

Liquidator's Progress Report**Pursuant to section 92A, 104A, and 192 of the
Insolvency Act 1986****S. 192**

To the Registrar of Companies

Company Number

06412045

Name of Company

(a) Insert full name
of company

(a) CLOUDCITY GAMES LIMITED - IN LIQUIDATION

(b) Insert full name(s)
and address(es)We ^(b)David Rubin of David Rubin & Partners LLP, 26 - 28 Bedford Row,
London, WC1R 4HE and Adrian Hyde of Chantrey Vellacott DFK LLP,
Russell Square House, 10-12 Russell Square, London WC1B 5LFthe Joint Liquidators of the company attach a copy of our Progress Report
under section 192 of the Insolvency Act 1986

The Progress Report covers the period from 18 May 2011 to 17 May 2012

Signed

Date

11/07/12

Presenter's name,
address and reference
(if any)David Rubin & Partners LLP
26 - 28 Bedford Row
London WC1R 4HE

Tel 020 7400 7900

DX Number 267 DX Exchange London/Chancery Lane

SATURDAY



A30

A1D5HAK8
14/07/2012
COMPANIES HOUSE

#32

IN THE MATTER OF
CLOUDCITY GAMES LIMITED - IN LIQUIDATION

AND
THE INSOLVENCY ACT 1986

**THE JOINT LIQUIDATORS' FIRST ANNUAL PROGRESS REPORT
PURSUANT TO SECTION 104A OF THE INSOLVENCY ACT 1986**

AND
**RULE 4.49C OF THE INSOLVENCY RULES 1986
FOR THE YEAR ENDED 17 MAY 2012**

CLOUDCITY GAMES LIMITED - IN LIQUIDATION
Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

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CLOUDCITY GAMES LIMITED - IN LIQUIDATION
Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

(a) Introduction

The Company was placed into liquidation by a Special Resolution of the members followed by a meeting of the creditors convened under section 98 of the Insolvency Act 1986 on 18 May 2011. This report provides an update on the progress in the liquidation for the year ended 17 May 2012.

Rule 4.49C-CVL(5): Progress Report

(b) Statutory Information

Company name	Cloucity Games Limited
Registered office	1st Floor, 26 - 28 Bedford Row, London, WC1R 4HE
Company number	06412045
Trading address	Unit D2 Alban Park, Hatfield Road, St Albans, Hertfordshire, AL4 0LA

(c) Liquidators' names and address:

David Rubin of David Rubin & Partners LLP, 26 - 28 Bedford Row, London, WC1R 4HE and Adrian Hyde of Chantrey Vellacott DFK LLP, Russell Square House, 10-12 Russell Square, London WC1B 5LF were appointed Joint Liquidators of the Company on 18 May 2011.

(d) Liquidator's Remuneration

Basis of remuneration

- 1.1 At the first meeting of Creditors a resolution was passed approving that the basis of our remuneration as Joint Liquidators be fixed by reference to the time properly spent by the office holders and our staff in attending to matters arising in the winding-up.
- 1.2 In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), a schedule of our firms' charge-out rates was issued to creditors at the time the basis of the Joint Liquidators' remuneration was approved. There has not been any material increase in the rates during this appointment. Our current hourly chargeout rates, exclusive of VAT, are as follows -

	David Rubin & Partners LLP £	Chantrey Vellacott DFK LLP £
Partners/Office holders	300 - 395	350 - 450
Consultants		350 - 450
Directors		325 - 340
Assistant Managers / Managers / Senior Managers	250 - 295	260 - 315
Senior Administrators / Senior Executives	180 - 220	220 - 250
Administrators / Executives	130 - 160	125 - 175
Cashiers and Assistants / Analyst	120 - 160	120 - 160

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Supports

110 - 120

80 - 110

Chargeout rates are normally reviewed annually in November (for David Rubin & Partners LLP) and August (for Chantrey Vellacott DFK LLP), when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance. A copy of Chantrey Vellacott DFK LLP's Chargeout rates and disbursement recovery policies is also appended to this report.

1.3 *Staff allocation and the use of subcontractors*

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

We have not utilised the services of any subcontractors in this case.

(e) **Joint Liquidators' remuneration**

My time costs for the year under review are £18,981. This represents 85.3 hours at an average rate of £222.52 per hour. I attach as Appendix B1 a Time Analysis which provides details of the activity during the year, analysed by staff grade.

