



Your Ref:

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TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

**RE: SPORTS ALIVE PTY LTD
(IN LIQUIDATION)
ACN 069 087 332 - ABN 49 069 087 332**

I refer to the appointment of Keith Sutherland and I as joint and several liquidators of the above company on 26 August 2011.

I have lodged an annual report for the year ended 26 August 2014 pursuant to Section 508(1)(b)(ii) of the Corporations Act 2001 (the Act) with the Australian Securities & Investments Commission (ASIC), rather than convene an annual general meeting of creditors under Section 508(1)(b)(i) of the Act.

If any creditor wishes to view the report, please go to the following website, www.bentcogle.com.au and follow the links to Sports Alive. Please continue to monitor this website for further developments.

If you have any queries please contact Michael Quin of this office or myself, or email sportsalive@bentcogle.com.au.

DATED this 4th day of March 2015.

HAMISH MacKINNON
JOINT LIQUIDATOR

**LIQUIDATOR'S REPORT TO CREDITORS OF
SPORTS ALIVE PTY LTD (IN LIQUIDATION)
ACN 069 087 332 (the company)
PURSUANT TO SECTION 508 OF THE CORPORATIONS ACT 2001 (the Act)
FOR THE YEAR ENDED 26 AUGUST 2014**

I refer to the appointment of Keith Sutherland and I as joint and several Liquidators of the abovenamed company on 26 August 2011, and to my previous reports to creditors dated 23 March 2012, 23 November 2012, 16 May 2013 and 6 May 2014. Pursuant to Section 508(3) of the Act, I provide this report of our acts and dealings and the conduct of the winding up to date.

Receipts & Payments

A summary of the receipts and payments in the liquidation to date is enclosed. There is presently \$911,756.54 held in the liquidation bank account and on term deposit.

My previous reports detailed the major receipts in the liquidation as follows:

Cash at Bank	\$45,522.67
Sale of Database	\$120,000.00
ATO GST Refund	\$318,111.33
Term Deposit	\$274,261.54
Debtors	\$129,224.30
Plant & Equipment	\$4,744.94
Other Assets	\$21,000.00
NAB Term Deposit Monies	\$182,205.17
Unfair Preference Recoveries:	
- State Revenue Office (SRO)	\$76,998.35
- Australian Taxation Office (ATO)	\$300,000.00
- Telstra Ltd	\$34,946.00

Creditors should refer to the comments in my reports dated 23 March 2012 and 6 May 2014 for further information with regards to the above receipts.

Since my previous report to creditors, I have also made the following recoveries in the liquidation:

Debtor Receipts	\$18,500.00
Unfair Preference Recoveries:	
- Bet Options	\$30,000.00
- Tote Tasmania	\$150,000.00
- Bet 247 Pty Ltd	\$92,500.00

The unfair preference recoveries related to monies paid by the company in the relation back period (six months prior to liquidation) which resulted in an unfair preference being received by some creditors. These monies were successfully recovered or claims settled following demands made or proceedings issued by me.

The claims made against the above creditors were for the following amounts, plus interests and costs:

- Bet Options	\$412,298.03
- Tote Tasmania	\$112,788.48
- Bet 247 Pty Ltd	\$333,620.10

The claims against Tote Tasmania and Bet 247 Pty Ltd were settled at mediation or shortly thereafter. The claim against Bet Options Pty Ltd was not settled at mediation, however it was settled just prior to the commencement of the Court hearing.

I have instructed solicitors to pursue the company's outstanding debtors.

ASIC/ Investigations

As previously advised, I reported to the Australian Securities & Investments Commission (ASIC) pursuant to Section 533 of the Act. ASIC responded requesting that I submit a supplementary report with regards to the matters noted. I have lodged a voluminous supplementary report with ASIC. I understand that ASIC is only proceeding with a director banning application against Stephen Chant.

I have also investigated the following matters:

Unfair Preferences

As noted above, I have pursued unfair preference claims against various parties, and have recovered monies from State Revenue Office, Australian Taxation Office, Telstra Ltd, Bet Options Pty Ltd, Tote Tasmania and Bet 247 Pty Ltd.

I am not pursuing any other unfair preference claims.

Insolvent Trading Claims

I have investigated whether the company may have traded whilst it was insolvent, and whether I may therefore have a claim against the company's director and former directors for debts incurred by the company whilst it was insolvent.

I am considering whether I pursue insolvent trading claims against the director/ former directors, and note that the claims may not be commercial to pursue for the following reasons:

- After examining the directors, I have doubts about their ability to pay or settle an insolvent trading claim,
- The Directors and Officers insurance policy does not cover insolvent trading claims,
- Some of the directors may be able to successfully argue one or more of the defences available under Section 588FGB of the Act, and
- Insolvent trading claims in general are costly and difficult to prove.

