances may exist that cause the historical financial information to be materially misstated (ASRE 2405, paragraph 13);

(b) the assurance practitioner shall obtain sufficient appropriate evidence primarily through enquiry and analytical procedures to be able to draw conclusions (ASRE 2405, paragraph 15);

(c) the objective of the review is to express a conclusion whether anything has come to the attention of the practitioner that causes it to believe that the historical financial information, other than a financial report, is not prepared or presented fairly, in all material respects, in accordance with the applicable criteria (ASRE 2405, paragraph 16); and

(d) the practitioner shall consider materiality when determining the nature, timing and extent of review procedures and evaluating the effect of misstatement (ASRE 2405, paragraph 31)

N. DCF'S CONDUCT

~~155.~~167. On 13 November 2013, DCF issued a Due Diligence Sign-Off to DSH in relation to the prospectus.

Particulars

Letter from DCF to DSH dated 13 November 2013 (**Due Diligence Sign-Off**)

~~156.~~168. In the Due Diligence Sign-Off, DCF represented:

(a) that DCF had conducted a review of the Pro Forma Historical Financial Information and the Statutory Forecast and the Pro Forma Forecast in accordance with ASAE 3450;

(b) that DCF had performed the necessary procedures to enable it to provide the Due Diligence Sign-Off under APES 350, the Investigating Accountant's Report and the Due Diligence Report in relation to the Financial Information;

Particulars

The Financial Information comprises:

(i) Pro forma Historical Consolidated Income Statements of the Company for the financial years ended 26 June 2011, 24 June 2012 and 30 June 2013, and for the three months ended on 29 September 2013;

(ii) Pro forma Consolidated Balance Sheet of the Company as at 30 June 2013; and

(iii) the Pro forma Forecast Consolidated Income Statement for the financial year ending 29 June 2014;

(iv) Pro forma Forecast Consolidated Cash Flow Statement of the Company for the year ending 29 June 2014; and

(v) Statutory Forecast Consolidated Income Statement and Statutory Forecast Consolidated Cash Flow Statement for the year ending 30 June 2014;

(c) that based on its review of the Financial Information and applying the materiality criteria adopted by the Due Diligence Committee, nothing had come to its attention that caused it to believe that:

(i) the ~~Prospectus Financial Information~~Pro Forma Historical Information was misleading or deceptive (including by omission) in the form and context in which it appears; or

(ii) the due diligence enquiries set out in the Due Diligence Planning Memorandum (**DDPM**) did not constitute all ~~reasonable~~ enquiries which were reasonable in the circumstances so far as the Financial Information is concerned; and

(d) that the views it reached as pleaded in sub-paragraph (c) were based on the exercise of reasonable care and skill.

(the **Due Diligence Sign-Off Representations**)

~~157.~~169. On or about 14 November 2013, DCF issued an Investigating Accountant's Report and Financial Services Guide (**IAR**).

~~158.~~170. By issuing the IAR, DCF represented:

(a) that DCF had conducted a review of the Pro Forma Historical Financial Information and the Statutory Forecast and the Pro Forma Forecast in accordance with ASAE 3450;

(b) that DCF had made such enquiries and performed such procedures as were reasonable in the circumstances;

(c) that nothing came to its attention that caused it to believe that:

(i) the Pro forma Historical Financial Information was not presented fairly in all material respects, on the basis of the pro forma adjustments described in Section 5.3.1 of the Prospectus and in accordance with the recognition and measurement principles contained in the Australian Accounting Standards and the accounting policies adopted by DSH as disclosed in the Prospectus;

(ii) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information did not provide reasonable grounds for the Statutory Forecast Financial Information;

(iii) in all material respects, the Statutory Forecast Financial Information was not:

(A) prepared on the basis of the Directors' best estimate assumptions as described in the Prospectus; or

(B) presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company

and the recognition and measurement principles contained in the Australian Accounting Standards; or

(iv) the Statutory Forecast Financial Information itself was unreasonable;

(v) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information did not provide reasonable grounds for the Pro forma Forecast Financial Information;

(vi) in all material respects, the Pro forma Forecast Financial Information was not:

(A) prepared on the basis of the Directors' best estimate assumptions as described in the Prospectus;

(B) presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in the Australian Accounting Standards, and the Pro forma Adjustments as disclosed in the Prospectus; or

(vii) the Pro forma Forecast Financial Information itself was unreasonable.

(d) that the views it reached as pleaded in sub-paragraph (c) were based on the exercise of reasonable care and skill.

(**the IAR Representations**)

~~159.~~171. On or about 21 November 2013 DSH lodged with ASIC the Prospectus, which contained the IAR.

~~160.~~172. In the premises, each of the IAR Representations is a statement:

(a) that is included in the Prospectus; and/or

(b) on which the statements made in the Prospectus are based.

~~161.~~173. For the purpose of this ~~Commercial List~~ Cross-Claim Statement only, and without admission, DSH repeats paragraphs 57-84, 111-134, 227-238, 357-366 ~~45-134 and 221-223~~ of the Amended Joint Statement of Claim (which are either not-admitted or denied by DSH).

~~162.~~174. By making the Due Diligence Sign-Off Representations, DCF engaged in conduct:

(a) in relation to a financial product or a financial service within the meaning of s1041H of the *Corporations Act*;

(b) in trade or commerce in relation to financial services within the meaning of s12DA of the *ASIC Act*; and/or

(c) in trade or commerce within the meaning of s18 of the *Australian Consumer Law*.

~~163.~~175. By making the IAR Representations, DCF engaged in conduct:

(a) in relation to a financial product or a financial service within the meaning of s1041H of the *Corporations Act*;

(b) in trade or commerce in relation to financial services within the meaning of s12DA of the *ASIC Act*; and/or

(c) in trade or commerce within the meaning of s18 of the *Australian Consumer Law*.