Chantry Vellacott DFK LLP's time costs for the year under review are £5,650.50. This represents 33.4 hours at an average rate of £169.18 per hour. I attach as a Time Analysis as Appendix B2 which provides details of the activity during the year, analysed by staff grade.

To date no fees have been paid on account of these time costs.

To view an explanatory note concerning Liquidators' remuneration issued by the Joint Insolvency Committee, please visit the Publications folder on our website at www.drpartners.com/cases, using the following log-on details:

USERNAME c463 clo@sharesrvr.com PASSWORD olc364C*

Alternatively, please contact this office to arrange for a copy to be sent to you.

Included in the work undertaken by the Joint Liquidators and our staff is the following -

- i) Dealing with creditors' enquiries both by correspondence and by telephone and noting their claims.
- ii) Carrying out all necessary investigations, including the examination of the company's statutory books and books of accounts and records in order to enable me to prepare and submit a Liquidator's report on the conduct of the directors pursuant to the requirements of the Company Directors Disqualification Act 1986.

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- iii) Conducting a sale of the Company's assets and ongoing liaison and discussions with the purchaser to recover deferred consideration
- iv) Instructing and liaising with agents in respect of the value of the Company's assets
- v) Instructing and liaising with my solicitors in respect of preparing and completing the asset sale agreement
- vi) Filing the appropriate documents relating to the liquidation at Companies House
- vii) Liaising with the Insolvency Services' Redundancy Payments Office regarding the employees' preferential claims

(f) Liquidator's Expenses

Expenses incurred in the liquidation are explained at (g) below in my comments on the Receipts and Payments Accounts

(g) Details of progress for the period under review:

Prior to my appointment, I instructed agents, Rabbow & Co, to visit the Company's premises to prepare a report and valuation of the Company's assets along with those of its subsidiary companies, Verulam Software Services Limited (formerly known as Cloudcity (UK) Limited "VSSL") Serious Trivia Limited (now known as S434 Limited "S434") (together "the Companies") with a view to seeking a buyer for the business

The Goodwill, Intellectual Property Rights, software, hardware, database and the Commercial Records of the Company together with VSSL and S434 (both of which were placed into Liquidation on 18 May 2011, with me as sole liquidator of VSSL and with me and Adrian Hyde of Chantrey Vellacott LLP as Joint Liquidators of S434) were sold on a going concern basis, shortly after my appointment, to Colesseum Games Network Limited ("the Purchaser"), an entity connected to the one of the directors of the Companies, Mike Spyres

The Sale and Purchase Agreement ("SPA") was drawn up by solicitors, Edwin Coe LLP and was completed by the parties on 10 June 2011. The SPA provided for an initial payment of £25,200 upon completion of the sale and 5% of gross turnover of the Purchaser from completion until the third anniversary ("the Earn Out clause")

The SPA states that the amounts payable under the Earn Out clause shall not be less than the sum of £17,500 from completion until the first anniversary of completion, £50,000 from the first anniversary of completion until the second anniversary and £500,000 from the second anniversary until the third anniversary (subject to a period of grace of not more than six months)

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The consideration was made up as follows

	£
Intellectual Property Rights including Software	24,900
	(plus the
	Earn Out
	balance)
Goodwill	100
Hardware	100
Commercial Records	100
	<hr/>
	25,200
	(plus the
Total	Earn Out
	balance)
	<hr/>

A Receipts and Payments Account is attached at Appendix A, which is further explained below

1. Receipts

1.1 Sale of business

To date £610 has been received in respect of the Earn Out clause until November 2011 which has been banked in the estate of Company, awaiting apportionment between the Companies based on their respective creditors' liabilities. There remains the balance of the Earn Out clause to be collected. I wrote to the Purchaser demanding that they account to me for the 5% of Gross Turnover for each month since November 2011 together with management accounts (allocating the payments received to the relevant month) and a cheque for the amount due.

The Purchaser has explained that the problems, caused by delays in launching games for major clients, were outside their control. They have informed me that the sum of £2471 00 is due, being 5% of the turnover to date which has not been accounted for, and have requested 14 days to pay this sum. They also requested that the balance be added to the year 2 payment so that a total of £64,429 00 would be paid over by 25 June 2013.

Together with my Joint Liquidator, I am currently considering the Purchaser's proposal.

