

The T&N UK Asbestos  
Trust and  
The T&N EL Trust  
Trustee's Annual Report 2012



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Appendix B	The T&N EL Trust Accounts for the period 12 October 2011 to 11 October 2012

## 1 Introduction

### 1.1 Executive summary

The purpose of this report is to provide an update to the key stakeholders of the T&N UK Asbestos Trust and T&N EL Trust (the Trusts). The T&N UK Asbestos Trust consists of a number of funds. The primary funds are the T&N Fund and the Chester Street Fund. Under the terms of the Trust Deed, these Funds must remain separate and cannot be co-mingled.

This report is the sixth annual report issued by the Trustee.

This report includes detail in relation to the operational, financial and legal matters, which have been of relevance to the Trusts throughout the period. This report should be read in conjunction with the Trustee's previous reports.

The highlights of the report are as follows:

- i During the year the number of claims received and paid by the Trusts can be summarised as follows:

	Received	Paid/settled
T&N	144	133
T&N - Cape Type	108	107
Chester Street - claims	45	39
<b>Total</b>	<b>297</b>	<b>279</b>

Note: Excludes second dividend payments

Payments to Trust Claimants can be summarised as follows:

	£ million
T&N - 1 <sup>st</sup> Dividend	3.23
T&N - 2 <sup>nd</sup> Dividend	1.08
T&N - Cape Type	0.61
Chester Street	0.33
T&N EL Trust - 1 <sup>st</sup> Dividend	3.12
T&N EL Trust - 2 <sup>nd</sup> Dividend	1.04
	<b>9.41</b>

- ii During the year the Trusts commenced payment of second dividends. This is discussed in more detail in section 3.2. The second dividends paid during this year related to claims agreed during the first year of operations of the Trusts. In total £2.12 million was paid as second dividends (£1.08 million from the T&N fund and £1.04 million from the T&N EL Fund) and was the main reason for the significant increase in dividend payments. For claimants whose only claim was against the T&N Fund, the second dividend was of great significance as it almost doubled the amount paid previously.
- iii The investment return during the past year was 5.7% representing an improvement over previous years but still a little short of the Trustee's targeted return of 6%. The average rate of return over the past three years was 4.0%, some way short of the target return. Since the year end, equity markets have experienced strong performance and as a consequence the average

return over the three years is now in excess of 5.0%. Whilst the average return is still below target we do not currently believe that this is sufficiently significant to force us to reduce our forecast dividend levels. However we will continue to keep the investment return and the performance of our fund managers under review. This is discussed in further detail in section 5.1.

- iv We continue to emphasise the sensitivity of dividend rates to the incidence of product liability claims (PL claims). During the past year the amount paid out in respect of PL claims was in line with our actuarial forecasts and accordingly we have not seen any requirement to amend the dividend levels.
- v With effect from 12 October 2011 the Trustee implemented a new matrix of loss values for the expedited review process. Further to this, maximum claim values have been increased as well as the allowance for legal and medical fees.

## 1.2 The Trustee

The Trustee is 'The T&N Asbestos Trustee Company Limited' a limited company, number 05548874, registered in England and Wales.

The directors of the Trustee are James Gleave, Anne O'Keefe and Christopher Melton QC. James Gleave and Anne O'Keefe are Chartered Accountants at Zolfo Cooper LLP. Christopher Melton QC is a barrister at Byrom Street Chambers.

## 1.3 Core objective

The Core objective of the Trusts is broadly to allow Trust claimants to receive a payment (or payments) from the appropriate Fund or Funds which:

- reflects the value of their underlying claim;
- is fair and proportionate, having regard to the interests of other Trust claimants with similar Trust claims claiming out of the same Fund or Funds; and
- is calculated and paid in an efficient and cost effective manner, following an efficient and cost effective assessment of the Trust claim.

## 2 T&N fund/EL fund claims

This section relates to claims against the above two funds and excludes Chester Street claims, which are shown in section 4.

### 2.1 Claims analysis

The claims submitted to the Trusts in the first six years of operation can be summarised below:

Status	As at 11 October 2011	As at 11 October 2012
Paid	1,248	1,491
Awaiting further information from Trust claimant	45	40
Pending issue of Admission Notice	6	5
Subject to Expert review process	-	1
Withdrawn	65	68
Rejected	160	172
<b>Total</b>	<b>1,524</b>	<b>1,777</b>

During the year the Trust received 108 'Cape Type' claims (see 2.6) and all but one of them were paid.

### 2.2 Payments to Trust claimants

During the year a total of £9.97 million was paid out in respect of claims against the Trusts. The total paid out during the first six years is £40.22 million and can be summarised as follows:

£ million	At 11 October 2011	Paid during year	At 11 October 2012	% of total
Payments to Trust claimants	27.61	9.41	37.02	92.0
Trust claimants' legal fees	2.20	0.49	2.69	6.7
Trust claimants' medical costs	0.41	0.07	0.48	1.2
Other	0.03	-	0.03	0.1
<b>Total</b>	<b>30.25</b>	<b>9.97</b>	<b>40.22</b>	<b>100.00</b>

Significantly greater sums were paid during the year in comparison with previous years primarily because of the second dividend. This level of payments is in line with our actuarial forecasts.

### 2.3 Disease analysis

The claims paid by the Trusts during the first five years of operations can be analysed between diseases as follows:

Disease	% total claims
Mesothelioma	41
Lung cancer	11
Asbestosis	40
Pleural thickening	8
<b>Total</b>	<b>100</b>

During the past three years the proportion of claims attributable to asbestosis has increased substantially. This is because the vast majority of ‘Cape Type’ claims are for asbestosis.

