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Details of Filing

Document Lodged:	Defence - Form 33 - Rule 16.32
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File Title:	MATTHEW HALL v PITCHER PARTNERS (A FIRM)
Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA

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Important Information

As required by the Court's Rules, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

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Form 33
Rule 16.32

Defence

No. VID918 of 2018

Federal Court of Australia
District Registry: Victoria
Division: General

Matthew Hall
Applicant

Pitcher Partners (A Firm)
First Respondent

Ernst & Young LLP
Second Respondent

By way of defence to the Second Further Amended Statement of Claim dated 14 December 2020 (**SOC**), the Second Respondent (**EY UK**) says as follows:

All definitions used in the SOC are adopted, without admission.

A. INTRODUCTION

A.1 The Applicant and the Group Members

1. As to paragraph 1 of the SOC, EY UK:

   (a) admits that the Applicant has purported to commence this proceeding as a representative proceeding pursuant to Part IVA of the *Federal Court of Australia Act 1976* (Cth) in his individual capacity and in a representative capacity;

   (b) denies that the Applicant or any Group Member suffered loss and damage as a result of any conduct of EY UK as pleaded in the SOC, or at all; and

   (c) otherwise does not know and therefore cannot admit the allegations contained in paragraph 1 of the SOC.

2. EY UK does not know and therefore cannot admit the allegations in paragraph 2 of the SOC.

Filed on behalf of (name & role of party) Ernst & Young LLP, Second Respondent
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3. EY UK does not know and therefore cannot admit the allegations in paragraph 3 of the SOC.

A.2 The Respondents

4. EY UK admits the allegations in paragraph 4 of the SOC.

4A. EY UK admits the allegations in paragraph 4A of the SOC and says further that at all material times EY UK is and was a limited liability partnership incorporated in England and Wales.

A.3 SGH

5. Save that paragraph 5 of the SOC makes no allegation against it, EY UK:

(a) admits the allegations in paragraph 5;

(b) says further that at all material times, SGH was required:

(i) pursuant to section 286 of the Corporations Act, to keep written financial records that:

(1) correctly record and explain its transactions and financial position and performance; and

(2) would enable true and fair financial statements to be prepared and audited;

(ii) pursuant to section 292 of the Corporations Act, to prepare a financial report and a directors' report for each financial year;

(iii) pursuant to section 295 of the Corporations Act, to ensure that its financial report for a financial year contains:

(1) the financial statements for the year;

(2) the notes to the financial statements; and

(3) the directors' declaration about the statements and notes;

(iv) pursuant to section 296 of the Corporations Act, to ensure that its financial report for a financial year complies with the accounting standards; and

(v) pursuant to section 297 of the Corporations Act, to ensure that its financial statements and notes for a financial year gave a true and fair view of the financial position and performance of SGH; and

(c) relies on the full terms and effect of the ASX Listing Rules, including that (in specific answer to paragraph 5(f)(ii) of the SOC) Listing Rule 19.12 defines “aware” to mean that “an entity becomes aware of information if, and as soon as, an officer of the

entity ... has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity".

B. SGH'S BUSINESS

B.1 Services provided by SGH

6. As to paragraph 6 of the SOC, EY UK:

   (a) admits that the Annual Reports published by SGH for each year from 2012 to 2015 stated that SGH carried on a business that included the provision of personal injuries law services and non-personal injuries law services in the manner described in each Annual Report; and

   (b) otherwise does not know and therefore cannot admit the allegations in paragraph 6.

7. As to paragraph 7 of the SOC, EY UK:

   (a) admits that the Annual Reports published by SGH for each year from 2012 to 2015 stated that most PI Work performed by SGH was performed in the manner alleged in paragraph 7 of the SOC; and

   (b) otherwise does not know and therefore cannot admit the allegations in paragraph 7 of the SOC.

8. Under cover of objection that the allegations in paragraph 8 of the SOC are embarrassing, EY UK does not know and therefore cannot admit the allegations in paragraph 8 of the SOC.

9. EY UK admits the allegations in paragraph 9 of the SOC.

B.2 SGH's acquisition of PSD

10. EY UK admits the allegations in paragraph 10 of the SOC, and says further that it will refer to and rely upon the full terms and effect of the 30 March Publications.

11. EY UK admits the allegations in paragraph 11 of the SOC, and says further that it will refer to and rely upon the full terms and effect of the 30 March Announcement.

12. EY UK admits the allegations in paragraph 12 of the SOC, and says further that it will refer to and rely upon the full terms and effect of the 30 March Publications.

13. As to paragraph 13 of the SOC, EY UK:

   (a) admits that SGH developed a three-year financial model in relation to the acquisition of PSD; and

   (b) otherwise does not know and therefore cannot admit the allegations in paragraph 13 of the SOC.

14. EY UK admits the allegations in paragraph 14 of the SOC.

B.3 The significance of PI work to SGH

15. As to paragraph 15 of the SOC, save that during the Relevant Period PI Work was a significant contributor to the revenue of SGH UK, and save that the paragraph makes no allegations against EY UK, EY UK otherwise does not know and therefore cannot admit the paragraph.

B.4 Types of UK PI Work

16. EY UK admits the allegations in paragraph 16 of the SOC.

17. As to paragraph 17 of the SOC, EY UK:

    (a) admits that Rule 26.6 of the Civil Procedure Rules 1998 (UK) identifies the criteria for each of the small claims track, fast-track and multi-track;

    (b) otherwise denies the allegations in paragraph 17 of the SOC; and

    (c) will refer to the full terms and effect of the Civil Procedure Rules 1998 (UK) at trial.

18. EY UK does not know and therefore cannot admit the allegations in paragraph 18 of the SOC.

B.5 Reforms relevant to UK PI Work

19. As to paragraph 19 of the SOC, EY UK:

    (a) admits that the documents referred to in Schedule A were created in the period between 3 November 2008 and 30 March 2015; and

    (b) otherwise does not know and therefore cannot admit the allegations in paragraph 19.

20. As to paragraph 20 of the SOC, EY UK:

    (a) repeats paragraph 19 above;

    (b) says that:

        (i) insofar as any of the steps particularised in paragraphs A1 to A25 of Schedule A of the SOC included regulatory or legislative changes to personal injuries litigation designed to reduce the number and cost of personal injury claims associated with road traffic accidents as part of the RTA Claim Reform Programme (which is not admitted) then, as particularised in those paragraphs, such steps or regulatory changes were in place by mid 2013, approximately two years prior to SGH's announced intention to acquire the PSD;

        (ii) insofar as any of the steps particularised in paragraphs A26 to A32 of Schedule A of the SOC concerned specific proposed changes to increase the Small

Claims PI Threshold as part of the Small Claims Track Threshold Reform (which is not admitted), then:

(1) the expressly stated intention of the UK Government in the period from around December 2009 to as at late October 2014 was consistently either to not implement, or to defer considering whether to implement, any such reform changes insofar as they related to the Small Claims PI Threshold (as particularised in paragraphs A5(b), A16(c), A18(b)(iv), A22 A26, A27(a), A27(b)(iii), A30(b) and A31(c) of Schedule A of the SOC);

(2) as at 30 June 2015, and/or the time of the alleged FY15 EY UK Representations:

1. there had been no change to the UK Government's position as to having previously, and repeatedly, deferred the consideration of any reform concerning potentially increasing the Small Claims PI Threshold; and

2. the UK Government had not in fact taken any material step to increase the Small Claims PI Threshold for whiplash or other road traffic accident claims or otherwise implement the Small Claims Track Threshold Reform;

(iii) as at the date of filing of this defence:

(1) there has not been any implementation of an increase to the Small Claims PI Threshold by the UK Government;

(2) there has not been any implementation of the Small Claims Track Threshold Reform; and

(c) otherwise does not know and therefore cannot admit the allegations in paragraph 20.

21. As to paragraph 21 of the SOC, EY UK:

(a) repeats paragraphs 19 and 20 above; and

(b) otherwise does not know and therefore cannot admit the allegations in paragraph 21.

22. EY UK denies the allegations in paragraph 22 of the SOC, refers to and repeats paragraphs 19 and 20 above and says further:

(a) as at 30 June 2015, there was not a strong possibility of the Small Claims Track Threshold Reform;

(b) the Instinctif Report does not record that the Small Claims Track Threshold Reform was likely to be introduced in the short term;

(c) the Instinctif Report stated:

(i) "in practice new measures would only be introduced under a 'perfect storm' of events, which is highly unlikely" (page 3);

(ii) "there are significant obstacles to new measures", which were set out (pages 3-4);

(iii) the "risk of further legislation" would require an "unlikely perfect storm of events", and the government had "deferred an increase in the threshold for small claims from £1,000 to £5,000 in November 2013, in part as a result of resistance from the Transport Select Committee" (pages 5-6); and

(d) the Instinctif Report, Comres Annexure:

(i) stated that "there appears to be limited awareness regarding personal injury claims legislation among a significant number of MPs" (page 3) and that "many MPs lack a detailed understanding of personal injury claims legislation" (page 10);

(ii) stated that most MPs do not see changes to legislation on personal injury claims "as a priority for the next Parliament and would rather assess the impact of this session's legislation before making any changes" (page 4);

(iii) stated that a small majority (53%) of MPs support introducing change to the legislation on personal injury claims in the next Parliament (without specifying what that "change in legislation" was), but that only 11% strongly support change (page 6); and

(iv) does not record members of Parliament as having been surveyed specifically on their attitude to the RTA Claim Reform Programme or the Small Claims Track Threshold Program;

(e) the 20 March Board Report summarised the Instinctif Report as noting an "appetite for reform" however recorded that the key findings were "Relatively benign environment some hot spots – but none likely to be relevant or material to transaction";

(f) EY UK requested all documents relevant to EY UK's component audit of SGH UK from SGH UK management (including Fowlie and Brown);

(g) on 26 August 2015, SGH and SGH UK confirmed that EY UK had been provided with access to all information of which SGH and SGH UK were aware that was relevant to the preparation of the component audit of SGH UK such as records, documentation and other matters;

(h) EY UK was never provided with the Instinctif Report or the 20 March Board Report.

Particulars

(i) in relation to subparagraph (a), EY refers to and repeats paragraphs 20 and 22(b) – (d) above;

(ii) in relation to subparagraphs (b) to (d), EY UK relies on the Instinctif Report and its annexures (SGH.029.002.0624);

(iii) in relation to subparagraph (e), EY UK relies on 20 March Board Report, p 29, 43-46 (SGH.029.001.0018 at 0048, 0060-0062);

(iv) in relation to subparagraph (f), EY UK relies on:

(1) the EY UK engagement letter signed by Geoff Drake and Ken Fowlie on behalf of Slater & Gordon (UK) 1 Ltd on 17 July 2015, at paragraph 14 (EYU.001.002.0074);

(2) oral enquiries made of SGH UK management by Kevin Harkin, John Howarth, Oliver Tonks and Matthew Miller of EY UK. Further particulars will be provided following lay evidence.

(v) in relation to subparagraph (g), EY UK relies on the management representation letter dated 26 August 2015 addressed to EY UK signed by the directors of SGH UK and Wayne Brown in his capacity as chief financial officer of SGH (EYU.001.001.6162).

23. EY UK denies the allegations in paragraph 23 of the SOC, and refers to and repeats paragraphs 19 to 22 above.

B.6 Potential Impact of the RTA Claim Reform Programme as at 30 June 2015

24. EY UK does not know and therefore cannot admit the allegations in paragraph 24 of the SOC.

25. EY UK does not know and therefore cannot admit the allegations in paragraph 25 of the SOC.

26. EY UK does not know and therefore cannot admit the allegations in paragraph 26 of the SOC.

27. EY UK does not know and therefore cannot admit the allegations in paragraph 27 of the SOC.

28. EY UK does not know and therefore cannot admit the allegations in paragraph 28 of the SOC.

29. EY UK does not know and therefore cannot admit the allegations in paragraph 29 of the SOC.

30. EY UK denies the allegations in paragraph 30 of the SOC.

31. EY UK denies the allegations in paragraph 31 of the SOC.

32. EY UK denies the allegations in paragraph 32 of the SOC.

33. EY UK denies the allegations in paragraph 33 of the SOC.

B.7 SGH's exposure to Regulatory risk by reason of the acquisition of PSD

34. EY UK admits that as at 30 June 2015 PSD was performing UK PI Work in respect of Whiplash Claims, and otherwise denies the allegations in paragraph 34 of the SOC.

35. EY UK denies the allegations in paragraph 35 of the SOC.

36. EY UK denies the allegations in paragraph 36 of the SOC.

37. As to paragraph 37 of the SOC, EY UK:

    (a) does not know and therefore cannot admit the allegations in paragraph 37 of the SOC; and

    (b) says further that it will refer to the full terms and effect of the FY15 Full Year Financial Results Investor Presentation and the 30 March Publications.

38. EY UK denies the allegations in paragraph 38 of the SOC.

39. EY UK denies the allegations in paragraph 39 of the SOC.

40. EY UK denies the allegations in paragraph 40 of the SOC.

B.8 SGH's exposure to Growth Strategy Risks

41. Save to admit that at all material times subsequent to completion of the PSD acquisition, SGH's asset position included a goodwill asset for the acquisition of PSD, EY UK denies the allegations in paragraph 41 of the SOC.

42. EY UK denies the allegations in paragraph 42 of the SOC.

C. PITCHER PARTNERS' ROLE

C.1 Pitchers' Due Diligence Retainer

43. EY UK does not know and therefore cannot admit the allegations in paragraph 43 of the SOC.

44. EY UK does not know and therefore cannot admit the allegations in paragraph 44 of the SOC.

45. EY UK does not know and therefore cannot admit the allegations in paragraph 45 of the SOC.

46A. EY UK does not know and therefore cannot admit the allegations in paragraph 46A of the SOC.

46B. As to paragraph 46B of the SOC, EY UK:

(a) admits that Anna Liu of SGH sent an email to Fitzpatrick dated 20 April 2015 (PIP.006.001.3073) attaching a document titled “Project Malta: Transaction Insights” dated 29 March 2015 (PIP.006.001.3074) (**EY UK Transaction Insights Report**);

(b) says that the EY UK Transaction Insights Report was prepared by Mr Neil Hutt, a partner of EY UK’s Transaction Advisory Services division (**EY UK TAS**), and by EY UK TAS staff under his supervision;

(c) says that the EY UK Audit Team (as that term is defined in paragraph 48B(f) below) had no involvement in the preparation of the EY UK Transaction Insights Report; and

(d) otherwise does not know and therefore cannot admit the allegations in paragraph 46B of the SOC.