1.2 Cash held on appointment

The amount of £8,400 was held by my firm, prior to my appointment as Joint Liquidator, specifically for the purposes of meeting the costs of the Statement of Affairs fee as detailed below. This amount represents one third of the consideration due on completion of the SPA, with the remaining balance been apportioned equally between S434 and VSSL.

1.3 Bank interest gross

Interest earned on the funds in hand amounts to £0 13

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2. Payments

2.1 Statement of affairs fee

This fee relates to the assistance given to the directors of the Company in notifying and convening the members and creditors meetings under section 98 of the Insolvency Act 1986, and the preparation of the statement of affairs and directors' report to creditors. This fee was approved at the first meeting of creditors.

2.2 VAT

The Company was not registered for VAT and therefore I am unable to recover the VAT on payments made in the liquidation.

3. Expenses incurred but not recharged to the estate

3.1 Statutory advertising

The amount of £306 exclusive of VAT represents the costs for the publishing of statutory advertising in the London Gazette in respect of the first and final meeting of the members and creditors, the notice of the appointment of the Joint Liquidators and to creditors to submit their claims in the liquidation.

3.2 Specific bond

The specific bond is the cost of insurance, based on the level of realisations by the Liquidator, as required by the Insolvency Practitioners Regulations 2005. The sum of £30 exclusive of VAT has been incurred.

3.3 Meeting Costs

The first meetings of members and creditors were held at my offices for which my firm charged a nominal rental of £150 plus VAT for the provisions of the boardroom and ancillary facilities.

3.4 Carriage and Archiving

My firm uses its own personnel and vehicle for collection of books and records for which we charge £30 per hour.

3.5 Storage Costs

My firm uses a commercial archiving company for storage facilities for the Company's records and papers. This is recharged at the rate of £10 per box per quarter and includes a small charge to cover the administration costs of archiving and retrieval of documents. I am also required to keep my working papers for 6 years from the conclusion of the liquidation.

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3.6 Legal fees

The amount of £2,242 exclusive of VAT has been incurred by Edwin Coe LLP in respect of their services in the preparation of the appointment documentation and their subsequent time and advice in relation to the documentation of the sale of the business and assets of the Companies. This amount will be apportioned between the Companies when funds become available.

Edwin Coe LLP have a specialist Insolvency department and they were chosen on that basis after taking into account the size and complexity of the legal issues. Edwin Coe LLP charge their fees on a time costs basis and they have provided me with an analysis of the time they have spent.

3.7 Agent's fees

The amount of £400 exclusive of VAT has been incurred by Rabbow & Co LLP in respect of their fees for providing the valuation of the Companies' assets comprising of the Goodwill, Intellectual Property Rights, Software, Hardware, Database and the Commercial Records and assisting in the sale thereof. This amount will be apportioned between the Companies when funds become available.

Rabbow & Co LLP were selected as agents on the basis of their experience and expertise in dealing with valuations and sale of assets in insolvency situations, taking into account the locality and size of the Companies. The agreed basis of Rabbow & Co's fees was a fixed rate.

(h) Details of any assets that remain to be realised and outstanding matters

Apart from the deferred consideration referred to at (g) above, all assets have been realised.

(i) Investigations

1.1 In accordance with the Company Directors Disqualification Act 1986 the Joint Liquidator, Adrian Hyde has submitted a report on the conduct of the Directors of the Company to the Department for Business Innovation & Skills (**BIS**). As this is a confidential report, I am not able to disclose the contents.

1.2 Shortly after our appointment, the Joint Liquidator, Adrian Hyde made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting or as a response to our request to complete an investigation questionnaire. His investigations have not revealed any issues requiring further report.

(j) Creditors' rights – Rule 4.49E and Rule 4.131

i) Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Liquidator provides further information about his remuneration or expenses which have been itemised in this progress report.

