TALES FROM THE EAST

The closure of Positive Press last week comes less than two years after the failure of its predecessor Kieron Press. Pete Sawyer looks back at the history of that company.

This is the story of the Kieron Press. It is a morality tale about an ambitious but fatefully flawed printing group that took full advantage of the entrepeneurial spirit of the '80s.

It is the sort of tale that investigators at the Department of Trade & Industry ought to be studying.

The story begins in the second half of 1983 with Ron Hawkins, Alan Mountain and Tom Barber coming together to found Kieron Press. The idea was to work as a print broker, earning commission from placing work with trade printers in London. As it grew another director Barrie Ford joined the original trio.

However, broking soon became printing. Three presses were leased, premises in the East End rented and 30 staff taken on. In those days it was relatively easy to set up a new print company. Finance was readily available and there was plenty of print work.

Speaking through solicitors last year, Kieron's directors explained that initial success was no secret: "They attacked a London printing market which was at the time underserviced. The economy was at this time booming and interest rates were very low which meant that a number of other companies were successful as well."

Kieron fared well. It was re-registered as a plc in '88 in preparation for a public flotation on the unlisted securities market. Diversification began, not just into print related businesses like Rothbury Litho or its repro house Stage One Colour, which had been set up in February '87, but also into apparently unrelated operations.

Wide interests

There was a minicab firm, working from the same premises; it owned an estate agency business; a country restaurant in Gloucestershire; a number of properties in Highgate, London and in Majorca; the latter including a swimming pool complex. There was a promotions company, Otterdawn Associates, which ran several racehorses, largely unsuccessfully.

Why should a printing company spread its interests so wide? The solicitors reply: "The directors were advised that it would be to their advantage to diversify activities in case the printing industry went through a slump."

The clients of the printing operation were from the top drawer. British Telecom and financial institutions among them. Many were extremely loyal and often their loyalty was secured by means of inducements that went far beyond the bottle of scotch at Christmas, a day on the golf course or a quiet dinner for a good customer and his wife.

One financial institution told *Printing World* last year that it applied strict rules to what was allowed: "Our buyers don't even lunch with printers, attend nothing like golf days and we have almost completely wiped out the bottle of booze," it claimed.

What it perhaps did not know was that during April '88, a print buyer from the same company was being paid £500 a week to secure his business with money from Kieron's petty cash box. Further bank accounts were established on the Isle of Man and Kieron funded an enjoyable trip to see the Le Mans 24 hour car race.

Another buyer celebrated his wedding in Barbados, the flights, hotel and spending money provided courtesy of Kieron and its associate company Rothbury Litho. The trip cost £6,646.78 in all with an additional £1,695 "pocket money" from Rothbury Litho.

Despite this expensively obtained customer loyalty, Kieron was not immune to recession. Indeed the slump came rather earlier for Kieron than for others. Insolvency practitioner Poppleton & Appleby was called in by the National Westminster Bank. Its report suggested that Kieron should bring still more of its own operations inhouse, thus retaining more value added work.

As a result John Baker became a director. He was a print finisher who had a great deal of experience in binding soft porn magazines. His task was also to see that the business was run more efficiently.

It was, however, too late to prevent the gravy train hitting the buffers. On St Valentine's Day in 1990, the company that was planning to join the Stock Exchange went into liquidation with a deficit of more than £2m. Its sales had peaked at £6m or so, but so had its reputation. By the time of its collapse, stories about Kieron's largesse were legion in the London printing community.

The creditors' committee whose task is to look into the books and make recommendations included Terry Brady, managing director of Bradmore Press and Garrod Goodrich, from Kestrel Contracts, longstanding associates of Messrs Baker and Hawkins. Classic Papers and William Guppy provided a representative each, while the fifth man was from the Inland Revenue.

Joint liquidators were appointed: Keith Cottam from insolvency practitioner Booth White and Maurice Dorrington from Poppleton & Appleby, whose earlier report had failed to prevent the company's collapse. However, this disclosure and the fact that he was a personal friend of Mr Baker soon led to his resignation.

There was now just one professional to unravel some very complicated book keeping. Finance agreements with Kestrel Contracts & Leasing could not be found; it is believed large sums of cash were not registered, while items that had been registered were inexplicable — household shopping, domestic electricity bills and the like.

There was also a suspicion that one of the Kieron Press employees was entirely fictitious. Pauline Reed is described as "personal assistant to Mr Hawkins," but she may never have worked for Kieron — she worked behind the bar of a local pub. She was "paid" £570 a month, directors taking it in turn to draw wages on her behalf.

Racing car

During the good times, Kieron was able to indulge an interest in fine cars: the carpark contained a Rolls Royce, a Bentley, several BMWs and a Porsche. The company even owned a Formula Ford racing car. As well as printing equipment, Kestrel Contracts was used to funding luxury cars and earned a reputation in east London as a lender of the last resort.

Kestrel had grown out of Mr Goodrich's secondhand car business in Stratford, London E15. Many of Kieron's investments were financed by, or through, Kestrel Contracts & Leasing.

