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FINANCIAL TIMES
REVIEW *of* PERSONAL FINANCE

Roller-coaster stock markets, quixotic currencies, looming recession . . . with your savings at stake, how should you respond? See Quarterly Review, a new FT supplement beginning today and tomorrow.

■ SFO investigates 'allegations of misconduct' ■ Three administrators appointed

DTI may probe Polly Peck

By David Barchard, Clay Harris, Raymond Hughes and Richard Waters

THE GOVERNMENT is considering an investigation into the affairs of Polly Peck International, the fruit, electronics and leisure group which has sought protection from its creditors with debts exceeding £1.3bn.

The Department of Trade and Industry also confirmed yesterday that the Serious Fraud Office was investigating "allegations of misconduct" involving Polly Peck.

The announcement followed the High Court appointment of three administrators to oversee the company's affairs.

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Polly Peck Collapse ...Page 22

Mr Justice Morritt acted after being told that Polly Peck directors believed administration was "absolutely vital". The administrators said later they hoped to ensure the group's survival either in whole or in part.

Separately, Barclays de Zoete Wedd, the stockbroker, petitioned for a bankruptcy order against Mr Asil Nadir, Polly Peck's chairman, indicating that he owed it £3.6m in respect of payment for purchases of the company's shares. Mr Nadir said he was "not worried" by this petition.

The bankruptcy petition freezes all of Mr Nadir's personal assets, unless he receives an exemption from the court. It comes after his purchases of £35m worth of Polly Peck shares in September and an admission early in October that a personal liquidity crisis had prevented him from paying for all of these.

By then, banks which held his shares as collateral against loans had already sold 16.5m shares in the market. BZW said yesterday: "We know we're not the only ones in this position." Others are thought to include Carr Kitcat & Aitken and Lehman Brothers International.

Mr Peter Lilley, trade and industry secretary, said he wanted to hear at the "earliest possible opportunity" whether the administrators thought there were matters which merited investigation under the Companies Act "bearing in mind the investigations into allegations of misconduct already being undertaken by the Serious Fraud Office."

On September 25, Mr John Redwood, corporate affairs minister, rejected the company's request for a DTI investigation into the collapse of its share price.

The three accountants appointed as administrators are Mr Michael Jordan and Mr Richard Stone of Coopers & Lybrand Deloitte and Mr Christopher Morris of Touche Ross.

They held their first meeting with Mr Nadir yesterday afternoon and planned a further meeting today. Mr Stone described Mr Nadir as being very shocked but said the meeting had been cordial. The administrators had been promised the full co-operation of Mr Nadir and the board.

Mr Stone said the administrators hoped to work with a small consultative committee of bank creditors and shareholders. Institutional investors welcomed the appointment of administrators and said they would argue against a "fire sale" of assets to satisfy creditors' claims.

Institutions may also press for a DTI inquiry.

"We have to assess the businesses and form a view as to their assets and then consult banks and institutional shareholders and then come up with a voluntary scheme for reconstruction," Mr Jordan said.

"You can't at this stage rule out something like a rights issue," he added. "Polly Peck's subsidiaries are not loaded with debt so there is more room for manoeuvre."

Mr Stone said he had held a

Continued on Page 20

Alan Harper

Hopes for survival: Michael Jordan (left) and Richard Stone, two of the three Polly Peck administrators

US seeks to regain Gulf initiative

By Lionel Barber in Washington

MR James Baker, US secretary of state, may visit the Gulf next week in a high-profile diplomatic mission aimed at shoring up resolve within the multi-national alliance against Iraq.

Amid signs of drift within the US-led coalition and unease in Saudi Arabia over the prospect of war, President George Bush yesterday held talks with Mr Baker about how to recapture the initiative.

The administration is worried that recent diplomatic activity, particularly by the Soviet Union, may have raised false hopes of a face-saving deal for Mr Saddam Hussein, the Iraqi president, and weakened the credibility of the military option against Iraq.

The erosion in Mr Bush's political standing at home because of the budget crisis is a further source of concern, although US officials say the steep decline in his approval rating has no bearing on the outcome of the Gulf crisis.

