



Your Ref:

Our Ref:

HAM:MQ:TP:CIRC261112

CIRCULAR TO CREDITORS

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 company on 26 August 2011.

I have lodged a report 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.

A copy of the report is attached. As required by the Act, the contents of the report include:-

1. An account of the Liquidators' acts and dealings, and the conduct of the winding up for the first year of the liquidation.
2. The acts and dealings that remain to be carried out in order to complete the winding up.
3. An estimate of when the winding up is likely to be completed.

If you have any queries please forward your queries to sportsalive@bentcogle.com.au. Please note that I may not be able to respond to all queries received, however I will provide responses to those queries in future reports.

In accordance with previous advice please continue to monitor the website www.bentcogle.com.au where all relevant information will be posted.

DATED this 26th day of November 2012.


HAMISH MacKINNON
LIQUIDATOR

Encl.

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Melbourne Victoria 3004

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**LIQUIDATORS' 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")**

I refer to the appointment of Keith Sutherland and I as joint and several Liquidators of the abovenamed company on 26 August 2011. Pursuant to Section 508(3) of the Corporations Act 2001, I provide this report of our acts and dealings and the conduct of the winding up for the first year of the liquidation. This report is to be read in conjunction with my previous report to creditors dated 23 March 2012 (copy enclosed) which provided a detailed history of the company and the winding up.

Receipts & Payments

A summary of our receipts and payments in the liquidation to date is enclosed. There is presently \$91,576.34 in the liquidation bank account.

I am holding a further amount of \$294,926.08 in a separate bank account. These monies are being held separately until it is determined as to whether the monies should be treated as general funds or segregated funds for the benefit of account holders.

Major receipts can be summarised 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

Creditors should refer to the comments in my report dated 23 March 2012 for further information with regards to the above receipts.

Debtors

Debtor collections in the liquidation to date total \$129,224.30.

There is a balance outstanding of \$171,883.86 owed by a number of account holders. I am referring these accounts to solicitors to pursue the outstanding balance and issue recovery proceedings where appropriate.

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.

Further monies have been distributed to employees under the General Employee Entitlements & Redundancy Scheme (GEERS) as follows:

Wages	\$72,100.04
Annual Leave	152,899.90
Long Service Leave	46,311.87
Pay in lieu of notice	67,685.07
Redundancy	<u>74,697.08</u>
Total	<u>\$413,693.96</u>

Based on funds held in the liquidation to date and future realisations, there may be a further distribution to priority creditors, being in respect of outstanding superannuation and wages.

Until my investigations and any legal actions are completed it is unknown as to whether there will be any further distributions paid to the secured creditor or unsecured creditors (which includes the account holders).

The above assumes that the monies held in the separate bank account, and further monies recovered from the term deposits, are determined by the Court not to be segregated accounts. In the event that the Court determines otherwise, there may be a return to account holders from the monies held in the separate liquidation bank account. However, the return to account holders will be minimal after deducting the costs of realising, determining the nature of the funds and the claims of the account holders and distributing monies.

Investigations

I have reported to the Australian Securities & Investments Commission (ASIC) pursuant to Section 533 of the Corporations Act 2001. ASIC has responded seeking further information with regards to possible misconduct and has requested that I submit a supplementary report.

I am in the process of completing my supplementary report to ASIC.

I have also investigated the following matters:

Unfair Preferences

I have reviewed the company's records and investigated whether the company made payments to creditors in the six month period prior to the winding up which may be considered an unfair preference, and may therefore be voidable against me as liquidator.

I have identified a number of potential unfair preference payments made by the company, and I have made demands on seven creditors, including the Commissioner of Taxation (Commissioner).

ATO

The claim against the Commissioner is for \$244,230.40. Pursuant to Section 588FGA of the Act, the directors of the company are liable to indemnify the Commissioner for any loss arising out of an unfair preference claim.

The ATO has made an offer to settle the claim on the following bases:

1. The ATO consents to judgment against it for the full amount of my claim (\$244,230.40),
2. The director/ former directors consent not to exercise their right to defend the claim, and they consent to an order that they are jointly and severally liable to the Commissioner in the amount of \$187,175.40, save that the liability of Craig Coleman does not exceed \$84,365.40.

I have written to the director/ former directors seeking their consent to the offer, but am yet to receive a reply.

Tote Tasmania Ltd (Tote)

The claim against Tote is for \$112,788.48. The claim relates to rebates payable by Tote to the company which were retained by Tote and set off against monies owing by the company in respect of a loan. The transactions were entered into at a time when there was, in my opinion, clear knowledge by Tote that the company was insolvent.

I have written to Tote in relation to the claim and have received a response from Tote advising that they were not aware that the company was insolvent. I disagree with their position. I intend to issue recovery proceedings against Tote in relation to these payments.

Other

The other five unfair preference claims are summarised below:

Bet 247 Pty Ltd	\$333,620.10
Bet Options Pty Ltd	\$412,298.03
Ecom Access	\$104,432.47
Telstra Ltd	\$113,518.00
State Revenue Office	\$76,998.35

In general, the above creditors have denied receiving a preference and have disputed my claim. I am yet to receive a response from Bet 247 Pty Ltd, and am awaiting a detailed response to my claim from Telstra.

