BORIS ASSEMBLES QUICKFIRE CABINET

PRIME MINISTER WASTES NO TIME IN APPOINTING HARDLINERS TO KEY JOBS WHILE WAVING GOODBYE TO THE BULK OF THERESA MAY’S TOP MINISTERS

Owen Bennett

AND JULIAN HARRIS

@owenjbennett @hariboconomics

BORIS Johnson oversaw one of the most brutal cabinet culls in UK political history yesterday, replacing a string of big-name MPs with some of his closest supporters.

Within hours of arriving in Downing Street, Johnson had appointed Sajid Javid as chancellor, Dominic Raab as foreign secretary, Priti Patel as home secretary, and Liz Truss as international trade secretary.

Supporters of his leadership rival Jeremy Hunt were the first to be ousted, with Brexiters Liam Fox and Penny Mordaunt sacked. Hunt will also return to the backbenches after turning down the job of defence secretary, which will be taken by Ben Wallace.

Former City lawyer Nicky Morgan returns to the government as culture secretary, opening up the chair of the Treasury Select Committee – largely seen as Westminster's leading financial watchdog.

Andrea Leadsom was appointed business secretary, replacing Greg Clark.

Former leadership contender Michael Gove, with whom Johnson fell out during the 2016 race to replace David Cameron, was made chancellor of the Duchy of Lancaster, while Gavin Williamson returns to the government as education secretary and Amber Rudd takes the work and pensions brief. Her predecessor Esther McVey becomes housing minister.

Another leadership contender, Matt Hancock, who backed Johnson after dropping out of the race, remains health and social care secretary.

Theresa Villiers is the new environment secretary, while Grant Shapps becomes transport secretary, replacing Chris Grayling.

Hardline Brexiter Jacob Rees-Mogg was appointed leader of the House of Commons, and Rishi Sunak was made chief secretary to the Treasury.

Earlier in the day prominent MPs – including Theresa May, Philip Hammond, Rory Stewart, David Gauke and David Lidington - confirmed they were leaving the government. At the time of going to print late last night nearly 20 ministers had left their posts.

As well as making sweeping changes to the Cabinet, Johnson has also installed new faces in Downing Street, with former Vote Leave campaign director Dominic Cummings given a role alongside a slew of other names who worked with Johnson during the 2016 EU referendum.

Conservative MP Nigel Evans said: “It’s not so much a reshuffle as a summer’s day massacre.”

Ahead of the switch-up, Johnson said he would take personal responsibility for a range of improvements he wanted to see to the UK.

“Never mind the backstop, the buck stops here,” he said.

With his new Downing Street team looking on, Johnson argued that should the UK leave the EU without an agreement, it would be the fault of Brussels.

He said: “I am convinced we can do a deal without checks at the Irish border because we refuse under any circumstances to have such checks and get rid of that anti-democratic backstop.”
Boris’ chancellor must stand up to his boss

A

NALYSTS at Deutsche Bank triggered sighs across the City yesterday with an attempt to coin the term “Borisnomics”. The portmanteau, as chunky as the new Prime Minister’s debut speech, is unlikely to catch on. But whatever we call it, Boris Johnson’s likely approach to public finances and the economy? There were some bright notes to Johnson’s verbal manifesto, delivered on the steps of Downing Street. The former London mayor name-checked financial services when listing “the enormous strengths of this economy” and has suggested he will avoid the kind of banker-bashing so beloved of politicians. Johnson also reeled off policies that point to supply-side reform—free ports, tax incentives to boost investment, the slashing of red tape around some of the UK’s more competitive industries, and so on. Such measures are desperately required to boost the UK’s lagging levels of productivity and business investment.

On Tuesday of this week, the Bank of England’s chief economist, Andy Haldane, explained that now is the “time for doping-up demand, and endorsed a supply-side focus instead. So far, so good. But there were also worrying elements to Johnson’s speech yesterday; primarily, a string of spending commitments that would add tens of billions to the Treasury’s spending plans. Social care, police, GPs, hospitals, the pupil premium, roads, trains, broadband—all very noble, yet extremely costly.

Conservative lawmakers have taken nearly a decade to all-but-eliminate the government’s annual deficit, with George Osborne’s former chief of staff Rupert Harrison boasting last night that Sajid Javid “inherits sound public finances left by his predecessors”. Harrison is right, and he is also right to warn that a firm grip on the purse strings can easily be loosened once discipline slips. Discipline is not a word one would associate with Britain’s new Prime Minister, and it is not a quality one would expect to find in “Borisnomics”. Johnson is naturally attracted to grand projects, to big giveaways and, frankly, to anything that will earn him power. Javid is a welcome addition to Number 11. As a man who once proposed strict spending laws to rein in profligate politicians, the former banker will need to keep a close eye on his boss’ spending habits.

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NOT MY PRIME MINISTER

Protesters take to the streets to voice disapproval of Boris Johnson’s succession to Theresa May

ALL PROTESTS swarmed Whitehall yesterday evening, causing disruption just steps down the street from Boris Johnson’s cabinet reshuffle. Groups of anti-Johnson activists, mobilised by the group Fck Boris, carried placards which read “Boris is a no no” and “No to racism, no to Boris Johnson”, as they chanted their disapproval of the UK’s newest Prime Minister and his cabinet.

Facebook sales surprise after record $5bn penalty

Facebook has set aside $3bn in anticipation of the settlement last quarter, and said yesterday it took a $2bn charge in the second quarter to account for the remainder.

It reported 2.7bn monthly users and 2.1bn daily users across its portfolio of apps—Facebook, Messenger, Instagram and WhatsApp—showing little growth over the quarter.

The FTC said Facebook will create an independent board to handle privacy issues at all its companies as part of the deal, and will better police its app developers.

The social media giant also revealed in its results that it now faces another investigation by the FTC into whether it engages in anti-competitive practices, alongside a slew of other major digital firms.

The FTC alleged in its settlement yesterday that Facebook “deceived users about their ability to control the privacy of their personal information”, and in turn provided that data to third-party apps.

FTC chairman Joe Simons said the terms of the settlement were “unprecedented in the history of the FTC”. The relief is designed not only to punish future violations but, more importantly, to change Facebook’s entire privacy culture to decrease the likelihood of continued violations.”

The FTC said the penalty against Face- book is the “largest ever imposed on any company for violating consumers’ privacy, and almost 20 times greater than the largest privacy or data secu- rity penalty ever imposed worldwide”. Facebook’s general counsel Colin Stretch said the settlement will “mark a sharper turn toward privacy, on a different scale than anything we’ve done in the past”.

FINANCIAL TIMES

UBER LOSES TWO EXECS IN LATEST BOARD SHAKE-UP

Uber is losing two board members in the latest shake-up at the ride-hailing company following its May initial public offering. Yesterday, the company said media entrepreneur Arianna Huffington and Matt Cohler, a partner at early Uber investor Benchmark, had resigned as directors. They followed Ryan Graves, Uber’s first employee and first chief executive, who left the board two weeks after the markets debut.

PAYPAL CUTS FULL-YEAR SALES GUIDANCE

Paypal shares fell yesterday as the US payments company reported lower than expected revenue in the second quarter and lowered its full-year sales guidance. The shares were down 6.8 per cent in after-hours trading as investor concerns over the sales figures offset an profit boost from Paypal’s investments.

WHAT THE OTHER PAPERS SAY THIS MORNING

THE TIMES

IRAN OFFERS TO SWAP SEIZED OIL TANKERS

The president of Iran has offered a deal to swap the British-flagged tanker it impounded in the Gulf last Friday for the Iranian oil tanker being held in Gibraltar. President Rouhani made the offer as officials in Tehran claimed that Britain had sent a mediator to Iran to beg for the return of the Stena Impero.

JOHNSON’S WIP BRINGS BREXIT PARTY VOTERS BACK

A Times/Youtube poll conducted over the past 24 hours in the wake of Boris Johnson’s election as Conservative leader put the Tories on 25 points, the Lib Dems on 23 points, Labour on 19 and the Brexit Party on 17.

THE DAILY TELEGRAPH

MAY LEAVES WITH WORST RATING SINCE THATCHER

Theresa May leaves Number 10 with the lowest satisfaction rating of any outgoing Prime Minister since Margaret Thatcher. May ends her three-year tenure with a net satisfaction of minus 44, according to Ipsos Mori.

NISSAN SET TO SLASH THOUSANDS OF JOBS

Concerns about the health of the global car industry have been heightened with fears that Nissan is about to slash 10,000 jobs after profits collapsed. Nissan said yesterday that its first-quarter operating profit would decline, confirming Japanese reports claim the figure would fall 90 per cent.

THE WALL STREET JOURNAL

US SET TO APPROVE MERGER OF T-MOBILE AND SPRINT

The US Justice Department is poised to approve T-Mobile’s merger with Sprint under a divestiture plan that would equip satellite TV operator Dish Network with the building blocks for a new wireless network, according to people familiar with the matter.

