

The Insolvency Act 1986
**Administrative Receiver's
 Report**

Pursuant to Section 48(1) of the
 Insolvency Act 1986 and Rule 3.8(3)
 of the Insolvency Rules 1986

S.48(1)

For official use

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To the Registrar of Companies

Company Number**03328638****Name of Company**

(a) Insert full
 name of
 company

(a) Marchpole Holdings Plc

(b) Insert full
 name(s) and
 address(es)

We (b) Martin Gilbert Ellis & Andrew Lawrence Hosking
 Grant Thornton UK LLP
 30 Finsbury Square
 London
 EC2P 2YU

administrative receivers of the company attach a copy of our report to creditors.

Signed



Martin Ellis

Date

20/1/09

Presenter's
 name, address
 and reference (if
 any)

Chloe Barber
 30 Finsbury Square
 London
 EC2P 2YU

Ref: CEB/APS/MGE/D00880H

For official use

Insolvency Section

Post Room

THURSDAY



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22/01/2009

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COMPANIES HOUSE



Our Ref CB/APS/MGE/D00880H/PF7

To the Creditors

Recovery and Reorganisation

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20 January 2009

Dear Sirs

Marchpole Holdings Plc - In Administrative Receivership

Further to my letter of 26 November 2008, I enclose a copy of my report on the above receivership. In addition, I enclose a notice convening a meeting of creditors, together with a form of proxy for that meeting. You should note that if you wish to vote at this meeting, you should send me details of your claim against the above company before the date of the meeting. The form of proxy will enable you to appoint a representative to vote on your behalf at the meeting.

Yours faithfully
for and on behalf of
Marchpole Holdings Plc

Martin Ellis
Joint Administrative Receiver

Enc

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Chartered Accountants

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**Marchpole Holdings Plc - In Administrative Receivership
("Holdings" or "the Company")**

**Report to creditors pursuant to Section 48 of the
Insolvency Act 1986**

**1 History and events leading up to appointment of the
Administrative Receivers**

1.1 Marchpole Holdings Plc ("Holdings") is a company formerly listed on the main board of the London Stock Exchange ("LSE").

1.2 Holdings is also the head of the Marchpole group ("the Group") and appendix 1 attached is a chart setting out the Group structure.

1.3 On 10 November 2008, Martin Ellis and Andrew Hosking of Grant Thornton UK LLP were appointed as joint administrative receivers of Holdings. On the following day, 11 November 2008, they were also appointed joint administrators of ten of Holdings' UK subsidiaries and sub-subsidiaries. Those companies over which the administration appointments were made are:

- Marchpole Group Limited ("Group Ltd")
- Marchpole Worldwide Limited ("Worldwide")
- Artpower Limited ("Artpower")
- Greenmark Limited ("Greenmark")
- Homebody Limited ("Homebody")
- Minegoal Limited
- Glolite Limited
- Marchpole Trading Limited
- Marchpole (North America) Limited
- Tomasz Starzewski Menswear Limited

(collectively "the UK subsidiary companies")

1.4 The Group was an international fashion brand business designing, producing, selling and (where it owned the brand) sub-licensing selling rights to high quality clothing and accessories for World class brands:

- Ozwald Boateng
- Jean-Charles de Castelbajac (or "JCC")
- Emanuel Ungaro & Ungaro Homme
- HomeBody & HomeMummy

- DKNY (starting August 2008)
- Yves Saint Laurent (up until 2006)

- 1.5 As a general rule, different entities were used for trading differently branded product, i.e. Boateng mainly through Artpower Limited, HomeBody through Homebody Limited ("Homebody"), YSL formerly through Group Limited, Ungaro and JCC (in the UK) through Marchpole Worldwide Limited ("Worldwide"), and DKNY trading was projected to primarily be through Pointgold Limited ("Pointgold") (which is not currently subject to formal insolvency proceedings).
- 1.6 In addition to the ownership of the JCC and HomeBody/HomeMummy brands - through the purchase by the Company of respectively Jean-Charles de Castelbajac SA (a French company) and Homebody - the Group, in early 2007, and also through Holdings, completed the purchase of Greenmark Limited ("Greenmark"). Greenmark was a shoe company selling both own brand product and into High Street chains under the stores' own labels.
- 1.7 The Group operated out of locations in London, Paris & Lyon, Milan, New York and Hong Kong.
- 1.8 At the time of the appointment of the administrative receivers to the Company, the Group had 130 staff worldwide. Of these, 56 were based in the UK, mostly employed by Group Limited.
- 1.9 The Company (along with its subsidiaries) formerly traded from premises it was leasing known as Marchpole House located at 19-20 Berners Street, London, W1T 3LW, United Kingdom.
- 1.10 As noted above, however, despite being the listed company and parent company to the Group, most of the trading operations were carried out through particular subsidiaries, with the primary operating entity being Worldwide through which the majority of the operations in the UK (and globally) were transacted.