I am considering my options, and may instruct solicitors to issue proceedings to recover the amounts paid by the company.

Insolvent Trading Claims

I have also 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 have made insolvent trading claims against the director and former directors. Depending on the other recoveries in the liquidation, I intend to issue recovery proceedings in due course.

Examinations

After extensive investigations, I arranged for a number of parties connected with the company to be publically examined in the Supreme Court of Victoria with regards to the examinable affairs. Those examined include

- Craig Coleman (former director),
- Stephen Chant, (director),
- Colin Hiles (former director),
- Danny Finley (former director), and
- Michael Kent, (Chairman of Tote).

The examinations were conducted over a five day period. A number of important points were raised at the examinations, and these form the basis of my further investigations and claims against various parties. To date I have made claims against the aforementioned director and former directors with regards to breaches of directors' duties, negligence and insolvent trading. I have not received a response to my claims apart from Craig Coleman, and depending on future recoveries I expect to commence recovery proceedings in the near future.

Tote Tasmania Ltd (Tote)

I have made a further demand against Tote in relation to the actions of Craig Coleman, who was the CEO of Tote, and the Tote representative on the Sports Alive Board. There are concerns that Tote may have been acting as a shadow director of Sports Alive. Further, I am investigating claims of misrepresentation and misleading and deceptive conduct against Tote. My investigations with respect to the claims as against Tote are still continuing.

Bet Worldwide Pty Ltd

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, the unitholders were required to contribute funds to the business (i.e. the business operated by Sports Alive) as required. I understand that a final demand was made by Stephen Chant, in his capacity as director of BWW, in May 2012 just prior to BWW being placed in liquidation. To date, unitholders have not made any payments under the demand.

I am investigating whether I, as liquidator of the company which operated the business, would have a claim against the unitholders pursuant to the Unitholders' Agreement. Alternatively, I have also had discussions with the liquidator of BWW with regards to pursuing the claims. My investigations and discussions are continuing.

Segregated Monies

I have issued an originating process in the Supreme Court of Victoria, seeking directions in respect of the funds held by Bank of Queensland (BOQ) and National Australia Bank Ltd (NAB) in three separate term deposits (NAB account 17-482-9249 and BOQ accounts 21447944 and 21448895). I am seeking directions from the Court as to whether the funds held in these accounts are segregated or otherwise held on trust for account holders under legislation.

The hearing was heard on 24 and 31 October 2012. I am awaiting the decision to be handed down by the Judge.

The amount the subject of the application is in the order of \$810,000, subject to charges on the funds associated with the liquidation, including claims of set off made by BOQ and NAB. If the funds are held to be segregated, it is likely to be determined that they are held for the benefit of account holders. The amount owed to account holders is approximately \$3.8 million, taking into account balances and open bets cancelled at the date of liquidation.

The ACT Gaming and Racing Commission appeared at the hearing and submitted that the funds are segregated.

I will report further to creditors on the outcome of the directions hearing.

Liquidators' Fees

Creditors have previously approved our fees in conducting the liquidation up to an amount of \$200,000.00, plus GST. To date we have drawn fees totalling \$160,000.00 plus GST, and therefore have approval to draw a further \$40,000.00, plus GST.

Our unbilled fees to 15 November 2012 total \$176,619.96 plus GST. We have therefore exceeded the approved cap by \$136,619.96. I anticipate seeking further approval for our fees from the Committee of Inspection shortly.

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 voidable transaction, insolvent trading and other claims against various parties, as noted in this report,
- prepare a supplementary report to ASIC pursuant to Section 533(2) of the Act,
- distribute monies to creditors as required.

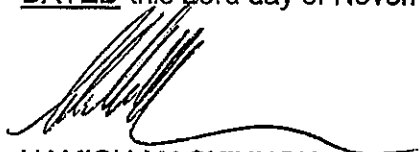
Estimated Date of Completion

Given that the litigation may take several years to resolve, it is difficult to provide an estimate as to when the winding up is likely to be completed. However, as I am required to provide creditors

with an estimated date of completion, I estimate that the winding up may be completed by 31 December 2014.

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 23rd day of November 2012.

