



**Watch Works Australia Pty Ltd (“Watch Works”)
Cobbler Plus Services Pty Ltd (“Cobbler Plus”)
(Both In Liquidation)
(Collectively “Companies” or “Pooled Group”)**

Liquidators’ Update Report to Creditors

Purpose of this Report

Liquidators:

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Purpose of this Report

- This is the Liquidators' second report to creditors for the Companies, prepared for the purposes of providing creditors with an update on the progress of the liquidation.
- This report should be read in conjunction with the Liquidators' Statutory Report to Creditors dated 31 October 2018 and the Voluntary Administrators' report dated 24 July 2018.
- The Liquidators have advanced the remaining material matters in the liquidation, the details of which are provided in this report.

Questions and Help

- Please contact Andrew Clowes or Loice Taderera of this office on +61 8 9321 8533 if you have any questions in relation to the matters raised in this report.

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	<ul style="list-style-type: none"> ■ Appendix A – Notice of Meeting and applicable Meeting Forms ■ Appendix B – Remuneration Approval Report 	

I. Executive Summary

Assets, Employees and Pooling Orders

Item	Findings	Section
Background	<ul style="list-style-type: none"> ■ Daniel Woodhouse, Ian Francis and Kathryn Warwick of FTI Consulting were appointed Administrators on 27 June 2018 and subsequently appointed Liquidators on 1 August 2018. ■ The Companies formerly operated 120 kiosk styled stores (57 Watch Works and 63 Cobbler Plus), providing cobbler services, watch repair services, key cutting facilities and various related accessory products. The stores operated in all states and territories except for Tasmania. 	Section II
Sale of Business	<ul style="list-style-type: none"> ■ The former Voluntary Administrators traded the Companies’ businesses and completed a sale after the Companies went into liquidation. The sale included: <ul style="list-style-type: none"> – 40 operating stores, traded through to the completion of the sale; – All of the Companies’ plant, equipment and stock; and – The transfer of 70 employees, including their entitlements, to the purchaser. ■ The sale resulted in an overall financial benefit to the Companies of over \$970,000, including purchase consideration, completion extension payments and a saving of approximately ~\$850,000 in Fair Entitlement Guarantee (“FEG”) advances for unpaid employee entitlements. 	Section II
Pooling Orders	<ul style="list-style-type: none"> ■ The Liquidators determined that a dividend to priority creditors (employees and FEG) would be maximised, if pooling orders were granted. The Liquidators considered this a just and equitable outcome, in accordance with Section 549E of the Corporations Act 2001 (“Act”), given: <ul style="list-style-type: none"> – It was unclear which company was the employing entity; and – Assets were co-mingled across the Pooled Group and, potentially, not all available to meet employee entitlements. ■ Therefore, pooling orders ensured employees benefited from a priority status in a distribution from both Watch Works and Cobbler Plus. ■ We undertook extensive forensic work on the Companies’ operations, required in order to satisfy the Court of the merits of pooling orders, resulting in five submissions to the Court between 18 September 2019 and 25 November 2019. On 20 January 2020, the Court ordered the Companies be pooled, with Watch Works and Cobbler Plus being treated as a single entity and jointly and severally liable for each debt payable by the Companies. 	Section II

I. Executive Summary

Investigations

Item	Findings	Section																
Employees	<ul style="list-style-type: none"> ■ Employees who did not have their employment transferred to the purchaser were referred to FEG for payment of their unpaid entitlements. ■ The Liquidators verified entitlements for 103 employees, resulting in advances by FEG totalling \$1,455,241.54 for unpaid employee entitlements. In addition to FEG’s subrogated claim, we are aware of the following additional employee claims: <ul style="list-style-type: none"> – Two employees who were deemed ineligible for a FEG advance, due to either not providing, or holding, Australian citizenship or specific visa requirements. The Liquidators’ will adjudicate on their claims in the event of a dividend; and – \$214,709.29 in unpaid superannuation (not inclusive of interest or administrative charges). 	Section II																
Antecedent and Voidable Transactions	<p>Unfair Preferences</p> <ul style="list-style-type: none"> ■ The Liquidators identified payments totalling \$1,497,104 that were considered, potentially, unfair preference payments for the purposes of Section 588FA of the Act. The status of those claims are: <table border="1" data-bbox="309 790 1803 1093"> <thead> <tr> <th>Company</th> <th>Receipt of Preference</th> <th>(\$)</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Watch Works</td> <td>ATO</td> <td>1,112,379</td> <td>Demand issued, awaiting response.</td> </tr> <tr> <td>Cobbler Plus</td> <td>ATO</td> <td>99,535</td> <td>Demand issued. ATO has raised certain defences. The Liquidators will issue a response to the ATO shortly. We will provide details of the outcome to creditors, once resolved.</td> </tr> <tr> <td>Watch Works</td> <td>State Revenue Authorities</td> <td>285,189</td> <td>No demand issued. Following further information supplied under the Freedom of Information Act, we have determined there is insufficient evidence to claim an unfair preference.</td> </tr> </tbody> </table> <p>Insolvent Trading</p> <ul style="list-style-type: none"> ■ The Liquidators’ further investigations concluded the Companies were likely insolvent as early as 1 October 2017 (9 months prior to the Administrators’ appointment). Having regard to Section 588G(1)(b) of the Act, we estimate an insolvent trading claim would be in the vicinity of \$600k (incorporating an estimate of ~\$436k in un-lodged tax debts). The claim does not incorporate any landlord debts, as all store leases were executed prior to the date of insolvency and; therefore, are not captured pursuant to the Act. If an earlier date of insolvency was determined, the claim would likely increase significantly with the inclusion of landlord claims. ■ Given the costs involved with pursuing an insolvent trading claim, and the uncertainties of the Director’s capacity to satisfy a demand, we have not yet commenced an action. If a creditor wishes to discuss pursuing such an action, including a proposal for funding, we invite creditors to contact the Liquidators. ■ No additional recoveries, other than the unfair preferences detailed above, have been identified in the liquidation. 	Company	Receipt of Preference	(\$)	Notes	Watch Works	ATO	1,112,379	Demand issued, awaiting response.	Cobbler Plus	ATO	99,535	Demand issued. ATO has raised certain defences. The Liquidators will issue a response to the ATO shortly. We will provide details of the outcome to creditors, once resolved.	Watch Works	State Revenue Authorities	285,189	No demand issued. Following further information supplied under the Freedom of Information Act, we have determined there is insufficient evidence to claim an unfair preference.	Section III
Company	Receipt of Preference	(\$)	Notes															
Watch Works	ATO	1,112,379	Demand issued, awaiting response.															
Cobbler Plus	ATO	99,535	Demand issued. ATO has raised certain defences. The Liquidators will issue a response to the ATO shortly. We will provide details of the outcome to creditors, once resolved.															
Watch Works	State Revenue Authorities	285,189	No demand issued. Following further information supplied under the Freedom of Information Act, we have determined there is insufficient evidence to claim an unfair preference.															

I. Executive Summary

Investigations and Likelihood of a Dividend

Item	Findings	Section
Director Misconduct and ASIC Reporting	<ul style="list-style-type: none"> ■ On 27 June 2020, just prior to the Voluntary Administrators’ appointment, the Director caused \$496,600 to be transferred from a Watch Works’ bank account to a related entity, Soderberg Group Pty Ltd (“Soderberg”). On the same day, Soderberg transferred \$401,100 to the FTI Consulting Trust Account to fund the voluntary administrations. That is, \$95,500 of the original sum of \$496,600, was retained by Soderberg. ■ At the point of the transfer to Soderberg, the Director was aware that the Companies were to be placed into voluntary administration. Accordingly, he needed to ensure that the creditors of Watch Works interests were primary in his considerations. We believe the transfer and retention of funds by Soderberg was contrary to acting in good faith and the best interests of the Companies and its creditors, and therefore, a breach of Section 181 of the Act. ■ Based on our further investigations, we understand that \$85,000 of the \$95,500 retained by Soderberg was used to pay to the Director and his relatives for outstanding employee entitlements. ■ We note that if the claim for \$85,000 is a voidable claim, that would be a matter for the liquidator of Soderberg, and Soderberg would be the recipient of any recoveries. The Liquidators of Soderberg have advised a dividend to unsecured creditors (of which the Companies are creditors) is unlikely. Therefore, there is no commercial merit (in our view) in the Companies pursuing a claim against Soderberg. However, the quantum of any claim may be diminished by the fact that all but \$95,500 was remitted by Soderberg to the Voluntary Administrators for the benefit of the Companies. ■ We have notified ASIC of the potential misconduct in our report pursuant to Section 533 of the Act. ASIC are yet to advise whether they intend investigating the matter further. 	Section III
Likelihood of a Dividend	<ul style="list-style-type: none"> ■ We estimate priority creditors may received a dividend of up to 63 cents in the dollar. The return is dependent upon the successful recovery of the unfair preference claims. ■ The only avenue providing a further return to priority creditors, and a potential return to unsecured creditors, is from the successful recovery of an insolvent trading claim. Insolvent trading claims are costly with the outcome of an action unknown, including the Director’s ability to satisfy a claim. If a creditor wishes to discuss pursuing an insolvent trading claim, including a proposal for funding, please contact the Liquidators office to discuss. Alternatively, Section 588R of the Act entitles a creditor to commence proceedings for an insolvent trading claim in their own right, subject to the consent of the Liquidator. 	Section IV

I. Executive Summary

Remaining Matters, Remuneration and Meeting of Creditors

Item	Findings	Section
Liquidators' Remuneration	<ul style="list-style-type: none"> ■ The Liquidators have received approval for, and drawn, remuneration of \$206,336.75 for Watch Works and \$159,598 for Cobbler Plus for the period 1 August 2018 to 13 November 2018. As detailed throughout this report, the Liquidators have been required to undertake significantly more work than initially forecast at the time of their last remuneration approval report, dated 31 October 2018 (3 months into the liquidation). The additional work includes: <ul style="list-style-type: none"> – Multiple post completion sale of business tasks, adjustments, assignments of leases and resolving post sale claims made by the Liquidators of Soderberg against the Companies; – Substantial work in establishing the estimated date of insolvency of the Companies, required for the unfair preference demands issued against the ATO; – Substantial investigations into Soderberg's role in the Companies broader 'group structure'. This was required to pursue unfair preference payments paid by Soderberg to the ATO on behalf of the Companies; – Satisfying the Court that pooling orders were just and equitable in order to maximise the return to priority creditors; – Finalising investigations into the conduct of the Companies and its director, including the merits of pursuing an insolvent trading claim; – Responding to a significant creditor and employee queries, some requiring substantive responses. ■ In seeking further approval of our remuneration, the Liquidators have, at their discretion, discounted their fees by \$14,590.00 (excluding GST). Although this work was necessarily incurred by the Liquidators, we have reduced our remuneration on the basis: <ul style="list-style-type: none"> – The volume and complexities of investigations into the corporate structure, the Companies' relationship with Soderberg, director related transactions and potential breaches of the Act committed by the Companies' and the Director, were over and above our internal cost estimates; and – The subsequent reporting to ASIC and creditors, providing an account of the progress of the liquidation and the outcome of the Liquidators' further investigations, has not been charged in full. ■ In order to finalise the liquidations of the Companies, we will be seeking approval for our further remuneration for the Companies of: <ul style="list-style-type: none"> – Retrospective fees for the period 14 November 2018 to 31 July 2020 in the amount of \$228,310.60 (excluding GST); and – Prospective fees from 1 August 2020 to the conclusion of the liquidations in the amount of \$60,000 (excluding GST). 	Section V, Appendix 2