46. EY UK does not know and therefore cannot admit the allegations in paragraph 46 of the SOC.

C.2 Pitchers’ Audit Obligations

47. EY UK admits the allegations in paragraph 47 of the SOC and says further:

(a) the terms of Pitcher Partners' retainers with SGH were contained in:

(i) a letter dated 6 May 2015 from Pitcher Partners to the ACRM Committee of SGH titled "Audit Engagement Letter" (**Audit Letter**) and attached Terms of Engagement (**Terms**) (**SGH FY15 Retainer**) (PIP.002.001.0701 at _0001); and

(ii) a letter dated 6 May 2015 from Pitcher Partners to the ACRM Committee of SGH titled "2015 Audit Fee" (**Audit Fee Letter**) (PIP.002.001.0701 at _0011);

(b) terms of the SGH FY15 Retainer included, *inter alia*:

(i) "We [Pitcher Partners] may engage third parties and other Pitcher Partners entities on your behalf to assist in providing the Services under this Agreement" (at cl 6.1(a) of the Terms; PIP.002.001.0701 at _0007);

(ii) "Where you ask us to engage other advisors on your behalf, you agree that we do so strictly as your agent, and you take full responsibility for and liability for all applicable costs and fees" (at cl 6.1(b) of the Terms; PIP.002.001.0701 at _0007);

(c) pursuant to the terms of the SGH FY15 Retainer, Pitcher Partners had access to and was responsible for auditing:

(i) SGH's draft financial reports and other draft financial statements, including all contemplated disclosures and all related supporting calculations and documents (PIP.002.001.0701 at _0012 of the Audit Fee Letter);

(ii) all reconciliations and supporting detailed schedules for balance sheet accounts (PIP.002.001.0701 at _0013 of the Audit Fee Letter);

(iii) all WIP reconciliations and support, including final management adjusting journals for WIP (PIP.002.001.0701 at _0014 of the Audit Fee Letter);

(d) in respect of the audits conducted by Pitcher Partners, pursuant to the SGH FY15 Retainer, Pitcher Partners was obliged and required to:

(i) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management (at p 1 [3] of the Audit Letter; PIP.002.001.0701 at _0001);

(ii) audit the financial report including the amounts and disclosures in the financial report and the notes comprising a summary of significant accounting policies and other explanatory information with the objective of expressing an opinion on the financial report (at p 1 [2] of the Audit Letter; PIP.002.001.0701 at _0001);

(iii) ensure that each report complied with the Corporations Act, the accounting standards as promulgated by the Australian Accounting Standards Board from time to time (**Australian Accounting Standards**) and other mandatory professional requirements;

(iv) conduct the audit in accordance with Australian Auditing Standards as promulgated by the Auditing and Assurance Standards Board from time to time (**Australian Auditing Standards**) and to obtain reasonable assurance that the financial report was free from material misstatement (at p 1 [3] of the Audit Letter; PIP.002.001.0701 at _0001);

(v) obtain audit evidence about the amounts and disclosure in each report based on appropriate audit procedures designed and adopted by Pitcher Partners after assessing the risk of material misstatement in the financial report (at p 1 [3] of the Audit Letter; PIP.002.001.0701 at _0001);

(vi) identify and communicate in writing to SGH any significant deficiencies in internal control relevant to the audit of each report (at p 2 [2] of the Audit Letter; PIP.002.001.0701 at _0002);

(vii) oversee and review work performed by, and liaison with, EY UK in relation to their audit of the SGH UK Group (at pp 1 and 2 of the Audit Fee Letter; PIP.002.001.0701 at _0011 - 0012); and

(viii) provide “Audit clearance on Slater Group (Australia and UK)” (at p 4 of the Audit Fee Letter; PIP.002.001.0701 at _0014).

(e) at all relevant times, Pitcher Partners was a member of the Institute of Chartered Accountants (now Chartered Accountants Australia and New Zealand) and was:

(i) bound by the Australian Professional and Ethical Standards Board standards;

(ii) obliged to adhere to the Australian Auditing Standards and to comply with and apply the Australian Auditing Standards in the conduct of its audits and the provision of its services to SGH;

(f) at all relevant times, Pitcher Partners was required to comply with Australian Auditing Standard ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards, terms of which included:

(i) "The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to a financial report audit engagement" (at [14]);

(ii) "The auditor shall plan and perform an audit with professional scepticism recognising that circumstances may exist that cause the financial report to be materially misstated" (at [15]);

(iii) "The auditor shall exercise professional judgement in planning and performing an audit of a financial report" (at [16]);

(iv) "The auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion" (at [17]);

(g) at all relevant times, Pitcher Partners was required to comply with Australian Auditing Standard ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information, terms of which included:

(i) "The engagement partner shall take responsibility for:

(1) The direction supervision and performance of the audit engagement in compliance with Australian Auditing Standards, relevant ethical requirements, and applicable legal and regulatory requirements; and

(2) The auditor's report being appropriate in the circumstances" (at [15]);

(h) at all relevant times, Pitcher Partners was required to comply with ASA 230, Audit Documentation;

(i) at all relevant times, Pitcher Partners was required to comply with ASA 300, Planning an Audit of a Financial Report;

(j) at all relevant times, Pitcher Partners was required to comply with ASA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment;

(k) at all relevant times, Pitcher Partners was required to comply with ASA 330, The Auditor's Responses to Assessed Risks;

(l) at all relevant times, Pitcher Partners was required to comply with ASA 500 Audit Evidence, terms of which included:

(i) "The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence" (at [6]);

(ii) "When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence" (at [7]);

(iii) "When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes, including as necessary in the circumstances:

(1) Obtaining audit evidence about the accuracy and completeness of the information; and

(2) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes" (at [9]);

(m) at all relevant times, Pitcher Partners was required to comply with Australian Auditing Standard ASA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures;

(n) at all relevant times, Pitcher Partners was required to comply with Australian Auditing Standard ASA 600 Special Considerations - Audits of a Group Financial Report (Including the Work of Component Auditors), terms of which included:

(i) "Group engagement team means partners, including the group engagement partner, and staff who establish the overall group audit strategy, communicate with component auditors, perform work on the consolidation process, and evaluate the conclusions drawn from the audit evidence as the basis for forming an opinion on the group financial report" (at [9(i)]);

(ii) "Group engagement partner means the partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor's report on the group financial report that is issued on behalf of the firm" (at [9(h)]);

(iii) "The group engagement partner is... responsible for the direction, supervision and performance of the group audit engagement" (at [4]);

(iv) "The group engagement partner applies the requirements of ASA 220 regardless of whether the group engagement team or a component auditor

performs the work on the financial information of a component. This Auditing Standard assists the group engagement partner to meet the requirements of ASA 220 where component auditors perform work on the financial information of components" (at [5]);

(v) "The objectives of the auditor ... if acting as the auditor of the group financial report are... (i) [t]o communicate clearly with component auditors about the scope and timing of their work on financial information related to components and their findings; and (ii) to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework" (at [8(b)]);

(vi) "The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement in compliance with professional standards and applicable legal and regulatory requirements, and whether the auditor's report that is issued is appropriate in the circumstances. As a result, the auditor's report on the group financial reports shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor's report shall indicate that the reference does not diminish the group engagement partner's or the group engagement partner's firm's responsibility for the group audit opinion" (at [11]);

(vii) "If a component auditor performs an audit of the financial information of a significant component, the group engagement team shall be involved in the component auditor's risk assessment to identify significant risks of material misstatement of the group financial report. The nature, timing and extent of this involvement are affected by the group engagement team's understanding of the component auditor, but at a minimum shall include:

(1) Discussing with the component auditor or component management those of the component's business activities that are significant to the group;

(2) Discussing with the component auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and

(3) Reviewing the component auditor's documentation of identified significant risks of material misstatement of the group financial report. Such documentation may take the form of a memorandum that reflects the component auditor's conclusion with regard to the identified significant risks" (at [30]);

(viii) "If significant risks of material misstatement of the group financial report have been identified in a component on which a component auditor performs the work, the group engagement team shall evaluate the appropriateness of the further audit procedures to be performed to respond to the identified significant risks of material misstatement of the group financial report. Based on its understanding of the component auditor, the group engagement team shall determine whether it is necessary to be involved in the further audit procedures" (at [31]);

(ix) "The group engagement team shall evaluate the component auditor's communication, see paragraph 41 of this Auditing Standard. The group engagement team shall:

(1) Discuss significant matters arising from that evaluation with the component auditor, component management or group management, as appropriate; and

(2) Determine whether it is necessary to review other relevant parts of the component auditor's audit documentation" (at [42]);

(x) "If the group engagement team concludes that the work of the component auditor is insufficient, the group engagement team shall determine what additional procedures are to be performed, and whether they are to be performed by the component auditor or by the group engagement team" (at [43]);

(xi) "The auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. The group engagement team shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation process and the work performed by the group engagement team and the component auditors on the financial information of the components, on which to base the group audit opinion" (at [44]);

(xii) “The group engagement partner shall evaluate the effect on the group audit opinion of any uncorrected misstatements (either identified by the group engagement team or communicated by component auditors) and any instances where there has been an inability to obtain sufficient appropriate audit evidence” (at [45]);

(o) will refer to and rely upon the Australian Auditing Standards and the SGH FY15 Retainer for their full terms, meaning and effect.

48A. As to paragraph 48A of the SOC, EY UK:

(a) admits the allegations in paragraphs 48A(a), 48A(b) and 48A(d) of the SOC;

(b) as to subparagraph (c):

(i) admits that Pitcher Partners was obligated to provide instructions to EY UK and to oversee and review the work performed by, and liaise with, EY UK in relation to EY UK's audit of SGH UK, including in relation to the PSD acquisition; and

(ii) otherwise denies the allegations in paragraph 48A(c) of the SOC; and

(c) refers to and repeats paragraph 47 above.

48B. Further to paragraph 48A of the SOC, EY UK says:

(a) it was engaged by Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP to undertake certain audit and reporting work;

Particulars

The circumstances of EY UK's engagement by Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP are evidenced in email chains dated 18 May 2015 to 5 June 2015 between (variously) John Howarth, Oliver Tonks, Tom Redman, Matthew Miller (of EY UK), Sean Payne, Alex Parkes, Stuart New/ands (of Slater and Gordon (UK) LLP), Wayne Brown (of SGH), William Smith (of KPMG), Alison Powell and Peter Di Ciera (of Quindell). EY UK subsequently contacted Pitcher Partners concerning the provision of group instructions in an email chain dated 16 June 2015 from John Howarth (of EY UK) to Adrian Fitzpatrick and Georgina Cox (of Pitcher Partners), Wayne Brown (of SGH) and Kevin Harkin (of EY UK) (EYU.103.001.8134, EYU.200.001.0014, EYU.100.005.0976, EYU.100.005.0978, EYU.100.005.0984, EYU.100.005.0985, EYU.100.005.0986, EYU.200.001.0026)

(b) pursuant to its engagement by Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP, EY UK undertook certain audit and reporting work pursuant to the engagement letters dated 10 July 2015 addressed to the UK addresses of Slater & Gordon (UK) 1 Ltd (**Ltd Letter**) (PIP.002.001.0854) and Slater & Gordon (UK) LLP (**LLP Letter**) (PIP.002.001.0826) (together the **UK Audit Retainer**);

(c) the UK Audit Retainer included the following terms:

(i) "We will conduct the audit in accordance with the International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), as promulgated by the UK Financial Reporting Council (FRC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement, whether due to fraud or error. There are inherent

limitations in the audit process, including, for example, the use of judgment and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts. Accordingly, there is some risk that a material misstatement of the financial statements may remain undetected. Also, an audit is not designed to detect fraud or error that is immaterial to the financial statements" (LLP Letter at [3] / Ltd Letter at [5]);

(ii) "We will also report, in accordance with instructions received from your parent entity auditors, on the financial information prepared in accordance with IFRS for Slater & Gordon Ltd consolidation purposes. The nature, extent and timing of such procedures will be determined by the parent entity auditors. These reports will be solely addressed to the parent entity auditors. Depending on the nature of the procedures performed, we may share results of such procedures with the Company" (LLP Letter at [11] / Ltd Letter at [13]);

(iii) "Our audit will be conducted on the basis that management and where appropriate, those charged with governance, acknowledge and understand that they have responsibility (LLP Letter at [12] / Ltd Letter at (14]):

(1) For preparation and fair presentation of the financial statements in accordance with the UK GAAP. It is the responsibility of the directors of the company to maintain adequate accounting records which disclose the reasonable accuracy at any time the financial position of the company, and to prepare and approve financial statements in accordance with the requirements of Companies Act 2006.

(2) For such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

(3) To provide us with: (1) access, on a timely basis, to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters: (2) additional information that we may request from management for the purpose of the audit; and (3) unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence";

(iv) [with respect to Slater & Gordon (UK) 1 Ltd] "Our report will be made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work will be undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility

to anyone other than the company and the company's members as a body, for our audit work, for the audit report, or for the opinions we form" (Ltd Letter at [23]);

(v) [with respect to Slater & Gordon (UK) LLP] "Our report will be made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Party 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work will be undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the members as a body, for our audit work, for the report, or for the opinions we form" (LLP Letter at [21]);

(vi) "This Agreement applies to all Services performed at any time (including before the date of this Agreement)" (Ltd Letter and LLP Letter at cl 23 of Attachment 1: General Terms and Conditions for Audit and Review engagements);

(vii) "This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered" (Ltd Letter and LLP Letter at cl 28 of Attachment 1: General Terms and Conditions for Audit and Review engagements);

(viii) “We shall not be treated as having notice of information which may have been provided to Ernst & Young Firms or Ernst & Young Persons (as defined in Section 10) who are not involved in this engagement” (Ltd Letter and LLP Letter at cl 12 of Attachment 1: General Terms and Conditions for Audit and Review engagements);

(d) by reason of subparagraph (c)(i) above, at all relevant times, EY UK was required to comply with International Standards on Auditing (UK and Ireland) 200, 220, 230, 300, 315, 300, 500, 540 and 600 which materially correspond with the Australian Auditing Standards set out at paragraph 47(f) to (n) above;

(e) the audit and reporting work that EY UK undertook included work undertaken pursuant to the Ltd Letter (at [13]) and the LLP Letter (at [11]) which stated that EY UK was to "report, in accordance with instructions received from [Slater & Gordon (UK) 1 Ltd's or Slater & Gordon (UK) LLP's, as appropriate] parent entity auditors, on the financial information prepared in accordance with IFRS for Slater & Gordon Ltd consolidation purposes. The nature, extent and timing of such procedures will be determined by the parent entity auditors. These reports will be solely addressed to the parent entity auditors";

(f) the audit and reporting work that EY UK undertook pursuant to the Ltd Letter and the LLP Letter was undertaken by Mr Kevin Harkin, a partner of EY UK's Assurance division, and staff under his supervision (**EY UK Audit Team**);

(g) it invoiced and was paid by Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP for the work that it undertook;

Particulars

The invoices that EY UK issued to Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP are dated 5 & 7 August 2015, 8 & 24 September 2015, 29 October 2015, 18 & 21 December 2015, 4 January 2016, 22 & 25 April 2016 and 24 June 2016.

Copies of these documents are in the possession of EY UK's solicitors and may be inspected by appointment.

(h) interactions between it and Pitcher Partners were governed by the "group audits" clause in each of the documents comprising the UK Audit Retainer and/or cl 6 of the SGH FY15 Retainer;

(i) further or alternatively, if (which is denied) it entered into any contract or retainer agreement with Pitcher Partners, at all material times the relevant terms of such an arrangement were that:

(i) EY UK would undertake certain audit and reporting work with respect to the consolidated and entity financial statements of Slater & Gordon LLP, Slater & Gordon (UK) 1 Ltd and certain other group companies of Slater & Gordon (UK) 1 Ltd;

(ii) the relevant work would be undertaken in accordance with, and subject to, terms and conditions as evidenced in the UK Audit Retainer, FY15 UK Audit Letter and Final EY Report (including those reproduced at paragraph 56AA below);

(iii) the relevant work would be undertaken in accordance with the policies contained in SGH's group accounting policies, which policies Pitcher Partners had responsibility for evaluating the appropriateness of (p 1 [3] of the FY15 UK Audit Letter and p 7 of the Final EY Report);

(iv) the work to be performed by EY UK was to be conducted in accordance with International Standards on Auditing (UK and Ireland) as promulgated by the UK Financial Reporting Council;

(v) at all relevant times, EY UK was required to comply with the International Standards on Auditing (UK and Ireland) 200, 220, 230, 300, 315, 330, 500, 540

and 600 which contained materially identical terms to those set out at paragraph 47(f) to (n) above;

(vi) at all relevant times, Pitcher Partners as group auditor was required to comply with the Australian Auditing Standards and Statutory Auditing Obligations; and

(vii) EY UK was not responsible for concluding on goodwill impairment or going concern,

(**Alleged Pitchers EY UK Retainer**).