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

HAMISH MACKINNON
LIQUIDATOR

Sports Alive Pty Ltd
(In Liquidation)

Receipts & Payments Summary
for the period ended 23 November 2012

Receipts:	
Cash at Bank	\$ 45,522.67
Accounts Receivable	129,224.30
Conduct Monies	1,050.00
GEERS Advance	413,693.96
GST Refund	318,111.33
Interest Income	15,904.35
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	1,100.00
Sundry Receipt	300.00
Term Deposit Monies	274,261.54
Workcover Refund	1,231.53
GST Receipts	<u>32,602.00</u>
Total Receipts	<u>\$ 1,407,385.62</u>
Payments:	
Advertising	\$ 2,057.44
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	845.58
Distribution to Secured Creditor	81,082.19
Domain Name Renewals	177.00
GEERS Distributions	404,098.16
GST Payable	3,433.00
Insurance	1,263.95
Internet Service	417.00
Legal Fees	288,812.53
Liquidators' Remuneration	176,000.00
Locksmith Fees	993.11
Mail Redirection	262.00
Mailout Expenses	19,605.46
Postage & Stationery	1,226.48
Printing & Copying	6,520.80
Professional Fees	7,046.94
Search Fees	1,605.99
Securing / Protecting/ Storage of Assets	4,735.92
Security	528.00
Stamp Duty	71.40
Storage of Records	1,192.70
Sundry Expenses	170.71
Superannuation	91.80
Telephone & Fax	600.46
Travel	932.00
Wages	1,542.94
Unclaimed Dividends	<u>9,595.80</u>
Total Payments	<u>\$ 1,020,883.20</u>
Net Receipts/ Cash at Bank	<u>\$ 386,502.42</u>
Representated By:	
Liquidation Bank Account	\$ 91,576.34
Liquidation Bank Account 2	<u>294,926.08</u>
Total Cash at Bank	<u>\$ 386,502.42</u>

REPORT BY LIQUIDATORS

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

Formerly Trading At Level 1,
Thoroughbred Park Canberra Racecourse,
Randwick Road, Lyneham Act 2602 and
Level 1, 552 City Road, South Melbourne VIC 3205

Sports Alive Pty Ltd (In Liquidation) (SA) was placed into liquidation on the 26th August 2011 pursuant to the Creditors' Voluntary Winding Up provisions of the Corporations Act 2001 (the Act) and Keith Sutherland and I of Bent & Cogle Pty Ltd, Chartered Accountants, were appointed joint and several Liquidators.

I wish to bring all interested parties up to date with our investigations and recoveries and what actions we will be taking during this year. The format of this report is as follows:

1. COMPANY'S AFFAIRS

- 1.1 Background Information
- 1.2 History
- 1.3 Trading
- 1.4 Summary of Financial Statements

2. RECOVERIES TO DATE

- 2.1 Cash at Bank
- 2.2 Sale of database
- 2.3 GST Refund
- 2.4 Term Deposits
- 2.5 Debtors
- 2.6 Other Assets

3. RECOVERY PROCEEDINGS

- 3.1 Tote
- 3.2 Directors
- 3.3 Examinations
- 3.4 Term Deposits
- 3.5 Unfair Preferences

4. CREDITORS

- 4.1 Secured Creditors
- 4.2 Employee Entitlements
- 4.3 Account Holders
- 4.4 Unsecured Creditors

5. CREDITOR FUNDING

6. ASIC

7. VICTORIA POLICE

8. COMMITTEE OF INSPECTION

9. GENERAL

1. COMPANY'S AFFAIRS

1.1 Background Information

A search of the Australian Securities & Investments Commission ("ASIC") database revealed the following at the time of liquidation:-

Date of Incorporation

18th April 1995

Director	Appointed
Stephen Francis Chant	28/09/2005

Previous Directors	Appointed	Resigned
Colin Clive Hiles	02/10/2009	23/08/2011
Daniel Robert Finley	10/12/2009	23/08/2011
Craig Harold Coleman	10/12/2009	14/04/2011
James Charles Black	14/05/2008	02/10/2009
Daniel Robert Finley	05/11/2003	14/05/2008

Secretary	Appointed
Stephen Francis Chant	05/11/2003

Shareholder Bet Worldwide Pty Ltd

Beneficially Held No

Class ORD

No of Shares Held 7,000,000

Previous Shareholders	Beneficially Held	Class	No of Shares Held
056 210 774 EBet Limited	Yes	ORD	2,000,000

Registered Charges:-

Chargeholder:	National Australia Bank Ltd
Type:	Fixed
Date Created:	25/08/2005
Date Registered:	09/09/2005

Chargeholder:	Coda & Co Pty Limited
Type:	Fixed & Floating
Date Created:	14/05/2010
Date Registered:	27/05/2010

Chargeholder: Daniel Robert Finley
Type: Fixed & Floating
Date Created: 14/05/2010
Date Registered: 27/05/2010

Note: The above charge was assigned to Morlend Finance Corp (Vic) Pty Ltd on 25th August 2011, however the assignment documents had not been lodged with ASIC at the date of liquidation.

Chargeholder: Bank of Queensland Ltd
Type: Fixed & Floating
Date Created: 09/06/2010
Date Registered: 21/05/2010

1.2 History

SA was incorporated on the 18th April 1995 when it commenced operations as a sports bookmaker. SA ceased trading on the 25th August 2011.

SA, then known as Sports Acumen Pty Ltd, was purchased by the current shareholder, Bet Worldwide Pty Ltd as trustee for the Bet Worldwide Unit Trust (BWW), in 2003, and continued to expand its internet and telephone fixed odds betting operations. In December 2009, Tote Tasmania Pty Ltd (Tote Tasmania), which is owned by the Tasmanian Government, took a 25% equity stake in SA's holding company, BWW, after investing \$5 million. Craig Coleman, CEO of Tote Tasmania, then became Chairman of SA.

