



Aircraft and Shipbuilding Industries Act 1977

1977 CHAPTER 3

PART I

THE CORPORATIONS

Financial provisions

10 Financial duties of the Corporations

- (1) The financial duties of each Corporation shall be such as may from time to time be determined by the Secretary of State with the approval of the Treasury and after consultation with the Corporation concerned.
- (2) In relation to each Corporation, the first determination under subsection (1) above shall be made within the period of 12 months beginning on the relevant vesting date.
- (3) As soon as possible after the making of a determination under subsection (1) above the Secretary of State shall give notice thereof to the Corporation concerned.
- (4) Each Corporation's report for any accounting year shall set out any determination made in relation to it under subsection (1) above, other than a determination which was wholly superseded before the beginning of the accounting year to which the report relates.
- (5) The Secretary of State shall not make, and the Treasury shall not approve, a determination under subsection (1) above, unless satisfied that the duties to be imposed on the Corporation concerned by the determination are likely, taken together, to result in an adequate return on the capital employed by the Corporation and its subsidiaries.
- (6) A determination under subsection (1) above—
 - (a) may relate to a period beginning before the date on which it is made ; and
 - (b) may contain incidental or supplemental provisions.

- (7) As soon as possible after the making of any determination under subsection (1) above the Secretary of State shall lay a copy of the determination before each House of Parliament.

11 Borrowing powers of the Corporations and their wholly owned subsidiaries

- (1) Subject to subsections (6) and (7) below, each Corporation may borrow money in accordance with the provisions of subsections (2), (3) and (4) below.
- (2) Each Corporation may borrow temporarily, by way of overdraft or otherwise,—
- (a) in sterling from the Secretary of State, or
 - (b) with the consent of the Secretary of State and the approval of the Treasury or in accordance with any general authority given by the Secretary of State with the approval of the Treasury, in sterling or a currency other than sterling from a person other than the Secretary of State,
- such sums as may be required for meeting the obligations and discharging the functions of the Corporation or any of its wholly owned subsidiaries.
- (3) Each Corporation may borrow, otherwise than by way of temporary loan,—
- (a) in sterling from the Secretary of State, or
 - (b) with the consent of the Secretary of State and the approval of the Treasury, in sterling from the Commission of the European Communities or the European Investment Bank or in any currency other than sterling from a person other than the Secretary of State,
- such sums as may be required by the Corporation or any of its wholly owned subsidiaries for capital purposes or for fulfilling any guarantee entered into by it.
- (4) Each Corporation may borrow from any of its wholly owned subsidiaries, without any consent, approval or other authority.
- (5) It shall be the duty of each Corporation to secure that none of its wholly owned subsidiaries borrows otherwise than from the Corporation or from another of its wholly owned subsidiaries except with the consent of the Secretary of State and the approval of the Treasury.
- (6) The aggregate of—
- (a) the amounts for the time being outstanding, otherwise than by way of interest, in respect of money borrowed by British Aerospace and each of its wholly owned subsidiaries, other than money borrowed on excluded loans, and
 - (b) the public dividend capital received by British Aerospace,
- shall not exceed £175 million or such greater sum, not exceeding £250 million, as the Secretary of State may, with the consent of the Treasury, specify by order made by statutory instrument.
- (7) The aggregate of—
- (a) the amounts for the time being outstanding, otherwise than by way of interest, in respect of money borrowed by British Shipbuilders and each of its wholly owned subsidiaries, other than money borrowed on excluded loans, and
 - (b) the public dividend capital received by British Shipbuilders,
- shall not exceed £200 million or such greater sum, not exceeding £300 million, as the Secretary of State may, with the consent of the Treasury, specify by order made by statutory instrument.

- (8) No part of the commencing capital of the Corporations specified under section 15(1) below shall be taken into account under subsection (6) or (7) above.
- (9) A loan is an excluded loan for the purposes of subsections (6) and (7) above if—
- (a) it consists of money borrowed—
 - (i) by a Corporation from one of its wholly owned subsidiaries, or
 - (ii) by one of a Corporation's wholly owned subsidiaries from another such subsidiary or from the Corporation; or
 - (b) it is a loan under—
 - (i) section 1 of the Civil Aviation Act 1949 (development of civil aviation, etc.),
 - (ii) section 8 of the Industrial Expansion Act 1968 (finance for Concorde project),
 - (iii) section 7 or section 8 of the Industry Act 1972 (assistance for industry), or
 - (iv) section 45 below; or
 - (c) it is a loan guaranteed under section 10 of the Industry Act 1972 (construction credits for ships); or
 - (d) the purpose of the loan is to pay off the whole or any part of the commencing debt (within the meaning of section 15 below) of either Corporation; or
 - (e) the purpose of the loan is to pay off a previous loan which was itself an excluded loan by virtue of paragraph (d) above or this paragraph.
- (10) The power to make an order under subsection (6) or subsection (7) above includes power to vary or revoke any order previously made in the exercise of that power; and no such order shall be made unless a draft of it has been laid before and approved by the Commons House of Parliament.