Further evidence that the prospect of immediate military action is receding came yesterday when Mr Richard Cheney, US defence secretary, announced that the US may send up to 100,000 more troops to bolster the 220,000 already in the Gulf. He declined to put a ceiling on the deployment.

The Pentagon is understood to be pressing for a sizable increase to reduce casualties in the event of war, but some officials worry that this could mean several months delay before the military machine is ready to move from its essentially defensive role in Saudi Arabia to one prepared for offensive action.

Some European diplomats believe the administration has begun to view the military solution to the crisis as far more complicated than originally thought after the invasion of Kuwait on August 2.

The focus, therefore, should be on economic sanctions to squeeze Mr Saddam – a view shared by some policy-makers who argue that sanctions maintained during the next six months should threaten Iraq's ability to operate as an industrial society.

Mr William Webster, CIA director, raised this prospect in a speech in Washington yesterday. UN sanctions were starting to bite, he said.

Middle East, Page 4
Hurd-Heath talks, Page 6

Major says economy could be in recession

By Philip Stephens and Rachel Johnson

MR JOHN MAJOR, the Chancellor, acknowledged yesterday that the sharp slowdown in Britain's economic growth rate may have turned into a recession.

His deliberate change of tone was understood to reflect unpublished Treasury forecasts showing that output is likely to fall slightly in absolute terms in the second half of this year.

Until now the government has referred to an "economic slowdown" or to a "growth recession", so Mr Major's comments were a signal to Conservative MPs that they should brace themselves for further bad news in coming weeks.

The Bank of England, however, simultaneously put the blame for some recent corporate casualties on past financial carelessness rather than on the government's interest rate squeeze.

Mr Robin Leigh-Pemberton, the bank governor, said in a speech to the Equipment Leasing Association that highly-geared companies and their creditors were now paying the price for lack of caution. Bankers, even if only junior members in a syndicate, had to monitor the risks they took on very carefully.

Mr Major told Parliament that production had been slowing for some months and would continue to do so.

He then hinted that the slowdown was likely to meet the technical definition of a recession – a fall in output for two consecutive quarters: "Whether it is within the normal definition of recession is a matter which we will soon see . . . It is not entirely clear yet. It is conceivable that it is."

It is understood that the latest Treasury forecasts – prepared in advance of next month's Autumn Statement and subject to possible revision – show a "shallow" recession, or a small fall in output, in the second half of the year.

Mr Major has warned in the past that the period from the summer to the end of the year will be the most difficult for the economy. He will also emphasise that the fall in output is from an unusually high level in the spring and he remains convinced that outlook will improve quickly from next spring.

The immediate outlook, however, will compound unease felt by many Tories about the prospects of restoring the economy's fortunes in time for the election due by mid-1992.

Truck industry, Page 7
Bank warns on Emu, Page 8
Personnel managers' 15.6% rise, Page 20
DAF losses forecast, Page 21
ICI drops 48%, Page 21

Philips plans to cut up to 45,000 workers and omits dividend

By Ronald van de Krol in Eindhoven

PHILIPS, the troubled Dutch electronics group, yesterday unveiled plans for a 15 per cent cut in its worldwide workforce and said it planned to omit its dividend this year for the first time.

Mr Jan Timmer, president, said that between 35,000 and 45,000 jobs would be lost between now and December 1991, representing 12 per cent to 15 per cent of the company's 285,700-strong global workforce.

The cuts will be made at all levels in an attempt to restore flagging profitability at Europe's largest producer of consumer electronics and the world's biggest manufacturer of light bulbs.

The scope of the job losses, announced at a scheduled press conference on the company's third-quarter results, was unexpected. The cuts come soon after Philips finished giving details about the loss of 9,000 jobs, mainly in Europe, at its struggling computer and computer-component divisions.

Mr Timmer, who became president in July after his predecessor Mr Cor van der Klugt lost the confidence of financial markets, declined to give details of the latest proposed job cuts. However, he said that they would be global, that they would be aimed at raising overall efficiency and productivity, and that they may involve forced redundancies.

He said the cuts, the biggest in Philips' 99-year history, made a payout to shareholders inappropriate.