SOFTBANK SEeks GOLDMAN, APPLe FOR SECOND FUND

SoftBank Group is expected to invest $20bn ($32bn) into its new technology megafund after securing backing from an unlikely coalition of investors including Apple, Goldman Sachs Group and Kazakhstan’s government, according to sources.
Chairman leaves as Metro Bank’s profit tumbles

SEB MCCARTHY
AND HARRY ROBERTSON
@sebMccarthy @henrygrobertson

METRO Bank’s woes were laid bare last night after the troubled high street lender posted a downbeat financial performance and called time on its colourful founder’s role as chairman.

The embattled challenger bank reported a sharp drop in profit for the first half of this year than we’ve ever faced,” said chief executive Craig Donaldson. He added that Metro wanted to “draw a line” under events in May when intense speculation about the bank’s future led to £1.4bn of outflows.

Metro Bank’s share price has crashed more than 75 per cent since the revelation, which prompted fears of a regulatory crackdown and wider questions over its business model. “We’ve faced more challenges in the first half of this year than we’ve ever faced,” said chief executive Craig Donaldson. He added that Metro wanted to “draw a line” under events in May when intense speculation about the bank’s future led to £1.4bn of outflows.

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China’s SDIC hires banks to prepare for $1bn London Stock Exchange flotation

SEB MCCARTHY
@sebMccarthy

A CHINESE state-backed energy group is gearing up for a potential listing in London, giving the capital’s financial centre a much-needed boost as it prepares to leave the EU.

China’s State Development and Investment Corp (SDIC) has drafted in banks to look at a float that would involve it selling Global Depositary Receipts in London to raise as much as $1bn (£801.2m).

The flotation, first reported by Reuters last night, could take place in the second half of this year. SDIC plans to list through the much-anticipated Stock Connect scheme, a recently-launched reciprocal arrangement between the Shanghai Stock Exchange (SSE) and London Stock Exchange.

In June one of China’s largest brokers, Huatai Securities, became the first business to put its name on the Stock Connect scheme, sparking hopes that many other Chinese companies would follow suit.

Its launch comes as the City ramps up its efforts to strengthen ties with non-EU countries ahead of Brexit. “Connect essentially kicked off with much fanfare a year ago, but was only officially launched last month. The risk was that various administrative and technical delays might have caused permanent embarrassment if the concept withered on the vine,” Ken Odelluga, a market analyst at City Index, told City A.M.

Valuing a culture of diversity and inclusion is at the heart of our business. Through The Lord Mayor’s Appeal our people have gained insight into some of the most important conversations on diversity and inclusion which they can take into their day to day roles.

Peter Harrison, Group Chief Executive, Schroders

Wrong kind of heat

LONDONERS face sweltering rush-hour delays tomorrow with rail groups urging travellers to avoid using trains as record temperatures could buckle the tracks.

Providers will cut services as the heat may physically damage the infrastructure. Providers will cut services as the heat may physically damage the infrastructure.
Make the most of summer with a little help from Google
Freefall: Boeing suffers $3.4bn loss on continued grounding of 737 Max

ALEX DANIEL

@alexdaniel

BOEING yesterday posted a $3.4bn (£2.7bn) quarterly loss, as it continues to struggle with mounting costs relating to the grounded 737 Max planes.

The massive losses come after Boeing’s surprise announcement last week that it would set aside $4.9bn to compensate airlines for the disruption caused by the jet’s grounding.

In March, global aviation authorities put a temporary flying ban on the 737 Max after the second of two deadly crashes, which killed 346 people overall.

Shares dipped 3.12 per cent yesterday.

Boeing’s $3.4bn loss for the second quarter of 2019 comes after a $2.7bn profit in the same period last year. Revenue was $15.8bn, down 35 per cent on last year’s $24.3bn.

The drop in revenue is mainly down to the fact Boeing has halted deliveries of the Max to airlines. This is despite the fact it has continued producing the planes, albeit at a reduced speed.

As a result of this, it has planes with a combined value of more than $30bn waiting to be delivered. The world’s biggest planemaker remains unable to give any forward financial guidance for the rest of 2019, having suspended its previous forecast after the jet was grounded.

Chief Dennis Muilenberg said it is “a defining moment for Boeing”.

Astro Martin’s warning crashes shares further

ALEX DANIEL

@alexdaniel

ASTON Martin shares crashed 25 per cent yesterday after it cut wholesale sales expectations to 6,300-6,500 vehicles, down from 7,100 to 7,300 cars.

Shares slipped to 766p from an open of 841p as Aston Martin slashed its sales expectations in the face of market “softness” for the rest of 2019.

The car maker’s share value has been obliterated since its October share market float. Shares hit the market at 1,900p, but have crashed more than 60 per cent since then.

A J Sel analyst Russ Mould said: “One of the worst things a newly-listed company can do in the first year of being on the stock market, namely issue a revenue warning.”

Aston Martin has struggled in the face of a cooling global car market. The ongoing trade war between the US and China has hit manufacturers across the globe.

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Competition watchdog starts probe into JD Sports’ Footasylum purchase

JESS CLARK

@jclarkjourno

The Competition watchdog starts its probe into JD Sports’ acquisition of Footasylum.

JD Sports bought the remaining shares in the footwear retailer in a deal worth £90m in March this year, with shareholders approving the sale the following month.

However, the Competition and Markets Authority (CMA) handed an initial enforcement order to the companies in May, which banned the integration of the two businesses.

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Miner quits as lobbyist joins team Johnson

ALEXANDRA ROGERS

@city_amrogers

THE TORIES’ chief executive officer (CEO) and treasurer Mick Davis yesterday resigned from his party roles, citing the need for a new team under Boris Johnson.

Davis’ decision to quit came as the chief executive of the London Chamber of Commerce, David Frost, resigned from his post to take up the role as EU adviser to the new Prime Minister.

In a letter to Tory party donors, Davis, who was the chief executive of multinational mining company Xstrata before it merged with Glencore, said he was resigning as CEO, treasurer and member of the Conservative party board with immediate effect.

“I have so much enjoyed my time as treasurer and CEO, but circumstances change and I think that our new leader, Boris Johnson, should be free to choose a team at CCHQ who can work together to ensure that this organisation realises its central purpose – a clear and decisive victory at the next general election,” he wrote.
The Peugeot maker’s operating margin was lifted to a new 8.7 per cent record

PSA’s Opel savings drive a fresh profit record despite sales drop

LAURENCE FROST

FRENCH carmaker PSA yesterday delivered a sharp increase in first-half profit, defying a global industry downturn as new models and cost savings from the integration of Opel-Vauxhall more than made up for weaker emerging market sales.

Standing out against profit warnings from peers such as Daimler, PSA said yesterday its efficiency drive produced a 10.6 per cent operating income gain even as deliveries went the other way – with a 12.8 per cent decline posted earlier this month.

That lifted the Peugeot maker’s operating margin to a new 8.7 per cent record from 7.8 per cent a year earlier, boosted by a €270m (£241m) increase in cost savings on purchasing, research and development, and overheads.

PSA shares closed up 1.5 per cent in Paris, at €23.06.

KPMG is to quit audit of quarter of building socs

HARRY ROBERTSON

KPMG will stop auditing around a quarter of the UK’s building societies in a move away from the financial sector that has caused it a series of problems.

The Big Four firm will end its audit work for around 12 building societies, according to Sky News.

The shift in focus comes as KPMG deals with the rising costs of complying with rules on auditing financial companies.

A higher level of scrutiny has led the firm to hike fees substantially on a number of building society clients, sources told Sky.

KPMG was slapped with a £4m fine last year for its auditing of the Co-operative Bank during the financial crisis.

The Big Four firm was “severely reprimanded” by regulators for its work when Co-op Bank came close to collapsing.

It was also fined £5m for its auditing of US bank BNY Mellon, according to the Financial Times.

The move away from finance comes amid the government carrying out a major shake-up of the regulation of auditors.

Can’t find your card? Freeze it. Found it? Unfreeze it. Crack on.

Control the use of your Visa debit card with the Halifax mobile app.

Halifax makes it happen.
TV profit drops as broadcaster bets on BritBox

Joe Curtis @joe_curtis

ITV shares price rose yesterday despite seeing profit fall 16 per cent in the first half of 2019, as the broadcaster surpassed downbeat expectations in an “uncertain” political and economic backdrop.

The broadcaster’s profit before tax dropped 16 per cent year-on-year to £222m, down from £265m in 2018. Revenue also fell, with external revenue down seven per cent to £1.47bn and advertising revenue falling five per cent – but the broadcaster had guided to ITN notching up savings of £5m so far this year on top of the £35m-£40m full-year target it is seeking to hit and hopes to save another £15m by 2022.

Net debt rose by £48m year on year to £1.1bn for the six months ending 30 June while cashflow fell from £184m in 2018 to £137m this year.

Basic earnings per share dipped 13 per cent to 6.2p while ITV kept its interim dividend flat at 2.6p per share.

Stronger advertising figures during last year’s World Cup contrasted sharply with this year as advertisers wound down their budgets amid economic uncertainty ahead as Brexit drags on.

But the broadcaster took heart as online revenues spiked sharply, growing 18 per cent year on year amid a wider push towards digital.