II. Update on the Progress of the Liquidation

Realisation of Assets

Sale of Business

- As previously reported, the Liquidators continued to trade the Companies' businesses, being 120 kiosk stores around Australia. Following an urgent review of the Companies' operations, 72 negative cash contributing stores were closed, allowing the 're-sized' business to operate sustainably throughout the voluntary administration, whilst we sought a sale of the Companies' business.
- Following an expression of interest campaign, one offer was received for the purchase of the Companies' assets for \$1. After extensive negotiations, we achieved the sale of business and assets, completed on 11 September 2018 (approximately 11 weeks after appointment), resulting in:
 - Sale proceeds and extension payments totalling \$75,000 being received;
 - 40 operating stores with their value preserved and ongoing lease payments being met; and
 - Approximately 70 employees being transferred to the purchaser, including the assumption of approximately \$450,000 in employee entitlements and a cost saving of approximately \$400,000 in retrenchment payments.
- If an acceptable sale of business agreement had not been negotiated, the only other viable option was a managed winddown, resulting in the closure of all stores and a 25+ year old business ceasing to operate. We consider the sale of the business to be an excellent outcome for all stakeholders, especially in light of the difficult retail environment.

Post Completion of Sale

- The Administrators' were required to attend to a number of post completion tasks, in order to conclude an orderly sale of the business. In some instances, the time required to affect these post completion requirements were significant. These included:

Leading into and on Completion Day

- Effectuated the transfer of employment and notify all employees of the preservation of their entitlements.
- Notified all suppliers of the sale of business and attended to numerous queries regarding ongoing trading.
- Negotiated a settlement amount for the release of the ANZ's security over the non-circulating assets of the Companies, a condition precedent for the sale.
- Assisted the seamless transition of the trading operations for the benefit of all stakeholders.

Post Completion Settlement Adjustments

- Calculated and pursued the final post completion sale adjustments owed to the Liquidators, including:
 - Adjustment for employee entitlements assumed by the Purchaser against capped amounts in the sale contract;
 - Adjustment for final trading receipts and assets not subject to the sale, made available to the Purchaser;
 - Apportionment of payment for ANZ's security release.
- The Purchaser raised counter claims, and we negotiated a settlement of \$7,500 (excluding GST), which has been received.

Ongoing Landlord Communications

- A significant amount of correspondence and discussions with the Landlords regarding the Liquidators' ceasing to occupy the stores. Disclaimers for the store leases were not immediately issued post occupation (unless expressly requested by Landlords). This was necessary to provide an opportunity for the purchaser to negotiate, revise and/or enter new leases.
- We facilitated the assignment of leases (where requested) to mitigate liquidated damages for those landlord creditors.

II. Update on the Progress of the Liquidation

Realisation of Assets

Soderberg's Claim Against the Companies

- As previously advised to creditors, on 17 August 2018 Soderberg was placed into liquidation appointing Martin Jones and Andrew Smith of Ferrier Hodgson as Liquidators (now of KPMG).
- On 10 October 2018, the Liquidators of Soderberg issued a demand to the Companies in the amount of \$56,018.09 with respect to charges incurred by Soderberg during the Liquidators' trading period, that were purportedly in connection with the operations of the Companies.
- In conjunction with our review of the operating group structure, we concluded that certain debts were incurred by Soderberg that were solely for the benefit of the Companies' businesses.
- As the claims were for post appointment debts, the liability required payment under sections 441A and 441B of the Act and were not capable of being offset against the Companies' pre-appointment claim against Soderberg.
- Accordingly, Soderberg was entitled to reimbursement of a portion of the expenses incurred. On 2 January 2020, we settled the claim with Soderberg in the amount of \$25,000 (including GST).

Remaining Assets

- Following the sale of business, the only remaining assets disclosed in the Companies' accounts were the following debtors, which were not collectable, as follows:

Debtor	(\$)	Notes
Midland Partnership	488,224	Related to a Watch Works store located at Midland Gate Shopping Centre, Western Australia. Management advised the store was intended to be transferred to a new entity 'Midland Partnership'. The debt owed to Watch Works represented an accounting entry to recognise the store's set up and operational costs. The amount would be payable upon the store being transferred out of Watch Works to the 'Midland Partnership'. This never occurred and the store was at all times controlled by Watch Works and sold by the Liquidators as part of the sale.
Myer: Pre-2014	56,414	An accounting entry relating to a debt prior to 2014 for what is understood to be for watch repair services. No details were available to substantiate the debt and management advised that it was an erroneous entry and not collectable.
Soderberg	1,901,565	Companies consolidated management accounts disclosed a loan account payable by Soderberg to the Companies. We submitted a claim to the Liquidators of Soderberg who advised that no dividend will be paid in the liquidation.

II. Update on the Progress of the Liquidation

Pooling Orders

Pooling Orders

Background

- On 19 September 2019, we wrote to all creditors advising the Liquidators had filed an application in the Court seeking an order that the Companies be pooled as a group.
- With pooling orders, the Liquidations would proceed on the following basis:
 - Each company (Watch Works and Cobbler Plus) would be treated as one legal entity;
 - The claims against each company are admissible in the liquidation of Companies combined; and
 - The proceeds from the realisation of assets of each company would be available to pay all claims admissible against the Companies.
- Alternatively, if pooling orders weren't granted, the Companies would be administered as separate legal entities with claims and asset realisations siloed to the individual company.

Reasons for Orders Sought

- Our investigations into the Companies' affairs revealed that both businesses relied heavily on each other to operate on a daily basis. Additionally, the accounting records for the Companies were not maintained on a individual entity basis which impaired the Liquidators ability to conduct an orderly winding up for each individual company.
- Accordingly, after considering the requirements set out in Section 579E(12) of the Act, we concluded that, on balance, pooling orders were just and equitable and should be sought. Further details on the Liquidators' investigations into the Companies' operations is provided overleaf.

Reasons for Orders Sought (cont.)

- The Liquidators sought to have the Companies pooled, for the following reasons:
 - All employees worked across both businesses, but were treated for accounting and tax purposes as employed solely by Watch Works. Without pooling orders, employees would only be able to claim in a dividend from Watch Works, regardless of some employees working in the Cobbler Plus business. The Liquidators considered it just and equitable that employees should benefit from a priority status in the liquidations of both Cobbler Plus and Watch Works;
 - The Companies' businesses were heavily 'intermingled' effectively operating as one business with pooled resources. The Companies relied on each other for daily trading activities, demonstrated by:
 - The Companies' management accounts, which were unable to be accurately produced on a per company basis, but rather, could only be reliably generated on a consolidated basis;
 - Certain creditors were unable to be accurately identified as to which company their debt related to;
 - Assets were regularly shared between the Companies, including stock and store equipment without maintaining corresponding loan account entries; and
 - Funds generated from sales of both businesses were swept to one bank account to discharge debts of both of the Companies. The intercompany loan account entries were unable to be reconciled to the flow of funds and the discharging of debts.

II. Update on the Progress of the Liquidation

Pooling Orders

Pooling Orders (cont.)

Further Submissions to Court

- Following the Court reviewing our initial and subsequent submissions for the pooling application, the Court requested further particulars of the matters presented. After further consultation with our lawyers, we undertook further forensic investigations for the Companies' physical records.
- On 30 October 2019 and 7 November 2019, a third and fourth affidavit were submitted to the Court on the Liquidators' findings. These submissions provided further clarity on:
 - The preparation, maintenance and accuracy of the Companies' accounting records being suboptimal with respect to segregating the affairs of each company;
 - Conflicting information surrounding which company legally employed staff, details surrounding their daily duties and allocation of employment costs in the financial accounts;
 - Further evidence supporting the operations of the corporate group;
 - Tracing of funds between the Companies' eight bank accounts and Soderberg's account; and
 - Additional evidence to satisfy the requirements of Section 579E(1), including demonstrating the Companies' property was owned jointly, or otherwise shared amongst the Companies.

Obstacles Encountered by the Court

- On 11 November 2019, our legal advisors attended court for the pooling application. The Court considered two points requiring further examination prior to advancing the application:
 - Watch Works was Trustee for the Watch Works Australia Trust. Therefore, the Court was required to consider the situation where trust assets were used to satisfy non-trust debts (Cobbler Plus liabilities). The Court required further particulars of the assets remaining for distribution to creditors; and
 - Evidence that sufficient assets were likely to be realised to make a distribution in the liquidation. More specifically, the likelihood of a successful recovery of the unfair preference claims.
- On 25 November 2019, a fifth affidavit was submitted in response to the Courts queries. Subsequently, on 20 January 2020, the Court granted orders for the Companies to be a pooled group.
- As previously stated, we believe this to be an equitable outcome.