Finance was provided against a number of assets and against various security, much of it inflated and some of it entirely of fresh air. Not surprisingly Kestrel too is now in receivership leaving a potential exposure of £20m for a number of merchant banks and a set of paperwork and books that are taxing some extremely good accountants.

An example of this came at Stage One Colour, the repro and planning house that occupied the first floor of Kieron's factory. Kestrel provided £50,000 to pay for some internal partitioning. Its true value, according to one witness, was more like £12,000.

In the heady deregulated climate of the mid-'80s, Kestrel's merchant bank backers were happy with the apparent security Kestrel provided, even if the money was used for "fresh air" leases — loans given on the basis of non-existent or insufficient security. And Kestrel, which took 10% commission on every deal it wrote, had every incentive to provide the advances. After all, Kieron would go public and obtain such an influx of money that everybody would be paid.

But the money obtained through

Kestrel did not all go towards the financing of Kieron Press's investment portfolio. Some of it was handed out as a Christmas bonus to Kieron's directors. Christmas 1987 was a particularly joyous occasion with some £80,000 of "fresh air" lease distributed as £72,000 cash.

Other finance came as loans from the self-administered pension fund which provided £86,000.

However the diversification did not go well, despite the intention of other businesses being used to support printing in times of difficulty. "With the benefit of hindsight," the directors say through solicitors, "the investments in other businesses may not have been a wise move."

Typical was its estate agency business. One Kieron director was approached by Martin Gibson, a property consultant. Kieron director Barrie Ford joined Mr Gibson as directors of Gibsons Ltd, the venture to last an initial 18 months. During that period the business filed no accounts with Companies House. One of the best deals that Gibsons completed, earning it is said £50,000 was to handle the sale of a Gloucestershire restaurant for £200,000. The buyer was Kieron Press.

Even so Gibsons lost money. By October '88 when it went into liquidation, Gibsons owed Kieron Press more than £94,000 and Mr Ford's advertising agency Munro Main, a further £45,000. The liquidator of Kieron's associate company Gibsons was Mr Dorrington. After looking at the company's affairs he duly produced his report. The company's assets, he declared, were "uncertain." Mr Gibson now runs a restaurant on Spain's Costa del Sol.

The restaurant, even though its profitability was assessed by Kieron's accountant Chancellors, Hitchin, was later sold at a loss. One estimate was that it would have had to have been double booked every night until the year 2000 to return a profit on the £200,000 Kieron had spent.

Pace Cars, Kieron's minicab company, was another lossmaker. It grew quickly, but much of the work came from Kieron, which managed to run up a bill of £70,000. Its manager Glen Hunt, who had jointly guaranteed the firm's £100,000 overdraft, was simply told to go one night, leaving the operation to close.

The value of Kieron's property in Highgate fell, even before the general housing slump, but these operations were straightforward in comparison with the short and knotty history of its repro company. With many cheques going back and forth, from one bank to another, different standing order and settlement dates, even the most straightforward corporate structure would have become hideously complicated. When the structure is designed to confuse, the difficulties are multiplied.

Within three months of Stage One Colour starting, its name had changed to Stage Two Colour Ltd. A second Stage One Colour was registered at this time, but within 16 months Maurice Dorrington of Poppleton & Appleby, had been appointed receiver. Its major creditor was Kieron Press.

Struck off

Stage One Colour actually soldiered on until November '88 when it went into liquidation owing £500,000. At the creditors meeting, a Leeds firm, Geoffrey Martin & Co was appointed as liquidator. Kieron Press and associated companies were owed £115,000.

Another Stage Two Colour was now trading and the first (the original Stage One Colour) was struck off the Companies House register.

Confused? So were Stage One and Stage Two's many creditors. The solicitor acting for Kieron's former directors says: "The name changes were carried out on the advice of Chancellers in order to give a fairer distribution of the profit (sic) within the associated companies."

Chancellers had been Kieron's accountant for some time, but took on more responsibility when Kieron's finance director resigned. Fellow directors now blame him for all the company's problems.

In '88 Chancellers' advice earned the account £60,000. While accepting that this is a high sum, the company, via its solicitor, argues that the fee was justified because Chancellers had spent considerable amounts of time at Kieron Press and associated companies "trying to solve its problems."

Whatever its advice, it failed. Kieron collapsed owing money throughout the trade in London, hurting those who had left more secure jobs for promises of higher wages at Kieron, and leaving a bad taste all round. The Department of Trade & Industry has refused to take up the case because of insufficient evidence against the directors. And without the support of the creditors' committee, Booth White cannot afford to investigate further.

Within days of Kieron's collapse, a new company had risen phoenix-like from its ashes. Positive Press, registered some eight months before Kieron's collapse, took on its mantle including its loyal customer base. Terry Brady stepped in to help fund the initial investment, even though he had been owed £60,000 from the collapse of Kieron.

But the story of Positive Press too has had an unhappy ending.