

City Cars-R-Us Limited

Report to Creditors
Pursuant to Section 98 of
the Insolvency Act 1986

Insolvency Act 1986

City Car-R-Us Limited

A- Estimated Statement Of Affairs as at 6 June 2011

	Book Value	Notes	Estimated to Realise	
	£		£	£
Assets Subject to a Fixed Charge				
Vehicle subject to Finance	4,500	1	4,500	
Less: Carlyle Finance	-		- 4,500	
Surplus as regards to Finance Company				-
Surplus as regards to secured creditors				<u>-</u>
Uncharged Assets				
Plant & Machinery	11,026	1		1,600
Surplus available to preferential creditors				<u>1,600</u>
Preferential Creditors				
Arrears of wages & Holiday		2	-	800
Surplus available to floating charge holder				<u>800</u>
Floating Charge Holder				
HSBC Bank Plc			-	34,000
Deficiency as regards to floating charge holder			-	<u>33,200</u>
Unsecured Creditors				
Trade Creditors		3	17,617	
HM Revenue & Customs - PAYE/NIC		4	700	
HM Revenue & Customs - VAT		4	4,900	
The Murphy Pension Fund		5	87,005	
The Smart Centre Limited (formerly Citycar Superstore Limited)		6	2,412	
Redundancy & Pay in Lieu of notice		7	2,000	
			-	114,634
Estimated deficiency as regards non-preferential creditors			-	<u>147,834</u>
Issued and called up capital				
Ordinary Shareholders			<u>2</u>	<u>2</u>
TOTAL SURPLUS/(DEFICIENCY)			-	<u><u>147,836</u></u>

City Cars-R-Us Limited

A – Notes to the Statement of Affairs

1. A valuation of the Company's assets was carried out by Simon Woodhams of Asset Recovery & Insolvency Limited in accordance with the Royal Institution of Chartered Surveyors valuation procedures.

The valuation report states that it is unlikely that there will be any equity in the vehicle that is subject to a hire purchase agreement with Carlyle Finance.

2. The preferential element of arrears of wages and holiday entitlement has been estimated at £800 for the purpose of the statement of affairs.
3. Creditors' claims have been taken from the Company's records. No steps have been taken to agree these claims at this time.
4. The amount due to HM Revenue & Customs in respect of PAYE, National Insurance and VAT have been taken from the Company's records and are subject to the submission of the final returns.
5. Morgan Lloyd Trustees Ltd are the Independent Trustee of the Murphy Pension Scheme and City Cars-R-Us Limited is the Principal Employer for The Murphy Pension Scheme. This Pension Scheme is a Small Self-Administered Scheme.

It is an Occupational Money Purchase Scheme for Mr David Murphy and Mr Paul Murphy as Directors of City Cars-R-Us Limited. The Trustee has advised that their records show a balance outstanding of £87,005.

6. An amount of £2,412 is owed to The Smart Centre Limited (formerly Citycar Superstore Limited) a company with common directorship and shareholdings, in respect of management fees and subrogated creditor claims.
7. Employee claims for redundancy and pay in lieu of notice have been estimated at £2,000 for the purpose of the statement of affairs.