O. DCF'S MISLEADING OR DECEPTIVE CONDUCT

O.1. Allegations by plaintiffs regarding the Prospectus Inventory Information

~~164.~~176. For the purposes of this Cross-Claim Statement, and without admission, DSH repeats paragraphs 135-137, 144-149, 227 to 238 ~~30, 234 and 236-238~~ of the Amended Joint Statement of Claim and the particulars thereto.

~~165.~~177. If the plaintiffs establish ~~the matters referred to in paragraph 176 above (which are not admitted) then~~that the Prospectus Accounts did not give a true and fair view of the financial position and performance of DSH, DSSH, and the DSH Group, in that:

(a) at all material times when recording or making provision for inventory, DSH:

(i) did not consider or adequately consider whether inventory was saleable in the future at a value at or above cost;

(ii) did not consider or adequately consider whether it held excess inventory which was unlikely to be realised at or above its cost;

(iii) did not analyse or adequately analyse or otherwise consider the number of weeks cover (or months cover) it held for each SKU, and did not make an assessment or an adequate assessment of whether the amount of stock was likely to be saleable at or above its cost, given the nature of the product and the months' cover;

(iv) did not calculate net realisable value when provisioning Active or End of Life inventory because it applied a lookback method, rather than considering the likely realisable value based on future sales;

(v) did not take into account, or adequately take into account future price reductions required to dispose of excess inventory categorised as Active or End of Life;

(vi) did not maintain an inventory system which enabled it to produce a report which accurately stated the age of inventory for each SKU or the number of weeks' or months' cover for each SKU;

(vii) recorded ageing of inventory based on the last date each SKU was purchased, with all items in that SKU being recorded as being aged from that date; and

(viii) did not consider or adequately take into account whether SKUs were appropriately categorised (**Prospectus Inventory Information**) (Amended Joint Statement of Claim, paragraph 144);

(b) the Prospectus did not disclose the Prospectus Inventory Information or the fact that the Prospectus Accounts were dependant on the Prospectus Inventory Information (Amended Joint Statement of Claim, paragraphs 230, 231),

then, by reason of the matters set out in sub-paragraphs (a) and (b) above, the Pro-Forma Historical Information and the Statutory Forecast and the Pro-Forma Forecast did not give a true and fair view of the financial position and performance of DSH, DSSH and the DSH Group (Amended Joint Statement of Claim, paragraph 134).

O.2. DCF's failure to comply with ASAE 3450~~Auditing Standard~~

~~166.~~178. If the matters in paragraphs 176 and/or 177 above (which are not admitted) are established, then:

(a) DCF in representing (as pleaded in paragraphs 168(a) to (c) and 170(a) to (c) above) that it was of the opinion that DCF had conducted a review of the Pro-Forma Historical Information and the Statutory Forecast and the Pro-Forma Forecast in accordance with ASAE 3450; that DCF had performed the necessary procedures to enable it provide a sign-off under APES 3530, the Investigating Accountant's Report and the Due Diligence Report in relation to the Financial Information; and that based on its review, and applying the materiality criteria

adopted by the Due Diligence Committee, nothing had come to its attention that caused it to believe that the Prospectus was misleading or deceptive or that the due diligence enquiries did not constitute all reasonable enquiries, either:

(i) failed to understand ~~the Inventory Obsolescence Approach or~~ the Prospectus Inventory Information; or

(ii) failed properly to apply the requirements of AASB 102 and/or AASB 3 ~~to the Acquisition Accounting Information~~, and

Particulars

i. The plaintiffs contend that the result of the methodology used by DSH to account for inventory (pleaded in paragraphs135-137 and 144 of the Amended Joint Statement of Claim) was that the Pro-Forma Historical Information overstated the~~at~~ total equity and net assets of DSH; facilitated DSH reporting a higher value of "inventories" and consequently higher total equity in the consolidated statement of financial position ~~than DSH~~, and a higher gross profit, EBITDA and net profit, than DSH~~it~~ would have reported had it complied with AASB 102; did not present fairly DSH's and the DSH Group's financial performance; did not represent faithfully the effect of its inventory levels according to the definitions set out in the AASB Framework because the selection and presentation of the financial information relating to inventory was not neutral in the sense required by the AASB Framework; and was not prepared in accordance with Australian Accounting Standards (Amended Joint Statement of Claim, paragraph 146~~7~~-149).

ii. If those matters are established (which are not admitted), then an investigating accountant in the position of DCF, exercising reasonable skill and care, who had obtained a proper understanding of DSH and who had performed procedures so as to evaluate whether the provisioning for the cost of inventory was appropriate and in accordance with the applicable financial reporting framework, would have concluded that the provision was not appropriate, and would have so reported. DCF failed to do so.

(b) DCF failed to comply with ASAE 3450 in carrying out its work in respect of the Prospectus ~~Account~~ Inventory Information, and failed to exercise reasonable skill and care in performing such work, in that:

(i) DCF failed to design procedures that were responsive to the risk of misstatement of inventory and the inventory provision (ASAE 3450, paragraph 39);

(ii) DCF failed to obtain sufficient appropriate evidence upon which to express an assurance opinion (ASAE 3450, paragraph 64 and ASRE 2405, paragraph 15);

(iii) DCF did not do the necessary work to enable it to confirm that DSH had applied the stated basis of preparation to the FY13 Report or the 1Q14 Results (ASAE 3450, paragraph 64 and ASRE 2405, paragraph 16)

Particulars

i. David White (DSH's audit partner) led the review of the pro-forma historical income statement and balance sheet.

ii. Accordingly, Mr White, and therefore DCF, knew that:

A. In undertaking the FY2013 Audit, DTT:

1. identified "*provision for obsolete inventory*" as a "*focus area*" and "*key judgement area*" in respect of the FY13 Audit: [DEL.002.001.1191] at 1195, 1196;