Particulars

Ltd Letter (PIP.002.001.0854)

LLP Letter (PIP.002.001.0826)

Letter from SGH UK to EY UK dated 26 August 2015 (EYU.001.001.6152)

Email from Fitzpatrick to Howarth and Harkin dated 10 September 2015 (PIP.006.001.2661)

Email from Howarth to Fitzpatrick and Harkin dated 11 September 2015 (PIP.006.001.2643)

Final EY Report (PIP.005.003.0277)

FY15 EY UK Audit Letter (PIP.005.002.0276)

48. As to paragraph 48 of the SOC, EY UK:

(a) admits the allegations in paragraph 48;

(b) will refer to the full terms and effect of:

(i) Chapter 2M of the Corporations Act; and

(ii) the Australian Auditing Standards in force during the Relevant Period,

at trial; and

(c) refers to and repeats paragraphs 47 and 48A above.

49. As to paragraph 49 of the SOC, EY UK:

(a) does not know and therefore cannot admit the allegations in paragraph 49 of the SOC; and

(b) refers to and repeats paragraph 47 above.

50. Save that it was an express term of the Terms of Engagement attached to the FY15 Engagement Letter that reasonable skill and care would be used in providing services under the FY15 Retainer (per Terms of Engagement clause 2), EY UK admits the allegation in paragraph 50 and refers to and repeats paragraph 47 and 48A above.

C.3 Pitchers' Audit Team

51. EY UK admits the allegations in paragraph 51 of the SOC.

52. EY UK does not plead to paragraph 52 of the SOC as that paragraph makes no allegations against it.

53. EY UK does not plead to paragraph 53 of the SOC as that paragraph makes no allegations against it.

C.4 Pitcher Partners' Audit Work

54. As to paragraph 54 of the SOC:

(a) save that the audit was to be performed on the terms in paragraphs 47, 48A and 50 above, EY UK does not know and therefore cannot admit the allegations in paragraphs 54(a) to 54(h), 54(j) and 54(k) of the SOC; and

(b) EY UK admits that Pitcher Partners had the benefit of EY UK's Final EY Report and FY15 EY UK Audit Letter, otherwise denies the allegations in paragraph 54(i) of the SOC, and refers to and repeats paragraph 48B above.

55. EY UK denies the allegations in paragraph 55 of the SOC and refers to and repeats paragraph 54 above.

C.5 Supervision of EY UK

56A. Save that EY UK received a document entitled "Questionnaire to the Auditors of a Subsidiary/Associate Companies (Component Auditor)" (**Questionnaire**) from Pitcher Partners on or about 6 July 2015 (PIP.006.006.4838; PIP.006.006.4839), EY UK admits the allegations in paragraph 56A of the SOC and says further:

(a) from time to time, Pitcher Partners as group auditor informed EY UK as component auditor of the nature, extent and timing of procedures that it recommended EY UK to undertake as part of its component audit;

(b) from time to time, Pitcher Partners would request that EY UK complete the Questionnaire, including on 20 July 2015 and on 3 August 2015;

(c) EY UK never completed the Questionnaire as requested by Pitcher Partners;

(d) on 22 September 2015, EY UK informed Pitcher Partners that it could not complete the Questionnaire as the Questionnaire required EY UK to sign off on aspects of the component audit it would not normally undertake as part of a component audit;

(e) on 25 September 2015, Pitcher Partners as group auditor stated that it would accept EY addressing the matters contained in the Questionnaire within EY UK's report;

(f) later on 25 September 2015, EY UK responded to Pitcher Partners that:

(i) rather than complete or provide all of the information requested in the Questionnaire, EY UK would include "the areas we are able to comment on as an appendix" to EY UK's reporting to Pitcher Partners;

(ii) it was not able to provide comment on specific procedures performed on the PSD entities;

(iii) with respect to impairment, it had performed the procedures it believed were appropriate; and

(g) it was agreed that Pitcher Partners as group auditor would conclude on both the going concern assessment of SGH and the impairment review of PSD.

Particulars

(i) as to paragraph (a) above, EY UK relies on an email from Tracie Gane on behalf of Fitzpatrick to Howarth dated 21 September 2015 and 25 September 2015 (EYU.108.040.5633; PIP.006.004.0581);

(ii) as to paragraph (b) above, EY UK relies on an email and a follow-up email from Michelle Straubinger sent to Howarth, Fitzpatrick and others dated 20 July 2015 and 3 August 2015 respectively, requesting that the Questionnaire be completed;

(iii) as to paragraph (c) above, EY UK relies on email correspondence sent from Pitcher Partners to EY UK requesting completion of the Questionnaire dated 22 July 2015; 23 September 2015; 25 September 2015 (PIP.006.002.5053; EYU.108.004.4606; PIP.006.001.1490)

(iv) as to paragraph (d) above, EY UK relies on an email from Howarth to Mark Harrison dated 22 September 2015 (EYU.108.021.1923);

(v) as to paragraph (e) above, EY UK relies on an email from Mark Harrison to Howarth and Fitzpatrick dated 25 September 2015 (PIP.006.004.0581);

(vi) as to paragraph (f) above, EY UK relies on an email from Howarth to Mark Harrison and Fitzpatrick dated 25 September 2015 with attachment (PIP.006.001.1466; PIP.006.001.1467);

(vii) as to paragraph (g) above, EY UK relies on an email from Mark Harrison to Howarth and Fitzpatrick dated 25 September 2015 (PIP.006.001.1490) and the Final EY Report (PIP.005.003.0277) at p2, 7-8.

56B. As to paragraph 56B of the SOC, EY UK:

(a) admits that the workpaper "APM-2 Risk Factors" (PIP.002.001.0266) records the words alleged at subparagraphs 56B(a) to (c) of the SOC; and

(b) otherwise does not know and therefore cannot admit the allegations in paragraph 56B of the SOC.

56C. Save that EY UK provided Pitcher Partners with a copy of a document entitled 'Slater & Gordon (UK) Audit Strategies Memorandum' on or about 22 July 2015, EY UK admits paragraph 56C of the SOC.

Particulars

Email from John Howarth to Michael Straubinger, copies to Kevin Harkin, Adrian Fitzpatrick, Georgina Coz, Elizabeth Jones, Matthew Miller and Lee Burton dated 22 July 2015 (PIP.006.001.1138, PIP.006.001.1139)

56D. As to paragraph 56D of the SOC, EY UK:

(a) admits that on or about 21 August 2015, a conference call was held at 4:30PM between SGH and SGH UK management (Grech, Brown, and Fowlie), EY UK (Harkin and Howarth), and Pitcher Partners (Fitzpatrick, Harrison, Ben Powers, Brendan Britten, and Straubinger);

(b) says that, during the conference call, EY UK indicated that there was a need for SGH management to conduct an impairment review of PSD in accordance with IAS 36;

(c) says that Brown advised the meeting that, in relation to the SGH goodwill impairment review, a paper had been prepared by SGH management and was to be reviewed by the SGH board, and subsequently shared with Pitcher Partners and EY UK; and

(d) otherwise denies the paragraph.

56E. As to paragraph 56E of the SOC, EY UK:

(a) admits that on or around 21 August 2015, a conference call was held at 6PM between EY UK (Harkin and Howarth) and Pitcher Partners (Fitzpatrick, Harrison and Straubinger);

(b) admits that Pitcher Partners made statements to the effect contained in subparagraphs (a) and (b);

(c) does not know and therefore cannot admit subparagraph (c); and

(d) otherwise denies the paragraph.

56F. As to paragraph 56F of the SOC, EY UK:

(a) admits that on or around 25 August 2015, a conference call was held between EY UK and Pitcher Partners which included, at least, Howarth and Fitzpatrick;

(b) admits subparagraphs (b), (c) and (d);

(c) otherwise denies the allegations in the paragraph; and

(d) says further that at the meeting:

(i) Fitzpatrick stated that going concern and the impairment review of PSD were two items that both EY UK and Pitcher Partners needed to work on together;

(ii) Howarth noted that Pitcher Partners would be responsible for both issues and EY UK would provide support and/or information as instructed by Pitcher Partners;

(iii) Howarth informed Pitcher Partners that EY UK would not be undertaking the statutory audit work to finalise SGH UK's accounts until after SGH group reporting as the deadline for filing SGH UK's accounts was the end of March 2016; and

(iv) Pitcher Partners did not further communicate with EY UK regarding any requirement to disclose the acquisition balance sheet in SGH's Appendix 4E.

56G. EY UK admits the allegations in paragraph 56G of the SOC and will refer to the full terms and effect of the Draft EY UK Audit Results Report at trial.

56H. As to paragraph 56H of the SOC, EY UK:

(a) admits that on or about 27 August 2015, Pitcher Partners received from EY UK a draft document entitled "Slater & Gordon (UK) 1 Ltd – 30 June 2015 – Status Update Report" dated 26 August 2015 (**EY UK Status Report**) that repeated the statements pleaded at subparagraphs 56G(a) – (d);

(b) otherwise denies the allegations in the paragraph;

(c) says further that the EY UK Status Report contained the following statements not contained in the Draft EY UK Audit Results Report:

(i) on page 7 under the heading "Items which are open at the time of our reporting", the words:

QLS – the following audit tasks for group reporting have not been completed:
o Conclusion on appropriateness of office account bank reconciliation;
o Testing that £83.7m of the accounting policy realignment in OLS relates to prior years and of this £79.1m relates to 2013 and £4.6m relates to 2012
S&G LLP
o Assessment of UK goodwill impairment testing

(ii) Appendix 1 on pages 41 – 44;

(d) says further that the EY UK Status Report was provided for the purpose of providing Pitcher Partners with an update as to the progress of EY UK's component audit.

56I. EY UK admits the allegations in paragraph 56I of the SOC.

D. SGH'S FINANCIAL STATEMENTS

D.1 Appendix 4E

56J. EY UK does not know and therefore cannot admit the allegations in paragraph 56J of the SOC and says further:

(a) there are no allegations made against EY UK concerning the Appendix 4E;

(b) EY UK was not engaged in relation to the preparation of the Appendix 4E;

(c) on 28 August 2015 SGH lodged with the ASX its Appendix 4E; and

(d) on 28 September 2015 EY UK provided Pitcher Partners with the Final EY Report.

56K. EY UK does not know and therefore cannot admit the allegations in paragraph 56K of the SOC.

56L. EY UK does not know and therefore cannot admit the allegations in paragraph 56L of the SOC.

56M. EY UK does not know and therefore cannot admit the allegations in paragraph 56M of the SOC.

56N. EY UK does not know and therefore cannot admit the allegations in paragraph 56N of the SOC.

56O. EY UK does not know and therefore cannot admit the allegations in paragraph 56O of the SOC.

56P. As to paragraph 56P of the SOC, EY UK:

(a) admits that on 28 August 2015 SGH lodged with the ASX its Appendix 4E; and

(b) otherwise does not know and therefore cannot admit the allegations in paragraph 56P.

56Q. As to paragraph 56Q of the SOC, EY UK:

(a) says that the Appendix 4E recorded that as at 30 June 2015, SGH (and its controlled entities) had intangible assets in the sum of $1,229,398,000 (page 4);

(b) says that the Appendix 4E recorded that during FY15 SGH (and its controlled entities) had additional intangible assets, including goodwill, of $1,098,920, of which $1,082,519,000 was allocated to PSD (page 20);

(c) says that the Appendix 4E recorded that SGH (and its controlled entities) had generated a profit before income tax expense in the sum of $110,225,000;

(d) admits the allegations in subparagraph (b); and

(e) otherwise does not know and therefore cannot admit the allegations in paragraph 56Q.

D.2 Pitchers' continuing work

56R. As to paragraph 56R of the SOC, EY UK:

(a) admits that on or about 16 September 2015, a conference call was held between Pitcher Partners and EY UK;

(b) otherwise denies the allegations in the paragraph; and

(c) says further that during the call, Pitcher Partners indicated that it now agreed with EY UK that an impairment review of PSD needed to be performed by SGH management.

56S. As to paragraph 56S of the SOC, EY UK:

(a) admits that the document titled "Valuation critique on Deferred Consideration" (PIP.002.001.0566) states the matters alleged in paragraphs 56S(a) and 56S(b) of the SOC;

(b) otherwise does not know and therefore cannot admit the allegations in paragraph 56S of the SOC; and

(c) will refer to the full terms and effect of the document titled "Valuation critique on Deferred Consideration" (PIP.002.001.0566) at trial.

56T. As to paragraph 56T of the SOC, EY UK:

(a) admits that on or about 22 September 2015, and 28 September 2015 and 29 September 2015, Pitcher Partners received from EY UK further reports entitled "Slater & Gordon (UK) 1 Ltd – 30 June 2015 – Status Update Report" and "Slater & Gordon (UK) 1 Ltd – DRAFT – 30 June 2015 audit results update";

(b) otherwise denies the paragraph;

(c) says further that the reports reported that the impairment review of the PSD business and the issue of whether SGH UK was a going concern were to be *concluded on* by Pitcher Partners;

Particulars

"Slater & Gordon (UK) 1 Ltd – 30 June 2015 – Status Update Report" (PIP.002.001.0238 at _0019) dated 22 September 2015, "Slater & Gordon (UK) 1 Ltd – DRAFT – 30 June 2015 audit results update" dated 28 September 2015 and containing Fitzpatrick's handwritten annotations (PIP.002.001.0394 at _003), "Slater & Gordon (UK) 1 Ltd – DRAFT – 30 June 2015 audit results update" dated 28 September 2015 (PIP.006.001.1710 at _0003) and "Slater &

Gordon (UK) 1 Ltd – 30 June 2015 audit results update" dated 28 September 2015" (PIP.005.003.0277 at _003).

(d) will refer to the full terms and effect of the documents titled "Slater & Gordon (UK) 1 Ltd – 30 June 2015 – Status Update Report" (PIP.002.001.0238), Slater & Gordon (UK) 1 Ltd – DRAFT – 30 June 2015 audit results update" dated 28 September 2015 and containing Fitzpatrick's handwritten annotations (PIP.002.001.0394), "Slater & Gordon (UK) 1 Ltd – DRAFT – 30 June 2015 audit results update" dated 28 September 2015 (PIP.006.001.1710) and "Slater & Gordon (UK) 1 Ltd – 30 June 2015 audit results update" dated 28 September 2015" (PIP.005.003.0277).

56U. EY UK admits the allegations in paragraph 56U of the SOC

56V. EY UK admits the allegations in paragraph 56V of the SOC and says further that it will refer to the full terms and effect of the email from Howarth to Grech copied to Fitzpatrick and others dated 24 September 2015 (PIP.004.001.0005).

56W. EY UK admits the allegations in paragraph 56W of the SOC and says further that it will refer to the full terms and effect of the email from Howarth to Fitzpatrick dated 24 September 2015 (PIP.002.001.0287).

56X. As to paragraph 56X of the SOC:

(a) save that:

(i) handwritten comments were made on an email from Howarth received on 24 September 2015 (within the document PIP.002.001.0287 at _0004), being the email referred to in paragraph 56V of the SOC, that stated, inter alia, "As at 25/9/15 – 10.25am – EY haven't provided anything to ARF). (Having said that PP are well aware of the Disclosure requirements and have been proactive with client in this regard)";

(ii) handwritten comments were made on an email from Howarth received on 24 September 2015 (within the document PIP.002.001.0287 at _0005), being the email referred to in paragraph 56W of the SOC, that stated, inter alia, "PP considered 24/9/ and formed the view that so long as managements [sic] cash flow forecasts were reliable and based on reasonable assumptions - the lower end of the range was supportable. PP view is that to use upper end of range you would have to form the view that forecasts and underlying assumptions were unreliable / not supportable. For PP consideration of forecasts, especially increase in RTA + IDC refer file note re teleconference and other considerations";

(b) EY UK otherwise does not know and therefore cannot admit the allegations in paragraph 56X of the SOC; and

(c) EY UK will refer to and rely upon the full terms and effect of the annotated emails at trial.