ITV has invested £25m in its joint streaming venture with the BBC, called BritBox, as the channels try to compete with online giants Netflix and Amazon Prime.

Chief executive Carolyn McCall said: “ITV delivered another good performance in the first half of the year. Online revenues grew strongly up 18 per cent despite tough comparatives, with Love Island providing a strong finish to the half. This was reflected in better than expected total advertising revenue.”

ITV chief exec Carolyn McCall

Crash in retirement income sales takes a toll on insurer Just Group

Sebastian McCarthy @sebas_mccarthy

JUST Group’s share price tumbled as much as 10 per cent yesterday, as the specialist insurer posted a fall in retirement income sales.

In a trading update released yesterday, the financial services firm said that sales during the first half of the year tumbled 30 per cent to £831m.

The group said that a “changing regulatory environment” had hit its capital efficiency, as it prepares for new regulations under the UK’s Prudential Regulation Authority (PRA) that require more capital strength remains softer house price data], but says challenging lower bond yields and environment has remained unchanged.

The slowing growth is known to be positive but “increment-”

Hilton cuts its forecast amid slowing of economic growth

Ashwin Iraft

HOTELIER Hilton yesterday cut its full-year outlook for a key revenue measure, citing a slowing global economy which was weighing on spending plans of businesses.

The forecast comes a day after the International Monetary Fund lowered its estimate for global growth in 2019, as the US-China trade spat and Brexit uncertainties are seen eroding business confidence and weakening investment spending.

The slowing growth is known to directly affect travel budgets of corporations.

“We have good businesses in attractive markets, which are in better than expected position, the firm said.

Interim chief executive David Richardson said that the message from its shareholders “has been clear.

“We have good businesses in attractive markets, which are performing well commercially. However, we must reduce new business capital strain and achieve capital self-sufficiency by 2022,” he said in a statement.

Richardson, who said the firm was continuing a “constructive dialogue” with the PRA, added: “I am focused on adapting to the changing regulatory environment and putting the business on a surer footing for the future.”

He is currently filling in as the group’s chief executive following the resignation of Rodney Cook after nine years in the role.

The value of the insurance company’s share price has nearly halved over the course of the past 12 months.

Numis recommended a “Buy” rating yesterday.

Analysts at the broker wrote in a market report: “New business sales have recovered following a quiet quarter one and the company says it remains comfortable with [full-]

“Just says the economic environment has remained challenging (lower bond yields and softer house price data), but says capital strength remains satisfactory.”

Just Group was among the top market fallers last night after shares in the FTSE company closed down 9.4 per cent, falling to a price of 49.06p.

Hilton operates the Waldorf Astoria and Conrad hotel chains

New data on the slowdown of global economic growth has “challenged” financial markets in recent days, says a leading insurer.

“Ashwin Iraff, chief executive of insurance company Just Group, said yesterday.

“This is clearly going to be worse in the second half of the year than the first,” Iraff said.

Hilton now expects full-year revenue per available room – a key performance metric for the hotel industry – to increase between one and two per cent, down from an earlier range of a one to three per cent rise.

Hilton, the owner of Waldorf Astoria and Conrad hotel chains, said it now expects global corporate profit growth to be positive but “increment-”

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CLASSIC

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London’s retail property hit as Brexit takes toll

HARRY ROBERTSON
@henryrobertson

DEMAND for retail property continued to fall across London in the second quarter of the year and is now approaching financial crisis-level lows, according to a new survey published today.

Meanwhile, demand from overseas investors has also continued to drop as Brexit looms, the latest commercial property market survey in the UK’s Royal Institution of Chartered Surveyors (Rics) showed.

Rics’ gauge of the demand for commercial property in London stayed in negative territory for the 12th quarter in a row. This metred more of the 700 chartered surveyors respondents to the survey said demand was falling than maintained it was rising.

In the latest sign of malaise in the sector, retail was responsible for pulling the overall figure below zero, with a net balance reading of minus 61 on the demand gauge.

By contrast, survey respondents seeing demand rise for industrial buildings, a large part of which was for warehouse space for online shopping.

Respondents to the survey reported that many firms were looking to relocate some of their businesses as Brexit looms and London was becoming less attractive to overseas investors.

“The overall picture remains little changed across the UK commercial property market but for retail in the second quarter,” said Rics economist Tarrant Parsons.

“The disparity between a strong backroup for the industrial sector and weakness in retail is still very evident,”

Niall Lindsay of London Surveyors’ Lapar said: “The key issue is Brexit. The market is less concerned about whether we remain in or out. It just wants certainty one way or the other... If we have certainty, the market will adjust accordingly and confidence levels will return.”

Segro profit slumps but revenue rises on increased rental income

ALEX DANIEL
@alexndaniel

REAL estate investment firm Segro has reported lower profit had narrowed, but rental income had helped to push revenues.

For the six months ending 30 June, the company’s profit before tax was up £44.5m, down 28 per cent year on year.

Revenue rose to £233.3m after a 3.7 per cent rise in like-for-like net income.

Chief executive David Sleath said that “momentum has continued throughout our business in the first half of 2019 and we are on track for another strong year.”

“Four portfolios of high quality and well-located warehouse assets are performing well, as evidenced by strong rental growth and the low vacancy rate.”

HOUSING BENEFITS Approvals for UK mortgages jump as home purchases boom

The number of mortgages approved in the UK reached one of its highest levels in the past two years in June. Last month, the number of mortgages approved was 42,407 in May and close to April’s two-year high of 42,785 according to data from the Bank of England.

Manufacturing in Eurozone in the doldrums

JOE CURTIS
@joe_c_curtis

EuroZONE economic woes deepened as the manufacturing downturn hit a three-month low for July, according to a closely-watched measure of the industry’s health.

Manufacturing output relapsed to fall to a score of 51.5 this month after two months of growth, IHS Markit’s Flash Eurozone Purchasing Managers’ Index (PMI) found yesterday.

That compares to June’s 52.2 score. While anything above 50 signals growth, the drop was the steepest since April and one of the weakest PMI readings in six years.

Chris Williamson, chief business economist at IHS Markit, said: “Geopolitical worries, Brexit, growing trade frictions and the deterioration of the performance of the auto sector in particular has pushed manufacturing into a doldrum phase.”

Germany was one of the Eurozone’s worst performers, seeing manufacturing output crash to a four-month low of 51.4 due largely to a steep fall in export orders – the sharpest drop since April.
THE weather can be an important driver of short-term demand, but the other economic fundamentals are much more important in the long run,” Lim said.

The hot weather should provide a boost provided by a spell of hot weather, other factors will have a greater long-term impact on firms in the retail and leisure sectors.

The weather can be an important factor in boosting short-term demand. That usually plays out with food... It will also be helpful for the apparel retailers and its also quite supportive for DIY, gardening and toys focused on the outside like slides and paddling pools.”

A&A predicts barbecue sales will increase 250 per cent this week, ice-cream sales 90 per cent and outdoor furniture 70 per cent. According to Argos, paddling pool sales are up 400 per cent week-on-week as shoppers rush to cool down.

The hot weather should provide a boon for drinks companies and bar chains, with Swedish cider brand Rekorderlig anticipating sales of an extra 1.5m pints of cider this week. However, despite the short-term boost provided by a spell of hot weather, other factors will have a greater long-term impact on firms in the retail and leisure sectors.

The weather can be an important driver of short-term demand, but the other economic fundamentals are much more important in the long run,” Lim said.
Soft drinks giant Britvic loses its fizz
due to a ‘more challenging’ market

JESS CLARK
@jclarkjourno

DRINKS producer Britvic warned yesterday that revenue dipped in the third quarter of the year due to a “more challenging” market. The company, which owns brands such as 7up, Tango and Robinsons, said revenue was £360.1m, a decrease of 1.5 per cent on last year. In a trading update yesterday, Britvic said revenue in the UK grew despite the market declining in value and volume.

The company’s Brazil and international businesses also continued to deliver solid revenue growth. However, its performance in France and Ireland was more challenging. Britvic chief executive Simon Litherland said: “Overall we have delivered a solid performance against a more challenging backdrop in [the third quarter]. “We remain confident of achieving market expectations for the full year, underpinned by the strength of our brand portfolio, exciting commercial plans and a tight focus on cost control.”

In the company’s interim results for the 28 weeks to 14 April, Britvic reported that organic revenue increased 1.9 per cent to £760.2m, while earnings before interest and tax were up five per cent to £83.7m. Britvic shrugged off concerns about the sugar tax, saying the levy had “accelerated” its low- and no-sugar brands.

Britvic said the sugar tax has actually accelerated sales of its low- and no-sugar drinks

Daimler skids
to a loss as car demand drops

JESS CLARK
@jclarkjourno

MERCEDES-BENZ owner Daimler swung to a €1.2bn (£1.06bn) loss in the second quarter after it was forced to make payments for diesel-related legal issues and to cover the costs of replacing Takata airbags, as it battled a global slump in car demand.

The German manufacturer reported a net loss of €1.2bn between April and June down from €1.8bn profit last year. Revenue increased by five per cent from €40.8bn to €42.7bn. However, total unit sales fell one per cent to 822,000.

