

The Insolvency Act 1986

Administrator's progress report

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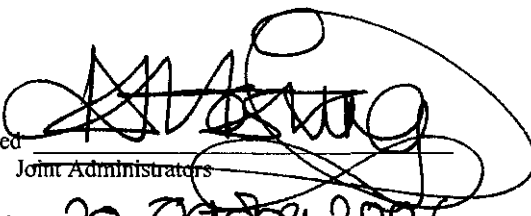
Name of Company Granville Technology Group Limited	Company number 2504182
In the High Court of Justice Chancery Division Companies Court [full name of court]	Court case number 5006/2005

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

We Andrew Hosking, Martin Ellis and Leslie Ross of Grant Thornton UK LLP, Grant Thornton House, Melton Street, London, NW1 2EP

administrators of the above company attach a progress report for the period

(b) Insert dates	from (b) 27 January 2006	to (b) 26 July 2006
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Signed 
Joint Administrators
Dated 20 October 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

Lucy Harris	
Grant Thornton UK LLP, Grant Thornton House, Melton Street, London, NW1 2EP	
	Tel 0870 991 2997
DX Number 2100	DX Exchange Euston



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

Recovery and Reorganisation

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Our Ref BBB/SEP/ALH/G11316/PF7/Progress Report July 2006

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TO THE CREDITORS

23 August 2006

Dear Sirs

**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 I write further to my report of 21 February 2006 and now provide a further update on the progress of the administrations of the Companies to 26 July 2006.
- 1.2 As you will be aware, Martin Ellis, Andrew Hosking and Les Ross were appointed joint administrators (to act jointly and severally) of the Companies by the director on 27 July 2005, with the exception of VMT. 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.
- 1.3 Unfortunately, as previously advised, there are insufficient realisations available to enable a distribution to the unsecured creditors of the Companies.

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address.

2 STATUTORY INFORMATION

- 2.1 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	County Court, Chancery Division, Leeds	845/2005

- 2.2 The registered office for the Companies is c/o Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP.

3 RECEIPTS & PAYMENTS

- 3.1 An abstract of the receipts and payments for the year ended 26 July 2006 is attached at Appendix A. The abstract of the receipts and payments account relates primarily to GTG as the main trading company of the group. However, included in Appendix A is a pre-appointment VAT refund received by VMT, as detailed below.

4 PROGRESS OF THE ADMINISTRATION

- 4.1 The remaining liabilities outstanding from the period of occupation of the Companies' former Burnley head office and warehouse, Manchester warehouse and the usage of the Indian call centres have been calculated and settled.
- 4.2 The administrators held extensive negotiations with H M Revenue & Customs in respect of pre-appointment VAT due to VMT.

It was agreed that once the pre-appointment VAT returns were submitted by VMT, and the outstanding VAT liability of £526k paid, a refund of £2.1million would then be remitted to VMT. As shown in Appendix A, this refund has been received.

5 OTHER RECEIPTS

- 5.1 The Bank has provided additional funding in the sum of £250k, bringing the total contributed by the Bank to £955k. The purpose of the funding was to enable the continuation of the call centres to 21 November 2005.
- 5.2 The process of disposing of the Companies' leasehold premises is ongoing. In the period since my last report, property related receipts of £21k have been received.
- 5.3 With the disposal of the above properties, pre-paid rates refunds continue to be received. In the period, refunds of £138k were received.
- 5.4 The unencumbered vehicles of the Companies have been sold for a consideration of £21k.

6 ESTIMATED OUTCOME TO CREDITORS

- 6.1 The Bank is a secured creditor of the Companies to the value of £20.1million. In the period, a distribution was made to the Bank of £223k in accordance with its fixed charge security.
- 6.2 As previously stated, current estimates of the total preferential and unsecured creditors stand at £1.5million and £68.6million respectively. There will be insufficient funds to enable a distribution to be made to any class of creditor other than to the secured creditors, except in the case of VMT, whereby payment to the preferential creditors is expected. I am currently in the process of agreeing these preferential claims.

7 INVESTIGATION

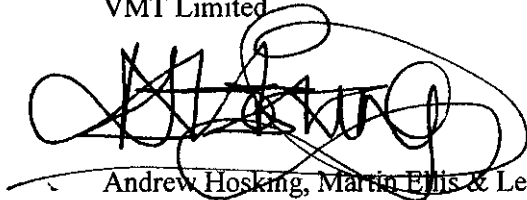
- 7.1 In accordance with the Company Director Disqualification Act 1986, I have submitted my final reports to the Department of Trade & Industry ("DTI") into the conduct of the directors, and any deemed directors. This report is confidential between the DTI and the administrators.

8 EXTENSION & CONCLUSION OF THE ADMINISTRATIONS

- 8.1 The administrations have been extended for a period of six months from 27 July 2006 (and 5 August 2006 in the case of VMT). It is the administrators' intention to petition the Court for the compulsory winding up of the Companies subject to Section 140 of the Insolvency Act 1986, within the next six months, and for the current administrators to be appointed joint liquidators.
- 8.2 Should creditors have any objections to this course of action, you are requested to write to the administrators detailing your objections.

- 8.3 Should you have any queries regarding the above matters, please contact either Lucy Harris on 0870 991 2997 or Mark Birbeck on 0870 991 2079.

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

A large, stylized handwritten signature in black ink, appearing to read 'Andrew Hosking', is written over the list of companies.

Andrew Hosking, Martin Ellis & Les Ross
Joint Administrators

The affairs, business and property of the Companies are being managed by Andrew Hosking, Martin Ellis and Les Ross, appointed joint administrators of the Companies on 27 July 2005, with the exception of VMT 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 July 2006

<u>Receipts</u>	<u>£'000</u>	<u>£'000</u>
Sales	174	
Book debts	367	
HSBC funding	955	
Plant, machinery, fixtures and fittings	112	
Stock	1,978	
Vehicles	21	
Leasehold properties	371	
Rates refunds	265	
Intellectual property	51	
VMT pre-appointment VAT refund	2,100	
Cash at bank	103	
Bank interest	28	
Total receipts		6,525
<u>Payments</u>		
Rent	165	
Overheads	112	
Lease, HP and rental payments	56	
Payroll and employee related costs	613	
Administrators' fees	1,300	
Administrators' disbursements	115	
Legal fees	342	
Agents' fees	128	
Professional fees	141	
Security	229	
Carriage	166	
Call centre fees	274	
Statutory advertising	2	
Bank charges	63	
VMT pre-appointment VAT liability	526	
Total payments		(4,232)
Distribution to secured creditor		(233)
Balance in hand		<u><u>2,060</u></u>

Note: Balance in hand to be distributed via repayment of HSBC funding loan, dividend to VMT preferential creditors, secured creditor distribution and payment of administrators', legal and professional fees.