III. Investigations and Recovery Actions

Recovery Actions

Antecedent and Voidable Transactions

Unfair Preference Claims

- The Liquidators' identified payments totalling \$1,497,103, which we consider are, potentially, preferential, consisting of:

Note	Company	Recipient of Preference	(\$)	Notes
1	Watch Works	ATO	1,112,379	Demand issued, awaiting response
1	Cobbler Plus	ATO	99,535	Demand issued. ATO has raised certain defences. The Liquidators will issue a response to the ATO shortly. We will provide details of the outcome to creditors, once resolved.
2	Watch Works	State Revenue Authorities	285,189	No demand issued. Following further information supplied under the Freedom of Information Act, we have determined there is insufficient evidence to claim an unfair preference.
Total			1,497,103	

Notes

1. Prior to issuing a demand to the ATO, significant time was required to be spent on satisfying the following key elements:
 - *Date of Insolvency*: our review of the management accounts revealed they were not accurately maintained in the lead up to the administrations. This impacted our ability to easily analyse the financial information in forming a date of insolvency. Additional forensic analysis of excel workbooks and email correspondence was required in order to establish a date of insolvency; and
 - *Payments made by Soderberg*: Payments totalling \$399,536 were made to the ATO from Soderberg Group Pty Ltd, which acted as head company, with a treasury function. We were required to provide evidence that Soderberg was a party to the transactions, which involved extensive analysis of the corporate structure, including tracing the source of funds used by Soderberg to discharge the Companies' debts.
- On 30 June 2020, we received a response to the Cobbler Plus demand, in which the ATO has raised a number of defences. We do not accept the defences set out by the ATO and have issued a response. We are unable to elaborate further, at this time.
2. With respect to the claims against the state revenue authorities, after a review of the information provided under the freedom of information act and in conjunction with the regular and systematic payments to the authorities, we concluded there was a valid defence to an unfair preference demand. Accordingly, we have not pursued this claim.

III. Investigations and Recovery Actions

Insolvent Trading

Insolvent Trading

Quantum of Claim

- Our investigations revealed the Companies were likely insolvent from at least 1 October 2017, and; therefore, traded whilst insolvent for at least 9 months.
- The estimated quantum of an insolvent trading claim, in accordance with the definition of Section 588G(1)(b) of the Act, is approximately \$611k which is significantly below the total creditor claims in the liquidation of approximately \$7.2m (excluding employees).
- When estimating the quantum of the claim, we were required to make an assessment as to the time at which the 'obligation' to pay the debts arose. In the case of landlord arrears, all store leases were executed before the estimated date of insolvency. Therefore, the obligation to pay the debt arose prior to the date of insolvency. This reduced the quantum of an insolvent trading claim considerably.
- If an earlier date of insolvency was ascertained, the insolvent trading claim could increase significantly as damages for landlords debts, on a lease by lease basis, would form part of the claim.

Director's Capacity to Pay

- The Director provided a number of personal guarantees for the leases of Watch Works and Cobbler Plus stores. Landlord arrears are approximately \$4.9m, which does not include all liquidated damages incurred by landlords after the closure of stores. Notwithstanding the large debts, we are not aware of a landlord enforcing those guarantees at this stage.
- Searches on ASIC's public database disclose the Director is:
 - Not shown as bankrupt; and
 - Is a joint proprietor of a property in Western Australia that is subject to a registered mortgage with Citi Group, lodged on 25 April 2015 in the amount of \$2.5m. Given property values in Perth have declined since 2015, we consider the property would have limited (if any) equity, assuming the mortgage had not been materially reduced.
- Accordingly, it appears unlikely the Director has the capacity to satisfy a demand for insolvent trading.
- If any creditor wishes to discuss initiating a claim for insolvent trading, including funding the action, please contact the Liquidators' office to discuss further. Additionally, we note Section 588R of the Act entitles a creditor to commence proceedings for an insolvent trading claim in their own right, subject to the consent of the Liquidator.

III. Investigations and Recovery Actions

Investigations of Misconduct

Unreasonable Director Related Transactions

- We have investigated the existence of any unreasonable director related transactions and any potential misconduct committed by the Director. In that regard:
 - No suspicious payments have been identified that were made directly from the Companies to the Director or related parties (excluding Soderberg);
 - Transfers were regularly made from the Companies to the related entity, Soderberg (which has the common sole director, Eric Soderberg) in the normal course of business.
- Notwithstanding the regular sweeps to Soderberg, on 27 June 2020, just prior to the Voluntary Administrators' appointment, the Director caused \$496,600 to be transferred from a Watch Works' bank account to Soderberg. On the same day, Soderberg transferred \$401,100 to the FTI Consulting trust account to fund the voluntary administration. Had this not been received, we would have needed to close the businesses immediately.
- Based on our investigations to obtain Pooling Orders, we understand that \$85,000 of the \$496,600 paid by Watch Works to Soderberg was used to pay to the Director and his relatives for outstanding employee entitlements.
- We note the claim for \$85,000 is, potentially, a voidable claim that Soderberg's Liquidators may be able to consider and pursue. The Liquidators of Soderberg have advised a dividend to unsecured creditors (of which the Companies are a creditor) is unlikely. Therefore, there is (in our view) no commercial merit for the Companies to pursue a claim against Soderberg.

Misconduct of the Director

- We consider the unreasonable director related transaction to be a breach of the following Director's duties confined in the Act:
 - **Section 181: Failure to Act with Good Faith**
 - On 27 June 2020, just prior to the Voluntary Administrators' appointment, the Director caused \$496,600 to be transferred from a Watch Works' bank account to Soderberg.
 - On the same day, Soderberg transferred \$401,100 to the FTI Consulting Trust Account to fund the Voluntary Administrations. Accordingly, \$95,500 of the \$496,600 transferred to Soderberg remained with Soderberg and was not made available for Watch Works, or its creditors.
 - We note that had the funding not been made available for the Voluntary Administrations, the businesses would have closed immediately, resulting in an unlikely sale, the immediate redundancies of all employees and the further expense to landlords.
 - At the point of the transfer to Soderberg, the Director was (or ought to have been) aware that the Companies were to be placed into Voluntary Administration. Accordingly, he needed to ensure that the creditors of Watch Works interests were primary in his considerations. Therefore, we believe the transfer to Soderberg was a breach of Section 181 of the Act. The loss associated with any claim arising from those matters may well be diminished by the fact that all but \$95,500 was ultimately remitted by Soderberg for the benefit of the Companies.
- We note that the \$85,000 of the \$95,500 retained by Soderberg was paid to the Director and his children for unpaid wages and leave entitlements. However, given this was paid from Soderberg, it is a matter for Soderberg's Liquidators.
- We have notified the potential misconduct with ASIC who are yet to advise whether they intend on investigating the matter further.

IV. Likelihood of a Dividend

Estimated Outcome Statement

Likelihood of Dividend

- A dividend to priority creditors is estimated to be up to 62.8 cents in the dollar. No dividend to unsecured creditors is anticipated at this time.

Estimated Outcome Statement – Pooled Group

	Notes	Low (incl GST)	High (incl GST)
Cash at Bank - as at 1 August 2020		128,084	128,084
Professional Fees and Costs			
WW & CP Remuneration Approval Sought	1	(317,142)	(317,142)
Legal Fees (estimate)	1	(5,500)	(3,300)
Total Professional Fees and Costs		(322,642)	(320,442)
Voidable Transactions			
Unfair Preference Payments	2	Commercially Sensitive	1,211,914
Insolvent Trading Claim	3	-	-
Total Voidable Recoveries		Commercially Sensitive	1,211,914
<i>GST Refund on future costs</i>		29,331	29,131
Amount available for Priority Creditors		Commercially Sensitive	1,048,688
Priority Creditor Claims (estimate)			
<i>Wages & Superannuation</i>	4	(312,326)	(309,591)
<i>Leave of Absence</i>	4	(621,751)	(605,063)
<i>Retrenchment</i>	4	(774,339)	(755,297)
Total Priority Creditor Claims		(1,708,416)	(1,669,951)
Dividend to Priority Creditors (Cents in dollar)		Commercially Sensitive	62.8
Remaining Funds After Priority Creditors			
<i>Unsecured Creditor Claims (estimate)</i>	5	8,915,692	8,915,692

Notes

1. Total professional fees and costs to the conclusion of the liquidation. Please refer to the Liquidators' Remuneration Approval Report enclosed as Annexure B;
2. As previously advised, we have received a response from the ATO that has asserted defences to the unfair preference claim for Cobbler Plus (claim amount of \$99,535). We are yet to receive a response from the ATO for the larger claim by Watch Works;
3. No recoveries have been estimated from an insolvent trading action. If any creditor wishes to discuss potentially pursuing an insolvent trading claim, please contact the Liquidators' office;
4. Priority Creditor claims include:
 - I. Amounts advanced by FEG to employees;
 - II. Two employee claims that were deemed ineligible for FEG assistance (a result of the employee either not submitting the required paperwork to FEG or ineligible due to Australian residency requirements). Their claims await adjudication by the Liquidators and are included in the 'low' scenario; and
 - III. Superannuation (not including interest and administrative charges).

V. Liquidators' Remuneration and Meeting of Creditors

Remuneration

Liquidators' Remuneration

- FTI Consulting charges professional fees based on time spent by the Liquidators and their staff at rates reflecting their level of experience.
- The Liquidators have received approval for, and have drawn, the following remuneration in the liquidation to date:
 - \$206,336.75 (excluding GST) for Watch Works; and
 - \$159,598.00 (excluding GST) for Cobbler Plus.
- The Liquidators have incurred costs above the previous fee cap in attending to a number of complex tasks, not envisaged at the time when seeking their previous remuneration on 31 October 2018 (approximately 3 months into the liquidation). Those tasks include:

Item	Details
Post Completion of Sale	To ensure an orderly sale was concluded, a significant amount of work was required post sale. This involved pursuing settlement adjustments, preserving the store leases post occupation and assigning leases where requested. The additional work maximised the benefits of the sale and mitigated landlord damages, where possible. Additionally, the Liquidators dealt with a claim from Soderberg against the Companies for cost incurred during the Administration and Liquidation trading period.
Pooling Orders	The Liquidators also sought pooling orders, to ensure employees were afforded a priority status in both liquidations. This involved five separate submissions to the Court summarising the outcome of detailed forensic analysis of the Companies' physical records and correspondence, the corporate structure and daily operations, and the tracing of proceeds from the Companies' eight bank accounts through to Soderberg. The submissions totalled 53 pages of affidavit material and 797 pages of attachments, including summaries of the Liquidators' analysis.
Date of Insolvency	Additional work involved in estimating a date of insolvency, required for the recovery of unfair preference claims. Given the state of the Companies' management accounts, this required considerable work.
Preference Demands	Additional work in establishing Soderberg was a party to the unfair preference transactions, in order to pursue recovery of ~\$399k of payments to the ATO. This required a detailed review of the corporate structure and tracing of the regular sweep of funds between the Companies and Soderberg.

- The additional work was not anticipate and; therefore, in addition to our previous remuneration reports. Notwithstanding, it has resulted in a potential (and material) increase in the return to priority employees.

V. Liquidators' Remuneration and Meeting of Creditors

Remuneration and Meeting of Creditors

Liquidators' Remuneration (cont.)