## 2.4 Claims subject to Expert review process

In the last year, one claim has been referred to the Expert. The reason for the referral and the result of the Expert’s review are as follows:

Reason for referral	Expert outcome
Quantum	Award increased by more than 20% but still less than 10% greater than the Expedited Review value

In total, during the first six years of the Trusts, 21 claims have been referred to the Expert.

## 2.5 Rejected claims

During the year 12 claims have been rejected, making a total of 172 claims over the first six years of operation. This represents less than 10% of the total number of claims received. All rejected claims are reviewed and discussed in detail at a meeting of the Trustee. A detailed explanation of the reason for rejection is provided to the Trust claimant at the time of rejection.

The reasons for rejection are shown below:

Reason for rejection	As at 11 October 2011	Activity	As at 11 October 2012
Failure to satisfy medical criteria	48	1	49
No response to requests for further information	29	2	31
Failure to satisfy exposure criteria	36	3	39
Trust claimant had already been compensated in full	18	1	19
Exposure to asbestos prior to 1965 and did not fall within the Margereson/Hancock judgment	13	2	15
Limitation grounds	9	3	12
Lung cancer not meeting Helsinki criteria	5	-	5
Other	2	-	2
<b>Total</b>	<b>160</b>	<b>12</b>	<b>172</b>

## 2.6 ‘Cape Type’ claims

‘Cape Type’ claims are defined within the Trust Distribution Procedures and are essentially those overseas claims originating from Swaziland, Zimbabwe, Botswana, South Africa and India.

We continue to receive a steady stream of claims from India, all relating to the operation of Hindustan Ferodo, a brake pad manufacturer and Asbestos Cement Ltd an asbestos cement manufacturing company both of which at one time were subsidiaries of T&N Limited. All of these claimants have opted for an Expedited Review and in accordance with legal advice received by the Trustee have been subject to a discount of 50% to reflect the significant litigation risks associated with claims of this nature.

During the year a further 108 claims have been received. All but one have been agreed and paid. Payments to these claimants totalled £612,120 and associated medical and legal fees were

£174,545. Since the inception of the Trusts a total of 355 'Cape Type' claims originating from India have been received. Payments to these claimants totalled £1,737,809. Medical and legal fees totalled £576,745.

Whilst the number of 'Cape Type' claims being received is large, they are generally for mild to moderate asbestosis. Accordingly the average dividend payment is far less than for other types of claim. The overall amount paid out in respect of 'Cape Type' claims remains within the parameters of the Trustee's last actuarial review and accordingly there is currently no requirement to amend the Trusts' dividend rates.

## 2.7 Product liability claims

The number of PL claims paid during the past six years can be summarised as follows:

	Number of claims
2007	-
2008	4
2009	7
2010	13
2011	15
2012	11
<b>Total</b>	<b>50</b>

Over the past three years the number of PL claims appears to have stabilised. However this is too short a period for the Trustee to have confidence that this represents a long term trend. The incidence of PL claims remains of concern to the Trustee. The Trustee believe that the Trusts are the only major asbestos defendant paying these types of claims and understand that few if any other defendants are pursued because of the significant litigation risk and, therefore, cost risk associated with this type of case. All PL claims are subject to detailed individual scrutiny by the Trustee and whether progressing by Expedited or Individual Review are subject to a discount of 50%.

The T&N Trust paid out £0.28 million in respect of PL claims in the year to 11 October 2012, making a total of £1.21 million since the inception of the Trust.

To date the amount paid out in respect of PL claims is in accordance with the last actuarial model and the Trustee therefore do not envisage any amendment to the current dividend rates.

## 3 Dividend policy

### 3.1 Current dividends

The table below shows the dividend levels currently being paid to Trust claimants.

Fund	Dividends p/£		Total
	Initial	Additional	
EL Fund	100	-	100
T&N Fund	27	5	32
Chester Street Fund	30	5	35
TBA Industrial Products	40	5	45
Federal-Mogul Friction Products	100	-	100



The next review of dividend levels is not scheduled until 2016. However, the Trustee will monitor the levels of claims and other factors such as the return on investment. In the event that these vary significantly from the assumptions used in the actuarial models, the Trustee has the power to amend the dividend levels at any time during the period to 2016.

### 3.2 Second dividend from the T&N Fund

One of the guiding principles of the Trustee is to pay a significant proportion of a Claimant's entitlement as soon as possible. This is in great contrast with other insolvency schemes developed to address long tail liabilities. As an example, insurance company run-off Schemes of Arrangement will typically pay out over the life of the scheme. In accordance with this principle the Trustee established that the Trust should aim to pay out approximately 85% of a Claimant's entitlement as soon as the claim is agreed. Thus at the start of the Trust the total estimated dividend was 20p/£ with 17/p paid on agreement of the claim and the balance of 3p/£ intended to be paid after five years.

During the first five years of the Trust we have been successful in substantially increasing the total dividend such that the Trustee now estimate it at 32p/£ (see above). The Trustee believe that it is equitable that Claimants who submitted claims in the first years of the Trust should be entitled to share in this benefit and accordingly have increased the second dividend from 3p/£ to 15p/£. Thus they will receive in total 32p/£ which is the same as the forecast for current Claimants.

However the Trustee concluded that once a second dividend has been paid it is not equitable for Claimants to receive any further payments (except for anything recoverable under the Hercules policy - see below). Equally the Trustee concluded that irrespective of what happens within the Trust it cannot seek to recover any funds already paid to Claimants. The Trustee believes that this policy strikes the right balance between past and future Claimants.

## 4 Chester Street Fund

The Chester Street Fund is part of the T&N UK Asbestos Trust but must be kept separate from the other Funds. The purpose of this Fund is to provide compensation to Chester Street (an insolvent insurer) and related parties. This Fund provides a contribution towards claims made against T&N and Federal-Mogul companies, as joint tortfeasors, by Chester Street.