Historical trading

- 1.11 The Group historically has been very profitable and cash generative. However, it suffered a sharp decline in the year ended 5 April 2008. A key cause was the expiry in the immediately prior 2006-07 trading period of a lucrative and long standing YSL licence agreement. It also suffered in the prevailing difficult climate for UK retailers.
 - Group turnover £45m (2007: £90m)
 - Group operating loss £4.7m (2007: £8m profit)
- 1.12 It is noted that only Holdings' accounts for 2007 and 2008, i.e. for the consolidated Group, were signed off by the auditors. No subsidiary accounts for 2007 and 2008 including all of the Companies, have been signed off. However, the trading of the separate entities was interlinked to the degree that effectively one pool of cash was

utilised across the Group, as exemplified by its core current account banking facility through HSBC Bank Plc ("HSBC" or "the Bank") being a multi-currency, cross-company arrangement.

- 1.13 The Group continued to trade poorly in the current financial year. On the basis of information available to us, we have estimated that the HY08 (to end September) loss was well over £3m, with cash consumed in the six months substantially in excess of £2m.

Appointment of administrative receivers

- 1.14 It is a reflection of the Group's problems that the commencement in August 2008 of the DKNY licence agreement for design, manufacture and distribution of DKNY menswear worldwide, supported by a £2.5m cash injection the Swedish company, Atlas Design AB ("Atlas"), seemed to have had little material impact in relieving the overall cash position. This was partly because the taking on of the DKNY licence agreement also entailed substantial payments to DKNY.
- 1.15 Atlas had made the cash injection in return for equity in and a second charge debenture over the assets of Holdings.
- 1.16 By the end of October 2008 the Group was coming under intense creditor pressure, e.g. in excess of £3m of trade creditors more than 90 days old, coupled with no further headroom in its banking facilities. The severity of the problems was highlighted by a bailiff attending at the newly opened JCC shop at 50-51 Conduit Street, London W1 in relation to unpaid quarterly rent for those premises, and compounded by the resignation of several key personnel (including the finance director) plus the threatened resignations of others. Furthermore, the business is seasonal and the Group was entering a period of traditionally low profitability and net cash outflow.
- 1.17 During late October and early November the directors attempted to put together a restructuring plan and find further new investors. However, this was unsuccessful and on 10 November 2008, HSBC, which was owed in excess of £9m and reluctant to extend further facilities, complied with a formal request from the Company's directors and appointed Martin Ellis and Andrew Hosking and as administrative receivers under its fixed and floating charge security. Prior to that, trading in the Company's shares on the LSE had been suspended; in the period leading up to suspension they had consistently been valued at less than 5p.
- 1.18 The administration appointments to the UK subsidiary companies was made directly by the directors of those companies the following day, 11 November 2008.
- 1.19 Grant Thornton UK LLP was first instructed by HSBC and the directors in December 2007 to conduct a review of the short term cash flow of the Group including the Companies. On 14 October 2008 Grant Thornton UK LLP was further instructed by the directors to conduct a review of the Group's cash flow and restructuring options. Prior to the initial engagement in 2007, neither Martin Ellis nor Andrew Hosking had

any dealings or involvement with the Company or its officers. However, the firm does have minor previous connections, as auditor of a separate business of which two of Holdings' directors, Christopher Phillips and Raymond Harris, are also directors, but that is entirely unrelated to any pre-administration work carried out in relation to the Companies/Group and is not considered conflicting.