Speculation that Philips would decide to omit its 1990 dividend has been rife since Mr Timmer announced a shake-up at the group in July. For the past few years Philips has paid a dividend of Fl 2 (60p) a share.

Trading in Philips shares in Amsterdam and other European markets was suspended for several hours ahead of the announcement. In late trading, the shares were barely changed at Fl 20.10 compared with Fl 20.80 on Wednesday.

Mr Timmer said the cost of carrying out the latest round of job cuts, unlike the recent cuts in the computer and components sectors, would be paid out of running costs and would not, on their own, force the company to make further restructuring provisions.

However, he said other forms of rationalisation could ultimately raise 1990 restructuring costs above the previously projected Fl 2.7bn, further depressing full-year net results. In his first speech to shareholders in July, Mr Timmer had said the company could incur a net loss of Fl 2bn this year as a result of the restructuring charges.

Philips' third-quarter figures showed a decline in operating profit to Fl 522m from Fl 592m a year earlier. After taking a hefty restructuring charge of Fl 2.25bn, Philips posted a net loss of Fl 2.16bn for the quarter, against a profit of Fl 227m a year earlier.

Lex, Page 20
Background, Page 21

WORLD NEWS

Six charged in Dublin special court

Six men arrested in the Irish Republic were charged with IRA membership last night at Dublin's anti-terrorist Special Criminal Court. One was also accused of possessing arms and ammunition.

The six included a brother of Martin McGuinness, vice-president of Sinn Fein, the IRA's political wing.

Meanwhile Staffordshire police investigating recent IRA attacks in the Midlands made a number of arrests under the Prevention of Terrorism Act. **Stalemate in Anglo-Irish talks, Page 8**

Farmers call for reform
More than 2,500 farmers rallied in London at the start of a campaign for radical changes in EC policy to avert rural dereliction "on a grand scale". **Page 32; Trade talks, Page 5**

Bhutto's poll defeat
Final results in Pakistan's elections showed 105 seats for caretaker prime minister Mustafa Jatoi's IDA party and only 45 for the Pakistan Democratic Alliance led by ousted premier Benazir Bhutto. **Page 4**

US budget deal closer
The White House and Democrat leaders are backing a compromise tax and spending package which could signal the end of the US budget crisis. **Page 20; Editorial comment, Page 18; Plan shifts tax in progressive direction, Page 3**

Tehran embassy to open
Britain's embassy in Tehran will reopen on Sunday following the resumption of diplomatic relations with Iran.

University funds failure
Universities' refusal to undercut each other has forced the Universities Funding Council to admit failure in introducing market forces. **Page 20**

TV sponsorship move
All commercial TV programmes except news and current affairs could be open to sponsorship from next year under a draft code. **Page 20**

Lebanese seize cash
President Elias Hrawi's Lebanese government seized $25m (£12.8m) of public money held by ousted rebel Christian general Michel Aoun.

No warning
A Heathrow Airport security guard told the Lockerbie disaster inquiry he received no special warning of a bomb threat to the Pan Am jumbo jet which exploded killing 270 people.

Greek corruption trial
Former Olympic Airways chairman Alexandros Akrivakis was among 11 former top officials of Greek state-controlled companies sent for trial on corruption charges.

Spycatcher Euro-ruling
Three UK newspapers won support for publication of extracts from Spycatcher, the controversial book about MI5. The European Commission of Human Rights said the government breached the human rights convention in blocking publication of the excerpts.

Platform injury
Nuclear physicist Peter Cripwell was badly hurt by a fire extinguisher thrown from a train. It hit him as he stood on an Oxfordshire platform.

BUSINESS SUMMARY

ICI profits down 48% to £160m

Imperial Chemical Industries reported pre-tax third-quarter profits down 48 per cent to £160m due to severe competition and weakening markets.

Chairman Sir Denys Henderson blamed weaker customer demand and the effects of overcapacity in some industrial businesses exacerbated by the Gulf crisis and the strength of sterling. The company expects trading to remain difficult into 1991. **Page 21; Lex Page 20**

WORLD OIL prices were given a sharp boost when US defence secretary Dick Cheney said the US would send 100,000 more troops to the Gulf. The move was seen by traders as an indication that war was more likely. North Sea Brent crude oil for December delivery rose by $2.85 a barrel to $32.20 in European trading. Spot market prices for refined products also rose sharply, heralding a possible rise in petrol prices.