Ola Kallenius, Daimler chairman and head of Mercedes-Benz cars, said: “Our second quarter results were mainly impacted by exceptional items of €4.2bn. Therefore, our focus for the second half of this year is on improving our operating performance and cash-flow generation.”

Chemicals firm Croda takes big hit
from trade war and Chinese laws

ALEX DANIEL
@alexmdaniel

CHEMICALS group Croda’s shares fell 3.4 per cent yesterday after it said the US-China trade war and new Chinese sales laws contributed to a fall in first-half profit. The British company, which also supplies agrochemicals and auto industries, said sales were 3.6 per cent lower at its personal care business.

Personal care accounts for 40 per cent of the firm’s annual revenue. Croda said this was due to the trade war between the US and China, which had weighed heavily on consumer confidence, together with new legislation on cross-border selling in China. "Demand has just naturally slowed down because they are not allowed to sell until they register the products," Foots said.

He said some of Croda’s smaller customers had stopped making products, while others were taking longer to get set up, citing the new legislation.

Croda is smaller in size in Asia and North America. The company also counts Unilever, L’Oreal and Procter & Gamble among its customers. “Today’s results will raise concerns that this is more than a cyclical blip,” Liberum analyst Adam Collins said.
Chilean copper production jumps as Antofagasta expands flagship mine

ALEX DANIEL
@alexandaniel
MINER Antofagasta yesterday reported a nearly 22 per cent jump in copper output in the second quarter, helped by better quality ore from its Centinela mine in northern Chile, and maintained its annual production outlook.

Copper production for the quarter was 196,600 tonnes compared with 163,200 tonnes, a year earlier. The FTSE 100 company reduced its annual forecast for net cash cost, a measure of cost of production per pound of copper produced, to £1.25 per pound as it expects to benefit from a weaker Chilean peso and higher by-product prices.

Prices of copper have been volatile due to the protracted trade dispute between China – the world’s top copper consumer – and the US, with the company expecting continued tightness in the copper market and prices to rise this year.

Production at Los Pelambres was 91,200 tonnes of copper in the reported quarter.

Antofagasta chief executive Ivan Arriagada said: “Our priorities for the year remain our safety, performance, and sustaining the strong momentum on operational reliability and efficiency, while also progressing the Los Pelambres expansion project.

“Copper production was strong during the quarter and together with our rigorous control of costs this has reduced our unit costs.”

Miners pull down FTSE after iron ore prices drop

JAMES BOOTH
@jamesbooth
BRITISH mining stocks tumbled yesterday on news that Brazilian giant Vale was resuming operations at one of its major facilities.

Shares in Rio Tinto fell 4.6 per cent to 4,606.30p, shares in BHP fell four per cent to 1,960.80p and shares in Anglo American slipped 3.25 per cent to 2,187p.

The poor performance was driven by Vale’s decision to resume operations at its Vargem Grande iron ore complex.

Brazil’s National Mining Agency authorised the partial resumption of dry processing at the mine, totalling around 5m tonnes of additional output.

“This is small… but it is a positive in that the regulator is presumably willing to accept evidence demonstrating safe operational performance,” said Edward Sterck, analyst at BMO Capital Markets.

Regulators had ordered Vale to halt production in February to guarantee the stability of its dams after the collapse of one of its dams in January led to a mudslide that killed 248 people.

David Madden, chief market analyst at CMC Markets, said: “The FTSE 100 is firmly in the red as mining stocks are weighing on the index.

“A sell-off in iron ore prices in China has prompted a decline in major mining stocks… and seeing as the London equity benchmark has a relatively large portion of natural resources stocks in its makeup, the British market is underperforming its continental counterparts.”

Analysts at Liberum also downgraded BHP, Anglo American and Rio Tinto to “Hold” yesterday on data that it said showed iron ore prices could be set for a slide.

“Steel inventories at traders have been unsustainably restocking, iron ore prices have declined and as a result, steel mill profitability in China has now fallen below breakeven levels and supply from scrap steel and domestic iron ore appear to have accelerated,” Liberum analysts said in a note.

Credit Suisse downgraded Rio Tinto to “underperform”, expecting iron ore prices to approach a turning point.

Oil price steadies after large US stock decline despite early rises

STEPHANIE KELLY

OIL PRICES steadied yesterday, failing to draw support from a large decrease in US crude stockpiles as investors also worried about global demand.

Brent crude futures rose 23 cents to $64.06 a barrel at 5pm BST, while West Texas Intermediate futures fell seven cents to $56.70 a barrel.

Earlier in the session, the front-month Brent contract flipped to trade at a discount to the second-month contract, a market structure known as contango, for the first time since March.

Prices initially gained after US Energy Information Administration data showed a large drawdown in crude stockpiles. Crude inventories fell by 10.8m barrels in the week to 19 July, while analysts had expected a fall of 4m barrels. However prices later pared gains.

“The market is going to try to say that [the drawdown] was probably due to [Hurricane Barry], and so the market is not overreacting to it,” said Phil Flynn, an analyst with Price Futures Group in Chicago.

UPS delivery of profit exceeds expectations

LISA BAERTELEIN

UPS YESTERDAY reported a jump in demand for its Next Day Air service had driven better-than-expected profit in the second quarter as large retailers rushed packages to online shoppers.

UPS has been spending billions of dollars to modernise its network. Those investments – which include more automated package sorting facilities and new cargo planes – are helping to contain the cost of delivering small numbers of e-commerce packages to far-flung home addresses.

“We’ve got momentum here and we believe we can continue,” said chief executive David Abney, who added that the company is at an “important turning point” in its nearly 112-year history.

Next Day Air volume surged an unexpected 30 per cent in UPS’ key domestic business during the second quarter, as Amazon and other large retailers adopted one-day shipping.

Abney said some competitors lost second-day air business to its Next Day Air service.

“Fedex would be the only other rival that offers such a service,” said Cathy Morrow Roberson, founder of consulting firm Logistics Trends & Insights.

Several analysts said the Next Day Air volume bump likely came from Amazon.

Vodafone and O2 sign deal to share equipment to speed up 5G rollout

JOE CURTIS
@joe_r_curtis
TELECOM giants Vodafone and O2 yesterday agreed to share their 5G networks in order to speed up their rollouts of the next-generation technology.

Customers of both networks should get 5G sooner than expected after the mobile operators agreed to cooperate, sharing equipment such as radio antennas across the UK.

The operators will share masts in 23 large cities but here they will also install their own 5G equipment at around 4,700 sites, building their own radio equipment, fibre connections and power supplies. That is in addition to London, which was covered in an agreement last year.

“Greater autonomy in major cities will allow us to accelerate deployment, and together with active network sharing, ensures that our customers will get superb 5G in even more places more quickly, using fewer masts,” Nick Jeffery, Vodafone UK Chief executive, said.

“‘We can boost capacity where our customers need it most so they can take full advantage of our new unlimited plans… It demonstrates our commitment to further invest in our multi-billion-pound network in the years to come.”
MINERS dragged London’s main index to its worst day in two months yesterday as iron ore prices fell after Vale prepared to resume operations at its Vargem Grande complex, while luxury carmaker Aston Martin lost a quarter of its value after cutting annual targets. The FTSE 100 ended down 0.7 per cent at 7,501.46 points, lagging its European counterparts which held steady on hopes of more monetary stimulus and weak business growth data and signs of progress in US-China trade talks. The FTSE 250 mid-cap index added 0.2 per cent, at 1,977.7. Among earnings related moves yesterday, Aston Martin, which 25.9 per cent after it cut its 2019 volumes forecast, with sales to dealers in Europe down by almost a fifth in the first half. The guidance cut from followed a disappointing quarterly update from German peer Daimler. Vale said it had been authorised to partially resume dry processing operations at the complex in Brazil, months after the country’s mining regulatory agency had ordered the company to halt operations there to guarantee the stability of its dams. Rio Tinto was among the biggest fallers with a 4.6 per cent drop, while Anglo American and BHP were also lower, as Liberum analysts downgraded the iron ore majors and flagged warning signs after rising iron ore port inventories. Exporters also weighed on the index as sterling recovered after falling in the last session after Brexit doubts about adviser and client activity. The broker continues to rate the stock as a “Buy” and gives a target price of 2,107p.

FAEGRE BD
Amy Coner and Adrian Jones have joined Faegre Baker Daniels as partners within the corporate group and business litigation group respectively. Both Amy and Adrian join Faegre Baker Daniels’ London office from Crowell and Moring. Amy has lived and practiced in the UK, US and Russia, enabling her to understand the nuanced legal and cultural factors that affect cross-border transactions. Amy has advised on transactions and deals in the UK, Europe, China, Hong Kong, Singapore, Egypt, Turkey, Russia, South Africa, the UAE, Kazakhstan and Israel. She specializes in financial, mergers and acquisitions, joint ventures, strategic partnerships, restructurings, and corporate and project financing transactions. Adrian has extensive experience on international arbitration in the oil & gas, mining and metals sector but extends to construction projects and pharmaceutical companies. His extensive experience in this realm has led to an accumulation of clients spanning from mining companies in South Africa to corporations with a focus on the Confederation of Independent States region. Adrian is recognized in Legal 500 as a ‘leading individual’ and in Chambers and Partners. He was until 2016 head of the London office of Crowell and Moring.