2. reported that DSSH's current system did not permit accurate ageing of inventory as, amongst other matters, *"the ageing is based on the last activity date for a SKU rather than an individual SKU date of purchase"*: [DEL.002.001.1211] at 1219;

3. undertook its own alternative analysis of the provision for obsolete inventory, including *"reviewing the various categories of inventory, the split of inventory between that acquired pre and post acquisition by Dick Smith Holdings Pty Limited, subsequent sales in the 3 month period to 30 September 2013, and the type of inventory held by the trading department"*: [DEL.002.001.1211] at 1219;

4. adopted DSSH's categorisation of inventory into Active, No reorder, Discontinued and Quit, but applied its own provision

rates in respect of certain of these categories: [DEL.002.001.1191] at 1197;

5. concluded that DSSH's provision for obsolete inventory as at 30 June 2013 of $15.9 million "*is considered to be reasonable based on the profile of inventory and subsequent sales made to 30 September 2013*": [DEL.002.001.1211] at 1219.

B. However, in undertaking its own alternative analysis of the provision for obsolete inventory, DTT failed, either adequately or at all, to:

1. undertake that analysis by reference to other available data (including purchase and sales data for an individual SKU) so as to obtain an accurate age of the inventory;

2. assess the appropriateness of the allocation of the inventory to the Active, No reorder, Discontinued and Quit categories;

3. assess the appropriateness of certain provision rates in respect of these categories;

4. record that analysis in the audit papers; and

5. consider whether that analysis would comply with AASB 102.

iii. In undertaking the review of the historical financial information in the course of the Prospectus due diligence, DCF:

A. reported that DSSH's or DSH's current system did not permit accurate ageing of inventory as, amongst other matters, *"the ageing is based on the last activity date for a SKU rather than an individual SKU date of purchase"*: [DEL.002.001.4704] at 4751;

B. undertook its own alternative analysis of the provision for obsolete inventory, including "*reviewing the category of inventory, the split of inventory between that acquired pre and post acquisition by Anchorage, subsequent sales in the 3 month period to 30 September 2013, and the type of inventory held by the trading department*";

C. adopted DSSH's categorisation of inventory into Active, No reorder, Discontinued and Quit, but applied its own provision rates in respect of certain of these categories;

D. concluded that DSSH's provision for obsolete inventory as at 30 June 2013 of $15.9 million "is considered to be reasonable based on the profile of inventory and subsequent sales made to 30 September 2013": [DEL.002.001.4704] at 4751.

iv. In undertaking its review of the 1Q14 balance sheet, DCF performed procedures to assess the adequacy of the 1Q14 inventory obsolescence provision which were "*consistent with the methodologies applied as at 30 June 2013*". [DEL.002.001.5158] at sheet 1.

v. However, in undertaking its own alternative analysis of the provision for obsolete inventory for the periods ending 30 June 2013 and 30 September 2013, DTT failed, either adequately or at all, to:

A. undertake that analysis by reference to other available data (including purchase and sales data for an individual SKU) so as to obtain an accurate age of the inventory;

B. assess the appropriateness of the allocation of the inventory to the Active, No reorder, Discontinued and Quit categories;

C. assess the appropriateness of certain provision rates in respect of these categories;

D. record that analysis in the audit papers; and

E. consider whether that analysis would comply with AASB 102.

vi. If the plaintiffs establish that DSSH's or DSH's methodology for the provisioning of inventory was flawed such that the carrying value of inventory was overstated by $22.9 million for FY13 and by $28.5 million for 1Q14 (which is not admitted), a reasonably competent investigative accountant who had identified that DSSH's or DSH's system did not allow for an accurate assessment of the ageing of inventory, and who had assumed responsibility for undertaking its own alternative analysis of the provision for obsolete inventory, would have:

A. undertaken that analysis by reference to other available data (such as purchase data) so as to obtain an accurate age of the inventory;

B. assessed the appropriateness of the allocation of the inventory to the Active, No reorder, Discontinued and Quit categories;

C. assessed the appropriateness of certain provision rates in respect of these categories;

D. recorded that analysis in the audit papers; and

E. considered whether that analysis complied with AASB 102,

so as to identify any material overstatement in the carrying value of inventory for FY13.

~~i. In its final report in respect of the prospectus, DCF noted that: (a) DSH's system did not allow for an accurate ageing of inventory as the ageing was based on the last activity date for a SKU rather than the individual SKU date of purchase; and (b) due to the change in the profile and sell-through of inventory since the acquisition, the use of historical information to assess the level of provisioning required was of limited use. The report notes that to assess the adequacy of the inventory provision as at 30 June 2013, DCF had performed various alternative analyses, including reviewing the category of inventory, the split of inventory between that acquired pre and post-acquisition, subsequent sales in the 3 month period to 30 September 2013 and the type of inventory held by trading departments. The report concluded *"the provision for inventory obsolescence as at 30 June 2013 is considered reasonable based on the profile of inventory and subsequent sales made to 30 September 2013".*~~

~~ii. Similarly, at the time of its work relating to the Prospectus Accounts, DCF stated in DEL.002.001.5151 that the ageing profile applied by management using the inventory obsolescence policy was not an accurate representation of the true obsolescence risk of the inventory at hand.~~

~~However, in conducting its review of the Q1FY14 balance sheet (DEL.002.001.5154), DCF stated that it had *"performed procedures regarding the inventory obsolescence provision to ensure that the basis of the Q1 balance [was] reasonable and consistent with the methodologies applied as at 30 June 2013."* It was not appropriate for DCF to review the~~