2 Receivership strategy & disposal of assets to date

2.1 The primary strategy in relation to disposal of the Company's assets was based on sale of the Company's (and indeed Group's) most marketable assets being shares held in the key separable business units, they being:

- The JCC business based in France and operating principally through the French subsidiary, Jean-Charles de Castelbajac SA. This was Group's most saleable asset due to the potentially attractive income stream through licensing out of the JCC brand.
- The DKNY licence business trading through Pointgold.
- The Ungaro Homme licence business in North America operating through the US subsidiary, Moda America LLC ("Moda").
- Italian and Hong Kong subsidiaries that held key roles in the sourcing, warehousing and distribution of product for the abovementioned lines.

2.2 In relation to the JCC business, a sale of the Jean-Charles de Castelbajac SA shares was achieved less than a week after commencement of the administrative receivership on 14 November 2008. The successful purchaser was Atlas and price paid for the shares £3.125m (with £25k also paid by the purchaser in connection with some Worldwide assets). This realisation was principally caught under a specific fixed charge the Bank held over the Jean-Charles de Castelbajac SA shares.

2.3 Disposal of shares in either Pointgold (DKNY) or Moda (Ungaro) proved more difficult as the businesses concerned were based on licence agreements with the brand holders, which meant that the agreement of the licensors to any new purchaser would be necessary. This could not be achieved in the short window where the businesses could be maintained intact and before value was dissipated.

2.4 Although several parties indicated their interest at various times in respect of other businesses in the Group, e.g. the DKNY licence through Pointgold Limited, or Ungaro Homme through Moda America LLC, no other business sale has been able to be concluded. Without quick sales there could be no continuity of the businesses (within the context of a seasonal cycle) and therefore value in them has rapidly been dissipated.

Estimated statement of affairs

2.5 As at date of writing the directors have yet to submit a statement of the affairs of the

Company as at commencement of the receivership, 10 November 2008, nor indeed have the equivalent been submitted for the UK subsidiary companies as at 11 November 2008. We understand that they will shortly be submitted both for the Company and the UK subsidiary companies. However, in the meantime we attach a schedule of our estimated statements of affairs based on information provided by the Group's finance team. This is shown at Appendix 2.

Other assets

- 2.6 The administrative receivers have reviewed the intercompany debtors estimated at just under £1.5m. Most of this sum relates to historical balances owed by Minegoal Limited, Tomasz Starzewski Menswear Limited and Homebody Limited, and the insolvency of these companies (all three are in administration and the former two were dormant prior to that) means it is unlikely that significant, or indeed potentially any, value can be attributed to the intercompany balances.
- 2.7 The most likely source of any other realisations from the Company's assets is a net VAT refund, as Holdings is the registered member for the Group's group VAT registration. The administrative receivers are currently discussing this with HM Revenue & Customs in order to reach a resolution as to the position.
- 2.8 Holdings and Artpower are jointly owed £137k by Bespoke Couture Limited (Boateng) in relation to a settlement agreement signed early in 2008. This is also currently being reviewed by the administrative receivers.

Exit from Berners Street property

- 2.9 Initially the administrative receivers attempted to maintain the structure of the overall Marchpole business so that any prospective purchaser would be able to inherit a workable framework. This included retaining a number of staff (engaged through the administration of Group Limited) for a limited period. It was of assistance in the process that at the time of the appointment, the rent for the Berners Street property was already paid for up until the end of the quarter, 25 December 2008.
- 2.10 As regards selling parts of the business, the administrative receivers were, as noted, successful in selling the shares in Jean-Charles de Castelbajac SA. This largely meant a transfer of the Paris based operation to Atlas although it also included transfer of the JCC shop in Conduit Street that was being run on JCC's behalf by Worldwide.
- 2.11 As no other business sales were able to be effected, the operations were gradually wound down such that the Berners Street premises were vacated by 25 December 2008.
- 2.12 An agent was engaged to review the position as regards furniture and equipment, but most items are third party assets.
- 2.13 The Berners Street landlord had claimed a distraint (for outstanding service charges)

over stock, furniture and equipment at the premises, and until an accommodation was reached, an orderly disposal of stock and unencumbered - mostly apparently owned by one or more of the UK subsidiary companies - furniture and equipment on site could not be effected.