CARD FACTORY
Martin Fest has been appointed chief financial officer of Ebury, one of the UK and Europe’s largest fintechs. Ebury, which services a global client base through its global trade and transaction banking platform, has appointed Martin to strengthen Ebury’s finance function. He will work directly with chief executive officer and co-founder Johan Lobatto as the company embarks on its ambitious growth strategy outside of Europe. He joins Ebury from fellow fintech Molo, where he was also COO. Prior to Molo he led investment management strategy at Man Group and spent seven years at Barclays as an investment banker. Before banking, Martin worked in McKinsey’s risk management and financial service practice.

NEW YORK REPORT
Nasdaq and S&P 500 reach record highs
The S&P 500 and Nasdaq hit record highs yesterday after positive earnings comments from Texas Instruments about global chip demand blunted the impact of weak earnings reports from Boeing and Caterpillar. The Dow Jones Industrial Average dropped 0.2 per cent to close at 27,268.97 points, while the S&P 500 gained 0.4 per cent to close at 3,093.56. Nasdaq added 0.85 per cent to close at 8,321.50. The S&P 500 and Nasdaq each closed at record high levels. Texas Instruments jumped 7.4 per cent after the company hinted that a global slowdown in microchip demand will not be as long as feared. “Semiconductor investors are looking past right now and saying that maybe in the second half of this year, economic concerns will start to abate a little,” said Willie Delwiche, an investment strategist at Robert W Baird in Milwaukee.

However, trade-sensitive Caterpillar dropped 4.5 per cent following disappointing earnings on weak sales in China and higher production and restructuring costs. Boeing fell 3.1 per cent after the world’s largest plane manufacturer posted its largest-ever quarterly loss on the back of this year’s grounding of its best-selling 737 Max after two deadly crashes in Indonesia and Ethiopia, in October 2018 and March 2019. Those two companies’ bleak reports left the Dow Jones Industrial Average in negative territory.

Two weeks into an earnings’ season with muted investor expectations, about 77 per cent of the 138 S&P 500 companies that have reported so far have topped earnings estimates, according to Refinitiv data. In extended trade, Facebook jumped 4.3 per cent after the social network posted quarterly revenue above analysts’ average estimates. Another bright spot was UPS, up 8.7 per cent and among the biggest gainers on the S&P 500 index. The world’s largest package delivery company reported a better-than-expected quarterly profit.
Cometh the hour, cometh the optimist leader the UK needs

Alan Mendoza

If the people who bet against Britain end up losing their shirts once more, it will be because Boris summons up his inner Churchill

Nazarin Zaghari-Ratcliffe, and some of his more colourful comments in general, have raised more than the occasional eyebrow, leading some to doubt his fitness to serve. But is there any real doubt that at this moment of great national stasis – with the country paralysed in its attempt to secure a clear resolution of the Brexit issue – it must be prudent to turn to the man who helped set that process in motion to see if he can finish it?

Advent Remainers will not agree, of course. But they may yet have their time once more should Boris fail to deliver what he has promised. In the meantime, and for the first time in a thus far miserable Brexit process, Leavers can say that one of their own is in charge, and someone who is not a destabilising style who will not just rearrange the pieces on the Brexit negotiating table, but upend it completely if necessary.

As we gaze upon the prospect of the Boris Johnson chapter of British history, it is worth recalling the words of the political commentator who wrote Churchill of in 1930 as lacking the “unifying spirit of character which alone can master the diverse and complex antagonistic elements in a single mind, giving them not merely force, which is something, but cohesion, which is much more”.

It took Churchill 20 years to prove his critics wrong, but it is clear that all which he had once been damned for – the adventurism, bloody-mindedness, and exotic turn of phrase – could yet be turned to critical advantage.

Boris has far less time in which to show that his whole is greater than the sum of his parts, with the latest Brexit deadline due in 98 days. But if there was ever a juncture when his sunny optimism about the “Awesome Foursome” and his enthusiasm to prove “the doubters, the ostracists, the gloomers” wrong was required, it is now. If the people who bet against Britain end up losing their shirts once more, just as they did in 1940, it will be because Boris banishes the ghosts of his failures, and summons up his inner Churchill. Buckle up. It’s going to be quite the ride.

Larry Madowo

Africa is doing just fine – it’s the coverage by western media that’s behind the times

Larry Madowo is the BBC Africa Business editor.

LETTERS TO THE EDITOR

Political spirits

What makes our new Prime Minister so impervious? It is partly due to anchoring, whatever the scandal. Each makes one less impactful. After constant repetition, we become desensitised to what a person stands for and say, and accept behaviour which would be unacceptable if exhibited by others.

But all that Boris Johnson responds to scandals also works to normalise his behaviour. By confirming committing many gaffes in public, Boris does not fit our preconceived notions that a scandal should be hidden and apologised about. Going against this social construct makes his actions seem less bad.

Finally, Boris has a strong emotional appeal, historically because he makes people laugh, nowadays because he tells them what they want to hear about Brexit. People twist their rational views to support what they feel, they are not swayed by people who are against him because of what they rationally hear.

Will Hammer-Lloyd, head of behavioural planning, Total Media

The extraordinary tale of the hijack of Jared O’Man’s Twitter account by an epically disgruntled staff member is a salutary one for MPs. It was a Commons official for more than 10 years, and I know that MPs can be demanding, bruising, and often claim that they forget the work of loyal employees at their own risk.

Gareth Arnold produced a devastating but believable critique of his master, whose stock, never high, is now at a ruinous low. He will soon depart the scene. If you are a public figure, your reputation is currency, and it can be devalued in a heartbeat. Sometimes there is no way back. O’Man had intended to leave parliament anyway, after a short and controversial career, but his hand has now been forced. They say that in reputation management, authenticity is everything; and the same is true for criticism. What Arnold said sounds plausible – and so the curtain comes down.

Eliot Wilson, chief writer, Right Angles

Afropolitanism

This but all ex Prime Ministers in a Big Brother House @Daniel_Sugarman

Difficult to predict anything but it’s fair to say that after 10 years’ time, Jamaica May still be pointing out who failed to vote for her Brexit deal and telling them “The Day That Something, Reckon it would be fascinating”

@rebmanuel

Best of Twitter

BREAKING: a new lectern. Dark wood. WHAT THE F!%#, MEAN? @jonemerrick23

Boris Johnson has finally decided to commit to mahogany? @josephmccarthy

You know what would make an interesting doc? Get all five living ex-Presidents and interview them TOGETHER. In the same room. Like you would wish. That That or something. Reckon it would be fascinating

Africa is doing just fine – it’s the coverage by western media that’s behind the times

Larry Madowo

Larry Madowo is the BBC Africa Business editor.

If YOU only know Madagascar because of that animated penguin film, you’ve not been using the internet properly. But that is understandable, because the African island nation has faster internet speeds than you in the UK, France, or Canada.

It has birthed a thriving call centre industry in a country that is also home to 95 per cent of the world’s real vanilla and, even more delightfully, delicious caviar. But the economic heart of the nation is how impoverished it is – and that’s the problem with much of the western media’s portrayal of Africa.

When Facebook chief executive Mark Zuckerberg declared in May that sending money should be as easy as sending photos, a lot of Africans couldn’t help laughing at how groundbreaking the idea sounded for his target audience.

Mobile money transactions have been commonplace in many parts of the continent for well over a decade. Millions of rural dwellers who have had a bank account can send and receive money straight to their digital wallets, and they don’t make a fuss about it.

It works with any ordinary SIM card whether they have smart-phones or not, and the funds are available to use instantly.

So Facebook’s spin or the countless other European and American companies trying to disrupt the payment markets, who still believe the curve and trying to invent something that is already mainstream.

Africa has also set another global best practice in environmental protection that the rest of the world is struggling to catch up with. A staggering 37 countries in Africa have restrictions on the use of plastics which may take up to 1,000 years to break down.

In most parts of the continent, plastic packaging is outlawed, and some countries have had these prohibitions in place for over a decade. The ban on plastic straws, drink stirrers and cotton buds won’t even come into force in the UK until April 2020.

It is easy to caricature Africa and define it narrowly using its wars, famine, and disease, but that is lazy and misguided. Nobody reduces the whole of Europe to just homelessness, racism, and massive inequality so why should Africa be so easily dismissed?

There is an entire generation of African innovators, doers and trail-blazers tackling some of the world’s most intractable challenges using homegrown solutions.

Our job is to chronicle their journeys and set the record straight on the challenges they face in transforming a continent badly in need of big, bold, Africa Business, our programmes in English, French and Swahili are the essential guide to this new band of change-makers betting on big ideas to tackle waste, climate change, and other socio-economic issues.

Even 59 years after independence, Madagascan is very likely to be the last to go to a country that works for everyone, but it is getting there; Ethiopia is one of the world’s fastest growing economies; Rwanda has more female parliamen- terians than anywhere else; and Ghana is becoming a new home for the black diaspora.