I will make my final determination in regards to these claims in due course.

Claim Against Unitholders

The company's holding company, Bet Worldwide Pty Ltd (BWW), is the trustee of the Bet Worldwide Unit Trust which owns all the shares in the company. BWW was placed in liquidation on 18 May 2012.

Under the Bet Worldwide Unitholders' Agreement (BWUA), the unitholders were required to contribute funds to the business (i.e. the business operated by Sports Alive) as required. A demand was made on the unitholders by Stephen Chant as director of BWW in May 2012, after the liquidation of the company, but prior to BWW being placed in liquidation. To date, unitholders have not made any payments under the demand.

I have considered whether the company has a claim against the unitholders pursuant to the BWUA. It appears that the company does not have a claim against the unitholders as it is not a party to the BWUA, and therefore the claim could only be made by the liquidators of BWW. Accordingly it will be up to the liquidators of BWW as to whether they pursue a claim against the unitholders. I note the liquidators of BWW are without funding and I do not know if they will pursue the claim against the unitholders. If the liquidators do recover funds then I will lodge a claim with them on behalf of the company.

Claim Against Tote Tasmania (Tote)

I have investigated whether the company would have a claim against Tote based on assurances supposedly provided by Tote to the company that it would be investing additional monies in the company, in particular given that the CEO of Tote, Craig Coleman, was also chairman of the board of directors of the company. It appears that the claim against Tote would have little prospect of success, and I therefore will not be pursuing this claim further.

Breach of Directors' Duties

In addition to the potential claims against the director/ former directors for insolvent trading as noted earlier in this report, I have also investigated whether I could pursue a claim for breach of directors' duties by failing to ensure that account holders' monies were maintained on trust in accordance with the relevant ACT legislation.

The company maintained a Directors' & Officers' insurance policy (D&O policy). I believe that a claim for breach of directors' duties would have a very good prospect of success based on evidence heard in the director examinations and the Supreme Court hearing into segregated accounts, and that such a claim may, if successful, be recoverable through the D&O policy.

I am also of the opinion that any monies recovered through such a claim would be recovered for the benefit of account holders only, and not for the general body of creditors.

At present, I am holding sufficient funds to enable me to pay a dividend to the priority creditors, being for outstanding employee entitlements, including superannuation. I do not have sufficient funds to enable me to pay a dividend to secured and unsecured creditors (which includes account holders).

Accordingly, I am not able to use monies which at present would be available for distribution to the priority creditors only, to pursue claims which would benefit the account holders only.

I have called on account holders to fund a claim for breach of directors' duties without success. Therefore, I am currently seeking funding from a litigation funder to pursue the claim.

If I am unable to obtain sufficient funding to pursue the claim then I will not be able to issue proceedings against the directors. I will report to creditors in due course as to whether litigation funding has been obtained.

Segregated Monies

As previously advised, I issued an originating process in the Supreme Court of Victoria to determine whether monies held by the company on term deposit with the Bank of Queensland (BOQ) and National Australia Bank Ltd (NAB) in three separate term deposit accounts were held as segregated accounts for the benefit of the account holders, or whether the funds were funds held generally by the company.

The decision was handed down on 4 March 2013. Justice Robson of the Supreme Court of Victoria found that the monies held on term deposit were not held as segregated monies for the benefit of account holders only, but rather the funds were taken to be company monies.

Debtors

Debtor collections in the liquidation to date total \$154,113.20.

I am still pursuing some of the remaining debtors of the company.

Distributions to Creditors

I have distributed an amount of \$81,082.19 to the secured creditor, Morlend Finance Corp (VIC) Pty Ltd under its fixed charge.

Monies totalling \$413,693.96 were advanced under the Department of Employment's General Employee Entitlements & Redundancy Scheme (GEERS). These monies were distributed to the relevant employees.

The Department is entitled to claim as a priority creditor in the winding up for monies advanced under GEERS.

Based on funds received to date, there will be sufficient monies available to pay the claims of the priority creditors in full, and a small further distribution to the secured creditor. There are presently insufficient monies to pay a dividend to unsecured creditors, including account holders.

I am still awaiting a final determination of the company's outstanding superannuation liability. Once this is determined, I will be paying a dividend to the Australian Taxation Office, in respect of the outstanding superannuation liability, and the remaining priority creditors, and I hope to be in a position to pay the priority creditor claims in full in the coming months.

Position on Liquidation

Set out below is an estimate of the current liquidation position, based on funds currently held in the liquidation bank accounts. The schedule indicates that the claims of the priority creditors in respect of outstanding employee entitlements, including superannuation, may be paid in full, depending on the interest and charges on the superannuation claim.

There are insufficient monies to enable me to pay a dividend to unsecured creditors, including account holders. If further recoveries are made in respect of the claims noted in this report, the

funds will be distributed firstly to any outstanding priority creditors before funds become available for distribution to the secured and unsecured creditors.