12 Loans by the Secretary of State to the Corporations

- (1) Without prejudice to his powers under any other enactment, the Secretary of State may, with the approval of the Treasury, lend to either Corporation any sums which it has power to borrow from him under section 11 above and the Treasury may issue to the Secretary of State out of the National Loans Fund any sums necessary to enable the Secretary of State to make loans in pursuance of this subsection.
- (2) Any loans made in pursuance of subsection (1) above shall be repaid to the Secretary of State at such times and by such methods, and interest on the loans shall be paid to him at such times and at such rates, as he may, with the approval of the Treasury, from time to time direct.
- (3) All sums received by the Secretary of State in pursuance of subsection (2) above shall be paid into the National Loans Fund.
- (4) The Secretary of State shall prepare in respect of each financial year two accounts (one relating to British Aerospace and the other relating to British Shipbuilders) of—
- (a) the sums issued to him in pursuance of subsection (1) above and the sums received by him in pursuance of subsection (2) above and of the disposal by him of those sums; and
 - (b) the public dividend capital received and the public dividend paid by the Corporation.

- (5) The Secretary of State shall send each of the accounts referred to in subsection (4) above to the Comptroller and Auditor General before the end of the month of November next following the end of the financial year to which it relates; and the Comptroller and Auditor General shall examine, certify and report on each of the accounts and lay copies of each and of his report thereon before each House of Parliament.
- (6) The form of the accounts prepared in pursuance of subsection (4) above and the manner of preparing them shall be such as the Treasury may direct.

13 Treasury guarantees

- (1) The Treasury may guarantee, in such manner and on such conditions as they think fit, the repayment of the principal of and the payment of interest on any sums which either Corporation borrows from a person other than the Secretary of State.
- (2) Immediately after a guarantee is given under this section, the Treasury shall lay a statement of the guarantee before each House of Parliament; and where any sum is issued for fulfilling the guarantee so given the Treasury shall, as soon as possible after the end of each financial year (beginning with that in which the sum is issued and ending with that in which all liability in respect of the principal of the sum and in respect of interest thereon is finally discharged), lay before each House of Parliament a statement relating to that sum.
- (3) Any sums required by the Treasury for fulfilling a guarantee under this section shall be charged on and issued out of the Consolidated Fund.
- (4) If any sums are issued in fulfilment of a guarantee given under this section, the Corporation to whose loan the guarantee relates shall make to the Treasury, at such times and in such manner as the Treasury may from time to time direct, payments of such amounts as the Treasury so direct in or towards repayment of the sums so issued and payments of interest, at such rate as the Treasury so direct, on what is outstanding for the time being in respect of sums so issued.
- (5) Any sums received by the Treasury in pursuance of subsection (4) above shall be paid into the Consolidated Fund.

14 Transfer to Corporations of rights and obligations with respect to certain government loans

- (1) On the aircraft industry vesting date any rights or obligations of the Secretary of State in existence on that date with respect to any loan which—
 - (a) falls within subsection (3) below, and
 - (b) was made to a company which comes into public ownership as, or as the wholly owned subsidiary of, a company the securities of which vest in British Aerospace,shall, by virtue of this section, become rights or obligations of British Aerospace.
- (2) On the shipbuilding industry vesting date any rights or obligations of the Secretary of State in existence on that date with respect to any loan which—
 - (a) falls within subsection (3) below, and