Peter Hall
City Cars-R-Us Limited
B - Company Creditors

Key	Name	Address	£
CA01	Autotrade mail	Auto Trader House, Cutbush Park Industrial Estate, Danehill, Lower Earley, Reading, Berkshire, RG6 4UT	60.00
CB00	British Telecom	Insolvency Unit, Alexander Bain House, 15 York Street, Glasgow, G2 8LA	500.00
CA02	Camberley Auto Factors	Unit 38 Parnham Drive, Eastleigh, Hants, SO504NU	0.00
CF00	Carlyle Finance	First Floor, Lambourne House, Lambourne Crescent, Cardiff Business Park, Llanishen, Cardiff, CF14 5GL	0.00
CE02	Employee Claims		2,000.00
CE00	EON	PO Box 123, Nottingham, NG1 6HD	250.00
CE01	Euro Car Parts	Unit 2, trinity Ind Est, Millbrook Rd West, Southampton, Hants, SO15 0LA	0.00
CF01	Fieldalter Commercial Ltd (The VAT Consultanc	Laurel House, Station Approach, Alresford, Hants, SO24 9JH	1,368.00
CH01	H M Revenue & Customs - PAYE	Insolvency Claims Handling Unit, Room BP2032, Longbenton, Newcastle upon Tyne, NE98 1ZZ	700.00
CH02	H M Revenue & Customs - VAT	National Insolvency Unit, Debt Management and Banking, 3rd Floor NW, Liverpool, L74 4AA	4,900.00
CH03	HH Book keeping	50 Campion Drive, Romsey, Hants, SO51 7RD	2,479.38
CH00	HSBC Bank Plc	45 Commercial Rd, Totton, Hampshire, SO4 3AH	34,000.00
CH04	HSBC Merchant Services	51 Demont street, Leicester, LE1 7BB	0.00
CJ00	Janspeed Technologies Ltd	Castle Works, Castle Rd, Salisbury, Wilts, SP1 3RX	0.00
CM00	Mercedes Benz Portsmouth	Portsmouth Motor Park, Airport Services Rd, Portsmouth, PO3 5FH	2,490.84
CM02	Mr David Murphy	8 Slessor Close, Watton, Thetford, Norfolk, IP25 6HT	0.00
CS01	Mr Robin Skeats	5, Yeomans Way, Totton, Hants, SO40 3JW	0.00
CN00	NIG insurance	Worldwide House, Thorpe Wood, Peterborough, PE3 6SB	0.00
CR00	RMI	Retail Motor Industry Federation Limited, 201 Great Portland Street, London, W1W 5AB	62.27
CR01	Romsey Accident Repair Centre	Unit 5A, Frobisher Ind Est, Budds Lane, Romsey, Hants, SO51 0EZ	240.00
CS03	Signam Ltd	Harris Rd, Warwick, CV34 5FY	70.00
CS04	SJP Service & MOT	Units 11, 12, 18, Wynford Ind Est, Belbins, Romsey hants, SO51 0PW	7,500.00
CS05	Smart of Hertford	Stevenage, Hertfordshire, SG13 7LB	1,200.00
CG00	Stephen goddard	87 Olympic Way, Bishopstoke, hants, SO50 8PZ	0.00
CT00	Test Valley Borough Council	Revenue Services, test ValleyBorough Council, Beech Hurst, Weyhill Rd, Andover, Hants, SP10 3AJ	440.42
CM01	The Murphy Pension Fund	Morgan Lloyd Ltd, The Outlook, 67 Macrae Rd, Pill, Bristol,, BS20 0DD	87,005.00
CS00	The Smart Centre Ltd (Formerly Citycar Superst	18 The Beeches, Fair oak, Eastleigh, Hants, SO50 7NS	2,411.80

**Peter Hall
City Cars-R-Us Limited
B - Company Creditors**

Key	Name	Address	£
CS06	The Smart Club	1 Corbiehill Park, Edinburgh, EH4 5EQ	300.00
CW00	Willbox Ltd	Manor House Avenue, Millbrook, Southampton, Hants, SO15 0LF	0.00
CW01	WP Group	Wessex House, Cadland Rd, Hardley, Hythe, Southampton, Hants, SO45 3NY	250.00
CW02	Wynford Properties Ltd	Wynford Farm, Belbins, Romsey, Hants, SO510PE	117.50
CY00	Yates & Co	27, Rosewood Gardens, Marchwood, Southampton, Hants, SO40 4YX	120.00
CZ00	Zurich Assurance Ltd	UK Life Centre, Station Rd, Swindon, SN11EL	168.48
33 Entries Totalling			148,633.69

City Cars-R-Us Limited
C - Shareholders

Key	Name	Address	Pref	Ord	Other	Total
HD00	Mr David Murphy	8 Slessor Close, Watton, Thetford, Norfolk, IP25 6HT	0	1	0	1
HP00	Mr Paul Murphy	Beech House, 18 The Beeches, Fair Oak, Eastleigh, Hampshire, SO50 7NS	0	1	0	1
2 Entries Totalling						2