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- ii) Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that the basis fixed for the Joint Liquidators' remuneration, the remuneration charged or the expenses incurred by the Joint Liquidators as set out in this progress report are excessive

(k) Any other relevant information:

(i) (a) Secured creditors

The Joint Liquidators are not aware of any secured creditors of the Company

(b) Prescribed Part

Section 176A of the Insolvency Act 1986 provides for a prescribed part of the Company's net property to be retained from distribution to the floating charge holder, where the debenture was created on or after 15 September 2003 and made available for the satisfaction of unsecured debts

As there is no qualified floating chargeholder, there is no requirement for any portion of the Company's assets to be set aside pursuant to section 176A of the Insolvency Act 1986

(ii) Preferential creditors

The Joint Liquidators have received a preferential claim from the Redundancy Payments Office for £3,558.56. There are also preferential claims of two employees who are owed the balance of their preferential arrears of wages and holiday pay, the quantum of which is currently being determined

(iii) Unsecured creditors

The claims of four unsecured creditors have been noted when received. Based on current information, it is unlikely that there will be a dividend payable to the unsecured non-preferential creditors

(l) Next Report

I am required to provide a further report on the progress of the liquidation within two months of the end of the next anniversary of the liquidation, unless I have concluded matters prior to that, in which case I will write to all creditors with my final progress report ahead of convening the final meeting of creditors

I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact in the first instance either my Senior Manager, Yin Lee, or her assistant, Philip Thomas at this office

David Rubin & Partners

pp **DAVID RUBIN - JOINT LIQUIDATOR**

DATE: 11 JULY 2012

APPENDIX A

CLOUDCITY GAMES LIMITED - IN LIQUIDATION
JOINT LIQUIDATORS' RECEIPTS AND PAYMENTS ACCOUNT
FROM 18 MAY 2011 TO 17 MAY 2012

	<u>Estimated</u> <u>to realise</u> £	<u>Realised</u> <u>to-date</u> £
<u>Receipts</u>		
Intellectual Property Rights	Uncertain	610 00
Goodwill	Uncertain	
Cash held by reporting accountants	8,400	8,400 00
Bank interest gross		0 13
		<u>9,010 13</u>
<u>Payments</u>		
Statement of Affairs fee		7,000 00
VAT		1,400 00
		<u>8,400 00</u>
Receipts less Payments		<u>610 13</u>
Represented by:-		
Balance at bank		<u>610 13</u>

CLOUDCITY GAMES LIMITED - IN LIQUIDATION							
JOINT LIQUIDATOR'S TIME COSTS FOR THE PERIOD 18 MAY 2011 TO 17 MAY 2012							
SIP 9 TIME SUMMARY							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Managers / Senior Managers	Administrators/ Senior Administrators	Cashiers	Total hours		
Statutory compliance, admin and planning	01 30	01 18	21 18	02 42	26 48	4 896 00	182 69
Investigations	00 12	00 36	01 12	00 06	02 06	454 00	216 19
Realisations of assets	13 00	08 24	08 42	00 00	30 06	8,801 00	292 39
Creditors	00 00	01 30	24 48	00 00	26 18	4,830 00	183 65
Total hours and costs	14 42	11 48	56 00	02 48	85 18	18,981 00	222 52

The above headings include *inter alia*

Administration and Planning

case planning
appointment notification
maintenance of records
statutory reporting and compliance
tax and VAT

Investigations

SIP2 review
reports pursuant to Company Directors Disqualification Act 1986
investigating antecedent transactions

Realisation of Assets

identifying and securing assets
debt collection
property, business and asset sales

Creditors

communications with creditors
creditors claims (including secured creditors, employees and preferential creditors)

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Indirect expenses ("Category 2 disbursements")

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate

Postage and stationery circulars to creditors

Headed paper	25p per sheet	Envelopes	25p each
Photocopying	6p per sheet	Postage	Actual cost

Meeting Costs Use of Meeting Room is charged at £150 per session

Storage and Archiving

We use a commercial archiving company for storage facilities for company's records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £30 per hour.

Mileage incurred as a result of any necessary travelling is charged to the estate at the HM Revenue & Customs approved rate, currently 45p per mile.