~~inventory provision for 1Q14 by reference to consistency with a methodology that was flawed.~~

iii. ~~Similarly, DCF reviewed the inventory provision for 1Q14 by reference to the movement in the balance sheet from 30 June 2013. However, the provision for FY13 was premised on DTT's alternative analysis, and not the appropriateness of management's underlying calculation. It was not appropriate to review the movement in the provision from FY13 to 1Q14 when DCF had concluded that the methodology at both points in time was flawed.~~

iv. ~~In adopting the approach set out at (v) and (vi) above, DCF failed to design and apply sufficient and appropriate alternative analyses of the balance at 1Q14 to enable it to conclude whether it was presented fairly, in all material aspects, in accordance with Australian Accounting Standards.~~

v. ~~DCF's sample testing of inventory reclassification was not sufficient to enable it to obtain sufficient appropriate evidence to draw a conclusion that movement between FY13 and 1Q2014 had been appropriately accounted for in accordance with Australian Accounting Standards. The testing was deficient in that although the work papers show that DCF tested five samples, they do not show a list of the reclassified stock, so as to determine the appropriateness of the sample tested by DCF. In addition, to test the classification of some product items as "Active", DCF relied upon whether the product was being advertised by the vendor or was available for sale on the Dick Smith website, but not sales data in respect of those items.~~

vi. ~~However, DCF's work papers do not demonstrate its consideration and conclusions on historical sales for 1Q14, nor their relationship to the inventory provision.DCF's work on the provision for inventory obsolescence comprised:~~

A. ~~Reviewing the stock obsolescence provision at 30 June 2013 in so far as there may be a need for pro forma adjustments for the periods ended 30 June 2011, 30 June 2012 and 25 November 2012, that could in turn impact on the year ended 30 June 2013;~~

~~B. performing analytical review of the balance sheet, including the inventory obsolescence provision, for 1Q14; and~~

~~C. reviewing the reclassification of stock from "No-Order" and "Discontinued" to "Active" in 1Q14.~~

~~vii.~~

P. DCF'S NEGLIGENCE

P.1. DCF's Duty of Care

~~167.~~179. DCF owed DSH a duty to exercise reasonable skill, care and diligence in performing its services as an investigating accountant pursuant to the DCF Retainer.

Particulars

DSH repeats paragraphs 160 to 162 above and the particulars thereto.

~~168.~~180. At all relevant times, DCF held itself out as a professional service firm with the necessary knowledge, skills and experience to prepare the IAR, review historical pro-forma financial information, forecast financial information, participate as a member of the Due Diligence Committee and prepare the Due Diligence Report.

~~169.~~181. By voluntarily accepting the DCF Retainer, DCF accepted a general professional responsibility to ensure that retainer was carried out in relation to the Prospectus with the degree of care, skill and diligence of a professional providing services of the same kind.

~~170.~~182. At all material times, DCF was provided with access to:

(a) the persons within DSH from whom DCF determined it necessary to obtain evidence; and

(b) all information of DSH that was relevant,

in respect of the conduct of the IAR and the review of the historical pro-forma financial information and forecast financial information, and in order to participate effectively as a member of the Due Diligence Committee and prepare the Due Diligence Report.

~~171.~~183. At all material times, DCF, as the investigating accountant, was in a situation of particular advantage to know and ascertain whether the Prospectus Accounts were prepared on the stated basis.

Particulars

DSH repeats paragraphs 161(f) above.

In addition, although DCF was the contracting entity, David White (DSH's audit partner) lead the review of the historical financial information.

~~172.~~184. At all material times, DSH:

(a) was vulnerable in that it was unable to protect itself from the consequences of DCF's failure to exercise the degree of skill, care and diligence expected of a professional providing services of the same kind in carrying out the DCF Retainer;

(b) could suffer loss and damage If DCF did not exercise the degree of skill, care and diligence expected of a professional providing services of the same kind in carrying out the DCF Retainer.

Particulars

DSH was not at any time in a position itself to undertake the same or corresponding task of carrying out an independent review of the ~~historical pro forma financial information~~ Pro Forma Historical Financial Information by professional accountants.

DSH, having appointed DCF as investigating accountant, was not in a position to be able to detect any non-compliance by DCF with the applicable assurance standards in the performance of the DCF Retainer and, to that extent, was unable to make an informed decision whether it was necessary or appropriate to terminate the DCF Retainer and engage another investigative accountant in place of DCF.

DSH was not at any time able to bargain with DCF for unlimited liability in respect of any losses, liabilities, claims, damages, costs or expenses however caused or arising as a result of DCF's performance of its services under the DCF Retainer.

~~173.~~185. DCF was paid by DSH for its professional services in carrying out the DCF Retainer.

~~174.~~186. DCF had exclusive control over the carrying out of the DCF Retainer.

~~175.~~187. At all material times, DCF knew or expected, or ought reasonably to have known or expected, that DSH and its directors:

(a) would or would be likely to rely upon DCF to carry out its role in preparing the IAR with the skill and care reasonably to be expected from an investigating accountant;

(b) would or would be likely to rely upon DCF to carry out its role in preparing the IAR with the skill and care reasonably to be expected from an investigating accountant;

(c) would or would be likely to rely upon the Due Diligence Sign-Off and the Due Diligence Sign-Off Representations;

(d) would or would be likely to rely upon DCF to carry out its role as a member of the Due Diligence Committee with the skill and care reasonably to be expected from an investigating accountant appointed as a member of a due diligence committee;

(e) would or would be likely to rely upon the IAR and IAR Representations;

(f) would or might suffer loss or damage if DCF failed to carry out its role with the skill and care reasonably to be expected.

Particulars

DCF ought reasonably to have known or expected the matters by reason of:

(i) its appointment as investigating accountant in relation to the Prospectus.

(ii) APES 350, *Participation by Members in public Practice in Due Diligence Committees in connection with a Public Document.*

(iii) Its experience in assisting clients with investigating accounting reports and capital raisings, as set out in DEL.002.001.3272).

~~176.~~188. DCF knew or ought to have known of the risks of harm set out at paragraphs 93 and 99 above.

~~177.~~189. The risks alleged in paragraphs 93 and 99 above were not insignificant.

