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WORLD NEWS

IRA use human bombs to kill 7

The IRA was accused by Northern Ireland secretary Peter Brooke of "sinking to new levels of depravity" in using human bombs.

Six soldiers died in three attacks on army check-points. Five soldiers, members of the King's Regiment, died when a car bomb was driven into a check-point at Buncrana Road, Londonderry. The man ordered by the IRA to drive the bomb to its target was missing but police confirmed that an unidentified body had been found.

The other soldier, a member of the Royal Irish Rangers, was killed in a similar attack at a check-point near Newry on the main Belfast-Dublin road. The man forced to drive the bomb suffered a broken leg. A driver strapped into his car delivered a bomb to a Tyrone army base but managed to wriggle free. The bomb failed to detonate properly. Page 8

Iraq 'dividing allies'

Iraqi information minister Latif Nassif conceded for the first time that Baghdad was using western hostages to drive a wedge through the US-led alliance ranged against Baghdad in an attempt to erode support for a military strike against Iraq. Page 22

UN plea to Israel

The United Nations Security Council unanimously adopted a resolution deploring Israel's refusal to receive a UN mission of inquiry into the killing of 21 Arab demonstrators in Jerusalem. It urged the Israeli government to reconsider. Background, Page 4

Child benefit rise

Benefit for the eldest child in nearly 7m families is to rise by £1, the government announced. Benefit for subsequent children is frozen at £7.25, unchanged for four years. Page 10

Supremacy move

The Soviet central parliament rushed through emergency legislation which seeks to reassert the supremacy of all-union laws over republican laws in the Soviet Union. Page 22

India faces election

India faced the prospect of an early general election as parliament was summoned for a special session on November 7. Ministers acknowledged that the ruling coalition would be unlikely to gain a clear mandate in a vote of confidence. Page 4

Noriega lawsuit

Panama filed a $6.5bn (£3.32bn) lawsuit against former president Manuel Noriega, in prison in the US awaiting trial on charges of cocaine trafficking and money laundering, accusing him of looting the country and seeking an additional $5bn in punitive damages.

Air crash kills 10

A Cuban airliner carrying tourists crashed near the southern city of Santiago de Cuba, killing 10 and injuring 21.

Miners call for £1.5m

A congress of Soviet miners called on the National Union of Mineworkers to return £1.5m which failed to reach British miners during the strike five years ago so it can be redistributed among their own families. The NUM and the Paris-based International Miners' Union had agreed to divide the funds.

Record waiting lists

Hospital waiting lists have risen to record levels, according to figures published by the Department of Health. Some 710,300 people were waiting for in-patient treatment in March, 11,700 more than in September 1989. Page 8

Crowning jewel

A 19.41 carat blue diamond ring was sold for a record $5.5m (£2.82m) at an auction at Christie's in New York. Saleroom, Page 19

BUSINESS SUMMARY

Warning on electricity profits

Electricity company profits could be at risk from moves towards more efficient energy use, a draft of the industry's privatisation prospectus warns.

The draft, leaked to the Friends of the Earth environment group, says a tax on fossil fuels and other anti-pollution measures could affect electricity's competitive position compared with other energy sources. Page 22

BRITISH TELECOM urged the government to let it vary the prices it charges different customers and called for the powers of industry watchdog Oftel to be cut. Page 22 and Lex; Foul play called, Page 7

DEUTSCHE AEROSPACE division of German automotive group Daimler-Benz looks set to lead a multinational consortium to build a 75 to 100-seat regional airliner. Page 2

ASSOCIATED NEWSPAPERS, publisher of the Daily Mail, plans to step back into UK commercial television after a 10-year gap. It is talking to a consortium planning to bid for a big ITV franchise next year. Page 23

VOLKSWAGEN chief Carl Hahn, 64, who was due to retire next year, looks set to stay until the end of 1993 to oversee the German car group's drive into eastern Europe. Page 23