The claims submitted to the Chester Street Fund during the five years of the Trust's operation can be summarised as follows:

Investment	As at 11 October 2011	As at 11 October 2012
Paid/established	284	326
British Shipbuilders' settlement	2,219	2,219
Awaiting further information	3	6
Rejected	115	115
<b>Total</b>	<b>2,621</b>	<b>2,666</b>

During the year a total of £0.33 million has been paid out in respect of compensation payments.

During the year no claims were rejected.

## 5 Trust fund investments

### 5.1 Investment strategy

The Trustee remains of the view that it should adopt a prudent investment policy whilst remaining conscious of the long term nature of the Trusts' funds. In practical terms, this equates to the Trustee adopting an investment approach similar to pension scheme trustees.

It is evident that the investment world has significantly changed since the inception of the Trusts and the Trustee has some concerns about the long term rate of return currently being earned on the Trusts' funds. The Trustee consulted with its investment manager and asked them to consider if there are any investment opportunities which could boost the average return without exposing the Trusts to undue increases in the levels of risks. Their initial views are that certain opportunities have become available which would meet the criteria, primarily caused by the dearth of commercial bank finance, in particular, finance for commercial real estate. They have identified certain property investment funds that afford the prospect of a significant increase in return with only a moderate increase in risk. The Trustee has not fully concluded on this issue and has consulted with the Trust Advisory Committees.

### 5.2 Funds held at year end

At the year end the Trusts held the following investments shown below:

Investment (£ million)	Amount	% of total
Blackrock Cautious Portfolio Fund	88.48	98
Bank deposit accounts	2.15	2
<b>Total</b>	<b>90.63</b>	<b>100</b>

### 5.3 Investment performance

The performance of the Trusts' investments in the Blackrock Cautious Portfolio Fund can be summarised as follows:

£ million	Valuation 11 Oct 2011	Withdrawals	Investment returns	Valuation 11 Oct 2012
T&N Fund	49.72	(5.85)	2.66	46.53
Chester Street Fund	20.06	(0.20)	1.13	20.99
EL Fund	22.21	(4.35)	1.16	19.02
T&N Remuneration Fund	2.23	(0.40)	0.11	1.94
<b>Total</b>	<b>94.22</b>	<b>(10.80)</b>	<b>5.06</b>	<b>88.48</b>

The T&N Fund includes amounts relating to Federal-Mogul Friction Products (£2.3 million) and TBA Industrial Products (£1.6 million).

During the year the return on the Trusts' investments was a profit of 5.7%.

## 6 Hercules

The T&N Asbestos Trust is entitled to 11.9% of any recovery under the Hercules Reinsurance Policy, with the US Asbestos Trust being entitled to the remainder. The Policy has a face value of £500 million. Under the terms of the Trust Deed, the US Asbestos Trust has the primary responsibility for pursuing recoveries under the Policy.

During the year we have maintained close contact with the US Asbestos Trust and their UK legal advisors. They have consulted with the Trustee on the appropriate legal strategy and have concluded that it is now appropriate to issue legal proceedings against the reinsurers. We concur with this strategy. The legal proceedings have been issued but it is still too early to give any indication of the likely timescale for resolution. The costs of these proceedings are being borne entirely by the US Asbestos Trust although they are entitled to recover their costs from any recoveries received.

## 7 Closure of the Federal Mogul CVAs

During the year the final Federal Mogul CVA was closed and as discussed in our last report the final settlement of all CVA tax liabilities was completed.

## 8 Professional costs

During the year the legal and other professional fees paid by the Trusts can be analysed as follows:

£000	T&N	Chester St	EL
Legal fees	26	4	7
Audit fees	4	3	7
<b>Total</b>	<b>30</b>	<b>7</b>	<b>14</b>

Trustee and claims administration fees in respect of the Chester Street Fund and EL Trust are drawn from the relevant Fund and approval is required from the appropriate Trust Advisory Committee. The fees incurred in the year to 11 October 2012 are as follows:

£000	
Chester Street Fund	139
T&N EL Trust	317
T&N Remuneration Fund	314

All these fees are paid to Zolfo Cooper LLP.

## 9 Trust Funds accounts

Attached at Appendices A and B are copies of the Trusts' audited accounts for the period 12 October 2011 to 11 October 2012.

## 10 Contact details

### The T&N Asbestos Trustee Company Limited

Suite 11b  
Manchester International Office Centre  
Styal Road  
Manchester  
M22 5WB

Telephone: 0161 838 4559  
Fax: 0161 493 9488  
Website: [www.tandnasbestostrust.org](http://www.tandnasbestostrust.org)  
Email: [acrichton@zolfocooper.eu](mailto:acrichton@zolfocooper.eu)

Should you wish to discuss any aspect of this report or obtain further copies, please do not hesitate to contact us.

**The T&N UK Asbestos Trust Accounts for the period  
from 12 October 2011 to 11 October 2012**

**Appendix A**

**The UK Asbestos Trust**

**Report and Financial Statements**

**for the year ended 11 October 2012**

**The UK Asbestos Trust**

**Annual Report and Financial Statements  
for the year ended 11 October 2012**

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**The UK Asbestos Trust**

**Trustees and advisors  
for the year ended 11 October 2012**

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<b>Trustee</b>	The T & N Asbestos Trustee Company Limited
<b>Actuary</b>	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
<b>Investment manager</b>	BlackRock Investment Management (UK) Limited 33 King William Street London EC4R 9AS
<b>Investment advisor</b>	Mercer 1 Whitehall Whitehall Road Leeds LS1 4HR
<b>Auditor</b>	Hurst & Company Accountants LLP Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
<b>Bankers</b>	Allied Irish Bank Vantage Point Hardman Street Spinningfields Manchester M3 3PL
<b>Solicitors</b>	Weil Gotshal & Manges 110 Fetter Lane London EC4A 1AY
<b>Administration office</b>	The T & N Asbestos Trustee Company Limited Unit 11b Manchester International Office Centre Styal Road Manchester M22 5WB



## **The UK Asbestos Trust**

### **Trustee's annual report for the year ended 11 October 2012**

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The Trustee presents their annual report and financial statements for the year ended 11 October 2012.