~~178.~~190. By reason of the DCF Retainer and the matters set out at paragraphs 180 to 188~~187~~ above, DCF owed DSH a duty to:

(a) carry out its role as investigating accountant with the skill and care reasonably to be expected from a professional providing services of the same kind;

(b) without limiting sub-paragraph (a) above, to exercise skill and care in:

(i) preparing the Due Diligence Sign Off;

(ii) making the Due Diligence Sign-Off Representations;

(iii) preparing the IAR; and

(iv) making the IAR Representations

(**DCF's Duty of Care**).

P.2. Breach of DCF's Duty of Care

~~179.~~191. By reason of the matters pleaded at paragraphs 176 to 178 above, DCF failed to exercise reasonable skill and care when:

(a) issuing the Due Diligence Sign-Off and in making the Due Diligence Sign-Off Representations; and

(b) issuing the IAR and making the IAR Representations.

Particulars

DSH repeats paragraphs 176 to 178 above and the particulars thereto.

P.3. Negligent misstatement

~~180.~~192. DCF knew DSH would rely on the:

(a) Due Diligence Sign-Off Representation; and

(b) IAR Representation.

~~181.~~193. In making any statement or expressing any opinion in the curse of carrying out the DCF Retainer, DCF assumed responsibility for exercising reasonable care in making any such statement or expressing any such opinion.

Particulars

DSH repeats paragraphs 179 to 188 above and the particulars thereto.

~~182.~~194. In the premises, DCF owed DCF a duty to exercise reasonable skill and care in making any statement or expressing any opinion in the course of the performance of the DCF Retainer, including in making the:

(a) Due Diligence Sign-Off Representation; and

(b) IAR Representation,

(**Misstatement Duty**)

~~183.~~195. By reason of the matters pleaded at paragraph 178 above, DCF failed to exercise reasonable skill and care when making each of the Due Diligence Sign-Off Representation and IAR Representation.

Particulars

DSH repeats paragraph 178 above and the particulars thereto.

Q. DCF's BREACH OF CONTRACT

~~184.~~196. If the plaintiffs establish the matters pleaded at paragraphs 176 and/or 177 above, then in the premises pleaded in paragraph 178 above, DCF by issuing the Due Diligence Sign-Off and in making the Due Diligence Sign-Off Representations and by issuing the IAR and making the IAR Representations:

(a) failed to exercise reasonable skill and care in performing its duties under the DCF Retainer; and

(b) failed to perform its duties under the DCF Retainer in accordance with ASAE 3450;

and thereby breached:

(c) the term of the DCF Retainer that DCF would conduct its engagement in accordance with *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*; and

(d) the term of the DCF Retainer that DCF would perform its duties under the DCF Retainer with reasonable skill and care.

Particulars

DSH repeats paragraph 178 and the particulars thereto.

R. SECTION 728

~~185.~~197. On 13 November 2013, DCF gave its consent to be named as the Investigating Accountant in the Prospectus and to the inclusion of the Investigating Accountant's Report dated 14 November 2013 in the Prospectus.

Particulars

Letter from DCF to DSH dated 13 November 2013

~~186.~~198. DCF did not withdraw its consent to be named in the Prospectus prior to the lodgement.

~~187.~~199. In the premises, DCF is a person named in the Prospectus with its consent as having made a statement, namely, each of the IAR Representations, that is included in the Prospectus or a statement on which a statement made in the disclosure document is based within the meaning of item 5 of the table in s 729(1) of the Corporations Act.

~~188.~~200. DCF is a person liable for any loss or damage caused by the inclusion of the IAR in the Prospectus within the meaning of s 729(1) of the Corporations Act.

201. If, which is denied, DSH is liable to the plaintiffs or Group Members as alleged in the Amended Joint Statement of Claim, then:

(a) DSH issued the Prospectus for the purpose of encouraging potential investors to purchase DSH shares in the IPO;

(b) DSH was aware that the recipients of the Prospectus would consider purchasing shares in DSH based on the information contained within the Prospectus;

(c) having regard to the statutory duties imposed on DSH with respect to the Prospectus, including s 728(1) of the Corporations Act, it was reasonable in the circumstances for potential investors to rely upon the information within the Prospectus;

(d) in the premises of (a) to (c) above, DSH owed potential investors in the IPO a duty to exercise reasonable care and skill in issuing the Prospectus to ensure that there was a reasonable basis for the:

(A) Financial Information Basis Representation (as pleaded at paragraph 62 of the Amended Joint Statement of Claim);

(B) FY13 Performance Representation (as pleaded at paragraph 65 of the Amended Joint Statement of Claim);

(C) FY13 Balance Sheet Representation (as pleaded at paragraph 67 of the Amended Joint Statement of Claim);

(D) Obsolete Stock Representation (as pleaded at paragraph 69 of the Amended Joint Statement of Claim);

(E) 1Q14 Representation (as pleaded at paragraph 71 of the Amended Joint Statement of Claim).

(e) for the reasons pleaded in the Amended Joint Statement of Claim alleging that DSH contravened ss 728(1) and 1041E of the Corporations Act by issuing the Prospectus, DSH also breached the duty pleaded at sub-paragraph (d) above; and

(f) in the premises, DSH's liability to the plaintiffs and Group Members could have been established in tort.

~~189.~~202. By reason of the matters pleaded at paragraphs 197 to 201 above, if the plaintiffs establish the matters pleaded at paragraph 173 above, then DCF is a person liable to the plaintiffs for the same loss or damage as DSH is liable and:

(a) DSH is a person who will have suffered loss or damage because the Prospectus contravened s 728(1) and may recover the amount of loss or damage from DCF under s 729(1); or

(b) DSH is entitled to contribution from DCF pursuant to s 5(1)(c) of the *Law Reform (Miscellaneous Provisions) Act 1946*~~, and, further or alternatively, in equity~~.