Is your internet connection too slow to look that up?

Larry Madowo is the BBC Africa Business editor.

Editor: Rachel Cunliffe
Business has evolved, now it’s audit’s chance to do the same

The audit of today has not kept pace with society’s expectations. Over the past 12 months, we’ve seen headlines, challenges and scrutiny over the role and value of audit. Valid concerns have been raised in the wake of events such as the collapse of Carillion, and multiple reports have been commissioned from various independent, parliamentary and regulatory bodies into how it needs to evolve.

Clearly, there is a pressing need to change – particularly to deal with the lack of trust that now exists when it comes to audit.

This matters, because audit plays a crucial role in underpinning confidence in businesses and the capital markets. This is true of economic growth, trade, and prosperity.

Today’s statutory audit was originally designed to provide assurance over a company’s performance and financial position. This is still critically important. Often, the people that own the company – the shareholders – are separate from the management. Those people could be institutional investors, like pension funds representing the life savings of millions of hardworking people.

And the auditors and audit committee are the last line of defence against materially misstated financial reporting.

This begs a number of important questions. What should audit look at? Who is the audit intended for? Is a one-size-fits-all approach appropriate? As business has become ever more complex, digital and global, audit too needs to adapt to the modern world.

Those of us working to deliver audits day-in, day-out naturally have ideas about how it could evolve in order to reestablish trust. However, this is not something that we can or should undertake by ourselves.

This is why PwC launched an open discussion on the future of audit back in November. We’ve gathered hundreds of points of view through roundtable events, meetings with senior business leaders, investors and other interested parties, an online forum, and a survey of business leaders and investors.

The results are now in, and what has struck me is the sheer diversity of views – not just on the solutions, but even on which issues need addressing. One of the most significant insights is the investment community’s feedback – only 41 per cent of those surveyed feel that today’s audit meets their needs.

This is a clear signal that change is overdue, with respondents wanting more information about a company’s future prospects and the risks it faces, so that audit can give investors comfort that the information they receive from a company can be relied upon.

Working with regulators, businesses, and the profession itself, there is an opportunity to develop the statutory audit to provide more insight – including the scenarios in which a business model could fail – giving stakeholders a clearer picture of the risks that could lead to failure, so they can make informed decisions.

Our forums highlighted other areas of opportunity for change, including strengthening the clarity and relevance of corporate reporting; enhancing the reporting and auditing of a company’s internal controls; providing more insight about the material uncertainties facing a company; and strengthening the culture of challenge in audits. These will require changes to corporate reporting and the regulatory environment, as well as extending the scope of audit.

While it’s important to contribute to the wider debate about the future of the corporate reporting system, I also recognise that we must continue to do all we can to strengthen our own audit work. This means the right culture and governance, supported by the right people, technology and processes.

Audit is at a tipping point. Just as it has evolved before, so it must do so again. The needs of all stakeholders need to be considered and fairly represented if audit is to remain relevant and rebulit trust.

Hemione Hudson is head of audit at PwC UK. You can find out more at pwc.co.uk/futureofaudit.

**DEBATE**

Could fintechs be the answer to solving London’s dirty money problem?

By their very nature, fintech firms are disruptive and have a reputation for driving change in their field. Why shouldn’t the fight against money laundering be led by these technological innovators too?

Recent research supports this theory. A report from LexisNexis Risk Solutions and the Economist Intelligence Unit shows that fintechs are the most likely businesses to say that the UK has a long way to go in fighting dirty money. In fact, almost half (48 per cent) think that the existing UK regulatory framework is not effective in combating the issue.

How can they disrupt anti-money laundering? The vast majority (85 per cent) of fintechs are already using or making plans to adopt technology, such as advanced analytics and artificial intelligence, as part of their anti-money laundering arsenal – more so than the regulated industry average.

Unconstrained by legacy technology, fintechs have a golden opportunity to harness new technologies from the outset, giving them a potential advantage to be exploited in tackling this problem.

Michael Harris is director of financial crime compliance and reputational risk at LexisNexis Risk Solutions.

Arun Srivastava is a partner at international law firm Paul Hastings.

It would be too simplistic to say that fintechs are the most likely to shake the UK of its dirty money problem – it is too vast and complex to place the burden on one sector alone.

Estimates suggest that almost £100bn of illicit money flows through the UK economy each year, most of which will never come into contact with a fintech firm. It is misguided and unfair to seek to place the burden on this sector – the problem extends far beyond their reach.

Instead, collaboration is the key. Government, regulators, and businesses in any number of sectors must come together to stop dirty money flows. The UK’s status as a renowned financial services hub is a core pillar of our economy and cannot be left open to abuse by financial criminals. Operating complianlty is key for everyone in the financial sector, including fintechs, but the problems with money laundering can only be solved by everyone pulling together.

Arun Srivastava is a partner at international law firm Paul Hastings.

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Seychelles is the cote de jure of Africa, an archipelago of 115 magical islands trimmed in white sandy beaches and flush with rain forests, warm tropical waters, colourful fish, the mighty Marlin, and the giant Aldabra tortoise.

If Ernest Hemingway were alive today, he might make his home here, rather than Cuba, and the Old Man and the Sea might have played out closer to Victoria than Havana.

Nearly a decade ago, construction commenced at Mahé Island on Beau Vallon Beach, Seychelles, for the island’s newest five-star grand hotel, called The Savoy Seychelles Resort and Spa. Seychelles-based Eastern European Engineering Limited (EEEL) was engaged to lead all main aspects of the project.

What EEEL in turn needed was a reputable local company which would build one of the most spectacular resorts in all of Seychelles. For much of the work, EEEL turned to the then highly reputed Vijay Construction to be lead building contractor and civil engineer on many phases of the project. There were six contracts total, all with ICC Arbitration Clauses and in all contracts both EEEL and Vijay agreed to voluntarily comply with an ICC Award that was meant to be final and binding.

Vijay was founded by Indian civil engineer Vishram Jada Patel back when Seychelles was still a British colony. According to The Economic Observer, a year after Patel launched his new concern, in 1981 “there was a coup d’état and everything [in Seychelles] changed. The business environment did not exist, a lot of people left and properties and businesses lost value… Yet Vijay persisted and his company became a prosperous, locally-based Seychelles concern with many construction projects on the island, though none of this size, scope, and majesty as the Savoy.

In 2011, Vijay commenced work on The Savoy. Soon a dispute arose between the two companies that would shake the very foundations of foreign investments in Seychelles – EEEL accused Vijay of delays, substandard construction, and poor workmanship that threatened the structural integrity and safety of the new resort. Vijay denied everything.

When pre-judicial efforts to work things out failed, EEEL terminated Vijay from the project for alleged material breach of contract. Before you knew it, the matter was thrust into international commercial arbitration, becoming one of the largest legal disputes in Seychelles history.

An esteemed partner of the international American law firm White & Case, Paris-based Andrew de Lobibiére McDougall, was appointed as the sole international arbitrator by the ICC to decide the dispute. Vijay’s first round of defenses were mostly jurisdictional, though the contracts involved in the dispute included ICC Arbitration clauses arguably designed to cover disputes exactly like these. By June 2013, McDougall had heard all the initial arguments and evidence and published his partial decision. In short, he concluded that the ICC Paris legally and rightly held binding worldwide jurisdiction over the entirety of the dispute.

The matter then proceeded with great vitriol for the next two years. Motions were filed, reams of evidence were received, and many witnesses were heard, all providing sworn testimony, i.e., testimony taken under oath. In other words, these were not just people giving willy-nilly opinions, but rather, officers and experts sworn to tell the truth. On 14 November 2014, a landmark ruling was issued. According to Arbitrator McDougall, “EEEL had validly terminated each of the construction contracts and ordered Vijay to pay EEEL damages plus interest and costs in an amount in excess of €14 million.”

Like other epic legal battles, the matter by no means ended there. All sorts of proceedings ensued in France (the seat of the ICC award), Seychelles (the loci of the debt), and England (whose common law in part forms the basis of the Seychelles legal system) – to enforce, challenge and avoid the judgment. Since France was the seat of the arbitration, its Tribunal de Grande Instance de Paris was asked to honour the award. And it did so, declaring the award fully enforceable and executory in all of France. When Vijay appealed to the Court d’Appel in Paris, seeking to set it all aside, the appeal was rejected on all counts. Further appeals to the Cour d’Appel in the Cour de Cassation were likewise denied.

With a sense of truth and justice the wind under its wings, EEEL pushed forward in the British courts, applying to the Queen’s Bench to affirm the award in August 2015. By that time, the amount due had risen considerably, and when all of Vijay’s arguments and defenses were rejected out-of-hand in the British High Court of Justice, the amount due and owing exceeded €16 million. Vijay was given 14 days to challenge the order or face enforcement of the judgement. Again it appealed, buying time to reach out to the Seychelles courts for protection, arguably highly unwarranted.