FORD MOTOR's long-term debt was downgraded by Moody's, US credit rating agency. Page 28

US import tariffs could be cut by 42 per cent under an offer to be tabled at the Uruguay Round trade talks today. Page 3

US durable goods orders fell by 1.7 per cent last month on reduced demand for cars and lower defence orders. Page 6

SOUTHLAND of the US, parent of the 7-Eleven convenience store chain, filed for protection from its creditors after failing to win bondholders' backing for a debt swap. Page 26

EXXON, world's biggest oil company, returned unchanged third quarter earnings of $1.07bn (£546.5m). Higher upstream profits from the rise in crude prices were offset by lower margins on downstream operations. Page 28

COMPAGNIE de Suez: new chairman Gerard Worms forecast asset disposals for the French financial conglomerate. Estimated group interim net profits rose 42 per cent to Ffr2.7bn (£273.5m). Page 26; Lex, Page 22; Observer, Page 20

CHINESE INDUSTRY is in trouble, with a third of the country's state-run businesses in the red while the number suffering losses has more than doubled in a year. Leader pledges drastic reform, Page 4

SMITHS Industries of the UK beat City expectations with annual pre-tax profits 7 per cent stronger at £120m despite defence spending cuts and industrial action affecting its dominant aerospace division. Page 23

SKF of Sweden, world's leading ball bearings maker, blamed falling demand and Middle East tension for a 24 per cent drop in third quarter profits after financial items to SKr435m (£39.8m). Page 26

DU PONT, biggest US chemicals company, saw third quarter net income fall 3 per cent to $533m (£272.2m). Page 28

GOODYEAR Tire & Rubber of the US reported the biggest quarterly loss in its 92-year history and announced plans to axe 3,000 jobs. The third quarter deficit was $61.4m (£31.4m). Page 26

Benchmark government bonds: Technical problems prevented publication of this table, which usually appears on the International Capital Markets page.

Asil Nadir returns to London without cash needed to keep his company's creditors at bay

Polly Peck seeks administration

By David Barchard, Alan Friedman, Clay Harris and Richard Waters

THE POLLY PECK COLLAPSE ..... Page 24
LEX: Polly Peck's last flight ..... Page 22

POLLY PECK International last night gave up its fight against insolvency after Mr Asil Nadir, its chairman, returned from Turkey and northern Cyprus with none of the £30m in cash needed to keep its creditors at bay.

The board said it had decided to apply today to the High Court for administrators to be appointed. It said it believed that taking this step would "result in the survival of the company and its operations as going concerns".

Mr Nadir said last night that administration "was the best thing to do for the moment because it will give us protection from the banks while we regroup". Admitting that yesterday had been a "rotten day", he complained bitterly of the role of "hearsay and gossip" in the Polly Peck affair.

Mr Nadir, who arrived at the company's Berkeley Square headquarters late in the afternoon, was described by one director last night to have been in "a fairly emotional state" when he told the board that his trip had been in vain.

He was reported to have said "very little" at all – and nothing about his future plans – at the board meeting which ended one of the most dramatic rise-and-fall sagas on the London stock exchange. From almost nothing 10 years ago, Polly Peck became the best-performing share of the 1980s in any world stock market. The company grew to a value of more than £2bn earlier this year, before collapsing to only £458m before shares were suspended on September 20.

The company had been under pressure from creditors since October 5 to use nearly £100m it said it had on deposit in northern Cyprus to help it out of a liquidity crisis.

Mr Nadir's repeated failure to get any of the money, said to be in Cyprus, paid to the UK finally exhausted the patience of bank creditors, which have been pressing for the company to put itself into administration since the end of last week.

Administration involves the appointment of an outside administrator by the court to oversee a reorganisation of a company's affairs and orderly disposal of its assets for the benefit of all its creditors.

One or more partners of Cork Gully, the insolvency arm of accountants Coopers & Lybrand Deloitte, are expected to be appointed today.

