

The Insolvency Act 1986

Administrators' progress report

2.24B

Name of Company Granville Technology Group Limited

Company number 2504182

In the High Court of Justice, Chancery Division <small>[full name of court]</small>

Court case number 5006/2005


(a) Insert full name(s) and address(es) of administrator(s)

We, Andrew Hosking and Martin Ellis of Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP and Leslie Ross of Grant Thornton UK LLP, Heron House, Albert Square, M60 8GT administrators of the above company attach a progress report for the period

(b) Insert dates

from 27 July 2005

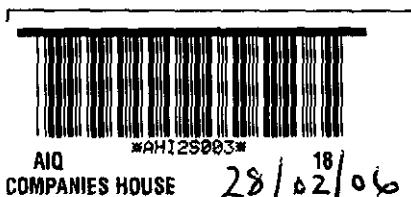
to 26 January 2006

Signed 
Joint Administrator
Dated 24 February 2006

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Andrew Hosking	
Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP	
Tel 0870 991 2857	
DX Number	DX Exchange



When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Our Ref BBB/SEP/ALH/G11316/PF7/ Progress Report Feb06.doc

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TO THE CREDITORS

Companies House
Finance Section
Crown Way
Cardiff
CF14 3UZ

21 February 2006

Dear Sir

**GRANVILLE TECHNOLOGY GROUP LIMITED ("GTG")
GRANVILLE DISTRIBUTION LIMITED ("GDL")
GRANVILLE COMPUTER SYSTEMS LIMITED ("GCS")
CORPORATE SYSTEMS LIMITED ("CSL")
GRANVILLE COMPUTERS LIMITED ("GCL")
GENERAL COMPUTERS LIMITED ("GC")
VMT LIMITED ("VMT") - ALL IN ADMINISTRATION
(TOGETHER - "THE COMPANIES")**

1 INTRODUCTION

1.1 Martin Ellis, Andrew Hosking and Les Ross were appointed joint administrators of all the Companies, with the exception of VMT, by the director on 27 July 2005. Martin Ellis and Andrew Hosking were subsequently appointed joint administrators of VMT by the principal secured creditor, HSBC Bank plc, ("the Bank"), on 5 August 2005.

1.2 In accordance with Rule 2.47 of the Insolvency Rules 1986, the joint administrators' present their progress report to the creditors of the Companies for the period from 27 July 2005 to 26 January 2006, and in the case of VMT, for the period 5 August 2005 to 4 February 2006. This report provides an update on the position of the administrations and provides details of the conduct of the administrations to date.

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2 STATUTORY INFORMATION

- 2.1 Also in accordance with Rule 2.47 of the Insolvency Rules 1986, we provide the following statutory company information:

Company name	Registered number	Court at which notice of appointment was filed	Court order number
GTG	2504182	The High Court of Justice, Chancery Division	5006/2005
GDL	3773008	The High Court of Justice, Chancery Division	5004/2005
GCS	3967398	The High Court of Justice, Chancery Division	5008/2005
CSL	3289765	The High Court of Justice, Chancery Division	5009/2005
GCL	2645968	The High Court of Justice, Chancery Division	5011/2005
GC	2645971	The High Court of Justice, Chancery Division	5010/2005
VMT	3268853	The High Court of Justice, Chancery Division	845/2005

- 2.2 The registered office for all of the Companies is c/o Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
- 2.3 In addition, the joint administrators are authorised to act both jointly and severally.

3 RECEIPTS & PAYMENTS

- 3.1 An abstract of the receipts and payments account for the period 27 July 2005 to 26 January 2006 is attached at Appendix A. The abstract of the receipts and payments account relates to GTG as the main trading company of the group.