56Y. As to paragraph 56Y of the SOC, EY UK:

(a) admits that on 28 September 2015, a telephone conference was conducted between EY UK (which included Harkin, Howarth and Elizabeth Jones) and Pitcher Partners (which included Fitzpatrick);

(b) admits that the file note of Harrison with subject 'Slater and Gordon' (PIP.00.2001.0454) states in substance the allegations at subparagraphs 56Y(a) to (c) of the SOC;

(c) otherwise does not know and therefore cannot admit the paragraph;

(d) says that the purpose of the conference was for Harkin to take Pitcher Partners through EY UK's report entitled "Slater & Gordon (UK) 1 Ltd – DRAFT 30 June 2015 audit results update" dated 28 September 2015 (**Draft EY Report**) (PIP.006.001.1710);

(e) says further that during the conference:

(i) Pitcher Partners asked for confirmation that EY UK would not book an impairment in SGH UK's statutory accounts;

(ii) Harkin confirmed that EY UK was unable to provide the confirmation sought by Pitcher Partners as the deadline for finalising SGH UK's statutory accounts was in March 2016 and that he expected that SGH UK's management would have management accounts that evidence PSD's performance post acquisition, including management accounts in the period after the release of SGH's FY15 Financial Report;

(iii) Harkin confirmed that goodwill impairment did not form part of EY UK's audit opinion, and that EY UK had performed the procedures which Pitcher Partners had requested EY UK to undertake;

(iv) Harkin confirmed that there was an impairment at the upper end of the range of acceptable discount rates;

(v) Harkin raised that EY UK was aware of a gap between SGH's market capitalisation and the carrying value of goodwill and that EY UK was unaware of the reason for this and whether any additional work was required by Pitcher Partners prior to Pitcher Partners concluding on goodwill;

(vi) Harkin confirmed that the potential impairment and impact of sensitivities should be disclosed and/or additional work should be performed by Pitcher Partners, and noted that it was Pitcher Partners' responsibility to conclude on goodwill impairment;

(vii) Harkin stated that EY UK believed it was a key element to cover reasonable assumptions in the disclosures in the FY15 Financial Report; and

(viii) Pitcher Partners stated they were working closely with management to ensure they provide sufficient disclosures in the intangibles note.

56Z. EY UK admits the allegations in paragraph 56Z of the SOC.

56AA. EY UK admits the allegations paragraph 56AA of the SOC and says further:

(a) on 28 September 2015 it also provided Pitcher Partners with the FY15 EY UK Audit Letter (PIP.005.002.0272; PIP.005.002.0276).

(b) the FY15 EY UK Audit Letterstated:

(i) "This opinion should be read in conjunction with the Audit Results Update dated 28 September 2015, which describes the results of our audit procedures" (at p 1);

(ii) "Management is responsible for the preparation of this special purpose information in accordance with policies contained in Slater and Gordon Limited's group accounting policies dated 30 April 2015, and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error" (at p 1);

(iii) "As requested by you, we planned and performed our audit using the materiality level specified in your instructions, which is different than the materiality level that we would have used had we been designing the audit to express an opinion on the special purpose financial information of the component alone" (at p 1);

(iv) "This special purpose financial information has been prepared for purposes of providing information to Slater and Gordon Limited to enable it to prepare the special purpose consolidated financial information of the group" (at p 2);

(v) "The special purpose financial information is not a complete set of financial statements of Slater and Gordon (UK) 1 Limited in accordance with the applicable financial reporting framework underlying the group's accounting policies and is not intended to give a true and fair view of, in all material respects, the financial position of Slater & Gordon (1) UK limited as of 30 June 3015, and of its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards" (at p 2);

(c) it will refer to and rely upon the full terms and effect of the FY15 EY UK Audit Letter at trial;

(d) the FY15 EY UK Audit Letter was provided to Pitcher Partners in accordance with the terms of the UK Audit Retainer (LLP Letter at [11] / Ltd Letter at [13]), or alternatively, the Alleged Pitchers EY UK Retainer;

(e) the Final EY Report (PIP.005.003.0272, PIP.005.003.0277) also stated:

(i) "Our audit report refers to items which are either to be followed up by the group auditor or are open at the time of this report - these are noted on pages 6-8. In particular, please note that we have agreed that the group auditor will conclude on both the going concern assessment of the group and the impairment review of Professional Services Division (PSD), with particular work required over the bridge between the S&G valuation and the external market capitalisation" (at p 2);

(ii) "The following items should be followed up by the group auditor: … Impairment review of the PSD business[.] In relation to the impairment review of the PSD business, the group auditor should perform work in order to review the variance noted by management between the market capitalisation and the value in use of the business. Consideration should also be given to the appropriate disclosures being made in the annual report" (at p 7);

(iii) "The following items should be followed up by the group auditor: … Going concern[.] This is an area for the group auditor to conclude upon. Management have not prepared a separate UK assessment and given the nature of the cross guarantees we will require the group auditor's assistance when we complete the UK statutory accounts" (at p 7);

(iv) "The following items should be followed up by the group auditor: … PSD business – historic transactions involving the former directors of Quindell Pie[.] A number of historic (pre 31 December 2014) transactions have been noted in the PSD business which cannot be explained by the current Directors. The Directors have amended the accounting disclosure of these transactions based on information that is available. We note that KPMG have qualified the Quindell Pie group financial statements with respect of their ability to identify and understand all such historic (pre 31 December 2014) related party transactions entered into by the former directors of Quindell Pie, although the FY14 balance sheet was not qualified. Whilst we have not had any discussions with KPMG, we have observed correspondence from Quindell Pie stating that they understood that none of the transactions upon which the opinion was qualified on related to the PSD businesses. We have not uncovered evidence in the course of our work, to date, that undermines this conclusion. On the basis of the audit work performed and discussions with the directors, the directors

propose to provide disclosure with respect to these issue [sic]. We recommend you review and concur with the view arrived at" (at p 7);

(v) 'The following items should be followed up by the group auditor: … Accounting policies[.] Our audit report is in accordance with the group accounting policies. The group auditor should consider whether these accounting policies comply with IFRS" (at p 7);

(vi) "The following items should be followed up by the group auditor: ... Valuation of deferred consideration and NIHL asset[.] The group auditor should consider the appropriateness of the disclosures made in the annual report associated with the basis and nature of the deferred consideration" (at p 7);

(vii) vii. 'The following items should be followed up by the group auditor: ... lntercompany[.] The group auditor should ensure that all intercompany balances eliminate upon consolidation" (at p 8);

(viii) "The following items should be followed up by the group auditor: ...

Unadjusted differences and late adjustments made by the client[.] Our report includes a list of unadjusted differences - these should be considered by the group auditor as to whether these are required to be adjusted. The client has also made late adjustments to the group consolidation which impact the UK entities - we have provided commentary on each of these but they should be followed up by the group auditor to ensure appropriate recording" (at p 8);

(f) the Final EY Report was provided to Pitcher Partners in accordance with the terms of the UK Audit Retainer (LLP Letter at [11] / Ltd Letter at [13]), or alternatively, the Alleged Pitchers EY UK Retainer.

D.3 FY15 Statutory Accounts

56. EY UK does not know and therefore cannot admit the allegations in paragraph 56 of the SOC.

57. Subject to the production and inspection of the publication of the announcement alleged, EY UK admits the allegations in paragraph 57 of the SOC, and says further:

(a) on 30 September 2015, the FY15 Statutory Accounts was published on the ASX Market Announcements Platform;

(b) the FY15 Statutory Accounts contained a declaration from the directors of SGH (on page 115);

(c) the FY15 Statutory Accounts contained an "Independent Auditor's Report to the Members of Slater and Gordon Limited" authored by Pitcher Partners (on pages 116-117);

(d) SGH lodged the FY15 Statutory Accounts on the basis of and relying upon:

(i) Pitcher Partners' assurance and representation to SGH that it had discharged its obligations and duties, including evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors;

(ii) Pitcher Partners' representation to SGH that the FY15 financial report was presented fairly, in all material respects, in accordance with, inter alia, the Corporations Act 2001 including giving a true and fair view of SGH's financial position as at 30 June 2015 and of its performance for the year ended on that date, and that it complied with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements; and

(iii) Pitcher Partners' assurance and representation to the directors of SGHthat in relation to the audit conducted by Pitcher Partners there were no contraventions of any applicable code of professional conduct; and

Particulars

The assurances and representations are contained in the Auditor's Independence Declaration to the Directors of SGH and the Independent Auditor's Report contained in the FY15 Statutory Accounts lodged with the ASX on or about 29 September 2015.

58. EY UK admits the allegations in paragraph 58 of the SOC.

59. Save that the statements pleaded in subparagraphs 59(a) and (b) are not contained on the pages alleged in those subparagraphs, EY UK admits the allegations in paragraph 59 of the SOC and says further that it will refer to and rely upon the full terms and effect of the FY15 Statutory Accounts at trial.

60. EY UK admits the allegations in paragraph 60 of the SOC and says further that:

(a) it will refer to and rely upon the full terms and effect of the FY15 Statutory Accounts at trial; and

(b) the FY15 Statutory Accounts state that the initial accounting for the acquisition of SGS has only been provisionally determined at the end of the reporting period (p 119).

E. SGH'S TRUE FINANCIAL POSITION

E.1A Risk Indicator – Market Capitalisation Information

61A. As to paragraph 61A of the SOC, EY UK:

(a) does not know and cannot admit the allegations in paragraph 61A of the SOC;

(b) says further that the Final EY Report states:

(i) "a typical check that the audit team would perform would be to build a bridge from the client's valuation to the current market capitalisation. However, given EY have limited knowledge of the client's position on the ASX, EY UK Requested the Group auditor review and conclude on this issue"; and

(ii) "the group auditor should consider the bridge between the client's valuation and the current market capitalisation and the disclosures associated with the impairment review in the annual report".

61B. EY UK denies the allegations in paragraph 61B of the SOC.

E.1B Risk Indicator – Inadequate PSD Financial Reporting Information

61C. EY UK does not know and therefore cannot admit the allegations in paragraph 61C of the SOC, and says further that it will refer to and rely upon the full terms and effect of the document "Matters for Partner Attention" (PIP.002.001.0633).

61D. EY UK denies the allegations in paragraph 61D of the SOC.

E.1 Risk Indicator – Negative Cash Flow Information

61. As to paragraph 61 of the SOC, EY UK:

(a) admits that from no later than 30 June 2015 to 30 September 2015, SGH was experiencing negative cash flow; and

(b) otherwise denies the allegations in the paragraph.

62. EY UK denies the allegations in paragraph 62 of the SOC, and refers to and repeats paragraphs 42 and 61 above.

E.2 Risk Indicator – Achievability of forecast assumptions

63. EY UK denies the allegations in paragraph 63 of the SOC, and refers to and repeats paragraphs 56C, 56F, 56G, 56R, 56V, 56W, 56Y and 56AA above.

64. EY UK denies the allegations in paragraph 64 of the SOC, and refers to and repeats paragraph 63 above.

E.3 Risk Indicator – Unachieved forecast assumptions

65. EY UK denies the allegations in paragraph 65 of the SOC, and refers to and repeats paragraph 63 above.

66. EY UK denies the allegations in paragraph 66 of the SOC, and refers to and repeats paragraph 65 above.

E.4 Risk Indicator – Dilution Rates

67. EY UK does not know and therefore cannot admit the allegations in paragraph 67 of the SOC, and refers to and repeats paragraph 13 above.

68. EY UK does not know and therefore cannot admit the allegations in paragraph 68 of the SOC.

69. EY UK does not know and therefore cannot admit the allegations in paragraph 69 of the SOC, and refers to and repeats paragraph 13 above.

70. EY UK does not know and therefore cannot admit the allegations in paragraph 70 of the SOC.

71. EY UK denies the allegations in paragraph 71 of the SOC, and refers to and repeats paragraphs 42 and 70 above.

E.5 Growth Strategy Risks

72. EY UK denies the allegations in paragraph 72 of the SOC, and refers to and repeats paragraphs 30, 31, 33 and 42 above.

E.6 Effect of the Growth Strategy Risk Indicators and Growth Strategy Risks (Material Impairment)

73. EY UK denies the allegations in paragraph 73 of the SOC, and refers to and repeats paragraph 56J above.

74A As to paragraph 74A of the SOC, EY UK:

(a) admits that the Appendix 4E did not impair the value of the Appendix 4E PSD Goodwill Asset;

(b) admits that the Appendix 4E did not recognise an expense from the impairment of the Appendix 4E PSD Goodwill Asset;

(c) otherwise denies the allegations in paragraph 74A of the SOC; and

(d) refers to and repeats paragraph 56J above.

74B EY UK denies the allegations in paragraph 74B of the SOC, and refers to and repeats paragraph 56J above.

74C EY UK denies the allegations in paragraph 74C of the SOC, and refers to and repeats paragraph 56J above.

74D EY UK denies the allegations in paragraph 74D of the SOC, and refers to and repeats paragraph 56J above.

74E EY UK denies the allegations in paragraph 74E of the SOC, and refers to and repeats paragraph 56J above.

74F EY UK denies the allegations in paragraph 74F of the SOC, and refers to and repeats paragraph 56J above.

74. EY UK denies the allegations in paragraph 74 of the SOC, and refers to and repeats paragraphs 47, 48A and 57(b) – (e) above.

75. EY UK denies the allegations in paragraph 75 of the SOC, and refers to and repeats paragraphs 47, 48A, 57(b) – (e), 73 and 74 above.

76. EY UK denies the allegations in paragraph 76 of the SOC, and refers to and repeats paragraphs 73 – 75 above.

77A. EY UK denies the allegations in paragraph 77A of the SOC.

77. EY UK denies the allegations in paragraph 77 of the SOC.

E.7 Required Impairment Testing and Material Impairment

78AA. As to paragraph 78AA of the SOC, EY UK:

(a) admits that the PSD Goodwill Asset ought to have been subject to impairment testing as at 30 June 2015;

(b) otherwise denies the allegations in paragraph 78AA of the SOC;

(c) says further that Pitcher Partners, as group auditor, had ultimate responsibility to conclude on goodwill; and

Particulars

ISA 600, Special Considerations – Audits of Group Financial Statements, paragraphs 43 and 44

(d) refers to and repeats paragraphs 47, 48A, 56J, and 57(b)-(e) above.

78AB. As to paragraph 78AB of the SOC, EY UK:

(a) admits that the Appendix 4E did not impair the value of the Appendix 4E PSD Goodwill Asset;

(b) admits that the Appendix 4E did not recognise an expense from the impairment of the Appendix 4E PSD Goodwill Asset;

(c) otherwise denies the allegations in paragraph 78AB of the SOC; and

(d) refers to and repeats paragraph paragraphs 47, 48A, 56J, and 57(b)-(e) above.

78AC. EY UK denies the allegations in paragraph 78AC of the SOC, and refers to and repeats paragraph 56J above.

78AD. EY UK denies the allegations in paragraph 78AD of the SOC, and refers to and repeats paragraphs 47, 48A, 56J, 57(b)-(e), 78AA, 78AB and 78AC above.

78AE. EY UK denies the allegations in paragraph 78AE of the SOC, and refers to and repeats paragraph 56J above.

78AF. EY UK denies the allegations in paragraph 78AF of the SOC, and refers to and repeats paragraph 56J above.