Polly Peck owns the US-based Del Monte tropical fruit business, agricultural and industrial interests in Turkey and northern Cyprus, and consumer electronics operations in the Far East. Its only UK manufacturing operation is Russell Hobbs Tower, the maker of small domestic appliances.

Mr Nadir said last night that Del Monte would not be placed in Chapter 11 under US bankruptcy law. "Del Monte has a ring fence around it. The funds we borrowed to buy Del Monte and all of its assets are independent of Polly Peck," he said.

Polly Peck's borrowings exceed £1bn, and directors estimated it needed to find £200m in cash before the end of the year. Bank creditors had extended a standstill on debt repayments until November 9, but this was conditional on at least £70m cash being remitted from Cyprus in the meantime.

Before leaving Istanbul yesterday, Mr Nadir issued a defiant statement in which he promised to go on fighting for his three main Turkish operations.

"These investments of ours will be specially protected from external interference and there is no question of their being financially affected by events in London," he said.

Mr Nadir did not elaborate, but his employees in Istanbul said they believed the statement was intended to reassure employees and was not a hint that there would be resistance in Turkey to an administrator.

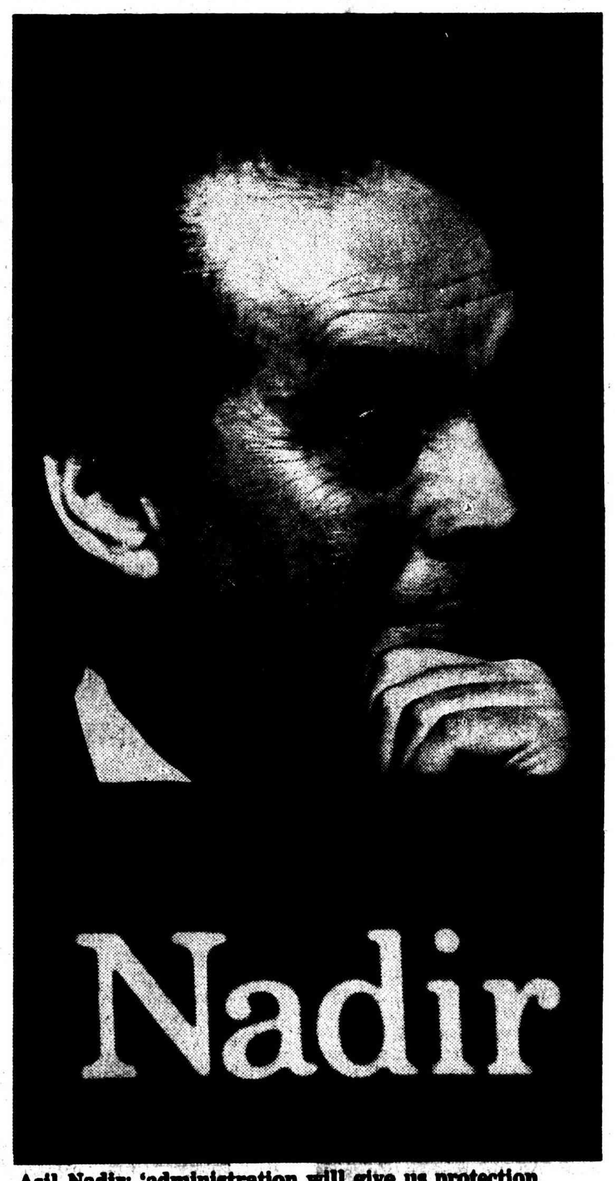
Mr Güneş Taner, Turkey's minister of state for economic affairs, who met Mr Nadir earlier this month in New York, said last night he was very surprised by the news. "We were not expecting this. As I understood it, they were about to get a bank loan," he said. "It is too early to comment on what the decision will mean."