203. Further and alternatively, if, which is denied, DSH is liable to the plaintiffs or Group Members as alleged in paragraphs 230 to 238 and/or 251 to 253 and 279, 282 to 284 of the Amended Joint Statement of Claim, then its liabilities are coordinate with those of DCF pleaded at paragraphs 197 to 200 above.

~~190.~~204. By reason of the matters pleaded in paragraphs 197 to 201 and 203 above, if, which is denied, DSH is liable to the plaintiffs and Group Members as alleged in paragraphs 230 to 238 and/or 251 to 253 and 279, 282 to 284 of the Amended Joint Statement of Claim, then DSH is entitled to recover contribution from DCF pursuant to the doctrine of equitable contribution.

S. LOSS OR DAMAGE CAUSED BY DCF

~~191.~~205. In reliance on each of

(a) the Due Diligence Sign-Off and the Due Diligence Sign-Off Representations; and

(b) the IAR and the IAR Representations,

DSH made the offer of securities under the Prospectus, including the IAR.

~~192.~~206. If the plaintiffs establish (which is denied) that DSH, by making the offer of securities under the Prospectus:

(a) contravened s 728 of the Corporations Act as pleaded in paragraphs 227-238 of the Amended Joint Statement of Claim;

(b) contravened s 674(2) of the Corporations Act as pleaded in paragraphs 279, 282-284 of the Amended Joint Statement of Claim;

(c) contravened s 1041E of the Corporations Act as pleaded in paragraphs 251-253 of the Amended Joint Statement of Claim;

then DSH pleads that but for:

(d) DCF's misleading and deceptive conduct in making each of the Due Diligence Sign-Off Representations and the IAR Representations;

(e) its negligence in issuing the Due-Diligence Sign-Off and in making the Due Diligence Sign-Off Representations and issuing the IAR and making the IAR Representations (as pleaded at paragraphs 191 and 195 above); and/or

(f) its breach of the DCF Retainer (as pleaded at paragraph 196 above),

then, the Prospectus would not have contained the statements that caused it so to contravene those provisions.

~~193.~~207. In the premises, DSH will have suffered loss or damage by reason of the IAR Representations.

Particulars

DSH will have suffered loss and damage in the amount of any order made against it in the main proceeding for damages,

compensation, interest and/or costs in respect of the Prospectus together with the amount of its own legal costs.

D. QUESTIONS APPROPRIATE FOR REFERRAL TO A REFEREE

~~194.~~208. None.

E. A STATEMENT AS TO WHETHER THE PARTIES HAVE ATTEMPTED MEDIATION; WHETHER THE PARTY IS WILLING TO PROCEED TO MEDIATION AT AN APPROPRIATE TIME

~~195.~~209. The parties have not attempted mediation.

~~196.~~210. DSH is willing to proceed to mediation at an appropriate time.

SIGNATURE OF LEGAL REPRESENTATIVE

This commercial list cross claim statement does not require a certificate under clause 4 of Schedule 2 to the *Legal Profession Uniform Law Application Act 2014.*

Signature of legal representative (Scott Hedge)
Capacity Solicitor
Date of signature 8 April 2019

Schedule 1 - Second to 455th cross defendants

2. Brett Douglas Streatfeild
3. Sneza Pelusi
4. James Patrick Hickey
5. Alastair Banks
6. Tara Cathy Hill
7. Paul Jeremy Klein
8. Frank Scott Farrall
9. Christopher Donald Noble
10. Alec Paul Bashinsky
11. George Nicholas Kyriakacis
12. Roan Rolles Fryer
13. Stuart Johnston
14. Kaylene O'Brien
15. Craig Patrick O'Hagan
16. Leanne Karamfiles
17. Neil Graham Smith
18. Demostanies Krallis
19. David John Lombe
20. Christian John Biermann
21. Jonathan Paul
22. Michael James Clarke
23. Roger Jeffrey
24. Rachel Andrea Foley-Lewis