3 Secured and preferential creditors

- 3.1 The Bank's debt as at 11 November of £9,282,529 relates to the Group's total banking facility and includes £938,313 owed in respect to an HSBC Invoice Finance ("HSBC IF") invoice discounting facility over debtors of Worldwide, Greenmark and Artpower. A termination fee charge of £125,000 on the invoice discounting facility is also anticipated. The Bank has already been repaid £3,000,000 pursuant to its fixed charge in respect to the proceeds from the sale of the JCC shares, and it is expected to be fully repaid in respect of the invoice discounting facility. Interest continues to accrue on the overall balance that remains outstanding.
- 3.2 The primary security held by HSBC over Holdings is a fixed and floating charge debenture dated 29 July 2002. This security was supported by fixed charges over shares in Holdings' subsidiaries, in particular, and as noted above, over the shares held in Jean-Charles de Castelbajac SA. The Bank's debt was also cross-guaranteed across the Group.
- 3.3 However, as is illustrated in the statements of affairs schedule at Appendix 2, sufficient realisations are not anticipated either in Holdings or across the UK subsidiary companies to allow the Bank to be fully repaid which would leave a likely shortfall to HSBC of c.£5m.
- 3.4 Atlas is owed £2.5m by Holdings in respect of the August 2008 cash injection supported by floating charge. It also provided a third party guarantee in respect of a further £1m, although this had not crystallised by 10 November 2008.
- 3.5 As the only Marchpole staff that were engaged by Holdings were directors, and although the quantum of preferential creditors (being employee claims) has yet to be confirmed, no preferential claims are anticipated against Holdings. In any event, even if there are in due course preferential claims (which would be minimal), funds are not expected to become available for any distribution to preferential creditors at any stage.

4 Outcome as regards unsecured creditors

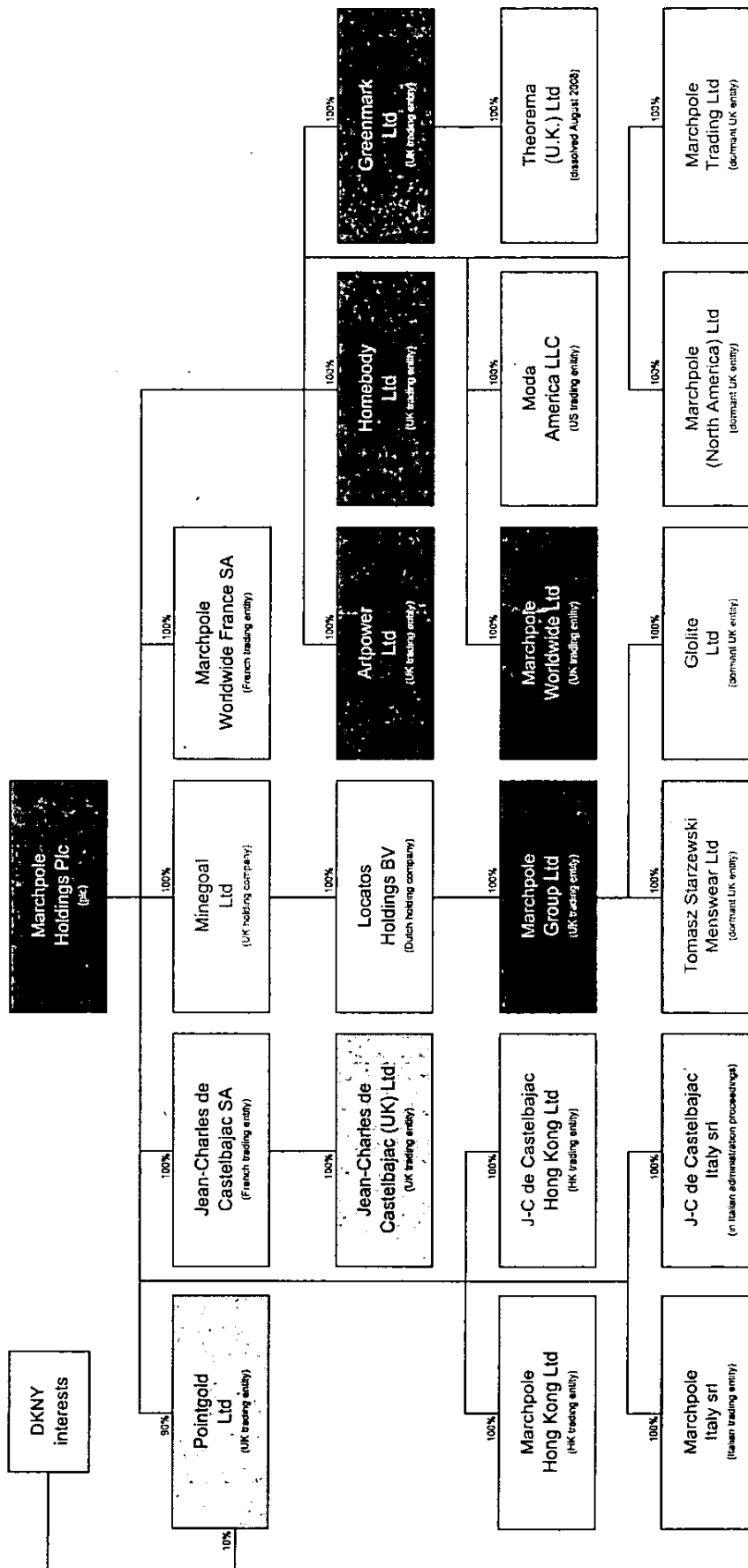
- 4.1 From the accounting records, the Company's unsecured creditors are currently estimated at c.£9.5m, of which c.£7.8m are intercompany creditors.
- 4.2 The Company's trade creditors are principally professional services firms - solicitors, auditors, share registrars - owed balances in respect of past purchases of subsidiaries, group matters and stock exchange listing issues.
- 4.3 The most sizable of the known intercompany creditor balances are £5.3m owed to