#### **Introduction**

The UK Asbestos Trust was set up on 12 October 2006 and is governed by a Trust Deed signed on 10 October 2006. The Trust comprises three funds: the T & N Asbestos Fund, the Chester Street Fund and the T & N Remuneration Fund. The purpose of the Trust is to handle claims for compensation for asbestos related diseases caused by the activities of the T&N Group of companies.

The UK Asbestos Trust was established as a consequence of the approval of Company Voluntary Arrangements (CVAs) for a group of 51 UK registered companies, all subsidiaries of Federal Mogul Inc. The Trust establishes a mechanism for paying all current and future asbestos liabilities of this group (excluding claims that originate in the USA). The Trust does not have sufficient funds to meet these liabilities in full and therefore claimants only receive a partial dividend. Almost all of the liabilities relate to the major UK operating company T&N Ltd and a number of its, now dormant, subsidiaries. As a consequence of the approval of the CVAs, current and future asbestos claimants are obliged to pursue the Trust for compensation: they are not able to pursue any of the companies subject to the CVAs.

#### **Recent developments**

During the year the Trust received 261 claims (216 against the T&N Asbestos Fund and 45 against the Chester Street Fund) and processed for payment 330 claims, of which 89 were second dividend payments (291 against the T&N Asbestos Fund and 39 against the Chester Street Fund). In total £9.4m was paid to claimants: £9.1m from the T&N Asbestos Fund and £0.3m from the Chester Street Fund. Contributions from the T&N EL Trust totalled £4.3m.

In April 2012 the Trust commenced payment of the second dividend. Second dividends fall due on the fifth anniversary of the initial dividend payment, but are only paid if the Trustee considers the forecast liabilities and investment performance of the Trust are in line with expectations. As part of the Trust's fifth anniversary review the Trust increased its allowance for medical and legal cost incurred by claimants.

#### **Management of the Trust**

The Trustee named on page 1 has served throughout the period.

Under the Trust Deed, Trustees are appointed and removed by the Trustee.

The Trustee is a sole corporate trustee, and it shall have the power to resign as trustee, appoint additional trustees and appoint a new trustee in its own place.

The Trustee shall not have the power to resign as trustee until it has appointed a new trustee to take its place in accordance with Clause 14.2.2.

Trustees meetings may be attended by one or more of its directors or duly authorised officers, employees or agents, and it shall have only one vote on business to be decided at the meeting.

The Trustee delegates many of their day to day responsibilities to a dedicated claims agreement team base in Manchester. However they reserve to themselves all strategic decisions as well as certain specific matters including claims rejection, investment strategy and tax. The Directors of the Trust company meet approximately 10 times during the year. In addition they convene meetings of the Trust Advisory Committee on at least a yearly basis.

## The UK Asbestos Trust

### Trustee's annual report for the year ended 11 October 2012

#### Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2012, as set out on pages 8 to 14 have been prepared and audited in accordance with the Trust Deed dated 10 October 2006. A summary of the Trust's financial statements is set out in the table below:

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £	2011 Total £
Contributions receivable	-	4,282,929	-	4,282,929	3,048,534
Reimbursement of CVA tax	-	(1,195,351)	-	(1,195,351)	-
Transfer of Remuneration Fund	-	-	-	-	3,010,092
Compensation payments	(336,111)	(9,076,313)	-	(9,412,424)	(6,785,234)
Other claims payments	(960)	(564,654)	-	(565,614)	(583,194)
Administrative expenses	(5,909)	304,867	(282,538)	16,420	(271,196)
<b>Net withdrawal</b>	<b>(342,980)</b>	<b>(6,248,522)</b>	<b>(282,538)</b>	<b>(6,874,040)</b>	<b>(1,580,998)</b>
Investment income	804	6,075	1,485	8,364	10,088
Change in market value of investments	1,133,310	2,655,818	110,372	3,899,500	(1,264,012)
<b>Net returns/(losses) on investments</b>	<b>1,134,114</b>	<b>2,661,893</b>	<b>111,857</b>	<b>3,907,864</b>	<b>(1,253,924)</b>
Net (decrease)/increase in funds	791,134	(3,586,629)	(170,681)	(2,966,176)	(2,834,922)
Net assets at start of year	20,393,867	51,275,996	2,297,470	73,967,333	76,802,255
<b>Net assets at end of year</b>	<b>21,185,001</b>	<b>47,689,367</b>	<b>2,126,789</b>	<b>71,001,157</b>	<b>73,967,333</b>

The funds statement and net assets statement on pages 8 to 9 show that the values of the Trust's assets are £71,001,157 as at 11 October 2012 (2011: £73,967,333).

Further details of the financial developments of the Trust may be found in the audited financial statements on pages 8 to 14.

The increase in compensation payments from £8,612,958 last year to £9,412,424 is primarily as a result of the commencement of payment of second dividends.

The net returns on investments of £3,907,864 (2011: £1,253,924 net loss) have occurred due to a significant improvement in the investment climate during the year.