It emerged earlier yesterday that Coopers & Lybrand Deloitte, the auditor appointed by Polly Peck to review the group's operations, has been unable to gain access to the records of several of its main businesses in Turkey and northern Cyprus.

A Turkish Cypriot court in Nicosia renewed an interim order preventing documents from nine of Mr Nadir's companies being disclosed to third parties.

Polly Peck reported pre-tax profits of £161.4m on sales of £1.16bn in 1989.

The final collapse in its share price on September 20 was provoked by news that the offices of South Audley Management, a company owned by a Nadir family trust, had been raided by the Serious Fraud Office. Mr Nadir had previously been criticised by the stock exchange for his actions during a buy-out approach in August which lasted only five days.



Asil Nadir: 'administration will give us protection from the banks while we regroup'

Defiant chairman claims conspiracy

By Alan Friedman

A WEARY but still defiant Mr Asil Nadir last night insisted that the Polly Peck affair is replete with Greek-inspired political conspiracy.

Speaking from his London home Mr Nadir said he was exhausted after shuttling for the past 48 hours between Cyprus, Istanbul and London.

The Polly Peck chairman also claimed to have documents that would prove a series of "cock-ups" by British investigators.

The Polly Peck chairman's mood was a mixture of bitterness and tired incredulity at the spectacular course of events which had taken his company into administration.

"Polly Peck was the best performing share on the London stock exchange in the 1980s and the company is sound.

"I have a series of documents that will show what nonsense the whole affair has been," he said, adding that several of his bank creditors had been "silly".

The embattled Polly Peck chief said he planned to hold a press conference in the next few days to release these

Continued on Page 22

Bhutto alleges extensive vote-rigging costs her election

EXTENSIVE vote-rigging by Pakistan's military-backed caretaker government was claimed yesterday by Ms Benazir Bhutto to have cost her victory in the general election, Our Foreign Staff writes.

With more than half the votes counted, by early this morning it was clear that Ms Bhutto, the former prime minister, was heading for a heavy defeat at the hands of her rivals, the Islamic Democratic Alliance (IDA).

Her opponents were quick to counter her claims of fraud and accused her of refusing to face up to the stern verdict of the people. Mr Mian Nawaz Sharif, the head of the IDA and widely tipped to become the country's next prime minister, said it was certain his party would be able to form a strong government.

Official returns for 110 of the 217 National Assembly seats showed that the IDA had won 57 with two of its allied regional parties securing another 17. Ms Bhutto's Pakistan Democratic Alliance had won just 24, while independent parties and candidates accounted for the other 12.

Ms Bhutto said reports from her Pakistan People's Party (PPP) workers indicated that she would be lucky to gain half the 100 or more seats her party had hoped to win, although a senior government official suggested the PPP might end up with 70 seats.

Refusing to accept defeat, Ms Bhutto said many ballot boxes had been stolen and many of her polling agents had disappeared. "They have stolen the assembly from us illegally," she said in a press conference in her home town of Larnaka.

Visibly shaken and fighting back tears, Ms Bhutto accused President Ghulam Ishaq Khan, who deposed her in August, and the interim government of Mr Ghulam Mustafa Jatoi of orchestrating her defeat.

Early indications from polling stations around the country suggested there were complaints of irregularities but few widespread allegations of fraud.

Ms Bhutto, accused by General Ishaq Khan of abusing power during her 20 months as prime minister, suffered a surprise loss of a parliamentary seat she contested in the North-west Frontier province capital Peshawar. However, she won a sizeable majority in a second seat she contested in her home town.

One reason for the IDA's success was said to be its better-than-expected performance in the politically crucial province of Punjab.

Nearly 100,000 soldiers, paramilitary troops and police patrolled the country's most volatile areas yesterday. However, they failed to prevent at least nine people from being killed and 66 injured in clashes between rival parties.