4 PROGRESS OF THE ADMINISTRATION

- 4.1 The administrators remained in the Companies' former head office at Time Technology Park, Burnley to allow an orderly wind down of the business. The chattel assets of the Companies were sold to the landlord to offset rent due during the period of occupation.
- 4.2 By retaining these premises, and with additional funding provided by the Bank, the administrators were able to operate a customer call centre service to provide support and assistance to customers as far as possible. In addition to the call centre located at the head office, call centres in India were also maintained. Due to the cost of these call centres they could not remain operational indefinitely and the head office call centre closed on 21 September 2005 whilst the Indian call centres closed on 21 November 2005.
- 4.3 A sale of the Companies' stock, its major asset, was completed on 21 September 2005.
- 4.4 As part of the head office, the administrators had retained the usage of the adjoining warehouse. The head office, and warehouse, lease was terminated on 21 September 2005. Due to the ongoing retention of title (ROT) claims relating to the stock, the stock was relocated to a second warehouse in Manchester. The ROT claims have been resolved to the extent that this warehouse was vacated on 5 November 2005. Rental costs of approximately £165,000 were incurred in respect of the above mentioned premises.

5 OTHER RECEIPTS

- 5.1 The Bank provided funding of c.£705k to enable the continuation of the call centres to 21 November 2005.
- 5.2 We are continuing the process of disposing of the Companies' leasehold properties, with the aim of realising a premium for those premises in prime locations. To date, realisations from this source stand at c.£350k. These lease premiums are subject to the Bank's fixed charge.
- 5.3 In addition to the premiums achieved on the leases, refunds have been due to the Companies in respect of pre-paid rates. The current level of rates refunds received by the joint administrators is £126k. There is the potential that further refunds may be due as further leases are disposed off.

6 ESTIMATED OUTCOME TO CREDITORS

- 6.1 The Bank is a secured creditor of the Companies to the value of £20.1 million. This is comprised of overdraft funding (£11 million), a term loan (£4.1 million) and a letter of credit facility (£5 million). There is expected to be a minimal return to the Bank in respect of the fixed charge realisations only, namely lease premiums received.

- 6.2 As stated in the previous report, current estimates of the total preferential creditors and unsecured creditors stand at £1.5m and £68.6m, including the shortfall to the Bank, respectively. There will be insufficient funds to enable a distribution to be made to any other class of creditor other than to the secured creditors. However, details of all claims against the Companies are being held on file should this position change.

7 INVESTIGATION

- 7.1 As detailed in the administrators' proposals to creditors, several matters were identified which required further investigation. The investigations were concerned with the stock records, movements of stock and the book debt records.
- 7.2 In accordance with the Company Director Disqualification Act 1986, I have submitted an interim report to the Department of Trade and Industry ("DTI") into the conduct of the directors and deemed directors. This return is confidential between the DTI and the administrators.

8 CONCLUSION OF THE ADMINISTRATION

- 8.1 Due to the fact that there are insufficient funds available in the administrations to make a distribution to any class of creditor other than to the secured creditors, then unless additional funds become available to the administrators, the Companies will be dissolved.

My next report to the creditors on the progress of the administrations is due in six months time, or sooner should it be proposed that the administrations end earlier.

Yours faithfully
For and on behalf of
Granville Technology Group Limited
Granville Distribution Limited
Granville Computer Systems Limited
Corporate Systems Limited
Granville Computers Limited
General Computers Limited
VMT Limited



Andrew Hosking, Martin Ellis and Les Ross
Joint Administrators

The affairs, business and property of Granville Technology Group Limited are being managed by Andrew Hosking, Martin Ellis and Leslie Ross, appointed joint administrators of the Companies on 27 July 2005, with the exception of VMT Limited with Andrew Hosking and Martin Ellis being appointed joint administrators on 5 August 2005.

Abstract of the Receipts & Payments Account
for the Period
27 July 2005 to 26 January 2006.

<u>Receipts</u>	<u>£'000</u>	<u>£'000</u>
Sales	174	
Book debts	363	
HSBC funding	705	
Plant, machinery, fixtures and fittings	112	
Stock	1,978	
Leasehold properties	350	
Rates refunds	127	
Intellectual property	51	
Cash at bank	103	
Bank interest	11	
VAT receivable	69	
	<hr/>	
Total Receipts		4,043
 <u>Payments</u>		
Rent	165	
Overheads	99	
Lease, HP and rental payments	51	
Payroll and employee related costs	433	
Legal fees	265	
Agents' fees	33	
Professional fees	81	
Security	219	
Carriage	165	
Call centre fees	148	
Statutory advertising	2	
Bank charges	56	
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Total payments		(1,717)
 Balance in hand		2,326