78AG. EY UK denies the allegations in paragraph 78AG of the SOC, and refers to and repeats paragraph 56J above.

78AH. EY UK denies the allegations in paragraph 78AH of the SOC, and refers to and repeats paragraphs 47, 48A 57(b)-(e) and 74 above.

78AI. EY UK denies the allegations in paragraph 78AI of the SOC, and refers to and repeats paragraphs 47, 48A, 57(b)-(e) and 73, 75 and 78AA to 78AH above.

78AJ. EY UK denies the allegations in paragraph 78AJ of the SOC, and refers to and repeats paragraphs 47, 48A, 57(b)-(e) and 73, and 78AA to 78AI above.

78AK. EY UK denies the allegations in paragraph 78AK of the SOC, and refers to and repeats paragraphs 47, 48A, 57(b)-(e) and 73, 78AA and 78AH to 78AJ above.

78AL. EY UK denies the allegations in paragraph 78AL of the SOC, and refers to and repeats paragraphs 47, 48A, 57(b)-(e) and 73, 78AA and 78AH to 78AJ above.

E.8 Going Concern Uncertainty

78AM. EY UK denies the allegations in paragraph 78AM of the SOC, and refers to and repeats paragraphs 47, 57(b)-(e), 73 to 76 and 78AA to 78AK above.

78AN. EY UK denies the allegations in paragraph 78AN of the SOC, and refers to and repeats paragraph 56J above.

78AO. EY UK denies the allegations in paragraph 78AO of the SOC, and refers to and repeats paragraph 56J above.

78AP. EY UK denies the allegations in paragraph 78AP of the SOC, and refers to and repeats paragraphs 47, 57(b)-(e), 73 to 77 and 78AA to 78AL above.

78AQ. EY UK denies the allegations in paragraph 78AQ of the SOC, and refers to and repeats paragraphs 47, 57(b)-(e), 73 to 76 and 78AA to 78AK above.

F. PITCHERS' CONTRAVENING CONDUCT

F.1 Pitcher Partners' Appendix 4E Misleading Conduct Contraventions

78A. Under cover that paragraph 78A of the SOC makes no allegation against it, EY UK denies paragraph 78A.

78B. Under cover that paragraph 78B of the SOC makes no allegation against it, EY UK denies paragraph 78B.

78C. Under cover that paragraph 78C of the SOC makes no allegation against it, EY UK does not know and therefore cannot admit paragraph 78C.

78D. Under cover that paragraph 78D of the SOC makes no allegation against it, EY UK denies paragraph 78D.

78E. Under cover that paragraph 78E of the SOC makes no allegation against it, EY UK does not know and therefore cannot admit paragraph 78E.

78F. Under cover that paragraph 78F of the SOC makes no allegation against it, EY UK denies paragraph 78F.

78G. Under cover that paragraph 78G of the SOC makes no allegation against it, EY UK denies paragraph 78G.

78H. Under cover that paragraph 78H of the SOC makes no allegation against it, EY UK denies paragraph 78H.

78I. Under cover that paragraph 78I of the SOC makes no allegation against it, EY UK denies paragraph 78I.

78J. Under cover that paragraph 78J of the SOC makes no allegation against it, EY UK denies paragraph 78J.

78K. Under cover that paragraph 78K of the SOC makes no allegation against it, EY UK denies paragraph 78K.

F.2 Pitcher Partners' 30 September Misleading Conduct Contraventions

78. Under cover that paragraph 78 of the SOC makes no allegation against it, EY UK does not know and cannot admit paragraph 78, and refers to and repeats paragraphs 56 to 58 above.

79. Under cover that paragraph 79 of the SOC makes no allegation against it, EY UK denies paragraph 79, and refers to and repeats paragraph 74 above.

80. Under cover that paragraph 80 of the SOC makes no allegation against it, EY UK denies paragraph 80, and refers to and repeats paragraph 74 above.

81. Under cover that paragraph 81 of the SOC makes no allegation against it, EY UK denies paragraph 81.

82. Under cover that paragraph 82 of the SOC makes no allegation against it, EY UK denies paragraph 82, and refers to and repeats paragraphs 79 and 80 above.

83. Under cover that paragraph 83 of the SOC makes no allegation against it, EY UK denies paragraph 83.

84. Under cover that paragraph 84 of the SOC makes no allegation against it, EY UK denies paragraph 84.

85. Under cover that paragraph 85 of the SOC makes no allegation against it, EY UK denies paragraph 85.

86. Under cover that paragraph 86 of the SOC makes no allegation against it, EY UK denies paragraph 86.

F.3 Continuing nature of the Pitchers Misleading Conduct Contraventions

87. Under cover that paragraph 87 of the SOC makes no allegation against it, EY UK denies paragraph 87.

GA. EY UK'S ROLE

88A. EY UK denies the allegations in paragraph 88A of the SOC and refers to and repeats paragraphs 47 and 48B above.

88B. EY UK denies the allegations in paragraph 88B of the SOC and refers to and repeats paragraphs 47, 48B and 88A above.

88C. EY UK denies the allegations in paragraph 88C of the SOC and refers to and repeats paragraphs 47, 48B and 88A above.

88D. EY UK denies the allegations in paragraph 88D of the SOC and refers to and repeats paragraphs 47, 48B and 88A above.

88E. EY UK denies the allegations in paragraph 88E of the SOC and refers to and repeats paragraphs 47, 48B and 88A above.

GB. EY UK'S FY15 COMPONENT AUDIT AND CONTRAVENING CONDUCT

GB.1 EY UK's FY15 Representations

88F. EY UK denies the allegations in paragraph 88F of the SOC and refers to and repeats paragraphs 47, 48B and 88A above.

88G. EY UK admits the allegations in paragraph 88G of the SOC and refers to and repeats paragraphs 56AA and 88F above.

88H. EY UK denies the allegations in paragraph 88H of the SOC, and refers to and repeats paragraph 56Y above.

88I. EY UK denies the allegations in paragraph 88I of the SOC, and says further:

(a) the statement pleaded in paragraph 88G(b)(ii) did not express an opinion by EY UK that the impairment review of the business was, in fact, prepared in accordance with accounting standards; and

(b) refers to and repeats paragraphs 56D(d), 56D(e), 56T and 56Y above.

88J. EY UK denies the allegations in paragraph 88J of the SOC.

GB.2 SGH's approach to goodwill impairment in FY15

88K. As to paragraph 88K of the SOC, EY UK:

(a) denies the allegation in paragraph 88K;

(b) repeats paragraphs 22, 46B(b) and 48B(c)(viii) above;

(c) says the EY UK Audit Team relied on the information provided to it by each of SGH, SGH UK, Slater & Gordon (UK) LLP, Brown and Fowlie in conducting the FY15 component audit.

Particulars

(i) in relation to paragraph (b), EY UK repeats the particulars to paragraph 22 and 48B(c)(viii) above;

(ii) in relation to paragraph (c), EY UK relies on the full terms and effect of the EY UK (1) Ltd engagement letter signed by Geoff Drake and Ken Fowlie on behalf of Slater & Gordon (UK) 1 Ltd on 17 July 2015, at paragraph 14 (EYU.001.002.0074).

88L. As to paragraph 88L of the SOC, EY UK:

(a) denies the allegations in paragraph 88L;

(b) repeats paragraphs 22, 46B(b), 47 and 88K above;

(c) says that Pitcher Partners had been provided information about the reforms relating to the Jackson Report, by Baker Tilly UK, Pitcher Partners' affiliate auditor in the UK, as part of the component audit of SGH UK in prior years;

(d) says it provided Pitcher Partners with access to its audit file onsite during the week of 13 September 2015, at which time Pitcher Partners conducted a review of EY UK's audit files;

(e) says it provided Pitcher Partners with access to a workpaper entitled "Understanding the business" (EYU.001.001.0815), which recorded:

(i) under the heading "Legal and regulatory framework", "Personal injury legal services are subject to legislation reforms. The most widely recognized one is the Jackson reform which was put in place in order to boost efficiency and reduce fees earned by lawyers on personal injury case";

(ii) under the heading "Key stakeholder influences", "Legislative reforms have threatened jobs across the legal service industry";

(iii) under the heading “Key stakeholder influences”, “Regulators/Government – The industry is constantly under scrutiny by regulators and government”;

(f) says that Pitcher Partners did not make any direct or other enquiries of EY UK relating to SGH UK’s legal and regulatory environment.

Particulars

(i) in relation to subparagraph (b), EY UK relies on the particulars to paragraphs 22, 46B(b), 47 and 88K above;

(ii) in relation to subparagraph (c), EY UK relies on an email dated 3 July 2013 from Angela Morran of Baker Tilly to Michelle Hales (PIP.006.002.6445), which attached a document entitled “Handy Client Guide to the Jackson Reforms” (PIP.006.002.6446);

(iii) in relation to subparagraph (d), EY UK relies on an email dated 9 September 2015 from Fitzpatrick to Howarth and Harkin (PIP.005.001.0612), an email dated 11 September 2015 from Fitzpatrick to Howarth (PIP.006.001.2611) and a file note of Fitzpatrick dated 15 September 2015 (PIP.006.001.1682).

88M. EY UK denies the allegations in paragraph 88M of the SOC.

88N. EY UK:

(a) denies the allegations in paragraph 88N of the SOC; and

(b) if (which is denied) the allegations in paragraph 88N of the SOC are established, says:

(i) Pitcher Partners had access to all information relevant to the FY15 audit;

(ii) Pitcher Partners was responsible for identifying and correcting the matters referred to in that paragraph in accordance with its obligations and duties under its retainer with SGH referred to in paragraph 47 above;

(iii) if Pitcher Partners had discharged those obligations and duties, it would have identified those matters and they would have been corrected; and

(iv) in the premises, Pitcher Partners was and is responsible for any of the matters alleged in paragraphs 88M to 88N of the SOC which might be established.

88O. EY UK denies the allegations in paragraph 88O of the SOC.

88P. EY UK denies the allegations in paragraph 88P of the SOC.

88Q. EY UK denies the allegations in paragraph 88Q of the SOC and says further:

(a) the FY15 Financial Report complied with Australian Accounting Standards and the Corporations Act and did give a true and fair view of SGH's financial position and performance as at 30 June 2015;

(b) it refers to and repeats paragraphs 56AA(e)(v) above;

(c) if (which is denied) it is not the case that the FY15 Financial Report complied with Australian Accounting Standards and the Corporations Act and gave a true and fair view of SGH's financial position and performance as at 30 June 2015, and if (which is denied) this was caused by any of the matters alleged, EY UK says:

(i) Pitcher Partners was responsible for identifying and correcting any non-compliance with Australian Accounting Standards, the Corporations Act and for identifying if the financial accounts did not give a true and fair view of SGH's financial position and performance, in accordance with its obligations and duties under its retainer with SGH referred to in paragraph 47 above;

(ii) if Pitcher Partners had discharged those obligations and duties, it would have identified any non-compliance with Australian Accounting Standards, the Corporations Act and would have identified if the financial accounts did not give a true and fair view of SGH's financial position and performance and those matters would have been corrected; and

(iii) in the premises, Pitcher Partners was and is responsible for any such non-compliance.

GB.3 EY UK's Misleading or Deceptive Conduct

88R. EY UK denies the allegations in paragraph 88R of the SOC and says further:

(a) EY UK, a company incorporated in the UK, was engaged by Slater & Gordon (UK) 1 Ltd and Slater & Gordon (UK) LLP, each UK entities, to undertake certain audit and reporting work;

(b) EY UK undertook such work pursuant to that engagement for those UK entities;

(c) the audit and reporting work that EY UK undertook was conducted in accordance with International Standards on Auditing (UK and Ireland) as promulgated by the UK Financial Reporting Council;

(d) at all relevant times EY UK was required to comply with International Standards on Auditing (UK and Ireland);

(e) the audit and reporting work that EY UK undertook was so undertaken in the course of it carrying on its business within the UK;

(f) EY UK did not engage in conduct in relation to a financial product or financial service "in this jurisdiction" within the meaning of s 1041H of the Corporations Act;

(g) EY UK did not:

(i) carry on business within Australia within the meaning of s 12AC of the ASIC Act;

(ii) engage in trade or commerce within Australia or between Australia and places outside Australia within the meaning of s 12BA(1) of the ASIC Act;

(h) EY UK did not:

(i) carry on business within Australia within the meaning of s 5 of the *Competition and Consumer Act 2010* (Cth) (**CC Act**); and

(ii) engage in trade or commerce within Australia or between Australia and places outside Australia within the meaning of s 4 of the CC Act.

88S. EY UK denies the allegations in paragraph 88S of the SOC.

88T. EY UK denies the allegations in paragraph 88T of the SOC.

88U. EY UK denies the allegations in paragraph 88U of the SOC.

GB.4 Causation

88V. EY UK denies the allegations in paragraph 88V of the SOC.

88W. EY UK denies the allegations in paragraph 88W of the SOC.

88X. EY UK denies the allegations in paragraph 88X of the SOC.

G. LOSS & DAMAGE ARISING FROM PITCHERS' CONTRAVENTIONS AND EY UK'S CONTRAVENTIONS

G.1 The 26 November Announcement, and its consequences

88. EY UK admits the allegations in paragraph 88 of the SOC, and will refer to and rely upon the full terms and effect of the documents referred to at trial.

89. EY UK admits the allegations in paragraph 89 of the SOC, and will refer to and rely upon the full terms and effect of the documents referred to at trial.

90. EY UK admits the allegations in paragraph 90 of the SOC, and will refer to and rely upon the full terms and effect of the documents referred to at trial.

91. EY UK does not know and therefore cannot admit the allegations in paragraph 91 of the SOC.

G.2 The suspension of SGH Shares

92. EY UK admits the allegations in paragraph 92 of the SOC.

G.3 The 29 February Publications, and their consequences

93. As to paragraph 93 of the SOC, EY UK:

(a) admits that on 29 February 2016 SGH published and lodged with ASX the 29 February Publications;

(b) will refer to and rely upon the full terms and effect of the 29 February Publications at trial; and

(c) otherwise does not know and therefore cannot admit the paragraph.

94. EY UK admits the allegations in paragraph 94 of the SOC, and will refer to and rely upon the full terms and effect of the document referred to at trial.

95. EY UK admits the allegations in paragraph 95 of the SOC, and will refer to and rely upon the full terms and effect of the documents referred to at trial.

96. EY UK admits the allegations in paragraph 96 of the SOC, and will refer to and rely upon the full terms and effect of the document referred to at trial.

97. EY UK admits the allegations in paragraph 97 of the SOC.

98. EY UK does not know and therefore cannot admit the allegations in paragraph 98 of the SOC.

99. EY UK does not know and therefore cannot admit the allegations in paragraph 99 of the SOC.

G.4 Market-based causation

100. EY UK admits the allegations in subparagraphs 100(a) and (b) of the SOC, and otherwise denies the allegations in paragraph 100 of the SOC.