Signature _____

City Cars-R-Us Limited

D - Statutory Information

Company Number	04776498
Date of Incorporation	23 May 2003
Nature of Business	Vehicle sales and servicing
Issued Share Capital	2 ordinary £1 shares
Directors	Mr Paul Murphy (1 Ordinary Share) Mr David Murphy (1 Ordinary Share)
Registered Office	Unit 8, Wynford Industrial Park, Romsey, Hampshire, SO51 0PW
Accountant	Yates & Co 27, Rosewood Gardens, Marchwood, Southampton, Hampshire SO40 4YX
Bankers	HSBC Bank Plc 45 Commercial Rd Totton Hampshire SO4 3AH

City Cars-R-Us Limited

D - Statutory Information (Cont'd)

Prior Professional relationships

Neither Peter Hall or any members of his staff have had any prior material relationship with the Company or its directors within the past 3 years, or are aware of any conflict of interest that would impair his objectivity as Liquidator of the Company.

Board Meeting

A meeting of the board of directors was held on 10 May 2011. It was resolved that it had been proved to the satisfaction of the meeting that the Company was insolvent and that a meeting of members should be convened to place the Company into Creditors' Voluntary Liquidation.

Notices

The directors decided to take steps to place the Company into Creditors' Voluntary Liquidation on 10 May 2011 and notices to members and creditors were issued on 23 May 2011.

Meeting of Members

A meeting of the Company's shareholders was held at 11:00am on Monday, 6 June 2011 and a special resolution was passed to place the Company into Creditors' Voluntary Liquidation and an ordinary resolution to appoint Peter Hall of Unit 15E, 2 Venture Road, Science Park, Chilworth, Southampton, SO16 7NP as Liquidator.

Professional fees

It has been agreed by the directors that fees for assisting in the preparation of the statement of affairs and assisting with placing the Company into liquidation will be £3,500 plus expenses and VAT, which has been paid by the directors. A further sum of £3,500 plus VAT has also been paid by the directors towards the cost of the liquidation.

Related party transactions

The company sold assets with a value of £2,895 to the director Paul Murphy on 22 February 2011 for consideration of £4,198.24 plus VAT.

There is an amount owing to The Smart Centre Limited (Formerly Citycar Superstore Limited) of £2,412 in respect of management fees and subrogated creditor claims.

City Cars-R-Us Limited

E - Company History

City Cars-R-Us (“the Company”) was incorporated on 23 May 2003 for the purpose of servicing and selling the Mercedes Benz Smart Car.

The directors, at the time of incorporation, were Mr David Murphy and Mr Paul Murphy. David’s role in the Company was one of overseeing operational function and the financial control. Paul’s role was forming the business direction and marketing and in the later years took responsibility for the financial control.

The Company started life as Smartarse Design (SAD) a business created by enthusiasts for like minded people who owned and loved the Swatch inspired Daimler Chrysler Smart Car.

The car was introduced in 1998 and officially brought into the UK from 2001 and we understand that including the huge numbers of grey imports. There are well over 100,000 cars now in the UK.

Over time customers became critical of what was being offered by the manufacturer as a sales experience and the lack of performance enhancement products available from Smart. This is when we analysed what the customer felt was wrong and created the environment, products and service level that we felt would meet the customer needs, coupled with a price point for standard jobs they and we felt was fair.

Since March 2004 we have developed and built our offer, operating from two service/performance and one sales centre into a vertical market business. Our reputation has been built around offering servicing and repairs plus building some of the best performing and reliable Smarts around, more recently preparing Smart Cars for the latest Tom Cruise movie Night and Day.

We went through a negative experience of a joint venture expansion in opening a centre near Wells in Somerset which resulted in a fall out with our partners. This experience cost us an estimated £30,000 and was initially support by our cash flow.

In November 2007 the business expanded as Westminster council had announced that the Smart Car would be congestion charge free. The directors secured £100,000 borrowings from establishing a self administered pension fund. This was used to clear supplier/joint venture failure debt (£45,000), open the new car sales/head office centre plus the purchase of cars for sale. Sadly we learned that this initiative was cancelled. We had no choice but to make staff redundant and vacate the premises at a final cost of approx £30,000.

The business consisted of car sales, specialist servicing, repair and performance preparation of the Daimler Chrysler Smart Car. Our focus has been on looking after the customer as well as their vehicle, providing café and wireless internet at all our facilities.