- The Liquidation is now well advance, with the material matters being either resolved, or having reached key milestones. Accordingly, the Liquidators are seeking approval for their outstanding remuneration including the their estimated remuneration to completion of the liquidation.
- The Liquidators have reviewed their time costs, and at their discretion, elected to reduce the remuneration claimed in the amount of \$14,590.00 (excluding GST). We note this remuneration was necessarily incurred, however, have elected to discount our fees due to:
 - The volume and complexities of investigations into the corporate structure, the Companies' relationship with Soderberg, director related transactions and potential breaches of the Act committed by the Companies' and the Director, were over and above our internal cost estimates; and
 - The additional reporting to creditors and ASIC, providing an account of the progress of the liquidation and the outcome of the Liquidators' investigations, have not been charged in full.
- The remuneration approval amounts are:

Company	Period	(\$) Excl. GST
Watch Works & Cobbler Plus	14 November 2018 to 31 July 2020	228,310.60
Watch Works & Cobbler Plus	1 August 2020 to conclusion	60,000.00
Total		288,310.60

- This estimate to finalise the liquidation is based on concussion of the claims without any material disputes. Obviously, this is likely to increase, if any claims are litigated. Conversely, we will not charge the full fee cap, if those fees are not increased.

Meetings of Creditors

- A meeting of creditors of the Companies will be held on **Friday, 28 August 2020 at 11am AWST via teleconference only** due to current government directives concerning COVID-19. The purpose of the meeting is to:
 - Discuss the contents of the Liquidators' update report to creditors;
 - Resolve to approve the Liquidators' remuneration (as disclosed in the Liquidators' Remuneration Request Approval Report enclosed with this report); and
 - Discuss any general business which may arise.
- **Participating in Person:** To participate in the meeting in person via telephone conference, creditors must complete a meeting registration form. Once creditors have registered for the meeting, they will be provided with the telephone conference details.
- **Participating via Proxy:** To have someone attend the meeting on your behalf, please complete the enclosed proxy form.
- The notice of meeting, relevant meeting forms and instructions are enclosed with this report at Annexure A.

VI. Remaining Matters

Remaining Matters

- The Liquidators have advanced the material matters in the liquidation, with the final anticipated tasks remaining:
 - Finalising the recovery of the unfair preferences claims issued against the ATO;
 - Finalising any recovery actions against the Director of the Companies;
 - Attend to a distribution to priority creditors;
 - Finalisation procedures, including the deregistration of the Companies.
- We anticipate the liquidation to be finalised within the next six (6) to twelve (12) months, subject to the outcome of the remaining claims.

Queries

- If you have any queries, please contact Mr Andrew Clowes of Ms Loice Taderera on (08) 9321 8533.

Date: 12 August 2020

A handwritten signature in black ink, appearing to be 'D. Woodhouse', written in a cursive style.

Daniel Woodhouse
Joint and Several Liquidator



Appendix A – Notice of Meeting

Corporations Act 2001

NOTICE OF MEETING OF CREDITORS OF COMPANY UNDER LIQUIDATION

**WATCH WORKS AUSTRALIA PTY LTD ACN 054 620 889
COBBLER PLUS SERVICES PTY LTD ACN 009 393 686
(ALL IN LIQUIDATION) (TOGETHER "THE COMPANIES")**

Notice is given that a concurrent meeting of the creditors of the Companies will be held on **Friday, 28 August 2020** via telephone conference, commencing at **11am (AWST)**.

AGENDA

1. To receive an update report on the conduct of the liquidation.
2. To consider and if thought fit approve the Liquidators' remuneration.
3. Any other business that may lawfully arise.

Attending and voting at the meeting

Creditors are invited to attend the meeting via teleconference; however, they are not entitled to participate and vote at a meeting unless:

- **Proof of debt:** They have lodged with the Liquidators particulars of the debt or claim and the claim has been admitted, wholly or in part, by the Liquidators. If a proof of debt has already been lodged, they do not need to do so again. Refer to Note 1 for further guidance on entitlement to vote.
- **Proxies or attendance:** They are either present in person or by electronic facilities (if being made available) or validly represented by proxy, attorney or an authorised person under s250D of the Corporations Act 2001 ("**Act**"). If a corporate creditor or representative, a proxy form, power of attorney or evidence of appointment of a company representative pursuant to Section 250D of the Act must be validly completed and provided to the Liquidator at or before the meeting.

To enable sufficient time to review, proofs of debt and proxies (or document authorising the representation) should be submitted to:

- Lo Taderera by email at lo.taderera@fticonsulting.com; or
- PO Box Z5486, St Georges Terrace, PERTH WA 6831

By **no later than 4pm on Thursday, 27 August 2020** (1 business day before meeting). If you choose to return these documents, please allow sufficient time for the documents to be received prior to the due date.

Electronic facilities

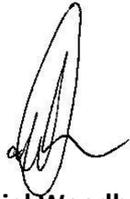
Electronic facilities will be made available at the meeting via conference telephone call. To access those facilities, you need to provide a statement by email to Lo Taderera at lo.taderera@fticonsulting.com, no later than 1 business days before the meeting which sets out:

- **Name:** The name of the person and of the proxy or attorney (if any)
- **Address:** An address to which notices to the person, proxy or attorney may be sent
- **Contact:** The method of contacting the person, proxy or attorney for the purposes of the meeting.

On receipt of this statement, you will be provided with instructions on how to access the electronic facilities for the meeting.

Any queries should be directed to lo.taderera@fticonsulting.com or (08) 9321 8533.

Dated this 12th day of August 2020



Daniel Woodhouse

Joint and Several Liquidator

C/- FTI Consulting (Australia) Pty Ltd

PO Box Z5486

St Georges Terrace

PERTH WA 6831

NOTICE OF ATTENDANCE – MEETING REGISTRATION FORM

CONCURRENT SECOND MEETING OF CREDITORS

**WATCH WORKS AUSTRALIA PTY LTD ACN 054 620 889
COBBLER PLUS SERVICES PTY LTD ACN 009 393 686
(ALL IN LIQUIDATION) (TOGETHER “THE COMPANIES”)**

Attendance

Attendance at this meeting is not compulsory.

Should you wish to attend the meeting, you **must** complete the following registration details and return to our offices **by 4pm (AWST) Thursday, 27 August 2020** to lo.taderera@fticonsuloting.com.

Name of Creditor:	
Contact Name:	
Position:	
Email Address:	
Contact Number:	

Signature of Creditor (or person authorised by creditor)

Once you have returned this completed form, you will be provided by email with instructions and a link to the meeting.

Please also ensure you have lodged a Proof of Debt Form and Proxy Form (if applicable), otherwise you may only be an observer at the meeting, and you will be unable to vote.

Note 1: Entitlement to vote and completing proofs

IPR (Corp) 75-85 Entitlement to vote at meetings of creditors

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established;unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

IPR (Corp) 75-110 Voting on resolutions

- (7) For the purposes of determining whether a resolution is passed at a meeting of creditors of a company, the value of a creditor of the company who:
 - (a) is a related creditor (within the meaning of subsection 75-41(4) of the Insolvency Practice Schedule (Corporations)), for the purposes of the vote, in relation to the company; and
 - (b) has been assigned a debt; and
 - (c) is present at the meeting personally, by telephone, by proxy or attorney; and
 - (d) is voting on the resolution;

is to be worked out by taking the value of the assigned debt to be equal to the value of the consideration that the related creditor gave for the assignment of the debt.

**WATCH WORKS AUSTRALIA PTY LTD ACN 054 620 889 AND
COBBLER PLUS SERVICES PTY LTD ACN 009 393 686 (BOTH IN LIQUIDATION)**

To the Liquidators of Watch Works Australia Pty Ltd and Cobbler Plus Services Pty Ltd (Both in Liquidation) (the "Companies")

1. This is to state that the Companies were on 27 June 2018 and still is, justly and truly indebted to:

_____ dollars and _____ cents
(full name, ABN and address of the creditor and, if applicable, the creditor's partners)

Particulars of the debt are:

Date	Consideration <i>(state how the debt arose)</i>	Amount (\$/c)	Remarks <i>(include details of voucher substantiating payment)</i>
------	--	---------------	---

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following:

_____ *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount (\$/c)	Due Date
------	--------	----------	---------------	----------

3. Signed by *(select correct option)*:

- I am the creditor personally.
- I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
- I am the creditor's agent authorised in writing to make this statement in writing. I know the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Signature: _____ Dated: _____

Name: _____ Occupation*: _____

Address: _____

** If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor*

RECEIVE REPORTS BY EMAIL	Yes	No
Do you wish to receive all future reports and correspondence from our office via email?	<input type="checkbox"/>	<input type="checkbox"/>
Email:.....		

If being used for the purpose of voting at a meeting:

a) Is the debt you are claiming assigned to you?	<input type="checkbox"/> No <input type="checkbox"/> Yes
b) If yes, attach written evidence of the debt, the assignment and consideration given.	<input type="checkbox"/> Attached
c) If yes, what value of consideration did you give for the assignment (eg, what amount did you pay for the debt?)	\$ _____
d) If yes, are you a related party creditor of the Company? <i>(if you are unsure contact the Liquidators)</i>	<input type="checkbox"/> No <input type="checkbox"/> Yes

APPOINTMENT OF PROXY

**Watch Works Australia Pty Ltd ACN 054 620 889 and
Cobbler Plus Services Pty Ltd ACN 009 393 686
(Both in Liquidation) (the "Companies")**

*I/*We _____ (name of signatory) of _____ (creditor name)

a creditor of the Companies appoint _____ (name of proxy)

of _____ (address of proxy)

or in his or her absence _____ (details of alternate proxy)

as *my/*our *general/*special proxy to vote at the meeting of creditors to be held on Friday, 28 August 2020 or at any adjournment of that meeting.

If a special proxy, specify how you wish your proxy to vote for each of the resolutions.

Resolutions

	For	Against	Abstain
1. "The remuneration of the Liquidators of Watch Works Australia Pty Ltd ACN 054 620 889 & Cobbler Plus Services Pty Ltd ACN 009 393 686 (Both In Liquidation) from 14 November 2018 to 31 July 2020 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the amount of \$228,310.60 plus GST and the Liquidators can draw the remuneration."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. "The future remuneration of the Liquidators of Watch Works Australia Pty Ltd ACN 054 620 889 & Cobbler Plus Services Pty Ltd ACN 009 393 686 (Both In Liquidation) from 1 August 2020 to the finalisation of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 April 2020, up to an initial capped amount of \$60,000.00 plus GST, and the Liquidators can draw the remuneration as required."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*I/*We authorise *my/*our proxy to vote as a general proxy on resolutions other than those specified above *(delete if not required)*

Signature: _____

Dated: _____

*Omit if inapplicable

GUIDANCE NOTES FOR COMPLETING PROXY AND PROOF OF DEBT OR CLAIM FORMS

APPOINTMENT OF PROXY FORM

A person can appoint another person to attend the meeting on their behalf by completing the Form of proxy.