I understand that throughout 2010 and 2011 Mr Coleman and Tote Tasmania made representations to the board of SA that it would increase its investment to a majority shareholding by investing further monies. This failed to eventuate, and the company's remaining directors then took steps to have the company cease trading and place the company into liquidation.

The director, Mr Chant, has advised that SA's failure can be attributed to the company being badly let down by Tote Tasmania which had made certain undertakings and promises to SA's board, who relied on these undertakings to expand the business. According to Mr Chant, Tote Tasmania failed to come good on these undertakings and promises.

1.3 Trading

The company has not traded during the liquidation period as it ceased to trade on the 25th August 2011.

1.4 Summary of Financial Statements

The audited balance sheets and profit and loss reports for the financial years ended 30th June 2009 and 2010, and the internal management accounts for the financial year ended 30th June 2011 disclosed the following:-

BALANCE SHEET AS AT	30/06/2009*	30/06/2010*	30/06/2011#
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,281,264	\$ 1,193,557	\$ 938,309
Trade and other receivables	756,968	700,504	787,952
Other assets	60,122	107,242	(29,227)
Total Current Assets	\$ 2,098,354	\$ 2,001,303	\$ 1,697,034
Non-Current Assets:			
Property, plant and equipment	\$ 457,618	\$ 534,578	\$ 862,676
Intangible assets	1,205,427	2,009,897	2,009,897
Total Non-Current Assets	\$ 1,663,045	\$ 2,544,475	\$ 2,872,573
Total Assets	\$ 3,761,399	\$ 4,545,778	\$ 4,569,607
LIABILITIES			
Current Liabilities:			
Trade creditors	\$ 1,328,184	\$ 553,796	\$ 1,257,233
Other trade creditors	-	-	97,720
Customer balances	1,638,551	1,146,840	3,023,125
Superannuation payable	236,857	75,421	277,898
Other payable	-	352,441	-
SMC	25,000	41,500	9,095
Borrowings	444,983	29,563	-
Current tax liabilities	233,665	356,800	547,585
Short-term provisions	145,280	187,284	209,786
Total Current Liabilities	\$ 4,052,520	\$ 2,743,645	\$ 5,422,443
Non-Current Liabilities:			
Bank of Queensland (BOQ)	-	\$ 300,000	\$ 300,000
Investor loans - Secured	-	1,500,000	3,895,337
Investor loans - Unsecured	-	-	469,888
Total Non-Current Liabilities	-	\$ 1,800,000	\$ 4,665,225
Total Liabilities	\$ 4,052,520	\$ 4,543,645	\$ 10,087,668
Net Assets/ (Deficiency)	(291,121)	\$ 2,133	(\$5,518,062)
EQUITY			
Issued Capital	2,000,000	7,000,000	7,000,000
Reserves	3,905,134	1,371,264	6,266
Retained Earnings/ Profit	(6,196,257)	(8,369,131)	(12,524,326)
Total Equity	(\$291,123)	\$2,133	(\$5,518,062)

PROFIT & LOSS REPORT

For the Period Ended	30/06/2009*	30/06/2010*	30/06/2011#
Revenue	\$ 5,049,669	\$ 2,254,997	\$ 3,952,483
White Label Profit Share	-	(131,699)	(1,596,283)
Gross Profit	\$ 5,049,669	\$ 2,123,298	\$ 2,356,200
Plus Other Income	14,808	14,688	80,342
Subtotal	\$ 5,064,477	\$ 2,137,986	\$ 2,436,542
Less Expenses			
Marketing expenses	\$ 1,291,259	\$ 388,046	\$ 458,585
Occupancy expenses	106,204	127,471	126,479
Administrative expenses	2,740,366	2,515,428	5,092,048
Finance expenses	379,808	386,661	11,458
Other Expenses	792,209	855,539	699,789
Total Expenses	\$ 5,309,846	\$ 4,273,145	\$ 6,388,359
Net Profit/(Loss)	(\$245,369)	(\$2,135,159)	(\$3,951,817)

* 2009 & 2010 accounts have been independently audited.

2011 accounts are internal management accounts obtained from MYOB.

2. RECOVERIES TO DATE

Please find attached a summary of the Receipts and Payments for the period ended 22nd March 2012. In summary, we have recovered the following monies:

Cash at Bank	\$45,236.28
Sale of Database	120,000.00
GST Refund	318,111.33
Term Deposit	274,261.54
Debtors	76,475.69
Plant & Equipment	4,313.58
Other Assets	20,090.91

The above amounts are exclusive of GST where applicable.

I note the following:

2.1 Cash at Bank

Cash at Bank includes amounts recovered from the company's bank accounts and the balance of betting accounts the company held with other betting agencies.