CHANTREY VELLACOTT DFK LLP ANALYSIS OF TIME COSTS AND DISBURSEMENTS

APPENDIX B2

CLOUDCITY GAMES LIMITED - CVL - CLOU40227

Time and Chargeout Summary for the period 18/05/2011 to 17/05/2012							
Classification of work function	Hours				Total Hours	Time Cost £	Average hourly rate £
	Partner	Manager	Other Senior Professionals	Assistants & Support Staff			
Administration & Planning							
(A)Appointment Documents	0 00	4 90	0 00	0 00	4 90	1 483 50	302 76
(A)Appointment Meetings	0 00	1 30	0 00	0 00	1 30	397 50	305 77
(A)Case Reviews	0 00	0 00	1 40	0 00	1 40	206 00	147 14
(A)Cashiering	0 00	0 00	0 10	0 40	0 50	73 50	147 00
(A)General Administration	0 00	0 00	5 50	8 20	13 70	1 700 50	124 12
(A)JA Correspondence	0 00	0 00	0 20	0 00	0 20	29 00	145 00
(A)Money Laundering & ethics	0 00	0 00	0 30	0 00	0 30	39 00	130 00
(A)SOA/DOS	0 00	0 00	1 50	0 00	1 50	217 50	145 00
Total for Administration & Planning	0 00	6 20	9 00	8 60	23 80	4,146 50	174 22
Investigations							
(I)Antecedent Transactions	0 00	0 00	1 30	0 00	1 30	208 00	160 00
(I)D Conduct reports/returns	0 00	0 30	3 10	0 00	3 40	544 00	160 00
(I)Investigations (not SIP2/CDDA)	0 00	0 00	4 40	0 40	4 80	737 50	153 65
Total for Investigations	0 00	0 30	8 80	0 40	9 50	1,489 50	156 79
Creditors							
(C)Preferential Creditors	0 00	0 00	0 10	0 00	0 10	14 50	145 00
Total for Creditors	0 00	0 00	0 10	0 00	0 10	14 50	145 00
Total Hours	0 00	6 50	17 90	9 00	33 40	6,650 50	169 18
Total fees Claimed	0 00	1,975 90	2,671 00	1,004 00	5,650 50		

Category 2 Disbursements	
Other amounts paid or payable to the office holder's firm or to any party in which the office holder or his firm or any associate has an interest	
Type and Purpose	£
Specific Bond Insurance	210 00

Grand Total 6,860 50

CHANTREY VELLACOTT DFK LLP

CHARGEOUT RATES AND DISBURSEMENT RECOVERY POLICIES

Chargeout Rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the firm's chargeout rates applicable to this appointment, exclusive of VAT, are as follows

	From 1 August 2011 £ per hour	From 1 August 2010 £ per hour
Partners / Office Holders	350 - 450	350 - 430
Consultants	350 - 450	350 - 450
Directors	325 - 340	320 - 330
Senior Manager	300 - 315	270 - 310
Managers	280 - 295	250 - 280
Assistant Managers	260 - 275	230 - 260
Senior Executive	220 - 250	175 - 250
Executive	125 - 175	100 - 170
Analyst	100 - 105	95 - 110
Cashier	120 - 160	115 - 180
Secretaries and office admin support	80 - 110	70 - 110

Chargeout rates are normally reviewed annually on 1 July when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance. It is the firm's policy for the cashier's time spent on an assignment to be charged to the case. However, secretarial and office admin support time is charged only in respect of identifiable blocks of time devoted to the case where we consider it to be viable to do so. All time is recorded in 6 minute units.

Direct expenses ("Category 1 Disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, storage, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Indirect expenses ("Category 2 Disbursements")

It is our normal practice to also charge the following indirect disbursements ("Category 2 Disbursements" as defined by SIP 9) to the case, where appropriate:

Circulars to creditors

Plain/headed paper including photocopying	12p per side
Envelopes	12p each
Postage	Actual cost

Room Hire

For the convenience of creditors and to save the cost of booking an outside hotel room, meetings of creditors are occasionally held internally at our offices. Where meetings of creditors are held in one of our internal meeting rooms, a charge of £100 plus VAT is levied to cover the cost of booking the room.

Travel

Mileage incurred as a result of any necessary travelling is charged to the estate at the H M Revenue & Customs approved rate, currently 40p per mile.

All of the above costs are subject to amendment by the firm at any time and if amended will be notified to creditors with the next circular sent to all creditors.

Company Searches & Electronic Verification of Identity

Included in expense and/or disbursements, Company Searches and electronic Verification of Identity include an element of shared costs. Such expenses are of an incidental nature but are generally incurred on each case. In line with the cost of the external provision of such services, a charge of £15 plus VAT is levied to cover the cost of these searches.

Chantrey Vellacott DFK LLP

Effective 1 July 2011

Chantrey Vellacott DFK is a limited liability partnership registered in England and Wales (NoOC313147) whose registered office is at Russell Square House, 10-12 Russell Square, London, WC1B 5LF. The term "partner" denotes a member of a limited liability partnership. A list of members of Chantrey Vellacott DFK LLP is available at our registered office.