Cash at Bank		\$	395,561.87
Term Deposit			516,194.67
Total Monies Held		\$	911,756.54
Plus GST Refund			9,431.00
Total Funds Available		\$	921,187.54
Less:			
Liquidators' Remuneration, unbilled	\$	121,851.71	
Future Remuneration, to cap		39,928.10	
Liquidators' Disbursements, unbilled		4,085.91	
Future Disbursements, say		4,000.00	
Future Legal Fees, say		30,000.00	\$ 199,865.72
Funds Available			\$ 721,321.82
Less Priority Creditors 1 (Wages/ Superannuation):			
Superannuation, per Report as to Affairs	\$	260,224.43	
Outstanding Wages - GEERS		72,100.04	
Outstanding Wages - Other Employees		2,002.61	334,327.08
Funds Available/ (Shortfall)			386,994.74
Less Priority Creditors 2 (Leave Entitlements):			
Outstanding leave entitlements - GEERS	\$	199,211.77	
Outstanding leave entitlements - Other Employees		5,343.75	204,555.52
Funds Available/(Shortfall)			182,439.22
Less Priority Creditors 3 (PILN/ Redundancy):			
PILN/ Redundancy - GEERS			142,382.15
Funds Available/(Shortfall)			40,057.07
Less Secured Creditor:			
Morlend Finance Corporation (VIC) Pty Ltd			3,810,857.81
Funds Available/(Shortfall)			(\$3,770,800.74)
Less Unsecured Creditor Claims, estimate			
			9,028,718.79
Total Funds Available/(Shortfall)			(\$12,799,519.53)

Acts & Dealings to be Carried Out

As required by the Corporations Act, set out below is a description of the acts and dealings that remain to be carried out in order to complete the winding up:

- complete further investigations,
- pursue claims against various parties, as noted in this report, and
- distribute monies to creditors as required.

Estimated Date of Completion

I estimate that the winding up may be completed by 31 December 2015, subject to finalising the aforementioned claims.

If creditors have any queries or wish to discuss any aspect of the liquidation please do not hesitate to contact Michael Quin of this office or myself.

DATED this 26th day of February 2015.

A handwritten signature in black ink, appearing to read 'Hamish MacKinnon', with a long horizontal flourish extending to the right.

HAMISH MacKINNON
JOINT LIQUIDATOR

Sports Alive Pty Ltd
(In Liquidation)

Receipts & Payments Summary
for the period ended 2 February 2015

Receipts:	
Cash at Bank	\$ 45,242.40
Accounts Receivable	154,113.20
Conduct Monies	50.00
GEERS Advance	413,693.96
GST Refund	318,111.33
Interest Income	47,767.58
Repayment of Charge Back Claims	16,639.00
Sale of Add-on Software	21,000.00
Sale of Plant & Equipment	4,744.94
Sale of Database	132,000.00
Sale of Domain Names	2,100.00
Sundry Receipt	300.00
Term Deposit Monies - Bendigo Bank	274,547.93
Term Deposit Monies - NAB	182,205.17
Unfair Preference Recoveries	684,444.35
Workcover Refund	1,231.53
GST Receipts	64,624.00
Total Receipts	<u>\$ 2,362,815.39</u>

Payments:	
Advertising	\$ 2,202.44
ASIC Filing Fees	138.00
Auctioneer's Charges	1,992.10
Cartage	1,542.69
Computer Maintenance	462.00
Conduct Monies/ Examination Expenses	1,839.05
Courier	917.28
Distribution to Secured Creditor	81,082.19
Domain Name Renewals	177.00
FOI Application Fee	25.10
GEERS Distributions	404,098.16
GST Payable	3,433.00
Insurance	1,263.95
Internet Service	417.00
Legal Fees	498,404.63
Liquidators' Remuneration	385,000.00
Locksmith Fees	993.11
Mediation Costs	4,142.50
Mail Redirection	262.00
Mailout Expenses	19,605.46
Postage & Stationery	1,568.88
Printing & Copying	9,991.86
Professional Fees	8,545.64
Search Fees	1,666.07
Securing / Protecting/ Storage of Assets	4,735.92
Security	528.00
Stamp Duty	71.40
Storage of Records	2,005.20
Sundry Expenses	170.71
Superannuation	91.80
Supreme Court Filing Fee	938.50
Telephone & Fax	676.47
Travel	932.00
Unclaimed Monies	9,595.80
Wages	1,542.94
Total Payments	<u>\$ 1,451,058.85</u>

Net Receipts/ Cash at Bank \$ 911,756.54

Representated By:	
Liquidation Bank Account	\$ 395,561.87
Term Deposit	516,194.67
Total Cash at Bank	<u>\$ 911,756.54</u>