101. EY UK denies the allegations in paragraph 101 of the SOC.

102. EY UK denies the allegations in paragraph 102 of the SOC.

103. EY UK denies the allegations in paragraph 103 of the SOC.

104. EY UK denies the allegations in paragraph 104 of the SOC.

G.5 Reliance

105. EY UK denies the allegations in paragraph 105 of the SOC.

106. EY UK denies the allegations in paragraph 106 of the SOC.

G.6 Loss or damage suffered by the Applicant and Group Members

107. EY UK denies the allegations in paragraph 107 of the SOC and says further:

(a) it refers to and repeats paragraphs 56J and 88R above;

(b) the risks that:

(i) the FY15 Financial Report might contain a material misstatement and/or that such material misstatement might not be detected by the auditor;

(ii) at any given time, the price of SGH Shares on ASX might be affected by an error in the FY15 Financial Report;

(iii) at any given time, the price of SGH Shares on ASX might be different from the true value of SGH Shares; and

(iv) the price of SGH Shares on ASX might fluctuate to a significant degree, were each:

(1) an obvious and/or inherent risk; and

(2) an inherent feature of the market for trading in shares operated by ASX during the Relevant Period;

(c) in the circumstances of paragraph 107(b) above and paragraphs 47, 48 and 48B herein, and having regard to the subject matter, scope and purpose of s 1041H of the Corporations Act, s 12DA of the ASIC Act and/or s 18 of the ACL, it is not appropriate for any liability of EY UK to extend to the loss alleged in paragraph 107 of the SOC; and

(d) if (which is not presently known to EY UK), the Applicant or any Group Member has recovered any amount from any third party (including any adviser), whether in cash or in kind, or by way of formal or informal settlement or external dispute resolution scheme under the Corporations Act or otherwise, or by way of any scheme of arrangement under the Corporations Act, or by any other means, in respect of the loss claimed by the Applicant or Group Member in these proceedings, such amount must be brought to account by the Applicant or Group Member.

108. EY UK denies the allegations in paragraph 108 of the SOC and refers to and repeats paragraphs 56J and 107 above.

Failure to take reasonable care

109. Further or alternatively, if (which is not presently known to EY UK), the decision of the Applicant or any Group Member to purchase SGH Shares, and/or retain such shares, in respect of which the Applicant or Group Member now makes claims based on alleged contraventions of s 1041H of the Corporations Act, s 12DA of the ASIC Act, or s 18 of the ACL, involved a failure by the Applicant or Group Member to take reasonable care, then, by reason of:

(a) s 1041I of the Corporations Act;

(b) s 12GF of the ASIC Act; and/or

(c) s 137B of the CC Act,

and, in circumstances where EY UK did not intend to cause, and did not fraudulently cause, the loss or damage the subject of the claims, any liability of EY UK to those claims (which is

denied) is limited to an amount which the Court thinks just and equitable having regard to the responsibility of the Applicant or Group Member.

Particulars

Further particulars may be provided following discovery in respect of the claims by the Applicant and, prior to the trial of each Group Member's claims, by that Group Member.

Proportionate Liability

110. Further or alternatively, and as to the whole of the SOC, if (which is denied) the Applicant or any Group Member suffered any loss or damage on the basis alleged by the Applicant in the SOC, then for the purposes of this defence only:

(a) any claim by the Applicant for damages under section 12GF of the ASIC Act, section 1041I of the Corporations Act, or section 236 of the CC Act is an apportionable claim within the meaning of section 12GP of the ASIC Act, section 1041L of the Corporations Act, or section 87CB of the CC Act respectively;

(b) each of:

(i) the First Respondent;

(ii) the First to Eighth Cross-Respondents; and

(iii) Arnold Bloch Leibler,

is a concurrent wrongdoer in respect of such a claim within the meaning of section 12GP of the ASIC Act, section 1041L of the Corporations Act and/or section 87CB of the CC Act; and

(c) pursuant to section 12GR of the ASIC Act, section 1041N of the Corporations Act or section 87CD of the CC Act, the extent of EY UK's liability for that damage or loss in respect of such a claim is limited to an amount reflecting that proportion of the damage or loss caused that the Court considers just having regard to the extent of the responsibility of each of the First Respondent, First to Eighth Cross-Respondents, and Arnold Bloch Leibler.

Particulars

Solely for the purpose of this Defence and on the assumption that the Applicant establishes the matters alleged in the SOC, EY UK says:

As against the First Respondent

(i) EY UK relies upon and repeats the allegations made against Pitcher Partners in sections A to F and G of the SOC.

As against the First to Eight Cross-Respondents

(ii) EY UK refers to and repeats paragraphs 56P and 78(b) to (e) of the Pitcher Partners' Defence and paragraphs 47 and 48 above.

(iii) On or about 10 February 2015, SGH lodged with ASX its **1HY15 Financial Report** in which Skippen and Grech (as executive directors of SGH and on behalf of the directors and officers of SGH during the Relevant Period, being Andrew Alexander Grech, Raymond John Skippen, Kenneth John Fowlie, Ian Robert Court, Erica Maree Lane, Rhonda O'Donnell and Wayne Brown) declared that the financial statements and notes of the 1HY15 Financial Report:

(1) were "in accordance with the Corporations Act 2001";

(2) complied with "Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001, and other mandatory professional reporting requirements"; and

(3) gave a "true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the half year ended on that date".

(iv) By reason of the matters particularised in paragraph (iii) above, SGH and each of Grech, Fowlie, Court, Skippen, Lane and O'Donnell represented to, inter alia, the Affected Market (including Group Members), that the 1HY15 Report complied with the Corporations Act, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements and gave a true and fair view of the financial position and performance of SGH as at 31 December 2014 (the **1HY15 SGH Directors' Declaration Representation**).

(v) On or about 28 August 2015, SGH lodged with the ASX its Appendix 4E in which Grech (as executive director of SGH and on behalf of the directors and officers of SGH during the Relevant Period, being Grech, Skippen, Fowlie, Court, Lane, O'Donnell and Brown) signed the Compliance Statement of the FY15 Appendix 4E which declared that the relevant requirements referred to in paragraph 5(c) herein and paragraph 5(f) of the SOC had been met.

(vi) By reason of the matters particularised in paragraph (v) above, each of SGH, Grech, Fowlie, Court, Skippen, Lane and O'Donnell represented to, *inter alia*, the Affected Market (including Group Members) that the Appendix 4E complied with the Corporations Act, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements and gave a true and fair view of the financial position and performance of SGH and the SGH Group (the **FY15 Appendix 4E Compliance Representation**).

(vii) On or about 30 September 2015, SGH lodged with the ASX its **FY15 Financial Report** in which Skippen and Grech (as executive directors of SGH and on behalf of the directors and officers of SGH during the Relevant Period, being Grech, Skippen, Fowlie, Court, Lane, O'Donnell and Brown) declared that the financial statements and directors' report set out in the FY15 Financial Report:

(1) were "in accordance with the Corporations Act 2001";

(2) complied with "Accounting Standards and the Corporations Regulations 2001, and other mandatory professional requirements"; and

(3) gave a "true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date".

(viii) By reason of the matters particularised in paragraph (vii) above, SGH and each of Grech, Fowlie, Court, Skippen, Lane and O'Donnell represented to, *inter alia*, the Affected Market (including Group Members), that the FY15 Financial Report complied with the Corporations Act, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements and gave a true and fair view of the financial position and performance of SGH as at 30 June 2015 (the **FY15 SGH Directors' Declaration Representation**).

(ix) As at early 2015 and in any event by 30 March 2015, information as to the matters pleaded in paragraphs 12, and 19 to 40 of the SOC (the **Reform Affected Claims Information**) came, or ought reasonably to have come, into the possession of SGH, Grech, Fowlie, Court, Skippen, Lane, O'Donnell and/or Brown in the course of the performance of their respective duties.

(x) The Reform Affected Claims Information would have:

(1) affected the significant assumptions used by SGH and its directors in making accounting estimates, including those measured at fair value, and such that the value attributed to identifiable intangibles for the acquisition of PSD were not complete;

(2) affected the forecasts and underlying assumptions utilised in the goodwill impairment calculations of the cash generating units, including PSD; and

(3) materially altered reasonable expectations as to the future results of PSD and led to an impairment of PSD's goodwill on acquisition.

(xi) Further, EY UK repeats paragraphs 10 to 42 and 59 to 77A of the SOC, concerning the actions and matters within the knowledge of SGH and its

directors and officers as to SGH's net asset position, Growth Strategy Risks and material overstatements in the FY15 Financial Report.

(xii) By reason of the matters particularised in paragraphs (ix) to (xi) above:

(1) significant assumptions used by SGH and its directors and officers in making accounting estimates, including those measured at fair value, would not have been reasonable and, in particular, the value attributed to identifiable intangibles for the acquisition of PSD would not have been complete and would not have been valued using appropriate valuation assumptions and models;

(2) the forecasts, and underlying assumptions utilised in the goodwill impairment calculations of the cash generating units, including relevantly, PSD, and the assumptions in relation to growth rates and working capital improvements would not have represented a reasonable estimate by management; and

(3) SGH and its directors' and officers' increased understanding of the PSD business since acquisition ought to have included an understanding of the Reform Affected Claims Information, which would have materially altered its expectations of the future results of PSD and led to an impairment of PSD's goodwill on acquisition.

(xiii) By reason of the matters particularised in paragraphs (xi) to (xii) above, SGH's FY15 financial statements, referred to in paragraphs (iii) and (vii) above, and SGH's FY15 Appendix 4E referred to in paragraph (v) above, did not give a true and fair view of SGH's financial position and performance as at the relevant dates of those FY15 financial statements and FY15 Appendix 4E, and did not comply with the Corporations Act, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements.

(xiv) By publishing each of the 1HY15 Financial Report, the FY15 Financial Report and the Appendix 4E containing each of the 1HY15 SGH Directors' Declaration Representation, the FY15 SGH Directors' Declaration Representation and the FY15 Appendix 4E Compliance Representation, and or failing to correct or qualify those representations (collectively, the "**FY15 Declaration Representations**"), SGH and each of Grech, Fowlie, Court, Skippen, Lane, O'Donnell and Brown engaged in conduct:

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

(2) in trade or commerce in relation to financial services within the meaning of section 12DA of the ASIC Act: and/or

(3) in trade or commerce within the meaning of section 18 of the ACL.

(xv) In the circumstances particularised in paragraphs (ix) to (xiv) above:

(1) significant assumptions used by SGH and its directors and officers in making accounting estimates, including those measured at fair value, would not have been reasonable and, in particular, the value attributed to identifiable intangibles for the acquisition of PSD would not have been complete and would not have been valued using appropriate valuation assumptions and models;

(2) the forecasts, and underlying assumptions utilised in the goodwill impairment calculations of the cash generating units, including relevantly, PSD, and the assumptions in relation to growth rates and working capital improvements would not have represented a reasonable estimate by management; and

(3) SGH and its directors and officers' increased understanding of the PSD business since acquisition ought to have included an understanding of the Reform Affected Claims Information, which would have materially altered its expectations of the future results of PSD and led to an impairment of PSD's goodwill on acquisition.

(xvi) By reason of the matters particularised in paragraphs (ix) to (xv) above, the FY15 Financial Report and the Appendix 4E, did not give a true and fair view of SGH's financial position and performance as at the relevant dates of the FY15 Financial Report and Appendix 4E, and did not comply with the Corporations Act, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements.

(xvii) By publishing each of the 1HY15 Financial Report, the FY15 Financial Report and the Appendix 4E, containing each of the 1HY15 SGH Directors' Declaration Representation, the FY15 SGH Directors' Declaration Representation and the FY15 Appendix 4E Compliance Representation, and/or failing to correct or quality those representations (collectively, **the FY15 Declaration Representations**), SGH and each of Grech, Fowlie, Court, Skippen, Lane, O'Donnell and Brown engaged in conduct:

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

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

(3) in trade or commerce within the meaning of section 18 of the ACL.

(xviii) In the circumstances particularised in paragraphs (x) to (xvi) above, SGH and each of Grech, Fowlie, Court, Skippen, Lane, O'Donnell and Brown engaged in conduct which was misleading or deceptive, or likely to mislead or deceive by making and/or failing to correct each of the FY15 Declaration Representations.]

(xix) By reason of the matters particularised in paragraphs (xvii) to (xviii) above, SGH and each of Grech, Fowlie, Court, Skippen, Lane, O'Donnell and Brown contravened:

(1) section 1041H of the Corporations Act;

(2) section 12DA of the ASIC Act; and/or

(3) section 18 of the ACL,

(the **SGH and Directors' Misleading Contraventions**).

(xx) For the purposes of this defence only, save for paragraphs 100(e), 101(b), 102(a)(iii), 102(b)(ii) and 103(b) and the words "further or alternatively, the FY15 EY UK Contraventions" in paragraph 104(b), EY UK repeats paragraphs 88 to 104 of the SOC, concerning ASX announcements and SGH share prices from 26 November 2015 to 1 March 2016 and market-based causation, save that the phrases "Pitchers Appendix 4E Misleading Conduct Contraventions" and or "Pitchers 30 September Misleading Conduct Contraventions" (in SOC paragraphs 100, 101, 102, 104, 107 and 108) is to be replaced with the words "the SGH and Directors' Misleading Contraventions".

(xxi) For the purposes of this defence only, EY UK repeats paragraphs 105(a) and 106(a) of the SOC, concerning reliance by the Applicant and Group Members, save that the phrases "Pitchers Opinion" and "Pitchers Representation to ASX" is to be replaced with the words "the SGH and Directors' Misleading Representations".

(xxii) For the purposes of this defence only, EY UK repeats paragraphs 107(a) and 108(a) of the SOC, concerning the Applicant and Group Members' alleged loss and damage, save that the phrases "Pitchers Appendix 4E Misleading Conduct Contraventions" and or "Pitchers 30 September Misleading Conduct Contraventions" is to be replaced with the words "the SGH and Directors' Misleading Contraventions" and says that the loss and damage suffered by the Applicant and Group Members was caused by the contraventions that are referred to in paragraph (xix) above.

Further particulars may be provided after evidence.

As against Arnold Bloch Leibler

(xxiii) On 30 March 2015, SGH published and lodged with the ASX (and published on SGH's website) (with the knowledge and authority of the SGH board):

(1) an announcement entitled "Slater and Gordon executes agreement to acquire Quindell's Professional Services Division and launches A$890m accelerated renounceable entitlement offer' (**30 March Announcement**), which was classified "price-sensitive" and marked ("$") on the ASX website;

(2) a presentation entitled "Professional Services Division Acquisition and Entitlement Offer" (**30 March Presentation**);

(3) a cleansing notice (**30 March Cleansing Notice**) under section 708AA(2)(f) of the Corporations Act as notionally modified by Class Order 08135 issued by the Australian Securities and Investments Commission (**ASIC**); and

(4) an Appendix 3B - new issue announcement (**30 March Appendix 3B**),

(the **30 March Publications**).

(xxiv) In the 30 March Announcement, SGH stated that it was seeking to raise approximately $890 million in new equity to fund the acquisition of PSD through a 2 for 3 pro rata renounceable entitlement offer (**Entitlement Offer**).

(xxv) On a date unknown to EY UK but no later than on or about 24 March 2015 (**ABL Retainer Date and DDC Establishment Date**);

(1) ABL was retained as the "Australian legal adviser to Slater & Gordon" for the purposes of the Entitlement Offer (**ABL Retainer**); and

(2) SGH established a due diligence committee (**DDC**) to oversee and coordinate the due diligence process for the Entitlement Offer.

(xxvi) At all material times, the due diligence process which the DDC was to oversee and coordinate was directed to the potential liability under Australian and New Zealand law for the Entitlement Offer and the issuing of the following documents:

(1) a notice prepared in compliance with section 708AA(7) of the Corporations Act to be lodged with ASX at the outset of the Entitlement Offer (called the "Cleansing Notice") (that is, the **30 March Cleansing Notice**);

(2) an offer booklet (including an entitlement and acceptance form) setting out the terms of the Entitlement Offer to be sent to SGH's eligible retail shareholders (called the "Booklet");

(3) an ASX announcement in respect of the Entitlement Offer (that is, **the 30 March Announcement**) and the acquisition and a presentation pack for institutional shareholders and other "exempt investors", which was also to be sent to retail Investors as part of the Booklet (called the "Investor Presentation'? (that is, the **30 March Announcement and the 30 March Presentation**),

(the **Offer Documents**).