If the creditor is a company or a firm, a person needs to be appointed to represent the company.

This representative needs to be appointed by completing the Form of Proxy in accordance with section 127 of the Corporations Act 2001 (“**the Act**”). Alternatively, the appointed person must be authorised to act as a representative for the company per section 250D of the Act.

The Form of proxy is valid only for the meeting indicated (or any adjournment).

You may appoint either a general proxy (a person who may vote at their discretion on motions at the meeting) or a special proxy (who must vote according to your directions). If you appoint a special proxy, you should indicate on the form what directions you have given. In many instances, there will be a box or section on the proxy form where you can mark how you want your proxy to vote for you.

If you are unable to attend the meeting and you do not have a representative who can attend on your behalf, you may if you wish appoint the Chairperson of the Meeting as your proxy. The Chairperson can be appointed as a general proxy or a special proxy. This is entirely your choice.

INFORMAL PROOF OF DEBT OR CLAIM FORM

The proof of debt submitted is informal in that it does not mean that the Liquidators have agreed with your proof for the purpose of making a dividend distribution.

It is used for voting purposes at any meetings of creditors and also to help establish the overall level of creditor claims in the liquidation. In the event that there are monies to be distributed to creditors in the future, you will need to submit a Formal Proof of Debt or Claim form.

You should include a description of how your debt/claim arose, whether you are claiming a security interest in property and if you have any guarantees and indemnities for the debt. If you need more space, you can attach any additional details you wish to include – just make sure that you mention this on the Form so we know what you’ve attached and how many pages.

You should provide supporting documents that substantiate what you are owed by the Companies. This may include things like account statements, unpaid invoices and their corresponding purchase orders, PPSR registration, agreements/terms of trade, contracts, lease or hire agreements, court order or judgment, guarantee or loan document, emails/other correspondence with the Companies.

If you need help in completing the forms or if you are uncertain what information you should attach, please email or telephone the nominated FTI Consulting contact person.



Appendix B – Remuneration Approval Report

12 AUGUST 2020

REMUNERATION APPROVAL REPORT

WATCH WORKS AUSTRALIA PTY LTD ACN 054 620 889 &
COBBLER PLUS SERVICES PTY LTD ACN 009 393 686
(BOTH IN LIQUIDATION) (TOGETHER "THE COMPANIES")

Introduction

Information included in report

This remuneration approval report provides you with the information that you need to make an informed decision regarding the approval of our remuneration for undertaking the liquidation of Watch Works Australia Pty Ltd (“**Watch Works**”) ACN 054 620 889 & Cobbler Plus Services Pty Ltd (“**Cobbler Plus**”) ACN 009 393 686 (Both In Liquidation) (together “The Companies”).

This report has the following information included:

Introduction	1
Part 1: Declaration.....	1
Part 2: Executive Summary.....	1
Part 3: Remuneration	3
Part 4: Disbursements	10
Part 5: Summary of Receipts and Payments.....	12
Part 6: Queries.....	13
Schedule 1: Description of work undertaken with respect to Resolution 1	
Schedule 2: Description of work to be undertaken with respect to Resolution 2	
Schedule 3: FTI Consulting Schedules of Rates.....	
Schedule 4: FTI Consulting Schedules of Rates.....	

Part 1: Declaration

Ian Francis, Kathryn Warwick and I, Daniel Woodhouse, of FTI Consulting have undertaken a proper assessment of the claims for remuneration and payment of our internal disbursements for the appointment as Liquidators of Watch Works & Cobbler Plus in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and further, that the disbursements that have been incurred in the conduct of the external administration are necessary and proper.

Part 2: Executive Summary

The total remuneration for this appointment for the period to the finalisation of the winding up is estimated to be \$654,245.35 for both Watch Works and Cobbler Plus (excluding GST).

Total remuneration incorporates time costs of \$14,590.00 (excluding GST) which has not been charged in the liquidation. The discount in remuneration sought from creditors relates to additional work, over and above our initial cost expectations, relating to:

- The volume and complexities of investigations into the corporate structure, the Companies’ relationship with Soderberg Group Pty Ltd (“**Soderberg**”), director related transactions and potential breaches of the Act committed by the Companies’ and the Director; and
- The subsequent reporting to ASIC and creditors to provide an account on the work completed during the liquidation since our last report, and the outcome of our further investigations, has not been charged in full.

Although the work was necessarily incurred to ensure the completeness of all matters in the liquidation, we acknowledge the total costs incurred is over and above our initial expectations.

The total remuneration for the appointment has increased compared to my previous estimate of \$365,934.75 (excluding GST) which was an estimate provided in my remuneration approval report dated 31 October 2018, being three months into the liquidation. The additional cost estimate for the Liquidators’ remuneration is due to the following factors:

- **Post Completion of Sale:** A number of post-sale tasks, over and above initial estimates, were required to ensure an orderly sale was concluded. This involved pursuing settlement adjustments, preserving store leases by not issuing disclaimers post occupation (which necessarily required numerous pieces of correspondence with landlords) and assigning leases where requested. The additional work maximised the benefits of the sale and mitigated landlord liquidated damages, where possible.
- **Pooling Orders:** Pursued the granting of pooling orders to ensure employees were afforded a priority status in both liquidations. This involved five separate submissions to the Court summarising the outcome of detailed forensic analysis of the Companies’ physical records and correspondence, the corporate structure and daily operations, and the tracing of proceeds from the Companies’ eight bank accounts through to a related entity, Soderberg. The submissions totalled 53 pages of affidavit material and 797 pages of attachments including summaries of the Liquidators’ analysis.
- **Date of Insolvency:** Additional work involved in estimating a date of insolvency, required to strengthen the unfair preference claims issued. Given the state of the Companies’ management accounts, this required considerable work.
- **Unfair Preference Investigations:** Additional work in establishing Soderberg was a party to the unfair preference transactions, in order to pursue recovery of ~\$399k of payments to the ATO. This required an in-depth review of the corporate structure, inter-company relationships, and tracing of the sweeping of funds between the Companies and Soderberg.
- **Investigations into Breach of Duties:** Extent of investigations into the flow of the Companies’ funds through to Soderberg (related entity) and potential breaches of Director’s duties in conjunction with the Companies’ interactions with Soderberg and potential benefits received by the Director.

Remuneration currently claimed and previously approved is summarised below in Table 1.

Table 1: Previously Claimed Remuneration	
Period	Amount (excl GST) (\$)
Liquidation - Watch Works Pty Ltd	
Remuneration from 1 August 2018 to 17 October 2018 (inclusive)	166,336.75
Remuneration from 18 October 2018 to 13 November 2018 (inclusive)	40,000.00
Total past remuneration for Watch Works	206,336.75

Liquidation - Cobbler Plus Pty Ltd

Remuneration from 1 August 2018 to 17 October 2018 (inclusive)	119,598.00
Remuneration from 18 October 2018 to 13 November 2018 (inclusive)	40,000.00
Total past remuneration for Cobbler Plus	159,598.00

Table 2: Current Remuneration Claim for both Watch Works and Cobbler Plus Period (Pooled Group)	Report Reference	Amount (excl GST) (\$)
Liquidation		
Resolution 1: Remuneration from 14 November 2018 to 31 July 2020 (inclusive)*	Schedule 1	228,310.60
Resolution 2: Remuneration from 1 August 2020 to conclusion of liquidation (inclusive)**	Schedule 2	60,000.00
Total Combined Remuneration Sought		288,310.60

*Remuneration claim includes the discount of \$14,590.00 being applied.

**Approval for the future remuneration sought is based on an estimate of the work necessary to complete the administration. Should additional work beyond what is contemplated be necessary, further approval may be sought from creditors. If a lesser amount is incurred, we will limit our remuneration to that lesser amount.

Please refer to report section references detailed in Schedule 1 and 2 for full details of the calculation and composition of the remuneration approval sought.

Part 3: Remuneration

Remuneration claim resolutions

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are shown immediately below the resolutions and in the schedules to this report.

Resolution 1: Remuneration from 14 November 2018 to 31 July 2020 (inclusive)

"The remuneration of the Liquidators of Watch Works Australia Pty Ltd ACN 054 620 889 & Cobbler Plus Services Pty Ltd ACN 009 393 686 (Both In Liquidation) (together "The Companies") from 14 November 2018 to 31 July 2020 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the amount of \$228,310.60 plus GST and the Liquidators can draw the remuneration."

Resolution 2: Remuneration from 1 August 2020 to the finalisation of the liquidation (inclusive)

"The future remuneration of the Liquidators of Watch Works Australia Pty Ltd ACN 054 620 889 & Cobbler Plus Services Pty Ltd ACN 009 393 686 (Both In Liquidation) (together "The Companies") from 1 August 2020 to the finalisation of the liquidation (inclusive) is determined and approved for payment at a sum equal to the cost of time incurred by the Liquidators and staff of FTI Consulting, calculated at the hourly rates set out in the schedule of FTI Consulting Standard Rates effective 1 April 2020, up to an initial capped amount of \$60,000.00 plus GST, and the Liquidators can draw the remuneration as required."

Remuneration is calculated in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedules of Standard Rates which appear at Schedule 3 to this report. FTI Consulting's standard charge rates have increased since the commencement of the external administration. Future remuneration claims, including resolution 2, will be sought based upon the rates effective 1 April 2020 contained in Schedule 4 to this report.

At this stage, based on the information presently available to us, we consider that it should not be necessary to convene a further meeting of creditors to seek further approval from creditors. However, the position may change depending on the progress of the external administration and the issues that may arise.

Details to support resolutions

The basis of calculating the remuneration claims are summarised below and the details of the major tasks performed and the costs associated with each of those major tasks are contained in Schedule 1 to Schedule 2 to this report.

Resolution 1: Remuneration from 14 November 2018 to 31 July 2020 (inclusive)

Table 3 below sets out time charged to each major task area by staff members working on the liquidation from 18 October 2018 to 31 July 2020 (inclusive), which provides:

- i. An account of previously approved prospective remuneration at the meeting of creditors on 15 November 2018 in the amount of \$80,000.00 (excluding GST) for the Companies; and
- ii. Remuneration totalling \$14,590.00 (excluding GST), which has been written off at the discretion of the Liquidators, for which we will not be seeking approval from creditors for.