2.2 Sale of Database

On 2nd September 2011 a sale of SA's client database was completed to Tom Waterhouse N.T. Pty Ltd (Waterhouse) for a sale price of \$120,000.00 plus GST. The sale price was the best available offer received.

Following completion of the sale, Waterhouse advised that it would honour account holder balances up to a total of \$1 million, subject to terms and conditions, which has been of benefit to a number of account holders.

2.3 GST Refund

After the decision in *International All Sports v Commissioner of Taxation*, SA was entitled to a GST refund of approximately \$710,000.00 in respect of the GST it had declared on international bets. SA lodged an amended BAS with the Australian Taxation Office (ATO) claiming this amount as a refund, prior to liquidation.

The ATO then completed an audit and requested further information which I was able to provide. The ATO has now accepted the GST refund claim, and has refunded \$318,111.33 to the company, after setting off the company's debt of approximately \$392,000.00 against the refund amount.

2.4 Term Deposits

I have received an amount of \$274,261.54 on 1st March 2012 from BOQ being the balance of monies held on term deposit securing a bank guarantee held by the Gambling & Racing Commission ("GRC"). My further comments regarding these monies and other monies held on term deposit, are included in section 3.4 of this report.

I have deposited these monies into a separate bank account, pending an application to the Supreme Court of Victoria seeking directions as to whether the monies should be treated as segregated accounts held for the benefit of the account holders, or whether the funds should be available for general distribution in the liquidation.

2.5 Debtors

I have made demands on 226 account holders who owed SA \$342,897.69. To the 28th February 2012 I have collected \$76,475.49.

I have also written off debts totalling \$62,382.23 due to:

- the debt being paid prior to liquidation and not recorded as received in the company's records,
- the size of the claim being an uncommercial amount to justify pursuing the claim further,
- being unable to locate the debtor, and
- other reasonable disputes in regards to the amounts claimed.

Therefore, there is still a balance outstanding of \$204,039.97 owed by 96 account holders. These claims will be pursued over the course of this year, and I will engage solicitors to pursue the outstanding claims where appropriate.

I have also made demands on the following:

- BetWorldwide Pty Ltd for \$2,552,676.15, and
- Six (6) Trade Debtors for \$54,519.39

BetWorldwide Pty Ltd ("BWW") is the holding company of SA. I have reviewed financial statements of BWW which show that it does not appear to have any assets that are realisable to enable it to repay the loan account. My investigations are continuing in regards to this claim.

I am continuing to pursue the balance of the trade debtors, however most of the trade debtors either dispute the amount owing, or claim to be owed monies by the company in excess of the debt owed.

2.6 Other Assets

I have also realised the following assets, all of which are subject to the secured creditor's fixed charge:

- Add-on software	\$19,090.91
- Plant & Equipment	4,313.58
- Domain Names	<u>1,000.00</u>
Total	\$24,404.49*

* Amounts excluding GST

I have accounted to the secured creditor for the proceeds from the sale of these assets.

3. RECOVERY PROCEEDINGS

I have made demands on the following individuals and entities:

- Tote Tasmania Pty Ltd (Tote)
- Craig Coleman (former chairman and current CEO of Tote)
- Stephen Chant (director)
- Colin Hiles (former director), and
- Danny Finley (former director).

I will refer to Chant, Hiles and Finley in this report as the "Melbourne Directors".

3.1 Tote

Tote acquired a 25% interest in SA through BWW on 10th December 2009. Mr Coleman, CEO of Tote, became a director of SA and was appointed chairman of the board of directors. Tote completed its due diligence which included a report by Deloitte prior to its acquisition. The Deloitte report disclosed a number of key findings, some of which were:

- Without a capital injection, the aggregated entity had going concern issues and had a net tangible asset deficiency of \$7.2 million (including shareholder loans), not including unrecorded liabilities of at least \$915,000.00. It further noted:
 - o a significant net tangible asset deficiency;
 - o an overdraft position and net current asset deficiency of \$2m;

- o a build up of trade creditors and tax liabilities; and
 - o trade debtors were impaired.
- \$1 million of the bank facilities were to be refinanced in July 2009. Deloitte noted that Tote should consider the impact on the business in the event that the loan could not be renewed. It further noted:
 - o Tote should obtain written agreement from other investors to mitigate possible ramifications of dilution from day one.
- The \$5 million proposed equity injection (by Tote) would not be sufficient to cover debt pay down, payment of all unrecorded and outstanding liabilities and compliance with segregated funds regulations. It further noted:
 - o SA may be in breach of the segregated funds regulations and approximately \$1.4 million was needed to be injected to comply;
 - o \$3.9 million of Tote's potential investment is expected to be used in the first month which included the repayment of shareholder (\$2 million) and bank loans (\$0.5 million); and
 - o A further \$1.6 million of unrecorded or currently outstanding liabilities.
- There are strict requirements for holding customers' betting money in "segregated" trust accounts until their wagers are determined under the Race and Sports Bookmaking Rules.
- Forecast EBITDA growth of \$5.7 million for the financial year ended 30th June 2010 may be a challenge and is contingent on a number of initiatives that are new or have limited track record.
- There was a risk that the proactive trading revenue stream may cease indefinitely from July 2009.
- Normalised EBITDA improved slightly from a loss of \$349,000 in FY08 to a loss of \$327,000 in FY09.
- SA's monthly EBITDA was sensitive to win rate fluctuations with EBITDA losses recorded in 11 months of the 24 month period to June 09 and in particular:
 - o EBITDA losses were recorded in 11 of the 24 months to June 09 driven by the volatility of win rates; and
 - o The Company missed budget in FY08 and FY09.