25. Franco Claudio Santucci

26. Michelle Robyn Hartman

27. Matthew Christopher Saines

28. Francis Thomas

29. Robert Basker

30. Alan Eckstein

31. Donal Graham

32. Andrew Raymond Hill

33. Patrick McLay

34. Paul Bernal Liggins

35. David Ocello

36. Paul Scott Holman

37. Paul Robert Wiebusch

38. Murray Peck

39. Julie Michelle Stanley

40. John Bland

41. Timothy Carberry

42. Alvaro Ramos

43. Graeme John Adams

44. Suzanne Archbold

45. Tim Richards

46. Timothy Geoffrey Maddock

47. Xenia Delaney

48. Reuben Saayman

49. Ronaldus Lambertus Van Beek

50. Liesbet Ann Juliette Spanjaard

51. Christopher John Richardson

52. Martin Harry Read

53. Mark Reuter

54. Stuart Thomas Ciocarelli

55. Paul Wayne Hockridge

56. Vikas Khanna

57. Paul Thomas Carr

58. Weng Yen Ching

59. Rodger Stewart Muir

60. Mark Cover

61. Robert Hillard

62. Michael John Lynn

63. Gaile Anthea Pearce

64. Isabelle Emilienne Lefrevre

65. Phillip Andrew Roberts

66. Stuart Alexander Rodger

67. Paul Leonard Wensor

68. Claudio Cimetta

69. Simon Tarte

70. Stephen Charles Gustafson

71. Geoffrey William Cowen

72. Geoffrey Gill

73. Steven John Simionato

74. Jason John Handel

75. Declan O'Callaghan

76. Michael Andrew Kissane

77. Kurt Proctor-Parker

78. Richard Davies Wanstall

79. Johan Simon Duivenvoorde

80. Benjamin John Shields

81. John Meacock

82. Ian Michael Turner

83. David Harradine

84. Muhunthan Kanagaratnam

85. Marc Philipp

86. Kamlee Anne Coorey

87. Hugh William Mosley

88. Paul Masters

89. David Shane Egan

90. Alison Margaret Brown

91. Stavroula Papadatos

92. Damien Tampling

93. Alexandra Jane Spark

94. Monica Ellen Campigli

95. Craig Peter Mitchell

96. Robert John McCannel

97. Alyson Rodi

98. Andrew Charles Price

99. Mark Hadassin

100. Anthony James Robinson

101. Garry Ian Millhouse

102. Ashley Graham Miller

103. Craig Stephen Smith

104. Margaret Lynne Pezzullo

105. Adam Barringer

106. Campbell James Jackson

107. Jason Charles Crawford

108. Kevin Michael Russo

109. Adele Christine Watson

110. Neil Anthony Brown

111. Gordon James Thring

112. Brett William Greig

113. Steven James Shirtliff

114. Robert Donald Collie

115. Spyros Kotsopoulos

116. Austin John Scott

117. Jenny Lyn Wilson

118. Peter John Bars

119. Elizma Bolt

120. Stephen Thomas Harvey

121. Fiona Lea Cahill

122. Jonathan Mark Schneider

123. Michael McNulty

124. Katherine Louise Howard

125. Juliet Elizabeth Bourke

126. Peter Gerard Forrester

127. Carl Jonathan Gerrard

128. Jody Michelle Burton

129. Rachel Frances Smith

130. Peter Martin Rupp

131. Helen Elena Fisher

132. Geoffrey Ronald Sincock

133. Nicholas Harwood

134. John Clement Malcom Randall

135. Todd Kayle Fielding

136. Geoffrey Bruce Stalley

137. Russell Bradley Norman Mason

138. Paul Leon Rubinstein

139. Andrew Ignatius Muir

140. Lisa Barry

141. Alfred Alan Nehama

142. Michael Paul Stibbard

143. Paul Childers

144. Angelo Karelis

145. Sarah Caroline Woodhouse

146. Richard John Hughes

147. Christopher Robert Masterman

148. Robin Polson

149. Megan Joy Field

150. Christopher Guy Nunns

151. Clare Helen Harding

152. Simon Cook

153. Stephen Carl Tarling

154. Leslie Coleman

155. Samuel James Vorwerg

156. Helen Hamilton-James

157. Coert Grobbelaar Du Plessis

158. Stephen George Stavrou

159. Steven Christopher Cunico

160. Mark Ekkel

161. Soulla McFall

162. Leigh Matthew Pieroni

163. Mark Colin Woodley

164. Stephen James Healey

165. Sandeep Chadha

166. Margaret Clare Bower

167. Anna Victoria Crawford

168. Robert Howard Dowling

169. Greg Janes

170. Colin Mckay Methven Scott

171. Richard Mark Simes

172. Dharmalingum Shunmugam Chithiray

173. Nicole Marie Vignaroli

174. John Giannakopoulos

175. Vaughan Neil Strawbridge

176. Judith Anne Donovan

177. Nicole Wakefield

178. Paula Teresa Capaldo

179. Michael Rath

180. Karen Rachel Stein

181. Brett Todd

182. Julian Craig Dolby

183. Robert Kim Arvai

184. Catherine Jane Hill

185. Richard Michael Thomas

186. Timothy John Gullifer

187. Peter James Pagonis

188. Michael Damon Cantwell

189. Joseph Frank Galea

190. Nicolette Louise Ivory

191. John Leotta

192. Darren James Hall

193. Stephen Huppert

194. Elma Von Wielligh-Louw

195. Michael Anthony Kennedy

196. Stuart James Alexander

197. Yi Mei Tsang

198. Christopher Wilson

199. Joshua David Tanchel

200. Tendal Sitenisiyo Mkwananzi

201. Richard Nigel Raphael

202. Jacqueline Ann Clarke

203. Rodney James Whitehead

204. Heather Park

205. John Lethbridge Greig

206. Adrian Charles O'Dea

207. Grant Cameron

208. Gregory Couttas

209. Steven Allan Hernyl

210. Gary John McLean

211. Jonathan Ma

212. Suzie Gough

213. Mark Douglas Ian Allsop

214. Jennifer Anne Exner

215. Ryan Quintin Hansen

216. Jamie Brian Hamilton

217. David Mark Hill

218. Jason Bruce Dunnachie

219. John Christopher McCourt

220. Gerhard Vorster

221. David John Boyd

222. Andrew Kingsley Johnstone-Burt

223. Dwayne Barrie Sleep

224. David Black

225. Gerard Michael Meade

226. Francis Patrick O'Toole

227. Tony Garrett

228. Danny Rezek

229. Mark Goldsmith

230. David Watkins

231. Patrick Broughan

232. Jeremy Drumm

233. Michael John Whyte

234. Mark Andrew Stretton

235. Weng Wee Ching

236. Robert Malcolm Spittle

237. Marisa Orbea

238. Frances Rita Borg

239. David Barrie Brown

240. David Sherwin McCloskey

241. Philip Walter Teale