With respect to point (ii) above, this work was necessarily incurred by the Liquidators in ensuring all matters were attended to in the liquidation. However, at our discretion, we have decided to discount our claim for the remuneration on the basis:

- The volume and complexities of investigations into the corporate structure, the Companies' relationship with Soderberg, director related transactions and potential breaches of the Act committed by the Companies' and the Director, were over and above our internal cost estimates; and
- The subsequent reporting to ASIC and creditors to provide an account on the work completed during the liquidation since our last report, and the outcome of our further investigations, has not been charged in full.

Table 3 is the basis of the Resolution 1 claim for Watch Works and Cobbler Plus. More detailed description of the tasks performed within each task area, matching the amounts below, are contained in Schedule 1.

Table 3: Current Remuneration Approval Being Sought (Consolidated)																
Employee	Position	Rate/hour excl GST \$	Total Hours	Total (excl GST) \$	Task Area											
					Assets		Creditors		Employees		Trade On		Investigation		Administration	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Ian Francis	Senior Managing Director	625	19.6	12,250.00		0.00		0.00		0.00	9.1	5,687.50	5.6	3,500.00	4.9	3,062.50
Daniel Woodhouse	Managing Director	580	91.6	53,128.00	7.3	4,234.00	23.8	13,804.00	8.3	4,814.00	1.6	928.00	10.1	5,858.00	40.5	23,490.00
Jacqueline Sinclair	Senior Director	570	3.1	1,767.00		0.00	0.1	57.00	1.3	741.00		0.00	0.2	114.00	1.5	855.00
Andrew Clowes	Director	510	243.9	124,389.00	8.5	4,335.00	59.1	30,141.00	0.5	255.00	0.6	306.00	168.7	86,037.00	6.5	3,315.00
Andrew Clowes	Senior Consultant II	440	125.79	55,347.60	11.3	4,972.00	62.5	27,500.00	0	0.00	9.89	4,351.60	23.1	10,164.00	19	8,360.00
Gerald Tallud	Associate II	280	6.7	1,876.00		0.00		0.00		0.00		0.00		0.00	6.7	1,876.00
Loice Taderera	Associate II	280	52.1	14,588.00		0.00	35.6	9,968.00		0.00		0.00	9.4	2,632.00	7.1	1,988.00
Minyoung Park	Associate II	280	4	1,120.00		0.00	0.1	28.00		0.00		0.00		0.00	3.9	1,092.00
Thomas Blokland	Associate II	280	4.9	1,372.00		0.00		0.00		0.00		0.00	4.9	1,372.00		0.00
Earl Quinlan	Associate I	260	143.3	37,258.00		0.00	59.4	15,444.00	34	8,840.00	22.4	5,824.00		0.00	27.5	7,150.00
Georgina Wright	Associate I	260	5.7	1,482.00		0.00		0.00		0.00	0.2	52.00	0.2	52.00	5.3	1,378.00
Loice Taderera	Associate I	260	48.1	12,506.00		0.00	12.2	3,172.00	2.7	702.00	2	520.00	17	4,420.00	14.2	3,692.00
Olivia Cookson	Associate I	260	0.5	130.00		0.00		0.00		0.00	0.5	130.00		0.00		0.00
Claire Rees	Administration II	185	3.9	721.50		0.00	2	370.00		0.00		0.00		0.00	1.9	351.50
Dhyana Ishibashi	Administration II	185	3.8	703.00		0.00		0.00		0.00		0.00		0.00	3.8	703.00
Abbie Kozlowska	Junior Accountant	155	4.5	697.50		0.00		0.00		0.00		0.00		0.00	4.5	697.50
Emily Jones	Administration I	155	1.8	279.00		0.00		0.00		0.00		0.00		0.00	1.8	279.00
Mary Smith	Administration I	155	8.6	1,333.00		0.00		0.00		0.00		0.00	0.1	15.50	8.5	1,317.50
Selina Naylor	Administration I	155	12.4	1,922.00		0.00	0.3	46.50		0.00		0.00		0.00	12.1	1,875.50
Talia Glover	Administration I	155	0.2	31.00		0.00		0.00		0.00		0.00		0.00	0.2	31.00
Total (Excl GST)			784.49	322,900.60	27.1	13,541.00	255.1	100,530.50	46.8	15,352.00	46.29	17,799.10	239.3	114,164.50	169.9	61,513.50
Less: Approved and Drawn Remuneration			(221.6)	(80,000.00)			(88.5)	(39,429.00)	(17.9)	(8,290.50)	(27.6)	(9,047.40)	(9.8)	(2,420.00)	(77.9)	(20,813.10)
Less: Discount on Remuneration Sought			(35.1)	(14,590.00)			(9.2)	(3,726.00)					(15.0)	(7,144.00)	(10.9)	(3,720.00)
Total Remuneration Approval Sought (Excl GST)				228,310.60	27.1	13,541.00	157.4	57,375.50	28.9	7,061.50	18.74	8,751.70	214.5	104,600.50	81.11	36,980.40
<i>Average Hourly Rate (Excl GST)</i>							499.67	394.08	328.03	384.51	477.08	362.06				

Resolution 2: Remuneration from 1 August 2020 to the finalisation of the liquidation (inclusive)

Table 4 sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff from 1 August 2020 to the finalisation of the liquidation (inclusive) which is the basis of the Resolution 2 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 2.

\$	Total	Creditors	Employees	Investigation	Dividend	Administration
Total (est)	\$60,000.00	\$15,000.00	\$5,000.00	\$20,000.00	\$10,000.00	\$10,000.00
GST	\$6,000.00	\$1,500.00	\$500.00	\$2,000.00	\$1,000.00	\$1,000.00
Total (incl GST)	\$66,000.00	\$16,500.00	\$5,500.00	\$22,000.00	\$11,000.00	\$11,000.00

Total remuneration reconciliation

At this point in time, I estimate that the total remuneration for this liquidation will be \$654,245.35 plus GST, for both Companies. This includes the current approval amount being sought of \$288,310.60 plus GST. This estimate differs to the estimate of costs provided in the previous Remuneration Report dated 31 October 2018, which estimated the cost of the liquidation to total \$365,934.75 plus GST for the Companies.

A comparison of the additional work, against what was initially forecast, is provided below.

Comparison between current and previous remuneration approvals

In my remuneration report dated 31 October 2018, I sought approval of my prospective remuneration of \$80,000 plus GST, for both Watch Works and Cobbler Plus, which has been drawn. At the time of seeking my previous prospective remuneration, the liquidation had only proceeded for approximately three months and accordingly, the level of work required to be undertaken during the liquidation was difficult to forecast at the time.

My remuneration has exceeded the previous cap and in this report I am now seeking approval of a further capped amount of \$288,310.60 plus GST to enable me to complete the liquidation of the Companies.

In Table 5 below, I compare, on a task basis, my estimate from my report of 31 October 2018 to my actual times costs as at 31 July 2020 and provide an explanation for the difference in cost. Please note, the time incurred includes the discount of \$14,590.00 (excluding GST) which the Liquidators will not be seeking approval from creditors for.

Task	Estimate (excl GST) \$	Actual (excl GST) \$	Reasons for differences
Assets	3,000.00	13,541.00	<ul style="list-style-type: none"> Additional correspondence than initially anticipated with the purchaser's representative regarding post completion settlement adjustments and a counter claim raised by the Purchaser.

Table 5: Comparison Between Current and Previous Remuneration Approvals for Both Watch Works and Cobbler Plus			
Task	Estimate (excl GST) \$	Actual (excl GST) \$	Reasons for differences
			<ul style="list-style-type: none"> ▪ Assisting in the assignment of store leases to mitigate any further liquidation damages by the Landlords. This required a review of a number of iterations of the assignment contracts to remove any onerous obligations on the Companies. Ultimately, this reduced any additional liquidated damages incurred by landlords. ▪ Investigations undertaken with respect to what jointly owned assets existed for the Companies (necessary for the pooling order application which was not initially forecast). ▪ Determining the implications of a distribution of assets under a pooled and non-pooled group scenario.
Creditors	22,500.00	100,530.50	<ul style="list-style-type: none"> ▪ Additional enquiries and claims relating to costs not relevant to the Administrators/Liquidators trading period. Numerous correspondence and reconciliations provided to landlords and state authorities to clarify debts owed. ▪ High volume of unsecured creditor enquires from landlords, former customers and the Fair Entitlement Guarantee department and responding to same. ▪ Further in-depth review of creditors' proof of debts versus companies records to analyse accuracy of accounting information, usually only relevant to adjudicating claims in a dividend. ▪ Extent of creditor reporting above initial forecasts, including preparation of update report enclosed with this remuneration approval request. ▪ Additional correspondence to creditors on application of pooling orders, estimated outcome under various scenarios and ad hoc updates on progress of orders, as required. ▪ Responding to detailed creditor enquiries with respect to the Liquidators' investigations into the flow of funds between the Companies and Soderberg.
Employees	5,000.00	15,352.00	<ul style="list-style-type: none"> ▪ Extensive work performed in relation to employees' entitlements, preparing verification requests and lodging verification data with FEG. ▪ Attend to a number of queries from FEG regarding individual employees' claims, including transferred employees, leave paid by Administrators' / Liquidators' and classification of staffs' employment. ▪ Investigating two employees who were deemed ineligible by FEG and their potential claim in the liquidation. ▪ Responding to employee enquiries regarding their entitlements.
Trade On	2,000.00	17,799.10	<ul style="list-style-type: none"> ▪ Additional time spent on reconciling final trading claims with respect to store outgoings and other miscellaneous trading costs.

Table 5: Comparison Between Current and Previous Remuneration Approvals for Both Watch Works and Cobbler Plus			
Task	Estimate (excl GST) \$	Actual (excl GST) \$	Reasons for differences
			<ul style="list-style-type: none"> ▪ Additional payroll tax enquiries by state authorities and final BAS calculations relating to ceasing to trade.
Investigation	22,500.00	114,164.50	<ul style="list-style-type: none"> ▪ Extensive work required to finalise the demands for unfair preference payments against the ATO in the order of \$1.2m. This required: <ul style="list-style-type: none"> - review of transactions across a number of bank accounts, including Soderberg's bank account, to capture all payments in the claim; - Extensive work on the date of insolvency of the Companies, inhibited by the state of the Companies' accounting records in the lead up to appointment; - Detailed investigations into the role of Soderberg in the Companies' operations; and - Evidence of Soderberg making payments to the ATO on the Companies' behalf and originating from Companies' funds. ▪ Additional enquiries and investigations around the accuracy of the Companies' records, following the erroneous entries identified with respect to Debtors. ▪ Additional work in quantifying the estimated amount of an insolvent trading claim. Given state of the Companies' records, additional work was required to verify the accuracy of accounts. ▪ Additional investigations into the Director's capacity to meet any potential claims identified by the Liquidators. ▪ Extensive work relating to pooling orders (not originally estimated in previous remuneration application), including: <ul style="list-style-type: none"> - Initial discussions surrounding merits of pooling orders, estimate returns to creditors under various scenarios and requirements in order to satisfy pooling; - regular meetings with solicitors in preparation for court application; - Correspondence with creditors regarding implications of pooling orders; and - Detailed forensic investigations into the operations of the Companies and Soderberg. Evidence of co-mingled operations and jointly owned property. Resulting in five affidavits submitted to court. ▪ Investigation into potential misconduct by the director, including tracing funds transferred to Soderberg. Discussions with legal advisors on any potential recoveries relating to the transfer of funds to Soderberg. ▪ Prepare additional supporting evidence of our findings lodged with ASIC, in addition to what was initially forecast.