## **The UK Asbestos Trust**

### **Trustee's annual report for the year ended 11 October 2012**

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#### **Actuarial review**

The financial statements set out on pages 8 to 14 do not take into account the liabilities to provide claim payments which fall due after the year end. In respect of these liabilities, these are considered by the Trust actuary who carries out an actuarial valuation of such liabilities every five years or when requested by the Trustee. The last valuation took place in 2010.

#### **Investment management**

The Trustee delegates the day-to-day management of their investments to external investment managers, BlackRock Investment Management (UK) Limited. The Trustee sets the long term investment strategy for the Trust after taking advice from the Trust's investment advisor.

The investment objective set by the Trustee is to achieve the best overall investment return over the longer term consistent with an acceptable degree of risk in relation to the nature and duration of the Trust's liabilities.

#### **Further information**

Enquiries about the Trust generally or about individual entitlement should be forwarded to:

The T & N Asbestos Trustee Company Limited  
Unit 11B  
Manchester International Office Centre  
Styal Road  
Manchester  
M22 5WB

Tel: 0161 838 4558

Website: [tandnasbestos.org.uk](http://tandnasbestos.org.uk)

**The UK Asbestos Trust**

**Trustee's annual report  
for the year ended 11 October 2012**

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**Statement of Trustee's responsibilities**


The audited financial statements are the responsibility of the Trustee. The Trust is governed by a Trust Deed which requires the Trustee to make available to certain other parties audited financial statements for each Trust year which:

- show a true and fair view of the financial transactions of the Trust during the year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay claims which occur after the end of the Trust year; and
- have been prepared in accordance with the Trust Deed dated 10 October 2006 and in accordance with United Kingdom Generally Accepted Accounting Practice.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

Under Trust law the Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Signed on behalf of the Trustee Company

  
.....  
J J Gleave  
Chairman  
The T & N Asbestos Trustee Company Limited

  
.....  
A O'Keefe  
Director  
The T & N Asbestos Trustee Company Limited

Approved by the Trustee on 5 FEBRUARY 2013.....

**Independent auditors' report to the Trustee of The UK Asbestos Trust  
for the year ended 11 October 2012**

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We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2012 on pages 8 to 14 which comprise the Fund account, Net Asset statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's Trustee, as a body, in accordance with the Trust Deed dated 10 October 2006 and in accordance with United Kingdom Generally Accepted Accounting Practice. Our audit work has been undertaken so that we might state to the Trust's Trustee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Trustee and the auditor**

As described in the statement of Trustee's responsibilities on page 5, the Trustee is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable United Kingdom law and accounting standards, and for procuring that compensation claims are paid out to claimants in accordance with the Trust Deed and with the recommendations of the actuary. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed. The work we carried out also included examination, on a test basis, of evidence relevant to the amounts of compensation claims paid out to claimants and the timings of those payments.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that compensation claims have been paid in accordance with the Trust Deed and with the recommendations of the actuary. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

The UK Asbestos Trust

Independent auditors' report to the Trustees of The UK Asbestos Trust  
for the year ended 11 October 2012

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**Opinion**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Trust during the year ended 11 October 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay compensation claims after the end of the Trust year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

*Hurst & Company Accountants LLP*  
.....

Hurst & Company Accountants LLP  
Chartered Accountants & Statutory Auditors  
Lancashire Gate  
21 Tiviot Dale  
Stockport  
Cheshire  
SK1 1TD

Date ... *6/2/2013* .....

The UK Asbestos Trust

**Fund account  
for the year ended 11 October 2012**

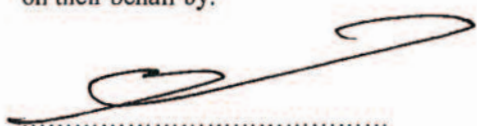
	Notes	2012		2011	
		£	£	£	£
<b>Contributions and benefits</b>					
Contributions receivable	2	4,282,929		3,048,534	
			4,282,929		3,048,534
<b>CVA Reimbursement</b>					
	3	(1,195,351)		-	
			(1,195,351)		-
<b>Transfer of Remuneration Fund</b>					
		-		3,010,092	
			-		3,010,092
<b>Claims payable</b>					
Compensation payments	4	(9,412,424)		(6,785,234)	
Other claims payments	4	(565,614)		(583,194)	
Administrative expenses	5	16,420		(271,196)	
			(9,961,618)		(7,639,624)
Net withdrawal			(6,874,040)		(1,580,998)
<b>Returns on investment</b>					
Investment income	6	8,364		10,088	
Change in market value of investments	7	3,899,500		(1,264,012)	
Net returns on investments			3,907,864		(1,253,924)
<b>Net decrease in the fund</b>	11		(2,966,176)		(2,834,922)
<b>Net assets as at 12 October 2011</b>	11		73,967,333		76,802,255
<b>Net assets as at 11 October 2012</b>	11		71,001,157		73,967,333

**The UK Asbestos Trust**

**Net asset statement  
As at 11 October 2012**

	Notes	2012		2011	
		£	£	£	£
<b>Fixed assets</b>					
Investments	7		69,458,900		72,009,404
<b>Current assets</b>					
Debtors	8		-		37,449
Cash at bank	9		1,550,057		1,928,280
			<u>1,550,057</u>		<u>1,965,729</u>
<b>Creditors: amount falling due within one year</b>	10		<u>(7,800)</u>		<u>(7,800)</u>
			<u>1,542,257</u>		<u>1,957,929</u>
<b>Total assets less current liabilities</b>			<u>71,001,157</u>		<u>73,967,333</u>
<b>Financed by</b>					
Chester Street Fund	11		21,185,001		20,393,867
T & N Fund	11		47,689,367		51,275,996
T & N Remuneration Fund	11		2,126,789		2,297,470
			<u>71,001,157</u>		<u>73,967,333</u>
<b>Restricted Fund Reserve at 11 October 2012</b>			<u>71,001,157</u>		<u>73,967,333</u>

These financial statements were approved by the Trustee on the 5 FEBRUARY 2013 and are signed on their behalf by:

  
 .....  
 J J Gleave  
 Chairman  
 The T & N Asbestos Trustee Company Limited

  
 .....  
 A O'Keefe  
 Director  
 The T & N Asbestos Trustee Company Limited



## The UK Asbestos Trust

### Notes to the financial statements As at 11 October 2012

---

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of accounting

The financial statements have been prepared in accordance with the Trust Deed dated 10 October 2006 and with the guidelines set out in United Kingdom Generally Accepted Accounting Practice.