Group Limited (largely related to corporation tax matters) and £1.8m to Worldwide.

5 Other matters

- 5.1 At time of finalisation of this report the directors' sworn statement of affairs has still to be submitted to the administrative receivers. However, it is understood that it is essentially completed (as are the statements of affairs for each of the UK subsidiary companies) and we should have received a sworn copy of the Holdings' statement of affairs by the time of the meeting convened under section 48 of IA86 for 5 February 2009 and therefore we anticipate being able to comment on its contents at that time (albeit we do not anticipate there being material variation from the estimated statement as summarised at Appendix 2).
- 5.2 A copy of the notice convening the meeting of creditors is also attached. At the meeting, this report will be presented to creditors who will be able to vote on appointing a creditors' committee.

Appendix 1 - Marchpole Group Structure as at 10 November 2008



Appendix 2

Estimated statements of affairs as at 10 November 2008 (indicative)
For Marchpole Holdings Plc (In Administrative Receivership) & ten of its UK subsidiaries ("the Companies") that were placed into administration on 11 November 2008

	Marchpole Holdings Plc	Marchpole Group Ltd	Marchpole Worldwide Ltd	Airpower Ltd	Greenmark Ltd	Homebody Ltd	Minegoal Ltd	Gloille Ltd	Marchpole Trading Ltd	Marchpole (North America) Ltd	Tomasz Starzewski Menswear Ltd
	Book value £000	Est'd realise value £000	Book value £000	Est'd realise value £000	Book value £000	Est'd realise value £000	Book value £000	Est'd realise value £000	Book value £000	Est'd realise value £000	Book value £000
ASSETS SUBJECT TO FIXED CHARGE											
Investments in subsidiaries	13,399	3,125									
Less: due to HSBC	(9,283)										
Surplus/(Deficiency) against fixed chargeholders	(6,158)										
ASSETS SUBJECT TO FLOATING CHARGE											
Trade debtors	1,468	nil	5,153	198	619	500	1	nil	24	nil	173
Less: due to HSBC IF	(169)	nil	(1,063)	(198)	(619)	(500)					
Cash in hand/bank	253	15	4,090	0	0	nil	1	nil	24	nil	
Stock & WIP		3	37	0	0	nil	1	nil			
Office furniture & equipment (net of finance)			541	305	35	15					
Intracompany debtors		22,341	(62)	66	12,207	nil	905	nil	1,178	nil	
Other debtors		60	10,236	137	nil	nil					
Investments in subsidiaries		102	17	nil	nil	10					
Sale of intangibles & other assets		nil	25	nil	1	1					
Corporation tax reclaimable		253	1	nil	nil	nil					
VAT reclaimable		1,981	14,825	508	12,242	15	806	1,008	1,203	nil	173
Less: costs of receivership/administration	(125)	(55)	(110)	(25)	(35)	(20)	(5)	(5)	(5)	(5)	(5)
Estimated assets available for preferential creditors	(75)	(52)	(29)	(15)	(10)	(2)	(5)	(5)	(5)	(5)	(5)
Estimated preferential creditors	(75)	(62)	(29)	(15)	(10)	(2)	(5)	(5)	(5)	(5)	(5)
Surplus/(Deficiency) against preferential creditors	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Funds available for distribution under prescribed part											
FLOATING CHARGEHOLDERS											
HSBC	(6,158)	(9,283)	(8,870)	(9,258)	(6,783)	(9,283)	(9,283)	(9,283)	(9,283)	(9,283)	(9,283)
Atlas Design	(2,500)										
Surplus/(Deficiency) against floating chargeholders	(8,753)	(9,345)	(8,869)	(9,273)	(6,783)	(9,285)	(9,288)	(9,288)	(9,288)	(9,288)	(9,288)