Table 5: Comparison Between Current and Previous Remuneration Approvals for Both Watch Works and Cobbler Plus			
Task	Estimate (excl GST) \$	Actual (excl GST) \$	Reasons for differences
Administration	25,000.00	61,513.50	<ul style="list-style-type: none"> ▪ Increased handling and maintenance of Companies' physical records and case files in order to undertake forensic investigations as part of the pooling order process. ▪ Additional time spent preparing the lodgement of BAS' on a per company basis (prior to pooling orders being obtained). Required in-depth review of all trading transactions, including apportionment of receipts and payments between Companies (where applicable). ▪ Correspondence with the ATO regarding the Companies' classification as a 'Large Withholder' for PAYGW purposes. Re-issue of BAS' following reclassification. ▪ Additional correspondence with trade suppliers and government authorities regarding debts not relevant to the Administrators/Liquidators' trading. ▪ Data cleansing required for the Companies' records to a more usable format for the Liquidators' analysis. ▪ Due to the complex nature of the liquidation, a greater degree of oversight of the file strategy and controls were required to ensure completeness of all matters arising in the liquidation. ▪ Completing matter checklist and filing of internal file notes, over and above what was initially forecast. ▪ Review updates on the status of the Soderberg liquidation and implications for the Companies' claim against Soderberg. ▪ Additional statutory lodgements including quarterly BAS lodgements and annual statutory lodgements with ASIC. ▪ Maintaining monthly bank transactions and reconciliations above initial estimates.
Total (Excl GST)	\$80,000.00	\$322,900.60	
Less: Approved and Drawn Remuneration		(\$80,000.00)	
Less: Discounted Remuneration		(\$14,590.00)	
Total remuneration being sought		\$228,310.60	

Remuneration to completion of the Liquidation

I have provided an explanation of tasks remaining to be completed, including my estimated costs to complete those tasks, to support my current remuneration approval request in Schedule 2.

In preparing this remuneration approval report, I have made my best estimate at what I believe the liquidation will cost to complete and I do not anticipate that I will have to ask creditors to approve any further remuneration. However, should the liquidation not proceed as expected, I will advise creditors and I may seek approval of further remuneration and provide details on why the remuneration has changed.

Likely impact on dividends

The Act sets the order for payment of claims against the company and it provides for remuneration of the Liquidators to be paid in priority to other claims. This ensures that when there are sufficient funds, the Liquidators receive payment for the work done to recover assets, investigate the Companies' affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that we are able to recover and the amount of creditor claims that are admitted to participate in any dividend, including any claims by priority creditors such as employees.

A dividend to priority creditors is likely, however, given the substantial claims of priority creditors, no dividend to unsecured creditors is expected. Please refer to my report to creditors included with this remuneration report, for an estimated return to creditors.

Part 4: Disbursements

Explanatory note on disbursements

Disbursements are divided into three types:

- **Externally provided professional services** - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- **Externally provided non-professional costs** - these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **Internal disbursements** such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

Internal disbursements not charged at cost must be approved by creditors before we can draw the cost of those disbursements from this external administration. To date, creditors approved internal disbursements capped at \$2,500 (excluding GST) at the meeting of creditors held on 1 August 2018.

Creditor approval is not required in relation to externally provided professional and non-professional costs or disbursements charged at cost. Where payments to third parties have been made from the bank account of the external administration, those payments are disclosed in the summary of receipts and payments. Creditors have the right to question the incurring of the disbursements and can challenge disbursements in Court.

Disbursements Claimed

The following disbursements have been charged at cost for external disbursements claimed. For internal disbursements, we received approval for internal disbursements charges totalling \$2,500 (excluding GST) on 1 August 2018.

We have set out in Table 6 below a list of disbursements incurred in the external administration to date.

Table 6: Disbursements Incurred to Date for both Watch Works and Cobbler				
Disbursements claimed	Basis of charge	Watch Works Amount excl GST (\$)	Cobbler Plus Amount excl GST (\$)	Total Disbursements Incurred
Externally Provided non-professional costs				
Company search	At cost	37.9	0	37.9
Telephone Conference	At cost	1.71	0	1.71
Storage	At cost	83.88	0	83.88
Subtotal		123.49	0	123.49
Internal Disbursements				
Printing and Photocopying		18	97.71	115.71
Stationery and Postage		266.27	87.00	353.27
Subtotal		284.27	184.71	468.98
Total		407.76	184.71	592.47

Basis on which future disbursements will be charged

Future disbursements will be charged to the administration on the basis of the Schedule of FTI Consulting Internal Disbursement Rates as shown in Table 7 below.

Table 7: Schedule of FTI Consulting Disbursement Rates		
Disbursement type	Charge Type	Charge Rate (excl GST)
Advertising	External, non-professional	At cost
ASIC Industry Funding Levy – registered liquidator metric events*	External, non-professional	At cost (at prescribed ASIC rates)
Couriers and deliveries	External, non-professional	At cost
Data Room Charges	External, professional	At cost
Facsimile	Internal (FTI)	Not charged
Legal Fees	External, professional	At cost
Postage	External, non-professional	At cost
Photocopying – internal	Internal (FTI)	Not charged
Photocopying – outsourced	External, non-professional	At cost
Printing – internal	Internal (FTI)	Not charged
Printing – outsourced	External, non-professional	At cost
Records costs – storage, destruction, boxes	External, non-professional	At cost

Disbursement type	Charge Type	Charge Rate (excl GST)
Search fees	External, non-professional	At cost
Staff motor vehicle use - mileage	Cents per km	At prescribed ATO rates
Staff travel – accommodation, meals etc	External, non-professional	At cost
Stationery and other incidental disbursements	External, non-professional	At cost
Telephone	Internal (FTI)	Not charged
Valuation Fees	External, professional	At cost
Other externally provided professional services		At cost
Other externally provided non-professional services		At cost

Part 5: Summary of Receipts and Payments.

A summary of receipts and payments to and from the bank account for the liquidation for the period 1 August 2018 to 30 June 2020 appears as follows:

Transactions	(Incl GST) (\$)
Receipts	
Transfer from Voluntary Administrators	225,826
Sales	2,626,092
Sale of Plant and Equipment	67,500
GST Refund received	87,864
Other Income	4,229.78
Total Receipts	3,011,512
Payments	
Administrators' Fees and Disbursements	(664,604)
Bookkeeping Fees	(12,747)
Freight and Vehicle Expenses	(6,942)
Insurance	(17,228)
IT Fees	(3,758)
GST paid	(190,172)
Landlord Expenses	(1,029,289)
Legal Fees	(79,175)
Postage, Printing & Telephone	(5,092)
Stock Purchase	(5,156)
Valuation expense	(825)
Other expenses rate & utilities	(61,807)
Watch Works Wages and On Costs	(771,639)
Total	(2,848,433)
Net Receipts and Payments	163,078

Part 6: Queries

If you have any queries or require any further information concerning our claim for remuneration, please contact Lo Taderera on +61 8 9321 8533 or via email on lo.taderera@fticonsulting.com.

You can also access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "insolvency information sheets").



Daniel Woodhouse

Joint & Several Liquidator



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About FTI Consulting

EXPERTS WITH IMPACT™

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.

Schedule 1: Description of work undertaken with respect to Resolution 1

Table 9 below provides a description of the work undertaken in each major task area from 14 November 2018 to 31 July 2020 (inclusive).

Table 9: Work Undertaken From 14 November 2018 to 31 July 2020 (Inclusive) For Both Watch Works and Cobbler Plus		
Task Area	General Description	Includes
Assets 27.1 hours \$13,541.00	Sale of Business as a Going Concern	<ul style="list-style-type: none"> • Liaising with the Purchaser regarding post completion settlement adjustments. • Responding to the Liquidators' of Soderberg regarding their claim against the Companies' for trading costs incurred relating to the Administrators' / Liquidators trading. • Investigate claim made by Liquidators' of Soderberg and settle claim.
	Store Leases	<ul style="list-style-type: none"> • Reviewing assignment Deeds for stores sold to the Purchaser, in order to mitigate any further liquidated damages of landlords. • Tasks associated with disclaiming leases, where requested.
	Other Assets (Pooling Order)	<ul style="list-style-type: none"> • Analysis of the application of joint property in a pooling and non-pooling scenario to assist with the Court orders sought.
Creditors 255.1 hours \$100,530.50	Creditor Enquiries	<ul style="list-style-type: none"> • Responding to enquiries and claims relating to trading liabilities and settling same. • Review of claims made by creditors that were not relevant to the Administrators/Liquidators trading period. Provide reconciliations of supply charges to landlords and state authorities to clarify position. • High volume of unsecured creditor enquires from landlords, former customers and the Fair Entitlement Guarantee department and responding to same. • In-depth review of creditors' proof of debts versus companies records to analyse accuracy of accounting information, usually only relevant to adjudicating claims in a dividend. • Additional correspondence to creditors on application of pooling order, estimated outcome under various scenarios and ad hoc updates on progress of orders, as required. • Responding to detailed creditor enquiries with respect to the Liquidators' investigations into the flow of funds between the Companies and Soderberg.
	Creditor Reports & Circulars	<ul style="list-style-type: none"> • Communications to creditors on pooling orders and updates regarding same.