- (b) was made to a company which comes into public ownership as, or as the wholly owned subsidiary of, a company the securities of which vest in British Shipbuilders,
- shall, by virtue of this section, become rights or obligations of British Shipbuilders.
- (3) The loans referred to in subsections (1) and (2) above are—
- (a) loans under section 1 of the Civil Aviation Act 1949 (development of civil aviation, etc);
 - (b) loans under section 5 of the Science and Technology Act 1965 (support of scientific research, etc.);
 - (c) loans under section 4 of the Shipbuilding Industry Act 1967, (loans by the Shipbuilding Industry Board, the rights and obligations under which vested in the Secretary of State under section 9(3) of that Act);
 - (d) loans under section 8 of the Industrial Expansion Act 1968, (finance for Concorde project);
 - (e) loans under Part II of the Industry Act 1972 (financial assistance for industry); and
 - (f) a loan of £4 1/2 million made in 1971 to Yarrow (Shipbuilders) Limited and in respect of which a supplementary sum was included in Vote 7 in Part I5 of Schedule (B) to the Appropriation Act 1971.

15 The commencing capital of each Corporation

- (1) As soon as possible after the passing of this Act, the Secretary of State shall by notice in writing given to each Corporation—
- (a) specify as the commencing capital of the Corporation such amount as he may with the approval of the Treasury determine, and
 - (b) specify the amount of that commencing capital which, with the approval of the Treasury, he determines is to be treated for the purposes of this Act as public dividend capital received by the Corporation,
- and so much of the commencing capital of a Corporation as is not specified as mentioned in paragraph (b) above is in this section referred to as “the commencing debt” of the Corporation.
- (2) The commencing capital of a Corporation shall not exceed the aggregate of—
- (a) the amount determined by the Secretary of State, with the approval of the Treasury, to be necessary to recoup the Crown expenses and liabilities incurred by reason of the provisions of section 35 below and paragraph 3 of Schedule 4 to this Act; and
 - (b) the amount determined by the Secretary of State with the approval of the Treasury as being the amount that would have been necessary to recoup the Crown expenses and liabilities which would have been so incurred in relation to such of the securities vested in the Corporation by virtue of Part II of this Act as—
 - (i) were held by or on behalf of the Crown immediately before they were so vested, and
 - (ii) do not relate to any loan to which subsection (1) or subsection (2) of section 14 above applies, if those securities had not been held as mentioned in sub-paragraph (i) above ; and

Status: This is the original version (as it was originally enacted).

- (c) in the case of British Aerospace, the aggregate of the principal outstanding on the aircraft industry vesting date in respect of the loans to which section 14(1) above applies; and
 - (d) in the case of British Shipbuilders, the aggregate of the principal outstanding on the shipbuilding industry vesting date in respect of the loans to which section 14(2) above applies.
- (3) On the relevant vesting date each Corporation shall assume a liability to the Secretary of State in respect of the commencing capital of the Corporation.
- (4) The rate of interest payable on so much of the principal of the commencing debt of a Corporation as is for the time being outstanding, the date from which interest is to begin to accrue, the arrangements for paying off the principal of the debt, and the other terms of the debt shall be such as the Secretary of State may, with the approval of the Treasury, from time to time determine; and different rates and dates may be determined under this subsection with respect to different portions of the commencing debts.
- (5) Any sums received by the Secretary of State by way of interest on or repayment of the commencing debt of a Corporation shall be paid into the National Loans Fund.

16 Public dividend capital and public dividends

- (1) Subject to section 11 above, the Secretary of State may with the approval of the Treasury pay to either Corporation such sums (in this Act referred to as “public dividend capital”) as he thinks fit.
- (2) In consideration of receiving public dividend capital, each Corporation shall make payments to the Secretary of State (in this Act referred to as “public dividends”) in accordance with subsection (4) or subsection (5) below.
- (3) Each Corporation shall, in respect of each of its accounting years, decide whether or not to propose to the Secretary of State to pay any public dividend and, if it decides to make such a proposal, the amount it proposes to pay.
- (4) If either Corporation makes a proposal under subsection (3) above in respect of an accounting year of the Corporation and the proposal is agreed by the Secretary of State with the consent of the Treasury, the Corporation shall in respect of that accounting year pay a public dividend of the amount so proposed.
- (5) If, in respect of any of its accounting years,—
- (a) a Corporation makes no proposal under subsection (3) above, or
 - (b) a proposal by a Corporation under that subsection is not agreed as mentioned in subsection (4) above,
- the Corporation shall, in respect of that accounting year, pay a public dividend of such amount, if any, as the Secretary of State may determine with the consent of the Treasury and after consultation with the Corporation.
- (6) Any sums required by the Secretary of State for making payments of public dividend capital shall be defrayed out of moneys provided by Parliament, and any public dividends received by him shall be paid into the Consolidated Fund.