- SA was in the process of applying for a Tasmanian Gaming licence and the forecast had been prepared on the basis that it will be granted.
- Any goodwill impairment in SA will impact Tote's future earnings.
- Further legal due diligence is required to consider the role of the trustee and Management's interpretation of the Race and Sports Bookmaking Act 2001 in regards to segregated funds:
 - o Management believes that only \$1.2 million of the total customer deposits balance of \$1.9 million at June 2009 needs to be maintained;
 - o Further consideration of the role and capacity of the trustee to the Bet Worldwide Unit Trust is required.
- EBITDA forecast for FY10 of \$5.75 million is highly sensitive to win rate movements for wagering turnover and proactive turnover volume and delays in new revenue streams.

I am investigating what actions the board of directors took to rectify the above mentioned key findings which appeared to be serious breaches of the Race & Sports Bookmaking Act 2001 (ACT) regarding segregated accounts and the solvency position of SA.

It also appeared that the Tote board and members of the Tasmanian Government were kept informed about the affairs of SA.

According to the Melbourne Directors, Mr Coleman and Tote made promises to invest a further \$5 million to bring its interest in SA to at least 50%. There were also, according to the Melbourne Directors, promises of loans and discussions about Tote acquiring SA's assets during the 2011 year. Mr Coleman and Tote have denied that the monies were guaranteed.

SA commissioned Ferrier Hodgson, Chartered Accountants, to prepare a report on its solvency at the request of Tote and paid for by Tote. This report was completed in April 2011 and reflected what the position would be after Tote invested a further \$5 million.

According to Deloitte, at June 2009 SA had a deficiency of approximately \$7.2 million and approximately 4,000 account holders. At the time of liquidation SA had estimated liabilities of approximately \$14 million and 18,000 account holders.

It is apparent that Tote was aware of SA's poor financial position before it proceeded with its investment. However it chose not to invest any more monies.

I put Tote on notice by a letter dated the 5th December 2011 that I intend to publicly examine certain members of its board to give evidence. I also sought to meet with Michael Kent, Chairman of Tote, with a view to resolving the issues raised in the letter. Mr Coleman on behalf of Tote responded that the board is not willing to meet in circumstances where I have put them on notice of a public examination. This is a disappointing response however our investigations will continue.

3.2 Directors

I have made demands on the following individuals:

- Craig Coleman,
- Stephen Chant,
- Colin Hiles, and
- Danny Finley.

The demands are seeking compensation of approximately \$14 million as a result of the directors:

- breaching their duties in that they failed to act in good faith and in the best interests of the company,
- allowing SA to trade whilst it was insolvent, and
- allowing SA to breach the Race and Sports Bookmaking (Rules for Sports Bookmaking) Determination 2005 (No. 4) (ACT) in relation to segregated accounts.

I also provided copies of these demands to the underwriters to SA's Directors and Officers insurance policy. I understand the limit of this policy is \$5 million.

I have not received responses from Stephen Chant or Danny Finley.

Mr Coleman has responded and advised that he:

- disputes the claim and its quantum in regards to insolvent trading,
- was not aware of any breaches of the relevant sports betting legislation by SA and denies any personal liability,

- never gave any assurances that Tote was committed to invest in or lend to SA,
- believes we have not particularised the allegations and advised that he has not acted dishonestly or breached his duties,
- has no conflict of interest or if a conflict arose there were processes in place to deal with it,
- will not make any payments and denies any liability, and
- will produce my letter to the insolvency regulator at the appropriate time as an example of what he believes is an unsustainable demand.

Mr Hiles has advised that he does not wish to respond to all matters raised in the letter save to say that whilst the contents may apply to others he strongly rejects he breached his responsibilities or was involved in insolvent trading.

3.3 Examinations

I have made an application to the Supreme Court of Victoria for the following parties to be questioned about the SA's examinable affairs:

- Craig Coleman,
- Stephen Chant,
- Colin Hiles,
- Danny Finley, and
- Michael Kent.

A notice has been posted to Bent & Cogle's website, providing the dates of the examinations. The examinations will take place between 30 April and 4 May 2012, and any adjournment as ordered by the Court.

Creditors should be aware that an examination will not in itself result in any funds being recovered. If the examinations show that the aforementioned claims or others have merit then proceedings will need to be issued.