Table 9: Work Undertaken From 14 November 2018 to 31 July 2020 (Inclusive) For Both Watch Works and Cobbler Plus

Task Area	General Description	Includes
		<ul style="list-style-type: none"> Preparation of update report to creditors, notice of meeting of creditors and remuneration approval report. Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.
Employees 46.8 hours \$15,352.00	Employees enquiries	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone and provide assistance with lodging FEG claims, where required. Correspondence with employees regarding potential dividend and unpaid superannuation. Correspondence with ATO regarding SGC proof of debt.
	Employee Entitlements and FEG Correspondence	<ul style="list-style-type: none"> Calculating and verifying employees' entitlements including review of Companies' physical records. Preparing verification requests and lodging verification data with FEG. Attend to a number of queries from FEG regarding individual employees' claims, including transferred employees, leave paid by Administrators' / Liquidators' and classification of staffs' employment. Investigating two employees who were deemed in-eligible by FEG.
Trade On 46.3 hours \$17,799.10	Trading receipts and payments	<ul style="list-style-type: none"> Finalising trading related enquiries and outstanding payments. Verified and processed trading invoices. Entering receipts and payments into accounting system.
	Leases	<ul style="list-style-type: none"> Dealings with lessee and finalising payments of the Administrators' trading period. Communicating to employees and Purchaser regarding final list of accepted transfers of employment.
	Final Trading Revenue and Costs Adjustments	<ul style="list-style-type: none"> Calculate settlement adjustments following completion of sale of business, including final trading revenue. Liaise with Purchaser regarding final adjustments. Correspondence with Purchaser surrounding their counter claim for trading costs incurred by Soderberg. Settlement of all claims with the Purchaser.

Table 9: Work Undertaken From 14 November 2018 to 31 July 2020 (Inclusive) For Both Watch Works and Cobbler Plus

Task Area	General Description	Includes
Investigation 239.3 hours \$114,164.50	Conducting investigation	<ul style="list-style-type: none"> • Review of Companies’ books and records. • Assessment of accuracy of the Companies’ accounting records. • Review and preparation Companies’ corporate group structure and involvement of Soderberg. • Conducting and summarising statutory searches. • Review of bank account transaction listing to understand flow of funds.
	Preference Claims and recoveries	<ul style="list-style-type: none"> • Investigations into Companies’ historical dealings with the ATO with respect to unfair preference payments. • Preparation of ATO unfair preference payments involving: <ul style="list-style-type: none"> - review of transactions across a number of bank accounts, including Soderberg’s bank account, to capture all payments in the claim; - Extensive work on the date of insolvency of the Companies, inhibited by the state of the Companies’ accounting records in the lead up to appointment; - Detailed investigations into the role of Soderberg in the Companies’ operations; and - Evidence of Soderberg making payments to the ATO on the Companies’ behalf and originating from Companies’ funds. • Chase statutory authorities on freedom of information requests relating to potential unfair preference claims. Review response and determine no further action with respect to claims. • Review of a date of insolvency based on a number of trading, creditor and cashflow metrics. • Review and data cleansing of Companies’ records in order to analyse financial information for date of insolvency. • Investigate accuracy of creditor information, required to assess the estimated quantum of an insolvent trading claim. • Additional investigations into the Director’s capacity to meet any potential claims identified by the Liquidators. • Extensive work relating to pooling orders, including: <ul style="list-style-type: none"> - Initial discussions surrounding merits of pooling orders, estimate returns to creditors under various scenarios and requirements in order to satisfy pooling; - regular meetings with solicitors in preparation for court application; - Correspondence with creditors regarding implications of pooling orders; and - Detailed forensic investigations into the operations of the Companies and Soderberg. Evidence of co-mingled

Table 9: Work Undertaken From 14 November 2018 to 31 July 2020 (Inclusive) For Both Watch Works and Cobbler Plus

Task Area	General Description	Includes
		<p>operations and jointly owned property. Resulting in five affidavits submitted to court.</p> <ul style="list-style-type: none"> Investigation into potential misconduct by the director, including tracing the use of funds transferred to Soderberg. Discussions with legal advisors on any potential recoveries relating to the transfer of funds to Soderberg. Prepare additional supporting evidence of our findings lodged with ASIC in the Section 533 Report.
	Soderberg Correspondence	<ul style="list-style-type: none"> Correspondence with the Liquidators of Soderberg regarding pre-appointment transactions between the Companies and Soderberg.
<p>Administration 169.9 hours \$61,513.50</p>	ASIC reporting	<ul style="list-style-type: none"> Preparing workpapers to support our report pursuant to Section 533 of the Act. Drafting and lodging Section 533 report. Preparing and lodging ASIC forms 5602.
	Correspondence and internal meetings	<ul style="list-style-type: none"> Finalising and sending multiple pieces of correspondence with trade suppliers and government authorities regarding finalising of trading. Numerous file conversions and oversight of the file strategy to ensure completeness of all matters arising in the liquidation. Completing matter checklist and filing of internal file notes. Review updates on the status of the Soderberg liquidation and implications for the Companies’ claim against Soderberg. General correspondence with third parties and attendance to issues arising in the liquidation. Maintenance of Companies’ physical records and case file.
	Bank account administration	<ul style="list-style-type: none"> Requesting additional bank statements for the Liquidators’ investigations. Maintaining monthly bank transactions and reconciliations. Correspondence with bank regarding specific transfers and tracing of funds.
	ATO	<ul style="list-style-type: none"> Preparation and lodgement of BAS’ on a per company basis (prior to pooling orders being obtained). Required in-depth review of all trading transactions, including apportionment of receipts and payments between Companies (where applicable). Correspondence with the ATO regarding the Companies’ classification as a ‘Large Withholder’ for PAYGW purposes. Re-issue of BAS’ following reclassification.

Table 9: Work Undertaken From 14 November 2018 to 31 July 2020 (Inclusive) For Both Watch Works and Cobbler Plus

Task Area	General Description	Includes
		<ul style="list-style-type: none">• Lodging BAS' post pooling orders.
	Planning / Review	<ul style="list-style-type: none">• Discussions regarding status of liquidation.

Schedule 2: Description of work to be undertaken with respect to Resolution 2

Table 10 below provides a description of the work to be undertaken in each major task area from 1 August 2020 to the finalisation of the liquidation (inclusive).

Table 10: Work to be Undertaken From 1 August 2020 to the Finalisation of the Liquidation (Inclusive)		
Task Area	General Description	Includes
Creditors 24.0 hours \$15,000.00	Meeting of Creditors	<ul style="list-style-type: none"> Preparation for meeting of creditors, review of meeting forms, and meeting file. Attend meeting of creditors and respond to queries prior to, during and post meeting. Preparation and lodgement of minutes of meeting.
	Correspondence	<ul style="list-style-type: none"> Providing ad-hoc updates to creditors as and when required. Liaising with creditors regarding any intentions to pursue an insolvent trading claim. Correspondence to creditors regarding outcome of final material matters in the liquidation and preparations to finalise the file.
Employees 10.5 hours \$5,000.00	Employees entitlements (not eligible for FEG advance)	<ul style="list-style-type: none"> Review claims by employees not eligible for FEG assistance. Adjudicate claims in preparation for a dividend. Correspondence with ATO regarding statutory interest and administrative charges on outstanding superannuation amounts.
Investigation 36.0 hours \$20,000.00	Conducting investigation	<ul style="list-style-type: none"> Consider ATO’s number of defences raised to the unfair preference claim. Prepare response and any additional information relevant to supporting the Liquidators’ claim. Consider any settlement offer presented versus costs to prepare further evidence in support of claim.
	Insolvent Trading Claim	<ul style="list-style-type: none"> Correspondence with creditors pertaining to prospects and funding of an insolvent trading claim. Additional work as required with respect to any revised date of insolvency and quantum of insolvent trading claim.
	Director / Soderberg Recoveries	<ul style="list-style-type: none"> Correspondence with the Liquidators’ of Soderberg regarding potential recoveries against the Director.

Table 10: Work to be Undertaken From 1 August 2020 to the Finalisation of the Liquidation (Inclusive)		
Task Area	General Description	Includes
Dividend 22.0 hours \$10,000.00	Employee dividend	<ul style="list-style-type: none"> Correspondence with employees and FEG regarding a dividend. Calculating dividend rate in accordance with Section 556 of the Act. Preparing dividend file. Obtain clearance from ATO to allow distribution of company's assets. Advertising dividend notice and request for formal proofs of debt. Adjudicating POD. Preparation of payment vouchers to pay dividend. Preparation of correspondence to creditors enclosing payment of dividend.
Administration 23.0 hours \$10,000.00	Document maintenance/file review/checklist	<ul style="list-style-type: none"> Maintenance of Companies' physical records and case files. Oversight of the file strategy and controls to ensure completeness of all matters arising in the liquidation. Completing matter checklist and filing of internal file notes. Maintaining monthly bank transactions and reconciliations.
	Bank account administration	<ul style="list-style-type: none"> Preparing correspondence closing accounts.
	ASIC Form 5602 and other forms	<ul style="list-style-type: none"> Preparing and lodging ASIC forms including 505, 5602, 911 etc. Correspondence with ASIC regarding statutory forms.
	ATO	<ul style="list-style-type: none"> Preparing lodgement of BAS' on a pooled basis.
	Finalisation	<ul style="list-style-type: none"> Notifying ATO of finalisation. Cancelling ABN / GST / PAYG registration. Completing checklists. Finalising WIP.
	Planning / Review	<ul style="list-style-type: none"> Discussions regarding status of administration.
	Books and records / storage	<ul style="list-style-type: none"> Dealing with records in storage. Sending job files to storage.

Schedule 3: FTI Consulting Schedules of Rates

FTI Consulting CF&R Standard Rates effective 1 April 2020 (excluding GST)		
Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director/Appointee	720	Registered Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	660	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	580	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	520	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	470	Typically an Australian Restructuring Insolvency & Turnaround Association professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	430	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	390	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	360	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	335	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	300	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	220	Undergraduate in the latter stage of their university degree.
Administration 2	220	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	170	Undergraduate in the early stage of their university degree.
Administration 1	185	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

Schedule 4: FTI Consulting Schedules of Rates

FTI Consulting Standard Rates effective 1 March 2017 (excluding GST)		
Typical classification	All Offices \$/hour	General guide to classifications
Senior Managing Director	625	Registered/Official Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	580	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered/Official Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	570	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered/Official Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	510	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	440	Typically an ARITA professional member. Well-developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	380	Assists with the planning and control of small to medium administrations. May have the conduct of minor administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	360	Typically ICAA qualified (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large administrations.
Consultant 1	315	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	280	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	260	Typically a university undergraduate or graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	185	Undergraduate in the latter stage of their university degree.
Administration 2	185	Well-developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping or similar skills.
Junior Accountant	155	Undergraduate in the early stage of their university degree.
Administration 1	155	Has appropriate skills and experience to support professional staff in an administrative capacity.