The financial statements summarise the transactions of the Trust and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay compensation claims, which fall due after the end of the Trust year.

##### Accounting policies

The principal accounting policies are set out below.

- (a) Contributions receivable are recognised when the Trust becomes unconditionally entitled to receive the contribution.
- (b) Investments are stated at market value as defined below.
- (c) Compensation payments are accounted for in the period in which they fall due.
- (d) Income from investments is dealt with in the period in which it is earned.
- (e) The costs of administration expenses and investment management are borne by the Trust and accounted for as they fall due.

##### Investment assets and income

Investment assets are stated at market value provided by BlackRock Investment Management (UK) Limited.

##### Asbestos liabilities

The UK Asbestos Trust was established as a consequence of the approval of Company Voluntary Arrangements (CVAs) for the Federal Mogul Group of companies. The CVAs provided a mechanism for paying all asbestos liabilities, both current and future, of the Federal Mogul Group (excluding asbestos claims originating in the USA and Canada). The CVAs were also subject to approval by the UK High Court and the US Bankruptcy Court. As part of the US Bankruptcy process the US Bankruptcy Court was asked to consider the magnitude of asbestos liabilities relevant to The UK Asbestos Trust. On 19 August 2005 the US Court issued an order estimating that the net present value of current and future asbestos liabilities was £229.0m. The Directors concur with the views of the US Court. The US Court did not consider the net present value of current and future liabilities relating to Chester Street. The Directors have estimated these liabilities at £108.0m. In total therefore, the Directors estimate that the net present value of all current and future liabilities of the Trust at the date of the inception of the Trust were £337.0m.

In view of these liabilities the Directors believe that it is inconceivable that the Trust (excluding the Chester Street Fund) will ever have a surplus after discharging all current and future asbestos claims.

Notes to the financial statements  
for the year ended 11 October 2012

2. CONTRIBUTIONS RECEIVABLE

	Chester Street Fund £	T & N Fund £	2012 Total £	2011 Total £
Claims contributions:				
EL Scheme	-	4,282,929	4,282,929	3,048,534
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total contributions receivable	-	4,282,929	4,282,929	3,048,534
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

3. HMRC CVA SETTLEMENT

During 2009 the Supervisors of the Federal Mogul CVAs transferred approximately £25m to the Trust. This transfer represented all the funds in the CVAs which were not required for the immediate payment of creditor claims. At this time only one significant issue was outstanding in the CVAs which was the resolution of several complex tax issues. The supervisors and the Trustee agreed that full amount of the surplus could be transferred to the Trust provided that once the tax issues were resolved the Trust would reimburse the CVAs for the agreed settlement with HMRC. In January the tax issues were resolved and this resulted in a payment of £1,195,351. Following this payment the T&N CVA, being the final CVA in operation, was closed.

4. CLAIMS PAYMENTS

	Chester Street Fund £	T & N Fund £	2012 Total £	2011 Total £
Payments to claimants:				
Legal costs	(960)	(491,278)	(492,238)	(471,063)
Medical costs	-	(73,376)	(73,376)	(111,364)
Issue fees	-	-	-	(767)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	(960)	(564,654)	(565,614)	(583,194)
Compensation – Initial Dividend	(336,111)	(6,958,258)	(7,294,369)	(8,612,958)
Compensation – Second Dividend	-	(2,118,055)	(2,118,055)	-
Indemnity rebate from EL Fund	-	-	-	1,827,724
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	(336,111)	(9,076,313)	(9,412,424)	(6,785,234)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	(337,071)	(9,640,967)	(9,978,038)	(7,368,428)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Indemnity Rebate from EL Fund**

The increase in the dividend rate payable from 12 October 2010 resulted in claim contributions previously paid by the Trust being refunded from the EL Fund in the year-ending 11 October 2011.

The UK Asbestos Trust

Notes to the financial statements  
for the year ended 11 October 2012

5. ADMINISTRATIVE EXPENSES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £	2011 Total £
Legal and professional fees	4,007	26,265	20,793	51,065	142,511
CVA fees	-	-	(41,799)	(41,799)	135,988
Rebate on management fees	(155,497)	(369,856)	(18,795)	(544,148)	(693,299)
Irrecoverable VAT	3,831	12,045	247	16,123	(1,257)
Audit fee	2,600	3,900	-	6,500	6,500
Trust advisory committee	5	7	-	12	959
Insurance	2,168	3,252	-	5,420	14,241
Bank charges	-	440	2	442	555
Trustee fees	138,393	3,354	317,459	459,206	663,450
Sundry	10,402	15,726	4,631	30,759	1,548
	<u>5,909</u>	<u>(304,867)</u>	<u>282,538</u>	<u>(16,420)</u>	<u>271,196</u>

6. INVESTMENT INCOME

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £	2011 Total £
Bank interest received	804	6,075	1,485	8,364	10,088
	<u>804</u>	<u>6,075</u>	<u>1,485</u>	<u>8,364</u>	<u>10,088</u>

Notes to the financial statements  
for the year ended 11 October 2012

7. INVESTMENTS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £
<b>BlackRock reconciliation</b>				
Balance at 12 October 2011	20,063,740	49,714,810	2,230,854	72,009,404
Additions	-	-	-	-
Disposals	(200,000)	(5,850,004)	(400,000)	(6,450,004)
Change in market value	1,133,310	2,655,818	110,372	3,899,500
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance at 11 October 2012	20,997,050	46,520,624	1,941,226	69,458,900
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of units held during the year.