In January 2017, before the British High Court could rule, Vijay asked the Supreme Court of Seychelles (its court of first instance) to set aside the ICC arbitration award issued in France, “declare it null and void, and declare it incapable of enforcement or execution in any jurisdiction,” not just Seychelles. In other words, to invalidate the ICC jurisdiction altogether, no different in some ways than invalidating all existing international arbitration law. In other words, after years of avoidance, multiple judgments against it, and courts in two countries affirming the judgments, Vijay was looking, desperately, to avoid the rule of law recognized worldwide.

The appellate machinations in the Savoy dispute were actually quite difficult to track, given the many jurisdictions involved, appeals filed, and applications made, but ultimately The Honourable Mrs Justice Cockerill of the British High Court of Wales and England issued a final ruling on 11 October 2018, over six months ago. Essentially she affirmed the validity of the arbitration award in favour of EEEL and rejected all of Vijay’s arguments that mattered. However Vijay has still not paid any part of the award, and thus seems, to be using the Seychelles legal system to avoid paying its adjudicated debts.

Five courts from multiple jurisdictions have considered all the applicable law, all the applicable evidence, and all the jurisdictional arguments – and all have rejected the positions advanced by Vijay, affirming in its entirety the original ICC Arbitration award issued by Arbitrator McDougall. And at first, this seemed to matter, because in a preliminary decision made in 2017 the Seychelles Supreme Court ruled that the arbitration award was recognized and affirmed.

However, after that time, the Sey-
I spoke first with Dr. Mathilda Twomey, trained in law and educated at the University of Kent, University of Paris-Sud, and the National University of Ireland. Born and raised in Mahé, she is a lawyer, academic, and the first female judge in the history of Seychelles. She is also, most prominently, the first woman ever appointed Chief Justice of the Supreme Court of Seychelles.

For nearly an hour, she spoke affec-tionately about her childhood growing up on the island, her love of the people of Seychelles, and the extraordinary beauty of the island archipelago. When I asked her specifically about the legal and investment climate in Seychelles, she was upbeat but cau-tious. Her latest book among many, Legal Metissage in a Micro-Jurisdiction: The Mixing of Common Law and Civil Law in Seychelles, addresses the mix of English and French law on the island, as both have interweaving governing threads, and emphasized the importance of Seychelles upholding the rule of law.

When I asked her specifically about the EEEL vs. Vijay dispute, she declined to comment about the case because she is the sitting Chief Justice. But I can certainly say that, after many minutes of conversation, it is clear that she believes in the fundamental rule of international law: that Seychelles cannot and should not be used to avoid contractual obligations, debts, and judgments, whether or not arising from arbitration. “Seychelles is built on the English common law and French civil law traditions,” she explained, “and any judgment affirmed by the highest courts in either would generally demand reciprocal respect. Why wouldn’t it be?”

Moving outside the legal system, I also had the opportunity to sit down with Louis Rene Peter Larose for tea. Messr Larose is a Seychelles national who serves as Executive Director for Africa Group 1 Constituency, which represents 22 countries at the Board of the World Bank Group, including Seychelles, Botswana, Kenya, Mozambique, Namibia, and Sierra Leone. It was a lovely and cordial meeting and in Messr Larose I found a gentleman deeply committed to the financial success of the island. He too emphasized the need for honouring international contracts and judgments, “if Seychelles is to continue to receive the foreign investment it de-serves.”

I had occasion to visit the British Embassy in Seychelles, where I had hoped to speak to the British High Commissioner, Ms Caron Röhsler, about the EEEL vs. Vijay legal matter in particular and the international investment climate in Seychelles in general... in light of the Vijay and Siva matters and the obvious implications. She was not in Seychelles because her appointment, I learned, had been superseded by Mr Patrick Lynch, whose term will commence next month, in August 2019. Neither was available for comment.

After all this, the ICC Arbitration Award issued in EEEL’s favour has been ignored. Not unlike Siva’s debt-avoidance strategy, it appears that quite evident that Vijay plans to use Seychelles to avoid its legal obligations in The Savoy arbitration. As reported in the InjunctionsBlog.com in the 7/12/18 article by Michiel Van’t Land regarding the ruling of the English High Court: “In all the circum-stances of this case, Butcher J refused to grant worldwide freezing order, as this was not an exceptional case of the type which would justify such an order, but particularly due to the fact that there was only a very lim-ited link with this jurisdiction. The judge was however prepared to grant a domestic freezing order on the basis that there was solid evidence of a real risk that any judgment would go unsatisfied. The relevant assets were movable and there was evidence that the Defendant had indicated it would rather be wound up than pay the Award.”

Sadly, it seems like the island para-dise of Seychelles has become a place where debts and judgments can be avoided. Where contracts can be ignored. With a legal climate like that, why would foreign investment in Seychelles continue? So that is why I say, unless something is done soon, it looks like there is trouble in para-dise.
WHEN it comes to the transfer of power, the British political system is lightning fast. You must immediately move from the startup mentality of campaigning to the awesome responsibility of governing. Whether coming out of a leadership contest or a General Election, there is no transition period.

Nothing can quite prepare any incoming Downing Street team for this, and Boris Johnson’s will have to work harder than most. Their leader is a born communicator with an instinctive feel for the public mood, but those who have worked with him will attest that he prefers a detail-light approach, alongside a tendency to avoid difficult conversations.

In an institution like Number 10 – which is supervisory in nature rather than delivery-focused – this is a recipe for inertia at best and chaos at worst. Given the deadline to take the UK out of the EU by 31 October, deal or no deal, team Johnson does not have the luxury of time to feel its way through the obstacles. The first few days in Downing Street will be critical.

Having worked as a special adviser in Number 10 for his two immediate predecessors, I would recommend a few core priorities in the immediate term for team Johnson.

First, prioritise the decisions that you need to take as special advisers. Civil servants in the building will be looking for steers on every call under the sun. But as his political team, your immediate responsibility is to find a way through the Brexit paralysis. To do that, you must make two early decisions in private and plot a way forward from there. What is your preferred Brexit outcome: leaving the EU without a deal, or performing political surgery on the current withdrawal agreement? And what is your mechanism to achieve that outcome – given that the numbers in parliament may prove impossible to surmount?

Second, put some rocket boosters under the government comms team. Number 10 needs to update its comms. Currently, it doesn’t reflect how the communications landscape has changed in the past decade, from top-down disciplined packages to a constant conversation on social media, where authenticity and lightning speed are prized. Morning broadcast rounds and ministerial op-eds have their place, but should be less central.

Third, delegate most domestic policy decisions to the cabinet. You will not have the headspace, time or parliamentary numbers to coordinate a coherent domestic agenda at the start. So outsource the bulk – but hog a handful of direction-setting announcements. This may lead to a bit of chaos, as the left hand won’t know what the right hand is doing. But in the short term, this is preferable to an unfocussed position on Brexit and spreading yourself too thin. With one eye on a General Election ahead, the focus of Number 10’s domestic policy unit should be on developing a strategic and thoughtful position for that.

Finally, don’t forget about party headquarters given that there may be a General Election around the corner. Most decision trees for the next few months lead to a clarifying moment with the British people. A second referendum is not impossible, but a General Election is more likely.

Winning elections takes a lot of effort and preparation. So it is important that a campaign director is installed at Conservative Campaign HQ, closely integrated with Number 10.

All that is left to say is: good luck. Working in Downing Street is an experience like no other. It is immensely rewarding, for all the harsh containments on other parts of your life. Given the stakes of what is ahead, though, it is critical to take some early decisions to succeed on your own terms. Do these, and you might just prove the pundits wrong.

Nick Hargrave was a special adviser to both David Cameron and Theresa May. He now works for Portland.
Hurdler Andrew Pozzi on choosing between athletics and a City career. By Felix Keith

Is time and effort being consumed by how to clear a handful of hurdles as quickly as possible, but Andrew Pozzi has plenty else on his mind.

The 27-year-old world indoor hurdles champion over 60m is currently working hard to translate his success into medals over 110m. Last year he moved from Loughborough to Formia in southern Italy to work with renowned coach Santiago Antunez in a bid for glory at September’s World Championships in Qatar and the Olympic Games in Tokyo – as of yesterday, exactly one year away.

But had things gone differently, Pozzi could easily be spending his time in the City rather than on the track. Having completed an undergraduate degree and then a masters in business management at the University of West England and mulled over a PhD in accounting, he has an open mind about his career path.

Injuries meant his place in Team GB for the Rio 2016 Olympics was far from set in stone and Pozzi has said his sporting career has had an open mind about his career path.

Talking about his studies, he says: “There’s lots of stuff that crosses over,” he tells City A.M. “Stakeholder management is a big one. As an athlete you’re pretty much self-employed, but you’ve got to work with the governing body, your manager or agent who organises the races, sponsors, physios and doctors and often there can be conflicts between those things.

“Being self-employed, a lot of my study around finance and accounting was very useful in setting up and trying to look after myself financially. ‘Athletics is a strange sport. It’s not heavily regulated or controlled. If you’re a footballer you’re always signed to a club and it’s quite straightforward, with the club looking after all of your needs. As an athlete, even at a professional level, it’s very much self-driven and managing that is tricky.”