3.4 Term Deposits

SA had three term deposits totalling approximately \$830,000.00 with the following banks:

National Australia Bank Ltd (NAB)	\$250,000.00
Bank of Queensland (BOQ)	\$320,000.00
Bank of Queensland (BOQ)	\$260,000.00

These term deposits were reported to the Australian Capital Territory (ACT) Gaming and Racing Commission (GRC) as segregated accounts.

However, it appears:

- the term deposits were not styled as "Trust Accounts" as required by the ACT Race and Sports Bookmaking Rules,
- the monies do not appear to have been obtained from account holders or belong to current account holders,
- SA had pledged the funds held in the two BOQ term deposits, and
- the NAB seeks to set-off credit card charge backs against the term deposit.

NAB Term Deposit

The NAB has advised that it will not release the funds as it is seeking to set off all credit card charge backs received by the NAB. The NAB has accepted approximately \$60,000.00 of credit card charge backs claimed by account holders.

I have now had an opportunity to consider these claims and I believe a majority of them have been wrongly made as most of the account holders did in fact receive a service.

If no more credit card charge backs are accepted by the NAB then the NAB will pay approximately \$190,000.00 to SA. I have written to the NAB, reserving SA's rights in regards to the set off claim, requesting that it now pays SA the balance of the term deposit.

I made demands on eight (8) account holders, who have been reimbursed by the NAB, claiming \$39,353.00. I have recovered \$8,139.00 from account holders and I will be pursuing the remaining monies. I am of the view that these account holders have not only wrongly claimed a credit card charge back but also effectively been paid in priority to other creditors.

BOQ Term Deposits

BOQ has released the monies held in its term deposits as follows:

1. Term Deposit - \$320,000.00

I have advised BOQ that this term deposit was reported as a segregated account to the GRC and the BOQ is not entitled to set off its loan account facility of

\$300,000.00. The BOQ has advised that the term deposits were not designated as trust accounts or disclosed to the BOQ as trust accounts. Therefore, the BOQ has advised it is entitled to set off the loan facility. Whilst reserving SA's rights I have requested the BOQ to apply the set off of the loan amount and remit the balance of the term deposit. The BOQ subsequently advised that there are no surplus funds from this term deposit due to the set-off claim, costs and charges incurred by the BOQ.

2. Term Deposit - \$260,000.00

These monies were being held by the BOQ as security for a guarantee it had provided to the GRC for \$250,000.00. I disputed the GRC's right to call upon the guarantee. The GRC has advised that for other reasons it will not call on the guarantee. The GRC and I reached an agreement that the bank guarantee would be returned to BOQ, and I will hold the monies received from this term deposit in a separate account pending a court direction as to how the monies should be dispersed.

An amount of \$274,261.54, being the balance held in the term deposit, has now been received and deposited into a separate liquidation bank account, pending an application to the Court to determine how the monies should be treated.

Separate Liquidation Bank Account

As noted above I have opened a separate liquidation bank account, into which I have deposited or will deposit the following:

- the balance of the BOQ term deposit,
- monies recovered from account holders who have wrongly claimed a chargeback, and
- the balance of NAB term deposit after set-off of credit card chargebacks.

I intend to seek directions from the Court of how I should be treating these monies. That is whether these monies should be treated as an asset of the company to be distributed in accordance with the priority provisions of the Corporations Act 2001, or whether the account holders have a right to these monies. If account holders have a priority then I will be seeking further directions as to how the monies should be distributed after deducting the costs of recovering the monies, considering account holder claims and distributing the monies.

Finally, I will also be considering whether the BOQ and the NAB have the right of set-off against the monies held by each of them.

3.5 Unfair Preferences

I have examined payments made by SA that may constitute unfair preferences. At this stage I am pursuing a claim against the ATO for an amount of \$244,230.40, however I am investigating further potential preference payments and may make further claims in due course.

4. CREDITORS

4.1 Secured Creditors

At the date of my appointment, according to ASIC records, the following creditors held fixed and floating charges over the assets of the company:

Name	Amount Owing
1. Daniel Finley	\$1,500,000.00
2. Coda & Co Pty Ltd	\$2,391,940.75

Daniel Finley is the sole director of Coda & Co Pty Ltd. The debts relate to monies loaned to the company.

The secured debts were assigned to Morlend Finance Corp (VIC) Pty Ltd ("Morlend") on the following dates:

Daniel Finley	25th August 2011
Coda & Co Pty Ltd	30th August 2011

I have reviewed in detail the validity of the secured creditors' claims, the amounts owed and the assignment of debts to Morlend. I consider that Morlend is entitled to claim as a secured creditor in the liquidation for the total amount of \$3,891,940.75.

I have made a distribution to Morlend totalling \$81,082.19, being the net proceeds from the sale of the company's fixed assets, including database, plant & equipment, software etc, after deducting my fees and costs associated with realising these assets and considering the secured creditor's claim

4.2 Employee Entitlements

The estimated employee entitlements are comprised as follows:

Wages	\$76,332.83
Superannuation	260,224.43
Annual Leave	154,389.90
Long Service Leave	46,311.87
Pay in lieu of notice	67,685.07
Redundancy	<u>74,697.08</u>
Total	<u>\$679,641.18</u>

A number of employees have lodged claims with the Department of Education, Employment & Workplace Relations ("the Department") under the General Employee Entitlements & Redundancy Scheme ("GEERS"). The Department has advanced \$413,693.96 to date for distribution to employees.