17 Accounts and audit

- (1) Subject to the following provisions of this section, it shall be the duty of each Corporation—
 - (a) to keep proper accounts and proper records in relation thereto,
 - (b) to prepare in respect of each accounting year of the Corporation a statement of accounts giving a true and fair view of the state of affairs and profit or loss of the Corporation, and
 - (c) to prepare in respect of each accounting year of the Corporation such a statement or statements of consolidated accounts dealing with, and giving a true and fair view of the state of affairs and profit or loss of,—
 - (i) the Corporation and all of its subsidiaries (in this section referred to as “the group ”), or
 - (ii) some but not all the members of the group, as the Corporation may determine and the Secretary of State and the Treasury may for the time being approve.
- (2) If the Secretary of State with the consent of the Treasury so requires a Corporation by notice in writing, the Corporation shall, in respect of any accounting year of the Corporation to which the notice relates, comply with its obligation under subsection (1)(c) above, so far as it relates to those members of the group which are specified in the notice, by preparing a statement of consolidated accounts dealing with the members of the group specified in the notice and giving a true and fair view of their state of affairs and profit or loss.
- (3) Every statement of accounts prepared by a Corporation in accordance with this section shall comply with any requirement which the Secretary of State has, with the consent of the Treasury, notified in writing to the Corporation relating to—
 - (a) the information to be contained in the statement;
 - (b) the manner in which that information is to be presented ; and
 - (c) the methods and principles according to which the statement is to be prepared.
- (4) Subject to any requirement notified to the Corporation under subsection (3) above, in preparing any statement of accounts in accordance with this section, each Corporation shall follow, with respect to each of the matters specified in paragraphs (a) to (c) of that subsection, such course as may for the time being be approved by the Secretary of State with the consent of the Treasury.
- (5) The first accounting year of each Corporation shall end on such date as the Secretary of State may direct in relation to that Corporation and, subject to subsection (6) below, each subsequent accounting year of each Corporation shall be the period of 12 months beginning immediately after the end of the previous accounting period.
- (6) If the Secretary of State so directs in relation to an accounting year of either Corporation, that accounting year shall end on such date as may be specified in the direction (whether before or after the date on which it would otherwise expire).
- (7) The accounts kept, and all statements prepared, by a Corporation under this section shall be audited by auditors appointed for each accounting year of the Corporation by the Secretary of State.
- (8) A person shall not be qualified for appointment under subsection (7) above unless he is a member of one or more bodies of accountants established in the United

Kingdom, and for the time being recognised for the purposes of section 161(1)(a) of the Companies Act 1948 by the Secretary of State:

Provided that a Scottish firm may be so appointed if each of the partners therein is qualified to be so appointed.

- (9) As soon as the accounts kept, and the statements prepared, by a Corporation under this section have been audited, the Corporation shall send to the Secretary of State—
- (a) a copy of the statements, and
 - (b) copies of the statements of accounts for such of its subsidiaries as the Corporation may, with the approval of the Secretary of State and the consent of the Treasury, determine, and
 - (c) if the Secretary of State with the consent of the Treasury so requires by notice in writing, copies of the statements of accounts for each subsidiary of the Corporation which is specified in the notice,

together with a copy of any report made by the auditors on the statements or on the accounts of the Corporation; and the Secretary of State shall lay a copy of every statement and report of which a copy is received by him in pursuance of this subsection before each House of Parliament.

18 Annual report

- (1) It shall be the duty of each Corporation to make to the Secretary of State, as soon as possible after the end of each of its accounting years, a report on the operations of the Corporation and its wholly owned subsidiaries during that year.
- (2) The report of a Corporation under subsection (1) above for any accounting year shall set out any direction under this Act given to it during that year by the Secretary of State unless the Secretary of State has given a notice concerning it under section 4(5) above and has not revoked it.
- (3) The Secretary of State may at any time revoke a notice under section 4(5) above by notice given to the Corporation concerned.
- (4) The report for any accounting year shall contain a statement about the performance of the Corporation's duty under section 2(8) above.
- (5) A copy of the register under section 1(9) above maintained by the Secretary of State in respect of the Corporation shall be annexed to each such report.
- (6) The Secretary of State shall lay before each House of Parliament a copy of every report made to him under subsection (1) above.