242. Jan Hein Alexander Alperts

243. Katherine Anne Milesi

244. Kevin Kiazim Nevrous

245. Andrew Paul Annand

246. Carl Richard Harris

247. Philip Malcolm Moore Hardy

248. Derek Rodney Bryan

249. Gregory Gyorgy Janky

250. David John Redhill

251. Guillaume Johannes Swiegers

252. Peter Ronald Ryan

253. Brennan Ursula

254. Fiona Dawn Craig

255. Sarah Lane

256. George Stathos

257. Richard Adam Young

258. Marc Hofmann

259. Brad Joel Pollock

260. Mark Justin Kuzma

261. Warren Green

262. Stuart Osborne

263. Garry Lance Bourke

264. Andrew Vaughn Griffiths

265. Adam Powick

266. Margaret Dreyer

267. Timothy Bryce Norman

268. David McCarthy

269. Neil Pereira

270. Michael Robert Gastevich

271. Elizabeth Ann Brown

272. Lakshman Kumar Gunaratnam

273. Monish Paul

274. Alexander Collinson

275. Bruce John Williamson

276. Luke Bramwell Houghton

277. Aldrin Anthony De Zilva

278. Neil McLeod

279. Gerard Lucien Belleville

280. Michael Kaplan

281. Mark David Irving

282. Alison Lorna White

283. Haiderali Hussein Hussein

284. Martyn Charles Barrett Strickland

285. Caroline Jane Bennet

286. Christopher Robert Campbell

287. Gary Peter Doran

288. Mark Steven Wright

289. Peter Matruglio

290. John Koutsogiannis

291. Selwyn Peter D'Souza

292. Keith William Skinner

293. Clive Charles Alan Mottershead

294. Karen Lynette Green

295. Jason Mark Thorne

296. Andrew Stuart Christopher Reid

297. Mark Richard Weaver

298. Matthew Robert Broadfoot

299. Michael Mauro De Palo

300. Peter Arthur Caldwell

301. Tracey Condous

302. Shelley Rae Nolan

303. Ian Grant Levi

304. Grant Arthur Hyde

305. Timothy Francis Nugent

306. Andrea Csontos

307. Geoffrey Colin Lamont

308. Christopher John Nicoloff

309. Craig Maxwell Bryan

310. Peter Madden

311. Jeremy Jurriaan Walton Cooper

312. Neil Robert Cussen

313. Robert Southern

314. Andy Peck

315. Colin Radford

316. Hendri Mentz

317. Robert Nguyen

318. Shinji Tsutsui

319. Philippa Simone Dexter

320. Timothy Fleming

321. Cynthia Hook

322. James Campbell Down

323. Kate McDonald

324. Stephen John Coakley

325. Keith Francis Jones

326. Serg Duchini

327. Stephen James Reid

328. Max Andreas Persson

329. Graham Mott

330. Anthony John Viel

331. David Joseph Murray

332. Richard Antony Jamieson

333. Bradley James Burt

334. Anthony Goroslav Buntic

335. Paul Gerard Fogarty

336. Jamie Christopher Gatt

337. Geoffrey Ian Roberts

338. Melissa Jayne Cabban

339. Matthew Fraser

340. Thomas Fredrick Viljoen

341. Julie Christine Crisp

342. Paul Bernard Riley

343. Salvatore Algeri

344. Ross Ian Jerrard

345. Avi Sharabi

346. Ian Geoffrey Sanders

347. Dale McCaauley

348. Iain Maxwell Gerrard

349. David Hobbis

350. Scott Conrad Bailey

351. Stephen Gregory Brown

352. Ian Ross Harper

353. Shashi Vicknekumeran Sivayoganathan

354. Jowita Gartlan

355. Mark Ingham

356. Viswa Phani Kumar Padisetti

357. Ian Charles Thatcher

358. Ian Andrew Trevorah

359. Dennis Leslie Moth

360. Jacques Louis Van Rhyn

361. Paul Swinhoe

362. Greg Fitzgerald

363. Steven Alexander Hallam

364. Stuart Lynn Black

365. Stephen Woosnam

366. Andrew John Culley

367. Stephen James Ferris

368. Timothy Arbuckie

369. David Arnis Rumbens

370. Matthew James Williams

371. Jason Frederick Bender

372. Patrick Lane

373. Martin Paul Langridge

374. Caithlin Mary McCabe

375. Simon Alexander Wallace-Smith

376. Adrian Clyde Batty

377. Tapan Parekh

378. Masaaki Mark Nakamura

379. Roger Geoffrey McBain

380. Graeme John Hodge

381. Rick Shaw

382. Marina Ruth Stuart

383. Tom Christopher Imbesi

384. Eric Angelucci

385. Harvey Christophers

386. John Kingsley Rawson

387. Mark Richard Sercombe

388. Phillip Kravaritis

389. Gary Christie

390. Wayne Edward Walker

391. John Womack

392. Peter Grainger

393. Samantha Louise Lewis

394. Ashley Jonathon King

395. Peter Francis Williams

396. Alexander Aitken

397. Timothy Gordon Biggs

398. Ian McCall

399. Johannes Laubscher Venter

400. Roberto Dimonte

401. Alan Gordon Weeks

402. Ian John Breedon

403. Peter Michael Roberson

404. Michael David Nelson

405. Lindsay James Stanton

406. Craig Paul Johnson

407. Timothy Riordan

408. Anthony James Cipriano

409. Phil Hopwood

410. Dai-Trang Le Duncanson

411. David Jonathan Graham

412. Andre Spnovic

413. William Harold Wardrop

414. David Erskine Thompson

415. David Kyffin Willington

416. Stephen Mark Holdstock

417. Dean John Grandy

418. Harold Scott Payne

419. Jean-Marie Abi-Ghanem

420. Fraser Ross

421. Roberto Krizman

422. Caroline McGlashan

423. William Robert McAinsh

424. Osamu Uchimura

425. Glendon Moss Sanford

426. Simon James Lester

427. Stephen James Jones

428. Kristen Jay Wydell

429. John Guthrie Hood

430. Paul Martin Radici

431. Frank Klasic

432. Mark John Pittorino

433. David Anthony Cooper

434. Matthew Sheerin

435. Tony Brain

436. Henry John Kidd

437. Matt Gerald Tengu Whitesky Kuperholz

438. Gordon Pattison

439. Branko Panich

440. Julian Christopher Cheng

441. David William Pring

442. Peter Andre Jovic

443. Craig Goldberg

444. Bruce Robert Dungey

445. Dean Robert Edward Kingsley

446. David Alan Watson

447. Bernard Spencer Gild

448. Graham John Newton

449. Dwight Murray Hooper

450. Michael Rosendorfer

451. Richard Roy Porter

452. John George Azarias

453. Donna Maree Carey

454. Christopher Paul Cass

455. Deloitte Corporate Finance Pty Limited