The Department is entitled to claim as a priority creditor in the winding up for monies advanced under GEERS. GEERS pays employee entitlements subject to certain limits, except for superannuation.

4.3 Account Holders

At the date of my appointment, the company had 18,785 account holders owed a total of \$3,876,832.47. This amount includes open bets at the date of liquidation, the value of which has been added back to the relevant account holder's balance.

I understand that some account holders have lodged complaints and appeals to the ACT Ombudsman in regards to seeking compensation from the GRC. The Ombudsman advised the account holders that he does not have the power to pursue any claim against GRC and directed the account holders to us as liquidators. I understand some account holders opposed this decision. I advised the Ombudsman that I am willing to discuss the matter and assist where possible his investigations. The Ombudsman has advised that I may be contacted in the future should the need arise.

I understand that the Ombudsman has since notified an account holder that he will be investigating the GRC's conduct in relation to SA's failure.

4.4 Unsecured Creditors

I am aware of a substantial number of unsecured creditors, excluding account holders, owed a total of \$5,521,544.09, as follows:

ACT Revenue Office	\$327,219.87
Bet Options	237,695.76
Bet247	546,454.69
Davambros	2,520,796.00
Department of Racing Gambling & Liquor (WA)	195,838.00
Sunnygray Pty Ltd	274,394.80
Tote Tasmania	510,000.00
82 Unsecured Creditors	<u>909,144.97</u>
Total	<u>\$5,521,544.09</u>

I have not assessed the claims of the unsecured creditors.

5. CREDITOR FUNDING

At this stage there are limited funds in the liquidation, subject to future realisations, to pursue the foreshadowed claims. I request that if any creditors wish to fund us as liquidators I request that they contact Michael Quin of this office to register their interest in possibly funding any actions to be taken. I bring to creditors' attention that funding creditors may be entitled to a priority distribution pursuant to Section 564 of the Corporations Act 2001.

6. ASIC

I lodged a report with Australian Securities & Investments Commission (ASIC) pursuant to Section 533 of the Corporations Act 2001 today. I am waiting on a response from ASIC, however, I would expect that ASIC will wish to investigate the matter.

7. VICTORIA POLICE

Victoria Police has been in contact with my office following a complaint to them by the GRC. I understand that Victoria Police will not be taking any action, pending further investigations being undertaken by ASIC.

8. COMMITTEE OF INSPECTION

As previously advised, a Committee of Inspection was appointed at the meeting of creditors held on 13th September 2011. The Committee members are:

- Bet247 Pty Ltd,
- Gary Walsh,
- Punt Club Pty Ltd,
- Chris Kingsport,
- Ian Tripp,
- Michael Landy, and
- Dennis Tuan-Mu.

I will be convening a meeting of the Committee of Inspection shortly to discuss various matters that have arisen during the liquidation.

9. GENERAL

If you have any queries please forward your queries to sportalive@bentcogle.com.au.

Please note that I am not able to respond to all queries received, however I will provide responses to those queries in future reports.

DATED this 23rd day of March 2012.



HAMISH MacKINNON
JOINT LIQUIDATOR

Sports Alive Pty Ltd
(In Liquidation)

Receipts & Payments Summary
for the period ended 22nd March 2012

Receipts:	
Cash at Bank	\$ 45,236.28
Accounts Receivable	76,475.69
Conduct Monies	1,050.00
GEERS Advance	413,693.96
GST Refund	318,111.33
Interest Income	1,245.20
Repayment of Charge-Back Claims	8,139.00
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	1,100.00
Term Deposit Monies	274,261.54
Workcover Refund	1,231.53
	<hr/>
Total Receipts	\$ 1,298,289.47
Payments:	
Advertising	\$ 1,350.14
ASIC Filing Fees	138.00
Auctioneer's Charges	1,992.10
Cartage	1,542.69
Conduct Monies	1,000.00
Courier	675.29
Distribution to Secured Creditor	81,082.19
Domain Name Renewals	177.00
GEERS Distributions	391,637.96
GST Payable	7,300.00
Insurance	1,263.95
Internet Service	417.00
Legal Fees	81,194.56
Locksmith Fees	709.50
Mail Redirection	262.00
Mailout Expenses	19,605.46
Professional Fees	1,650.00
Search Fees	528.46
Securing / Protecting/ Storage of Assets	3,635.92
Security	528.00
Stamp Duty	71.40
Sundry Expenses	170.71
Superannuation	91.80
Travel	932.00
Wages	1,482.94
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Total Payments	\$ 599,439.07
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Net Receipts/ Cash at Bank	\$ 698,850.40
Representated By:	
Liquidation Bank Account	\$ 416,449.85
Liquidation Bank Account 2	282,400.55
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Total Cash at Bank	\$ 698,850.40