(xxvii) ABL, represented by partner Jonathan Wenig (**Wenig**), chaired and was a member of the DDC.

(xxviii) As a member of the DDC, ABL was responsible, in respect of the Entitlement Offer, to, *inter alia*:

(1) determine the due diligence processes and recommend their approval by the SGH Board;

(2) identify key issues and risk factors on which the due diligence process would focus;

(3) allocate responsibility for investigating each relevant area (including appointment of experts);

(4) ensure that there was adequate supervision at all stages of the due diligence process so that a complete and thorough understanding of all relevant issues had been obtained prior to finalising each DDC report and the Offer Documents;

(5) receive and adopt reports and sign-offs from reporting experts;

(6) maintain a register of material issues which constituted a register of all material issues raised, identified the nature of the issue and how it was resolved;

(7) supervise and assist in the drafting of the Offer Documents and, in particular ensure that:

1. the Cleansing Notice, when read together with the Investor Presentation contained all the information required to satisfy the content requirements set out in the Corporations Act;

2. there were no material misstatements in or omissions from the Offer Documents; and

3. the Offer Documents otherwise complied with the Corporations Act and were not misleading or deceptive (including by omission);

(8) consider SGH's current and ongoing continuous disclosure systems including identifying all information which had been withheld from disclosure to ASX by SGH in accordance with its continuous disclosure obligations;

(9) ensure that the due diligence process was documented to provide evidence of the enquiries that had been made and the basis on which opinions had been formed;

(10) review the scope of work provided by ABL in relation to the legal due diligence and ensure that the scope and conduct of the legal due diligence was adequate based on the scope of work provided;

(11) co-ordinate and supervise the verification of statements contained in the Offer Documents in accordance with the SGH Due Diligence Planning Memorandum (**DDPM**) (SGH.029.001.0331_2), which was drafted by ABL;

(12) report to the SGH Board from time to time and provide a final DDC report on the due diligence process to the SGH Board and for the benefit of each member of the DDC (and their representatives) as contemplated by the DDPM;

(13) following lodgement of the Offer Documents, continue to receive and assess information about new circumstances that come to a member's attention and which may necessitate the issue of supplementary disclosure in accordance with clause 12 of the DDPM; and

(14) maintain custody of due diligence materials (including minutes, reports and verification notes) for an appropriate period of time,

(**ABL DDC Member Responsibilities**).

(xxix) At all material times after the DDC Establishment Date, Wenig (as chair of the DDC) was responsible to:

(1) ensure that the meetings of the DDC were properly conducted;

(2) ensure that all members of the DDC were appropriately heard; and

(3) ensure that all agenda items and issues were adequately discussed,

(**ABL DDC Chair Responsibilities**).

(xxx) By reason of the ABL Retainer and/or the ABL DDC Chair Responsibilities, ABL had responsibility for considering and verifying for each statement contained in the 30 March Cleansing Notice that:

(1) the statement, considered in the context in which it appeared in the Offer Documents, was neither misleading nor deceptive;

(2) there were no matters relevant to the subject to which the statement related which were omitted from the Offer Documents; and

(3) the statement could be cross referenced to independent source materials to establish the truth and accuracy or the statement or, where that was not feasible, the truth and accuracy of the statement was based on direct personal knowledge and expertise and/or an analysis demonstrating that the relevant statement had been made on reasonable grounds,

(**ABL DDC Verification Responsibility**).

(xxxi) ABL had responsibility for providing to the directors of SGH a legal opinion that:

(1) in relation to the Entitlement Offer, SGH and the Entitlement Offer satisfied the conditions in section 708AA(2) of the Corporations Act;

(2) the 30 March Cleansing Notice complied with section 708AA(7) of the Corporations Act, and was not defective within the meaning of section 708AA(11) of the Corporations Act;

(3) the Offer Documents did not contain any statement that was false, Misleading, or deceptive, or likely to mislead or deceive) including by way of omissions from the Offer Documents, having regard to the content requirements of section 708AA(7) of the Corporations Act; and

(4) the due diligence process, as described in the DDPM.

1. had been implemented, completed, and conducted, as the case may be, in accordance with the terms of the DDPM in all material respects or that there were no material deviations from it not approved by the DOC;

2. was appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act; and

3. constituted the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, and to ensure that the Offer Documents were true and not misleading or deceptive and that there were no omissions from the Offer Documents that were required to be included by the Corporations Act,

(**ABL Legal Opinion Responsibilities**).

(xxxii) By reason of the ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibility and the ABL Legal Opinion Responsibilities, a reasonable person in the position of ABL and/or Wenig would have foreseen that:

(1) the Offer Documents were to be communicated to persons to whom the Entitlement Offer was addressed (either originally as eligible shareholders. or through the institutional shortfall bookbuild and retail shortfall bookbuild) (**Potential Entitlement Offer Participants**) for the purpose of enabling them to consider whether to acquire an interest in full paid ordinary shares in SGH (**SGH Shares**) pursuant to the Entitlement Offer:

(2) in determining whether to acquire SGH Shares pursuant to the Entitlement Offer, Potential Entitlement Offer Participants would, or may:

1. rely on the Offer Documents;

2. rely on the Offer Documents having been published in a manner which complied with all applicable laws, including that the 30 March Cleansing Notice was not defective by reason of being false or misleading in a material particular, or omitting a matter or thing the omission of which rendered them misleading in a material respect;

3. rely on the statement in the 30 March Cleansing Notice that SGH had complied with section 674(2) of the Corporations Act (**Section 708AA Notice Statement**), that is, that SGH had complied with SGH's continuous disclosure obligations; and

4. rely on SGH's representations that the due diligence process had been extensive, thorough, and appropriate, taking into account the scale of the PSD acquisition;

(3) matters contained in the Offer Documents (and the omission of matters which ought to have been disclosed in the Offer Documents) were likely to lead Potential Entitlement Offer Participants to acquire SGH Shares through the Entitlement Offer and pay the offer price under the Entitlement Offer (being A$6.37 per new SGH Share) (**Offer Price**); and

(4) Potential Entitlement Offer Participants who acquired SGH Shares through the Entitlement Offer were at risk of incurring economic loss.

(xxxiii) Further, a reasonable person in the position of ABL and/or Wenig would have foreseen that:

(1) the price or value of SGH Shares on the financial market operated by the ASX would be informed or affected by information disclosed in accordance with sections 674(2) of the Corporations Act and ASX Listing Rule 3.1:

(2) if:

1. material information had not been disclosed to ASX (or to the market of investors or potential investors in SGH Share), which a reasonable person would expect, had it been disclosed, would have had a material adverse effect on the price or value of SGH Shares; and/or

2. misleading or deceptive statements had been made to ASX (or to the market of investors or potential investors in SGH Shares), which statements a reasonable person would expect to have a material effect on the price or value of SGH Shares, in that if they had not been made no investors or potential investors in SGH Shares would have been In a position to read or rely upon them,

then the market price of SGH Shares on the financial market operated by ASX may be substantially greater than their true value and/or the market price that would have prevailed had such information been disclosed, and/or such misleading or deceptive statements not been made, or having been made had been qualified or contradicted (**Uninflated Price**);

(3) if the Offer Documents (including the Cleansing Statement) disclosed:

1. material information which a reasonable person would expect, had it been disclosed, would have had a material adverse effect on the price or value of SGH Shares; and/or

2. information which contradicted or qualified statements made to ASX (or to the market of investors or potential investors in SGH Shares),

then the market price of SGH Shares on the financial market operated by ASX was likely to decline; and

(4) if the Entitlement Offer proceeded in the circumstance pleaded in paragraph (3) above, Potential Entitlement Offer Participants who acquired SGH Shares through the Entitlement Offer at the Offer Price (or a price which was higher than the Uninflated Price) were at risk of incurring economic loss.

(xxxiv) Further, a reasonable person in the position of ABL and/or Wenig would have foreseen that:

(1) in the absence of a legal opinion from ABL which set out the matters pleaded in paragraph (xxxi) above:

1. the Offer Documents would not be published in the same form, or at all;

2. the Potential Entitlement Offer Participants would not acquire SGH Shares through the Entitlement Offer at the same price or at all;

(2) if performance of the ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibility and ABL Legal Opinion Responsibilities resulted in ABL issuing a legal opinion from ABL which set out the matters pleaded in paragraph (xxii) above, in circumstances where:

1. in relation to the Entitlement Offer, SGH and the Entitlement Offer did not satisfy the conditions in section 708AA(2) of the Corporations Act;

2. the 30 March Cleansing Notice did not comply with section 708AA(7) of the Corporations Act;

3. the 30 March Cleansing Notice was defective within the meaning of section 708AA(11) of the Corporations Act;

4. the Offer Documents did contain a statement that was false, misleading, or deceptive, or likely to mislead or deceive (including by way of omissions from the Offer Documents), having regard to the content requirements of section 708AA(7) of the Corporations Act: or

5. the due diligence process, as described in the DDPM:

a. had not been implemented, completed, and conducted, as the case may be, in accordance with the terms of the DDPM in all material respects or that there were no material deviations from it not approved by the DOC;

b. was not appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act; or

c. did not constitute the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, to ensure that the Offer Documents were true and not misleading or deceptive and that there were no omissions from the Offer

Documents that were required to be included by the Corporations Act,

this was likely to result in the Offer Documents being published by SGH in a form in which Potential Entitlement Offer Participants were invited to acquire SGH Shares and pay the Offer Price on the basis of Offer Documents which would not otherwise have been published in the same form, or at all, and acquiring SGH Shares through the Entitlement Offer at the same price or at all.

(xxxv) At all material times, Potential Entitlement Offer Participants had substantially less capacity to determine whether the Offer Documents were inaccurate and/or misleading and/or incomplete by reason of the existence and non-inclusion within the Offer Documents of information of which SGH was aware, or which ought reasonably to have come into the possession of SGH Officers in the course of the performance of their respective duties, than did ABL (as a member of the DOC) and Wenig (as Chairman of the DOC).

(xxxvi) At all material times, by reason of the matters pleaded in paragraphs (xxiii) to (xxiv) above, Potential Entitlement Offer Participants (including the Applicant and those Group Members who acquired SGH Shares through the Entitlement Offer) were in a position of vulnerability.

(xxxvii) By reason of the matters pleaded in paragraphs (xxxii) to (xxxvi) above, a reasonable person in the position of ABL and/or Wenig would have foreseen a not insignificant risk of harm to Potential Entitlement Offer Participants if ABL's and/or Wenig's performance of the ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibility and ABL Legal Opinion Responsibilities resulted in ABL issuing a legal opinion which set out the matters pleaded in paragraph (xxii) above, in circumstances where:

(1) the Entitlement Offer did not satisfy the conditions in section 708AA(2) of the Corporations Act;

(2) the 30 March Cleansing Notice did not comply with section 708AA(7) of the Corporations Act, or was defective within the meaning of section 708AA(11) of the Corporations Act;

(3) the Offer Documents did contain a statement that was false, misleading, or deceptive, or likely to mislead or deceive) including by way of omissions from the Offer Documents, having regard to the content requirements of section 708AA(7) of the Corporations Act; or

(4) the due diligence process, as described in the DDPM:

1. was not appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act; or

2. did not constitute the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, to ensure that the Offer Documents were true and not misleading or deceptive and that there were no omissions from the Offer Documents that were required to be included by the Corporations Act.

(xxxviii) By reason of the matters in paragraphs (xxxii) to (xxxvii) above, ABL had a duty to potential Entitlement Offer participants to exercise reasonable care and skill in the performance of the ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibility and the ABL Legal Opinion Responsibilities (**ABL Duty of Care**).

(xxxix) On a date unknown to EY UK prior to 30 March 2015:

(1) ABL assisted SGH in preparing and/or settling the 30 March Announcement and the 30 March Presentation, including by amending the section of the 30 March Presentation entitled "Key Risks";

(2) ABL reviewed and/or finalised the 30 March Cleansing Notice (including the Section 708AA Notice Statement);

(3) ABL undertook work to review and consider whether:

1. the Section 708AA Statement, considered in the context in which it appeared in the Offer Documents, was misleading or deceptive;

2. there were no matters relevant to the subject to which the Section 708AA Statement related which were omitted from the Offer Documents; and

3. the Section 708AA Statement could be cross referred to independent source materials to establish the truth and accuracy or the statement or, where that was not feasible, the truth and accuracy of the statement was based on direct personal knowledge and expertise and/or an analysis demonstrating that the relevant statement had been made on reasonable grounds,

(**Work done by ABL**);

(xl) On:

(1) a date unknown to EY UK prior to 27 March 2015, ABL issued:

1. ABL's Legal Due Diligence Report (**DD Report**) to the directors of SGH and the members of the DOC; and
2. the Unsigned ABL Legal Opinion Letter to the directors of SGH;

Sub-particulars

The DD Report is undated but was provided to SGH prior to 27 March 2015 as it was included in the board pack made available to directors of SGH to be held that date and is stamped "Board - 27 Mar 2015 (Transaction Pack) (Video Conference) Equity Raising" (SGH.029.001.0331_2);

The Unsigned ABL Legal Opinion Letter is dated 23 March 2015 and was provided to SGH prior to 27 March 2015, as it was included in the board pack made available to directors of SGH to be held that date and is stamped "Board - 27 Mar 2015 (Transaction Pack) (Video Conference) - Equity Raising" (SGH.029.001.0331_2).

(2) 29 March 2015, ABL (through Wenig) issued the ABL Signed Legal Opinion Letter, to the SGH Board (copied to other members of the DOC), which was in substantially the same terms as the Unsigned ABL Legal Opinion Letter:

Sub-particulars

The only differences between the ABL Signed Legal Opinion Letter and the Unsigned ABL Legal Opinion Letter were that the Unsigned ABL Legal Opinion Letter:

1. used the word "institutional tradeable retail" instead of the word "renounceable", on p.1, paragraph 1;
2. did not refer to Macquarie Capital (Australia) Ltd (ACN 123 199 548) as an underwriter, on p.2, paragraph 2, and generally used the term "Underwriter" instead of "Underwriters");
3. contained an extraneous word ("the") on p.2, paragraph 1(c), line 2;
4. did not contain the date of the DDPM ("on 29 March 2015") on p.2, paragraph 1(d);
5. used the term “Booklet” instead of the term “Offer Documents” on p.3, paragraph 1(l);

6. did not contain the date of the Underwriting Agreement ("on or about 30 March") on p.6, paragraph 12(a);

7. contained sub-paragraph 12(a)(ii)(C) in terms which permitted disclosure if "filed with a government or other agency or quoted or referred to in a public document"; and

8. did not contain the words "(including the Underwriters)" after the word "observer" on p.6, paragraph 12(a)(ii)(E), which became 12(a)(ii)(o) in the ABL Signed Legal Opinion Letter.

(xli) The Unsigned ABL Legal Opinion Letter and the ABL Signed Legal Opinion Letter stated the following:

(1) that:

1. we believe that SGH and the Entitlement Offer satisfied the conditions in section 708AA(2) of the Corporations Act;

2. there is no matter known to us that would cause us to believe, and we do not believe that the 30 March Cleansing Notice does not comply with section 708AA(7) of the Corporations Act or was defective within the meaning of section 708AA(11) of the Corporations Act;

3. nothing had come to our attention that causes us to believe, and we do not believe, that the Offer Documents contain any statement that is false, misleading, or deceptive, or likely to mislead or deceive including by way of statements included in or omissions from the Offer Documents), having regard to the content requirements of section 708AA(7) of the Corporations Act,

(together, **Offer Documents Legal Opinions**);

(2) nothing has come to our attention which causes us to believe, and we do not believe, that the Due Diligence Process, and the scope of the due diligence inquiries as described in the DDPM.