	2012 Total %	2012 Total £	2011 Total %	2011 Total £
<b>Details of investments held</b>				
BlackRock Cautious Fund	100.0	69,458,900	100.0	72,009,404
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

8. DEBTORS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £	2011 Total £
VAT receivable	-	-	-	-	37,449
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	-	-	37,449
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

9. CASH AT BANK

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £	2011 Total £
Deposit accounts	191,170	1,173,323	185,564	1,550,057	1,928,280
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	191,170	1,173,373	185,564	1,550,057	1,928,280
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Notes to the financial statements  
for the year ended 11 October 2012

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Chester Street Fund £	T & N Fund £	2012 Total £	2011 Total £
Accruals and deferred income	3,120	4,680	7,800	7,800
	<u>3,120</u>	<u>4,680</u>	<u>7,800</u>	<u>7,800</u>

11. RESTRICTED FUND RESERVES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2012 Total £
Balance as at 12 October 2011	20,393,867	51,275,996	2,297,470	73,967,333
Transfer in	-	-	-	-
Net increase/(decrease) in funds	791,134	(3,586,629)	(170,681)	(2,966,176)
Fund account movement	<u>791,134</u>	<u>(3,586,629)</u>	<u>(170,681)</u>	<u>(2,966,176)</u>
Balance as at 11 October 2012	<u>21,185,001</u>	<u>47,689,367</u>	<u>2,126,789</u>	<u>71,001,157</u>

12. RELATED PARTY TRANSACTIONS

During the year Trustee fees of £452,816 (2011: £655,093) were paid to Zolfo Cooper LLP, in which one of the directors of the trustee company is also a member.

Independent Trustee fees of £5,590 (2011: £8,357) were paid to C Melton, a director of the trustee company.

13. SECOND DIVIDEND PAYMENTS

The Trust anticipates paying £2.3 million of second dividends in the financial year to 11 October 2013. Second dividend payments are a discretionary payment and only made if the Trustee considers the forecast liabilities and investment performance of the Trust are in line with expectations.

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**The T&N EL Trust Accounts for the period from  
12 October 2011 to 11 October 2012**

**Appendix B**

**T & NEL Scheme Trust**

**Report and Financial Statements  
for the year ended 11 October 2012**



## **T & N EL Scheme Trust**

### **Annual Report and Financial Statements for the year ended 11 October 2012**

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<b>Contents</b>	<b>Page</b>
Trustees and advisors	1
Trustee's annual report	2-5
Independent auditors' report to the Trustee of the T & N EL Scheme Trust	6-7
Fund account	8
Net asset statement	9
Notes to the financial statements	10-13

## T & N EL Scheme Trust

### Trustees and advisors for the year ended 11 October 2012

---

<b>Trustee</b>	The T & N Asbestos Trustee Company Limited
<b>Actuary</b>	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
<b>Investment manager</b>	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
<b>Investment advisor</b>	Mercer 1 Whitehall Whitehall Road Leeds LS1 4HR
<b>Auditor</b>	Hurst & Company Accountants LLP Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
<b>Bankers</b>	Allied Irish Bank Vantage Point Hardman Street Spinningfields Manchester M3 3PL
<b>Solicitors</b>	Weil Gotshal & Manges 110 Fetter Lane London EC4A 1AY
<b>Administration office</b>	The T & N Asbestos Trustee Company Limited Unit 11b Manchester International Office Centre Styal Road Manchester M22 5WB

## **T & N EL Scheme Trust**

### **Trustee's annual report for the year ended 11 October 2012**

---

The Trustee presents its annual report and financial statements for the year ended 11 October 2012.

#### **Introduction**

The Trust was set up on 10 October 2006 and is governed by a Trust Deed signed on 23 November 2006. The purpose of the Trust is to handle claims for compensation for asbestos related diseases caused by the activities of the T&N Group of companies. To qualify for compensation from this Trust, claimants must have been able to pursue claims against a number of Employers Liability Insurance policies held by the T&N Group.

The T&N EL Scheme Trust was established as a consequence of the approval of a Scheme of Arrangement for a large group of UK registered companies, all subsidiaries of Federal Mogul Inc. The Trust establishes a mechanism for paying asbestos related claims from ex-employees who were insured under various Employers' Liability policies. In the event that the Trust does not have sufficient funds to meet these liabilities in full the claimants may only receive a partial dividend. However all claimants also have the right to claim against The UK Asbestos Trust for any shortfall. All of the liabilities relate to the major UK operating company T&N Ltd and its subsidiaries. Many of these subsidiaries are now dormant. As a consequence of the approval of the Scheme of Arrangement claimants are obliged to pursue the T & N EL Scheme Trust and are precluded from claiming against the various Employers Liability Insurers. The settlement with the Employer's Liability Insurers amounted to £36m and this settlement formed the initial funding for the Trust.

#### **Recent developments**

During the year the Trust received 36 claims and processed for payment 98 claims, of which 60 were second dividend payments. In total £4.2m was paid to claimants.

#### **Management of the Trust**

The Trustee named on page 1 has served throughout the period.

The Trustee is a sole corporate trustee, and it shall have the power to resign as trustee, appoint additional trustees and appoint a new trustee in its own place.

The Trustee shall not have the power to resign as trustee until it has appointed a new trustee to take its place in accordance with Clause 13.3.2.