DAF, the Dutch truck maker, warned of a significant loss in 1990 and announced the loss of more than 400 jobs, mostly from UK operations. This follows falling demand for trucks on the continent and a collapse in the UK, where Daf's penetration is 42 per cent of its output. **Page 21; GM to idle truck plants, Page 3; Truck dealers blame government, Page 7**

C.ITOH, the Japanese trading house, and Klöckner-Werke, the German steel and engineering company, unveiled an extensive co-operation pact, including a joint venture to build a Y27bn (£212.3m) steel line in Bremen, Germany, to supply sheet to the car industry. **Page 21**

AMERICAN AIRLINES challenged United Airlines for control of Pan Am's five transatlantic routes, saying it was prepared to offer substantially more for the routes than United's $400m (£204m) bid. **Page 21; UAL's alarming third quarter, Page 28**

BOND Corporation Holdings, the debt-stricken Australian conglomerate, said it expected to survive its financial troubles and complete a crucial debt-for-equity swap by March. **Bond directors criticise court action, Page 4**

RELIANT GROUP, manufacturer of Metrocab taxis, three-wheeled Rialto cars and Scimitar sports cars, is set to pass into the hands of a receiver following the suspension of dealings in its USM-quoted shares. **Page 24.**

STOREHOUSE, the UK retail group, announced that its finance director, Bob Mackenzie, had left with immediate effect. Mr Mackenzie was appointed a year ago on a three-year contract. **Page 23**

TOSHIBA, Mitsubishi Electric and Hitachi, Japan's three diversified electrical groups, all recorded improvements in half-year profits. **Page 29**

UNISYS, the US computer manufacturer, reported continuing heavy losses for the third quarter of $356.8m (£182.6m), and will reduce its workforce by 5,000. **Page 28**

NORSK HYDRO, Norway's largest publicly quoted company, announced a 53 per cent rise in third quarter net profits to NKr625m (£54.3m). **Page 26; Lex, Page 20**

MARKETS

STERLING
New York:
$1.9510 (1.95985)
London:
$1.9535 (1.958)
DM2.9575 (2.95)
FFr9.8975 (9.8725)
SFr2.4950 (2.4825)
Y248.50 (250.5)
£ index 94.6 (94.6)

GOLD
New York: Comex Dec
$378.3 (376.0)
London:
$375.25 (371.75)

N SEA OIL (Argus)
Brent 15-day Dec
$32.20 (29.35)

DOLLAR
New York:
DM1.5180 (1.50535)
FFr5.0780 (5.04)
SFr1.2835 (1.2695)
Y128.30 (126.535)
London:
DM1.5135 (1.507)
FFr5.0670 (5.0425)
SFr1.2770 (1.268)
Y127.20 (128.0)
$ index 60.3 (60.5)
Tokyo close: Y127.15

US CLOSING RATES
Fed Funds 8% (7 13/16)
3-mo Treasury Bills:
yield: 7.41% (7.44)
Long Bond:
100 (99 23/32)
yield: 8.74% (8.77)

STOCK INDICES
FT-SE 100:
2,088.7 (−21.8)
FT Ordinary:
1,617.5 (−21.4)
FT-A All-Share:
1,009.72 (-1.0%)
FT-A World Index:
133.70 (+0.4%)
New York
DJ Ind. Av.
2,484.16 (-20.05)
S&P Comp
310.15 (−2.43)
Tokyo: Nikkei
25,352.63 (+475.75)

LONDON MONEY
3-month Int'bank clo:
13 27/32-13 13/16 (same)
Liffe long gilt future:
Dec 84 8/32 (84 18/32)

Chief price changes yesterday: Page 21

SELLING PRICE IN IRELAND 80p, IN MALTA 40c

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Parliament 6
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Wall Street 38,39
Bourses 38,39
Technology 12
TV and Radio 17
UK News
General 7,8,10
Employment 11
Weather 20
World Trade News 5

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