Profit was generated from the following:

- Car sales
- Car servicing and repair
- Performance preparation work
- Accessories

The business had not been making money and had debts back in 2007. The directors borrowed money from their pension fund in the belief they could turn the business around, initially around £85,000 and then two loans one for £18,000 and the other for approx £25,000.

Overheads and loan repayments were high and not addressed quickly enough to make the required difference. Car stocks depleted over time and money available from those sales used to pay operational bills and pay back the loans. Paul bought cars personally and allowed the Company to sell on a commission basis in an effort to support the business further.

The trading profit in 2008 was due to the sale of assets to the pension fund to secure the loans and the business has since been chasing itself to increase trade and reduce overheads. Further steps were taken to reduce staffing levels and centres however the Company's cashflow was suffering.

Trade was proving to get more difficult throughout 2010 and we saw our overdraft being used more and more.

The repayments of loans and the pension fund accounted for just over £3,800 per month which ate a lot of cash that we had borrowed.

We rationalised the staffing level at Romsey and let an administrator and apprentice go, saving £2000 a month. We also had the opportunity to move premises and reduce the storage compound facility we rented and managed to save nearly £600 per month. We changed insurers and saved £3000 a year.

The lease was coming up for renewal at Watford and we took a detailed look at the business being conducted and found it not to be viable any longer as purely a smart service centre and closed the operation.

The directors had not enjoyed working salaries and after a period of taking little or no money from the company David decided to leave and take employment elsewhere as he could not afford to continue.

Recent trading issues and reasons for failure

- Staffing issues resulting in our Watford Manager leaving and setting up in competition nearby and effecting trade
- HMRC enquiry has cost us approx £5,000 additional accounting services which were not planned for.
- The site at Romsey had a very bad January/February period this year
- Customer engine rebuild went wrong and cost us approx £2000, insurance did not pay out and is under dispute
- Director leaving the company placed more work on the remaining team however as the directors were not taking very much from the company the effect has been the need to pay overtime and incur more costs.
- Increased pressure on overdraft

On 10 May 2011, the Company sought advice from Peter Hall of Unit 15E, 2 Venture road, Science Park, Chilworth a licensed Insolvency Practitioner and it was decided by the board that there was no option but to take the necessary steps to place the Company into Creditors' Voluntary Liquidation.

Paul Murphy
Director

City Cars-R-Us Limited

**F - Estimated Deficiency Account
For the period from 1 April 2009 to 6 June 2011**

		£
Profit and Loss Account Balance at 1 April 2009		(24,637)
Amounts written off for the purposes of the statement		
Plant & Machinery	9,426	
	<hr/>	(9,426)
		<hr/>
		(34,063)
Extraordinary Items		
Redundancy & Pay in lieu of notice	2,000	
	<hr/>	(2,000)
		<hr/>
		(36,063)
ESTIMATED TRADING LOSS FOR THE PERIOD		(111,773)
		<hr/>
DEFICIENCY PER STATEMENT OF AFFAIRS		(147,836)
		<hr/>
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City Cars-R-Us Limited

G -Extracts from Accounts for the period ended 31 March 2009

Period Ended	31 Dec 2009 £	31 Dec 2008 £	31 Dec 2007
<u>Profit & Loss</u>			
Turnover	791,341	671,992	517,424
Directors Remuneration	10,872	10,440	10,240
Taxation	(14,698)	16,000	Nil
Retained Profit (Loss)	(58,792)	75,152	(34,266)
Dividends	Nil	Nil	Nil
Profit (Loss) to reserves	(58,792)	75,152	(34,266)
Profit (Loss) b/f	34,115	(40,997)	(6,731)
Profit (Loss) c/f	(24,637)	34,155	(40,997)
<u>Balance Sheet</u>			
Fixed Assets	11,026	13,361	24,533
Current Assets	60,462	77,734	36,000
	71,488	91,095	60,533
Current Liabilities	73,131	56,938	101,528
Long Term Liabilities	22,992	Nil	Nil
	96,123	56,938	101,528
Net Assets	(24,635)	34,157	(40,995)