2002 No. 719

GOVERNMENT TRADING FUNDS

The ABRO Trading Fund Order 2002

Made - - - - -	*14th March 2002*
Coming into force - -	*1st April 2002*

Whereas:

(1) It appears to the Secretary of State for Defence ("the Secretary of State") that:—

(a) those operations of the Ministry of Defence which are referred to in Article 2 of, and Schedule 1 to, this Order are suitable to be financed by means of a fund established under the Government Trading Funds Act 1973(**a**) ("the 1973 Act") and, in particular, to be so managed that the revenue of the fund would consist principally of receipts in respect of goods or services provided in the course of the operations in question, and

(b) the financing of the operations in question by means of a trading fund would be in the interests of the improved efficiency and effectiveness of the management of those operations;

(2) The Secretary of State has, in accordance with section 2 of the 1973 Act and with the concurrence of the Treasury, determined what Crown assets and liabilities are properly attributable to the operations in question and are suitable to be appropriated to the fund;

(3) In accordance with section 6(2) of the 1973 Act, a draft of this Order has been laid before the House of Commons and has been approved by a resolution of that House;

Now, therefore, the Secretary of State in exercise of the powers conferred on him by sections 1, 2(1) and (7), 2AA(1), 2A(1), 2C(1) and 6(1) of the 1973 Act, with the concurrence of the Treasury, hereby makes the following Order:—

Citation and commencement

1. This Order may be cited as the ABRO Trading Fund Order 2002 and shall come into force on 1st April 2002.

Establishment of the fund

2. As from 1st April 2002, for all the operations of the Ministry of Defence known as ABRO, which operations are more particularly described in Schedule 1 to this Order, there shall be established a trading fund to be known as the ABRO Trading Fund (hereinafter referred to as "the fund").

Source of Loans

3. The Secretary of State for Defence is hereby designated as the source of issues to the fund by way of loan.

(**a**) 1973 c. 63, as amended by the Government Trading Act 1990 (c. 30). The 1973 Act, as so amended, is set out in Schedule 1 to the 1990 Act. The 1973 Act was further amended by section 119 of the Finance Act 1991 (c. 31), Schedule 22 to the Finance Act 1993 (c. 34) and by section 108 of the Finance Act 2001 (c. 9).

Assets, liabilities, reserves and public dividend capital

4.—(1) The Crown assets and liabilities set out in Schedule 2 to this Order shall be appropriated as assets and liabilities of the fund.

(2) Eleven per cent of the amount by which the values of the assets exceed the amounts of the liabilities shall be treated as reserves in the accounts of the fund and shall be maintained as revaluation reserves.

(3) Fifty per cent of the balance of—

(a) the amount by which the values of the assets exceed the amounts of the liabilities, less

(b) the amount to be treated as a revaluation reserve in accordance with paragraph (2) above,

shall be treated as public dividend capital of the fund.

Maximum borrowing etc.

5. The aggregate of the following shall not exceed £300,000,000—

(a) the total outstanding at any given time in respect of amounts issued to the fund under section 2B of the 1973 Act (other than as originating debt), and

(b) the total at that time constituting public dividend capital issued to the fund under section 2A(2A) of that Act.

Geoffrey Hoon
Secretary of State for Defence

12th March 2002

We concur

Tony McNulty
John Heppell
Two of the Lords Commissioners
of Her Majesty's Treasury

14th March 2002

SCHEDULE 1

Article 2

FUNDED OPERATIONS

The operations of ABRO to be funded by the fund are—

(a) the provision of engineering and logistics support, including repair and maintenance for land-based equipment, and associated goods and services to the Ministry of Defence and to other Crown bodies;

(b) the provision of such goods and services to other customers in the United Kingdom and overseas;

(c) operations incidental, conducive or otherwise ancillary to the foregoing.

SCHEDULE 2

Article 4

ASSETS AND LIABILITIES APPROPRIATED TO THE FUND

ASSETS

Land and buildings, as at 1st April 2002 used or allocated for use in the funded operations.

Plant, facilities, machinery, fixtures, fittings, vehicles, equipment and computer hardware and software, as at that date, used or allocated for use in the funded operations.

Intangible assets arising from the funded operations as carried on up to that date.

Current assets, less debtors, as at that date used or allocated for use in, or arising from, the funded operations.

LIABILITIES

No creditors or accruals will be appropriated to the fund.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides for the setting up as from 1st April 2002 of a fund with public money under the Government Trading Funds Act 1973 for the operations of the Ministry of Defence known as ABRO, which is an engineering and logistics support organisation for land-based equipment for Her Majesty's armed forces and others, and which was formerly known as the Army Base Repair Organisation.

The Order designates the Secretary of State for Defence as the authorised lender to the fund. The Order also specifies the assets (estimated at £85M) which are to be appropriated to the fund and that no liabilities will be appropriated; provides for a proportion of the difference in value between those assets and liabilities to be treated as a reserve and for a further proportion of that difference to be treated as public dividend capital of the fund; and specifies the maximum aggregate amount that may at any time constitute outstanding loan issued to the fund (other than as originating debt) and public dividend capital.

STATUTORY INSTRUMENTS

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The ABRO Trading Fund Order 2002

ISBN 0-11-039518-2

£1.75

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under the authority and superintendence of Carol Tullo, Controller of
Her Majesty's Stationery Office and Queen's Printer of Acts of Parliament.
E1915 3/2002 121915 19585