Pozzi competed at London 2012 while in his second year at university and found his studies a good counter-balance to training six days per week. These days his spare time is taken up learning Italian and Spanish but his business background still informs the way he thinks about athletics.

“For a while I was looking a lot at the way money was being used in our sport,” he says. “There are ways in which I felt, from an athlete’s point of view and with some understanding of management and finance, that it was being poorly directed.

“I kind of felt a little bit too close to it at the time, as an athlete within the system, and subsequently took a step back from it, but it’s something I’m incredibly interested in. I think athletics could benefit greatly from better financial understanding.”

Pozzi, who is in a relationship with British heptathlete Katarina Johnson-Thompson, is measured in his criticism of British Athletics. He believes the relationship between the governing body and the athletes needs improving, with matters currently kept very separate, like church and state.

“I think it would be really good to have an overlap between the business side of things and the actual athletes,” he says. “Because the athletes are all ways saying, ‘performances are the purpose of the governing body, so why are there loads more back-office staff and what are they doing?’ Is the revenue which is being generated coming back into the performances, or is it being lost in the business side?”

For now his focus remains on accelerating, barrier spacing and stride length, but Pozzi’s overlapping passions means that, should he wish, he could clear the hurdles to a future in sports governance or finance.

To hear more about Andrew Pozzi’s commercial and partnership opportunities please contact info@summussports.com

Gold rush lures Premier League’s finest to Far East

There’s a reason why leading clubs have been touring China this month, writes Felix Keith

THE PREMIER League may not kick off its new season for another fortnight but the fight for supremacy has already been raging elsewhere.

On the pitch pre-season tours may be primarily about players building fitness and whetting the appetite of fans, but overseas teams are looking after their own interests in business.

While supporters in England are able to attend 38 league games per season if they so wish, those overseas have to make do with watching on screens and hoping their favourite side visits over the summer break.

For clubs, the chance to play in front of a new audience, expand their fanbase and sell merchandise is too good to pass up.

A quick glance at where the Big Six have spent the last few weeks shows the target markets: Arsenal (United States), Chelsea (Japan), Liverpool (United States), Manchester City (China and Japan), Manchester United (Australia, Singapore and China) and Tottenham (Singapore and China).

The Gunners’ tour of the US makes sense given it’s home to their owner, Stan Kroenke; likewise Liverpool and Fenway Sports Group, Chelsea’s journey to Japan ties in with their shirt sponsor, Yokohama Tyres, as well as the country’s expansion opportunities. But it is the Far East, notably China and Singapore, which represents the gold rush and a land of untapped potential.

“China is a huge country with strong economic growth, healthy disposable income levels and a growing middle class that is predisposed towards spending on leisure and entertainment,” Simon Chadwick, professor of sports consultancy Brand Finance concluded that “fans are far less likely to be absolutely loyal to one club”, meaning teams are “able to benefit commercially from a wider pool of fans than in their own markets”.

Amid this context it’s easy to see why the Premier League’s best are keen to feature in the Asia Trophy, which Wolves beat Manchester City to win in Shanghai last week, and the International Champions Cup, which started in its US fixtures in China.

For the two Manchester clubs in particular, their pre-season tours are part of a wider plan to make inroads in the world’s most populous country.

City are partnered by China Media Capital, which acquired a 13 per cent stake in 2016, while the club’s parent company, City Football Group, bought Chinese third-tier side Sichuan Jinhua FC in February as part of their ongoing project to establish bases all over the globe.

This month City also launched an over-the-top subscription service for overseas fans and partnered with DAZN to broadcast in Japan.

Meanwhile, United, meanwhile, plan on opening three “experience centres” in China next year, which will use “interactive attractions and exhibitions to engage with the fans,” who they claim number 107m in terms of interest, globally.

“Physical engagement is very important to geographically remote fans,” says Chadwick, “although tours nowadays are rather different to the smash-and-grab raids they were 10 years ago, when clubs were simply interested in short-term revenue harvesting. Now they are more strategic, carefully thought through and well planned.”

There’s reason why leading clubs have been touring China this month, writes Felix Keith

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Gold rush lures Premier League’s finest to Far East

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England bowled out for 85 on a disastrous first day against impressive Ireland at Lord’s, writes Felix Keith

After the ecstatic high, the crushing low. The dramatic nature of England’s First World Cup win lent itself to prolonged celebration, but after 10 days of jubilation the hangover hit hard at Lord’s yesterday, with Ireland arriving to break up the party and bring them back to earth with a bump.

England’s Test batting has long been a concern yet they still managed to plumb new depths, being dismissed for just 85 in 23.4 overs – their shortest ever Test innings at home – inside the first session of the summer after winning the toss against a side playing just their third match in the format.

Before the game captain Joe Root had said England must “ride the wave” of confidence stemming from their remarkable win over New Zealand. Instead they’ve been dragged underwater and drowned by it.

“The intensity this week will set the tone for the rest of the summer,” Root said. With a deficit of 122 to make up, it was a concern yet they still managed to hold their nerve as their shortened batting order contributed just seven runs between them.

For a barely fathomable period of play everything England touched turned to wickets as Ireland kicked down the door and rampaged through their ramshackle middle order. Between 1938 and 2016 England did not lose all 10 wickets inside a single session of Test cricket. Startlingly, in the last three years they’ve done so four times in 34 matches.

The Root era has found their batting woes.

MAGIC MURTAGH
To describe England’s misery without complimenting its architect would be unfair because Tim Murtagh was exceptional. The Middlesex man has waited years for a first Test on his home ground and he didn’t disappoint, putting on a clinic of how to bowl at Lord’s, using controlled swing and seam movement to dismiss both openers, rip out the middle order and get his name on the Lord’s honours board at the first time of asking.

His figures of 5-13 from nine overs were incomparable to the work of the England bowlers. By comparison, the team’s efforts were flaccid and they were lucky to escape the tension.

Root has been left with more questions than answers.

Indeed many of their wickets owed to good fortune or poor shots, with Sam Curran making the first break-through with a long-hop and three wickets resulting from dragons.

Stone’s pace offered some excitement in the absence of the injured Mark Wood and Jofra Archer, and his delivery to bowl Andy Balbirnie was a rare high point in a chastening day which also included mistakes in the slip cordon.

But after Ireland reached 207 to lead and is 95 seconds ahead of Ineos’ lead and is 95 seconds ahead of Ineos’ David Lloyd and Waisake Naholo in joining the newly-promoted side.

Paddy Jackson, Sean O’Brien, Nick Phipps and Waisake Naholo in joining the newly-promoted side.

Frenchman Julian Alaphilippe retained his lead and is 95 seconds ahead of Ineos’ Sir Dave Brailsford, arguing Wada’s mistake resulted in £13m of lost earnings, with Liverpool selling him to Palace in September 2017.

DOMINOES
In the World Cup final fans were forced to hide behind their sofas to escape the tension. Yesterday it was in horror. At their nadir the hosts lost six wickets for seven runs inside 27 balls as their shortened batting order was gutted and the Iwe World Cup he

WORLD CUP HANGOVER
England’s Test history.

TOUR DE FRANCE EXPULSIONS ARE HARSH, SAYS BRALLSFORD
Team Ineos principal Sir Dave Brailsford says the decision to disqualify Luke Rowe and Tony Martin from the Tour de France was “incredibly harsh”. The riders were expelled from the race after clashing late on in the 206km stage 17, which was won by Matteo Trentin. “It feels incredibly harsh,” said Brailsford. “It’s nothing more than you see most days of the race.”

The Frenchman, Julian Alaphilippe retained his lead and is 95 seconds ahead of Ineos’ defending champion Geraint Thomas.

SAKHO SUING WADA FOR £13M OVER DRUGS TEST MISTAKE
Crystal Palace defender Mamadou Sakho is suing the World Anti-Doping Agency for £13m over claims a drug test mistake cost him his career with former club Liverpool. Sakho was suspended from football for 30 days in April 2016 after testing positive for a fat-burning substance, but was later cleared by Uefa of any wrongdoing. The 29-year-old is arguing Wada’s mistake resulted in £13m of lost earnings, with Liverpool selling him to Palace in September 2017.

LIVERPOOL DEFENDER CLYNE OUT INJURED FOR SIX MONTHS
Liverpool right-back Nathaniel Clyne has been ruled out for six months after suffering a knee injury on the club’s pre-season tour. Clyne sustained ligament damage during the Reds’ defeat by Borussia Dortmund last week in the United States, Liverpool manager Jurgen Klopp said the “silver lining” was that the injury was a “straightforward ACL problem, which can be treated.”

“He was training and playing so well,” Klopp added.

“He was in outstanding shape.”

SPORT DIGEST

EXILES BRING IN MAFI TO BOLSTER FORWARD OPTIONS
London Irish have signed former Leicester Tigers second row forward Steve Mafi. The Tonga international who played at the 2015 World Cup will join the Exiles for the Premiership season after leaving French side Castres. The 29-year-old joins Paddy Jackson, Sean O’Brien, Nick Phipps and Waisake Naholo in joining the newly-promoted side.

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