UNSECURED CREDITORS											
Trade creditors	(1,745)	(30)	(3,056)	(46)	(2,656)	(66)		(176)	(2,833)	(302)	(1,293)
Intracompany creditors	(7,764)	(1,760)	(22,173)	(2,357)	(843)	(1,136)					
HMRC - PAYE/N		(1,328)	(330)		(325)				(9)		
HMRC - Corporation tax		(12,463)	(34,458)	(11,676)	(12,717)	(10,487)		(9,484)	(12,130)	(9,350)	(10,581)
Surplus/(Deficiency) against unsecured creditors	(18,242)	(12,463)	(34,458)	(11,676)	(12,717)	(10,487)	(10,183)	(9,484)	(12,130)	(9,350)	(10,581)
Issued share capital	(1,435)	(66)	0	0	(43)	0	0	0	0	0	0
Surplus/(Deficiency) against members	(19,677)	(12,529)	(34,458)	(11,676)	(12,760)	(10,487)	(10,183)	(9,484)	(12,130)	(9,350)	(10,581)

INSOLVENCY ACT 1986
MARCHPOLE HOLDINGS PLC - IN ADMINISTRATIVE RECEIVERSHIP
REGISTERED NO: 3328638
REGISTERED OFFICE AND TRADING ADDRESS: 19-20 BERNERS STREET,
LONDON, W1T 3LW

Notice is hereby given pursuant to Section 48 of the Insolvency Act 1986, that a meeting of creditors of the above company will be held at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU at 10.30am on Thursday 5 February 2009.

A form of proxy is enclosed.

In order to be able to vote, details of your claim must be lodged at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU not later than 12 noon on Wednesday 4 February 2009. In addition, any form of proxy must also be lodged prior to the meeting.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Creditors whose claims are partially secured should deduct the value of their security from their total claim and they will only be allowed to vote on the unsecured portion of their claim. Creditors should note that the joint administrative receivers can call for any document or other evidence to be produced to substantiate their claim.

DATED THIS 20 DAY OF JANUARY 2009



Martin Ellis
Joint Administrative Receiver

Rule 8.1

**Insolvency Act 1986
MARCHPOLE HOLDINGS PLC
Proxy (Administrative Receivership)**

**Notes to help completion
of form**

Please give full name and
address for communication

Name of creditor _____

Address _____

Please insert name of
person (who must be 18 or
over) or the "chairman of
the meeting". If you wish
to provide for alternative
proxy-holders in the
circumstances that your
first choice is unable to
attend, please state
name(s) of the alternatives
as well

Name of proxy-holder _____

Please delete words in
brackets if the proxy-holder
is only to vote as directed
i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the
meeting of creditors to be held on 5 February 2009 or at any adjournment
of that meeting. The proxy-holder is to propose or vote as instructed
below [and in respect of any resolution for which no specific instruction is
given, may vote or abstain at his/her discretion].

Voting instructions for resolutions

for the appointment of _____

as a member of the creditors' committee.

This form must be signed

Signature _____

Date _____

Name in CAPITAL LETTERS _____

Only to be completed if the
creditor has not signed in
person

Position with creditor or relationship to creditor or other authority for
signature

Remember: There may be resolutions on the other side of this form.