Rover offers pay rise of 11% in spite of calls for restraint

By Michael Cassell, Michael Smith and Paul Cheeseright

EFFORTS by ministers and industry leaders to restrain the level of British pay settlements suffered a blow yesterday when Rover, the car manufacturer, offered manual workers an 11 per cent deal.

News of one of the highest "no strings" offers negotiated by any UK employer this year came as the Confederation of British Industry warned that the number of unemployed in Britain could rise by a million in a year unless "good sense" prevailed during pay negotiations.

The Rover announcement came the day after Mr John Major, the chancellor, renewed his recent calls for a "cultural change" among wage negotiators, following Britain's entry into the European exchange rate mechanism.

Last week, he predicted redundancies and company failures unless attitudes altered.

Details of the offer were not well received at the Treasury, which is resigned to both sides in the pay process taking time to realise that there is no longer any prospect of devaluation to help bail out uncompetitive companies.

If the 30,000 manual workforce accepts the union negotiators' advice to accept the two-year deal, pay in the second year will rise by 7.5 per cent.

Rover shrugged off suggestions that the offer was inflationary, insisting that the increases had to be seen over two years.

Under the proposed deal, consolidation of bonuses, together with changes to holiday entitlement and shift premiums, would take the cost of the package even higher. Higher productivity bonuses are expected to raise productivity.

The offer is almost certain to influence other pay negotiations, particularly those in the west Midlands and in other motor-related companies.

Mr Terence Higgins, the Conservative MP for Worthing and chairman of the Commons Treasury and Civil Service select committee, said last night: "There will clearly be serious repercussions from this kind of deal if it spreads throughout associated industries."

In pay deals negotiated this year, few employers have breached the 11 per cent barrier. Although Jaguar, another car manufacturer based in the west Midlands, last week offered 12.5 per cent, its implementation is tied to changes in working practices which will significantly reduce costs. Yesterday, British Gas's craft and manual workers presented a claim for a 20 per cent increase in basic pay.

Mr John Banham, the CBI director-general, underlined the importance of performance-related pay at all levels of British industry.

He said it had to extend from the shop floor to the boardroom and embrace public and private sectors as well as the service industries and the manufacturing sector.

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MARKETS

STERLING
New York:
$1.95985 (1.943)
London:
$1.958 (1.946)
DM2.95 (2.9525)
FFr9.8725 (9.885)
SFr2.4825 (2.495)
Y250.5 (248.0)
£ index 94.6 (94.5)

GOLD
New York: Comex Dec
$376.0 (373.9)
London:
$371.75 (372.0)

N SEA OIL (Argus)
Brent 15-day Dec
$29.35 (28.55)

Chief price changes yesterday: Page 23

DOLLAR
Tokyo open: Y126.8
New York
DM1.50535 (1.5190)
FFr5.04 (5.085)
SFr1.2695 (1.2825)
Y126.535 (128.25)
London:
DM1.507 (1.5175)
FFr5.0425 (5.080)
SFr1.268 (1.2815)
Y128.0 (127.45)
$ index 60.5 (60.6)

US CLOSING RATES
Fed Funds 7 13/16% (7¾)
3-mo Treasury Bills:
yield: 7.44% (7.44)
Long Bond:
99 23/32 (99 13/32)
yield: 8.77% (8.80)

STOCK INDICES
FT-SE 100:
2,110.5 (−16.5)
FT Ordinary:
1,638.9 (−15.8)
FT-A All-Share:
1,019.54 (−0.6%)
FT-A World Index:
133.20 (−0.4%)
New York
DJ Ind. Av.
2,504.21 (+10.15)
S&P Comp
312.60 (+0.24)
Tokyo: Nikkei
24,876.68 (−421.42)

LONDON MONEY
3-month Interbank:
closing 13 27/32-13 25/32% (13 13/16)
Liffe long gilt future:
Dec 84 13/32 (84¼)

SELLING PRICE IN IRELAND 80p, IN MALTA 40c

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