1. has not been implemented, completed, and conducted, as the case may be, in accordance with the terms of the DDPM in all material respects (or that there were any material deviations from it not approved by the DDC);

2. would not be appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act;

3. should constitute the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, and to ensure that the Offer Documents are true and not misleading or deceptive and that there are no omissions from the Offer Documents that were required to be included by the Corporations Act,

(together, **Due Diligence Legal Opinion**),

(together, **ABL Legal Opinions**).

(xlii) By the ABL Legal Opinions, ABL and Wenig represented to the SGH Board (and other members of the DDC) that the ABL Legal Opinions were based upon reasonable grounds and were the product of an exercise of reasonable skill and care (**ABL Legal Opinions Basis Representation**).

Sub-particulars

The ABL Legal Opinions Basis Representation was implied from the conduct of ABL and/or Wenig in giving the ABL Legal Opinions, coupled with the absence of any or any adequate reservation or qualification to that opinion.

(xliii) ABL and Wenig engaged in the conduct pleaded in paragraphs (xxxix) to (xlii) above for the purpose of carrying out the ABL Retainer, ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibilities, and/or ABL Legal Opinion Responsibilities.

(xliv) After the DDC Establishment Date:

(1) Wenig (together with other ABL Lawyers) attended, or participated by telephone in, a number of meetings of the DOC, at which information was presented for consideration by the DOC;

(2) at all material times, ABL and/or Wenig had access to and was provided with:

1. all advices, reports and other materials provided by each of ABL executives and management of SGH, Baker & McKenzie, Macfarlanes and Mutual Trust (as "Reporting Persons" for the purposes of the DDPM); and

2. all materials provided to and produced by the DDC (including all minutes of meetings, expert reports, verification questions and answers);

(3) On a date unknown to EY UK after the ABL Retainer Date and prior to 11:30am on 29 March 2015, ABL and/or Wenig accessed and reviewed the following documents:

1. drafts and final forms of questionnaires and certificates by management of SGH and other reports and sign-offs;
2. all documents released to ASX by SGH from 5 February 2015;
3. SGH's continuous disclosure policy:
4. all minutes of SGH's board meetings from 5 February 2015;
5. all correspondence between SGH and ASIC and ASX in relation to continuous disclosure matters from 5 February 2015; and
6. successive drafts of the Offer Documents.

(4) the documents to which ABL had access and reviewed, by reason of the matters pleaded in (1) - (3) above, included:

1. the Instinctif Report and its annexures (SGH.029.002.0624);
2. an EY Report (SGH.029.002.0001), which was identified as Report 1, and described as "Draft Report provided" in Appendix 1 to Annexure C to ABL's DD Report (SGH.029.001.0331);
3. the FRP Report (SGH.029.002.0690-0702), which was identified as Report 6.2 and described as "Draft Report provided" in ABL's DD Report (SGH.029.001.0331_2);
4. the Underwriters' Questionnaire, which was Annexure C to ABL's DD Report (SGH.029.001.0331_2); and
5. a document entitled Project Malta Board Information Session dated 20 March 2015 (**20 March Board Report**) (SGH.029.001.0018),

(**materials to which ABL had access and reviewed**).

(xlv) By reason of the materials to which ABL had access and reviewed, as at early 2015 and in any event by 29 March 2015, information as to the Reform Affected Claims Information came, or ought reasonably to have come, into the possession of ABL and/or Wenig in the course of carrying out the ABL Retainer, ABL DDC Member Responsibilities, ABL DDC Chair Responsibilities, ABL DDC Verification Responsibilities, and/or ABL Legal Opinion Responsibilities.

(xlvi) The DDC met for the first time on 24 March 2015, only five days before signing and delivering the ABL Signed Legal Opinion Letter to the SGH Board.

(xlvii) The DDC did not obtain final due diligence reports from all due diligence advisers, including the ABL DD Report.

(xlviii) If an appropriate due diligence exercise had been conducted prior to SGH undertaking the Entitlement Offer, then the 30 March Publications would not have been published in a form that did not disclose, address or otherwise take into account the Reform Affected Claims Information.

(xlix) Further, or in the alternative to paragraph (xlviii), by reason of the materials to which ABL had access and reviewed, the ABL Signed Legal Opinion Letter, and the matters pleaded at paragraphs (xlvii) above and (l) below, the due diligence process:

(1) was not appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act; and/or

(2) did not constitute the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, and/or to ensure that the Offer Documents were true and not misleading or deceptive, and/or that there were no omissions from the Offer Documents that were required to be included by the Corporations Act.

(l) By reason of the matters pleaded in paragraphs (xliii) to (xlviii):

(1) there were no reasonable grounds for the Offer Documents Legal Opinions; and

(2) the Offer Documents Legal Opinions were misleading or deceptive, or likely to mislead or deceive.

(li) By reason of the matters pleaded in paragraphs (xliii) to (xlix):

(1) there were no reasonable grounds for the Due Diligence Legal Opinion; and

(2) the Due Diligence Legal Opinion were misleading or deceptive, or likely to mislead or deceive.

(lii) By reason of the matters pleaded in paragraphs (xlix) and/or (li), the ABL Legal Opinions Basis Representation was misleading or deceptive, or likely to mislead or deceive.

(liii) The members of the DDC other than ABL relied upon the ABL Legal Opinions and ABL Legal Opinions Basis Representation in issuing the DDC Report to the directors of SGH.

(liv) On or about 29 March 2015, the board of SGH relied upon the ABL Legal Opinions and ABL Legal Opinions Basis Representation in resolving to:

(1) publish the 30 March Publications in the form in which they were published;

(2) proceed with the Entitlement Offer for the purpose of funding the acquisition of PSD; and

(3) enter into the documents pursuant to which SGH agreed to acquire PSD.

(lv) Were it not for the ABL Legal Opinions and ABL Legal Opinions Basis Representation, SGH would not have published the 30 March Publications in the form in which they were published, including not disclosing, addressing or otherwise taking into account the Reform Affected Claims Information.

(lvi) By reason of the matters pleaded in paragraph (lv), were it not for the ABL Legal Opinions and ABL Legal Opinions Basis Representation, the Affected Market (including Potential Entitlement Offer Participants) would not have received the 30 March Publications in the form in which they were published.

(lvii) By reason of the matters pleaded above, the 30 March Publications were misleading or deceptive, or likely to mislead or deceive the Affected Market.

(lviii) The matters pleaded in paragraph (lvii) were continuing in nature, and continued to be uncorrected in the Affected Market from and after 30 March 2015 during the Relevant Period.

(lix) The work done by ABL, the ABL Legal Opinions and the ABL Legal Opinions Basis Representation was conduct engaged in by ABL and Wenig:

(1) in relation to financial products (being SGH Shares), within the meaning of subsections 1041H(1) and 1041H(2)(b) of the Corporations Act;

(2) in trade or commerce, in relation to financial services within the meaning of section 12DA(1) of the ASIC Act; and/or

(3) in trade or commerce, within the meaning of section 18 of the CC Act.

(lx) By reason of the matters pleaded above, as at 29 March 2015, ABL and Wenig contravened section 1041H of the Corporations Act, section 12DA of the ASIC Act, and/or section 18 of the CC Act (**ABL Misleading Conduct Contraventions**).

(lxi) Further, or alternatively, the conduct of Wenig in giving the ABL Legal Opinions, and making the ABL Legal Opinions Basis Representation (and in failing to correct or qualify those opinions and representations):

(1) was conduct which was, as pleaded above, misleading or deceptive or likely to mislead or deceive;

(2) was conduct engaged in on behalf of, and as agent of, every other partner of ABL and the firm ABL, within the meaning of section 769B(4) of the Corporations Act, and so is taken to have been conduct engaged in also by each partner of ABL and the firm ABL;

(3) by reason of sub-paragraphs (1) and (2), gave rise to a contravention of section 1041H(1) of the Corporations Act on the part of ABL, which is taken by reason of section 761F(b) of the Corporations Act to be a contravention by Wenig, being a partner of ABL who was party to the act of expressing the ABL Legal Opinions (and the ABL Legal Opinions Basis Representation) (and the omission of failing to correct or qualify that opinion), within the meaning of section 761F(1)(b) of the Corporations Act; and

(4) by reason of sub-paragraphs (1) and (2), gave rise to a contravention of section 1041H(1) of the Corporations Act by every other partner of ABL (each such contravention of such provisions being **an ABL Misleading Conduct Contravention**).

(lxii) By reason of the matters pleaded above, a reasonable person in the position of ABL who had access to the materials to which ABL had access and reviewed, and the knowledge which ABL and/or Wenig ought to have had, or did have, would:

(1) not have provided the ABL Legal Opinions (and particularly Offer Documents Legal Opinions) in respect of the 30 March Publications without disclosure in the Offer Documents of the Reform Affected Claims Information;

(2) not have provided the ABL Legal Opinions (and particularly the Offer Documents Legal Opinions) in respect of the 30 March Publications to the extent they failed to disclose, address or otherwise take into account of the Reform Affected Claims Information;

(3) not have provided the ABL Legal Opinions in respect of the 30 March Cleansing Notice unless SGH had disclosed to the Affected Market prior to, or with the 30 March Publications the Reform Affected Claims Information;

(4) not have provided the ABL Legal Opinions (and particularly the Due Diligence Legal Opinion) unless the due diligence process had identified and resulted in (1) to (3) above; and

(5) not have provided the ABL Legal Opinions (and particularly the Due Diligence Legal Opinion) because the due diligence process:

1. was not extensive, thorough and appropriate, taking into account the scale of the PSD acquisition;

2. had not been implemented, completed, or conducted, as the case may be, in accordance with the terms of the DDPM in all material respects;

3. was not appropriate to ensure that the Offer Documents met the disclosure requirements of section 708AA(7) of the Corporations Act; and/or

4. did not constitute the taking of reasonable steps for the purposes of sections 1308(4), 1308(5) and 1309(2) of the Corporations Act, and/or to ensure that the Offer Documents were true and not misleading or deceptive, and/or that there were no omissions from the Offer Documents that were required to be included by the Corporations Act.

(lxiii) By reason of the matters pleaded in paragraph (lxii) above individually, and in any combination, ABL breached the ABL Duty of Care (**ABL Duty Breaches**).

(lxiv) Were it not for the ABL Misleading Conduct Contraventions, or any of them, and/or the ABL Duty Breaches, the Entitlement Offer would not have proceeded.

(lxv) Further, or in the alternative to paragraph (lxiv), had the ABL Misleading Conduct Contraventions, or any of them and/or the ABL Duty Breaches not occurred, the acquisition of PSD would not have occurred, or would not have occurred in the way in which it did occur.

(lxvi) In the Relevant Period, the ABL Misleading Conduct Contraventions and/or ABL Duty Breaches caused or materially contributed to:

(1) the market price of SGH Shares being substantially greater than their true value and/or the market price that would have prevailed but for those ABL Misleading Conduct Contraventions and/or ABL Duty Breaches, from 30 March 2015; and

(2) the Offer Price for SGH Shares under the Entitlement Offer being substantially higher than the Offer Price that would have pertained but for those ABL Misleading Conduct Contraventions and/or ABL Duty Breaches, in that the Offer Price, was fixed by reference to a 15.6% (or any) discount to the closing price for SGH on the ASX Shares on Friday 27 March 2015, and that Offer Price would need to have been further discounted in order to remain competitively discounted to the market

price which would have prevailed, as pleaded in sub-paragraph (1) above.

(lxvii) On and from 26 November 2015, the market price of SGH Shares declined substantially.

(lxviii) The declines in the price of SGH Shares pleaded in paragraph (lxvii) above:

(1) were caused or materially contributed to by:

1. the market's reaction to the information communicated to the Affected Market in the 26 November 2015 Announcement, in the context of what had been communicated to the Affected Market prior to those announcements; and

2. the ABL Misleading Conduct Contraventions and/or ABL Duty Breaches;

(2) would, to the extent they removed inflation from the price of SGH Shares, have occurred, or substantially occurred, earlier if:

1. SGH had disclosed to the Affected Market the Reform Affected Claims Information; and/or

2. SGH had addressed or otherwise taken account of the Reform Affected Claims Information in the 30 March Publications.

(lxix) Further, or in the alternative, in the decision to acquire an interest in SGH Shares:

(1) the Applicant and some Group Members (including some Group Members who were Potential Entitlement Offer Participants) would not have acquired interests in SGH Shares at the price they acquired them, or at all, if they had known the Reform Affected Claims Information, which would not have remained undisclosed were it not for the ABL Misleading Conduct Contraventions and/or ABL Duty Breaches:

(2) the Applicant and some Group Members (including some Group Members who were Potential Entitlement Offer Participants) relied directly on some or all of the 30 March Publications, which would have addressed or otherwise taken account of the Reform Affected Claims Information were it not for the ABL Misleading Conduct Contraventions and/or ABL Duty Breaches.

(lxx) By reason of the matters pleaded above, the Applicant and Group Members (including those Group Members who were Potential Entitlement Offer Participants) have suffered loss and damage by and resulting from the ABL Misleading Conduct Contraventions (or any one or combination of them).

(lxxi) By reason of the matters pleaded above, the Applicant and Group Members who were Potential Entitlement Offer Participants have suffered loss and damage by and resulting from the ABL Duty Breaches (or any one or combination of them).

(lxxii) The Respondent refers to and repeats the Statement of Claim dated 13 September 2019 filed in proceeding VID1010/2019, Matthew Hall v Arnold Bloch Leibler (A Firm).

(lxxiii) Further particulars may be provided after discovery and expert evidence.

111. Further or alternatively to paragraph 110:

(a) EY UK has by cross claims filed in the proceeding alleged that Pitcher Partners engaged in further misleading and deceptive conduct in contravention of s 1041H of the Corporations Act, s 12DA of the ASIC Act and/or s 18 of the ACL that has caused, and is continuing to cause, loss and damage to EY UK;

(b) EY UK contends that Pitcher Partners is not legally liable to the Applicant and Group Members for this further misleading and deceptive conduct ("the further misleading and deceptive conduct"), and consequently the responsibility attaching to Pitcher Partners for that conduct does not fall within the scope of the proportionate liability provisions in s 1041N of the Corporations Act, s 12GR of the ASIC Act and s 87CD of the CC Act;

(c) If (which is denied) the further misleading and deceptive conduct by Pitcher Partners does fall within the scope of the proportionate liability provisions, then pursuant to s 1041N of the Corporations Act, s 12GR of the ASIC Act and s87CD of the CC Act and in addition to any apportionment under paragraph 110 above, any liability of EY UK to the Applicant in respect of loss and damage alleged in the SOC should be further limited to an amount reflecting that proportion of the loss or damage by the Applicant that the Court considers just having regard to the extent of the responsibility of Pitcher Partners for the further misleading and deceptive conduct.

Relief from liability

112. Further, or in the alternative, as to the whole of the SOC, EY UK says that if it is liable to the Applicant or any Group Members by reason of the facts and matters alleged in the SOC (which is denied), then EY UK acted honestly and having regard to all of the circumstances of the case, ought fairly be excused from any such liability (in whole, or in the alternative, in part) pursuant to section 1318 of the Corporations Act.

Date: 19 February 2021

Signed by Katrina Sleiman
Lawyer for the Second Respondent

This pleading was prepared and settled by Charles Parkinson and Andrew Roe of counsel

Certificate of lawyer

I Katrina Sleiman certify to the Court that, in relation to the defence filed on behalf of the Respondent, the factual and legal material available to me at present provides a proper basis for:

(a) each allegation in the pleading; and

(b) each denial in the pleading; and

(c) each non admission in the pleading.

Date: 19 February 2021

Signed by Katrina Sleiman
Lawyer for the Second Respondent