Trustee meetings may be attended by one or more of its directors or duly authorised officers, employees or agents, and it shall have only one vote on business to be decided at the meeting.

The Trustee delegates many of its day to day responsibilities to a dedicated claims agreement team based in Manchester. However they reserve to themselves all strategic decisions as well as certain specific matters including claims rejection, investment strategy and tax. The Directors of the Trust company meet approximately 10 times during the year. In addition they convene meetings of the Trust Advisory Committee on at least a yearly basis.

## T & N EL Scheme Trust

### Trustee's annual report for the year ended 11 October 2012

---

#### Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2012, as set out on pages 8 to 13 have been prepared and audited in accordance with the Trust Deed dated 10 October 2006. A summary of the Trust's financial statements is set out in the table below:

	<b>2012</b> <b>Total</b> <b>£</b>	<b>2011</b> <b>Total</b> <b>£</b>
Compensation payments	(4,202,032)	(3,124,140)
Refund of claim contributions	-	(1,827,724)
Administrative expenses	(202,351)	(98,786)
	<hr/>	<hr/>
<b>Net withdrawal</b>	<b>(4,404,383)</b>	<b>(5,050,650)</b>
Investment income	2,618	1,821
Change in market value of investments	1,165,164	(354,183)
	<hr/>	<hr/>
<b>Net returns /(losses) on investments</b>	<b>1,167,782</b>	<b>(352,362)</b>
Net (decrease)/increase in funds	(3,236,601)	(5,403,012)
Net assets at start of year	22,920,482	28,323,494
	<hr/>	<hr/>
<b>Net assets at end of year</b>	<b>19,683,881</b>	<b>22,920,482</b>
	<hr/> <hr/>	<hr/> <hr/>

The funds statement and net assets statement on pages 8 to 9 show that the value of the Trust's assets are £19,683,881 as at 11 October 2012 (2011: £22,920,482). The Trust achieved net gains on investments of £1,167,782 (2011: £352,362 net losses).

Further details of the financial developments of the scheme may be found in the audited financial statements on pages 8 to 13.

Compensation payments have increased from £3,124,140 in 2011, to £4,202,032 primarily as a result of the commencement of payment of second dividends.

The change in market value of investments of £1,165,164 gain (2011: £354,183 loss) has occurred due to a significant improvement in the investment climate during the year.

## **T & N EL Scheme Trust**

### **Trustee's annual report for the year ended 11 October 2012**

---

#### **Actuarial status**

The financial statements set out on pages 8 to 13 do not take into account the liabilities to provide claim payments which fall due after the year end. In respect of these liabilities, these are considered by the Trust actuary who carries out an actuarial valuation of such liabilities every five years or when requested by the Trustee. The last valuation took place in 2010.

#### **Investment management**

The Trustee delegates the day-to-day management of their investments to external investment managers. BlackRock Investment Management (UK) Limited. The Trustee sets the long term investment strategy for the Trust after taking advice from the Trust's investment advisor.

The investment objective set by the Trustee is to achieve the best overall investment return over the longer term consistent with an acceptable degree of risk in relation to the nature and duration of the Trust's liabilities.

#### **Further information**

Enquiries about the scheme generally or about individual entitlement should be forwarded to:

The T & N Asbestos Trustee Company Limited  
Unit 11B  
Manchester International Office Centre  
Styal Road  
Manchester  
M22 5WB

Tel: 0161 838 4558

Website: [tandnasbestos.org.uk](http://tandnasbestos.org.uk)

## T & N EL Scheme Trust

### Trustee's annual report for the year ended 11 October 2012

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#### Statement of Trustee's responsibilities

The audited financial statements are the responsibility of the Trustee. The Trust is governed by a Trust Deed which require the Trustee to make available to certain other parties audited financial statements for each Trust year which:

- show a true and fair view of the financial transactions of the Trust during the year and of the amount and disposition at the end of that year of the assets and liabilities, other than liabilities to pay compensation claims after the end of the Trust year; and
- have been prepared in accordance with the Trust Deed dated 23 November 2006 and in accordance with United Kingdom Generally Accepted Accounting Practice.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

Under Trust law the Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Signed on behalf of the Trustee Company



.....  
J J Gleave  
Chairman  
The T & N Asbestos Trustee Company Limited



.....  
A O'Keefe  
Director  
The T & N Asbestos Trustee Company Limited

Approved by the Trustee on 5 FEBRUARY 2013.....

**Independent auditor's report to the Trustee of T & N EL Scheme Trust  
for the year ended 11 October 2012**

---

We have audited the financial statements of T & N EL Scheme Trust for the year ended 11 October 2012 on pages 8 to 13 which comprise the Fund Account, Net Asset Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's Trustee, as a body, in accordance with the Trust Deed dated 23 November 2006 and in accordance with United Kingdom Generally Accepted Accounting Practice.

Our audit work has been undertaken so that we might state to the Trust's Trustee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Trustee and the auditor**

As described in the statement of Trustee's responsibilities on page 5, the Trustee is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable United Kingdom law and accounting standards, and for procuring that compensation claims are paid out to claimants in accordance with the Trust Deed and with the recommendations of the Actuary. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed. The work we carried out also included examination, on a test basis, of evidence relevant to the amounts of compensation claims paid out to claimants and the timings of those payments.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error and that compensation claims have been paid in accordance with the Trust Deed and with the recommendations of the Actuary. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**T & N EL Scheme Trust**

**Independent auditor's report to the Trustee of T & N EL Scheme Trust  
for the year ended 11 October 2012**

---

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Trust during the year ended 11 October 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay compensation claims after the end of the Trust year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the information given in the Trustees' Annual Report is consistent with the financial statements.

*Hurst & Company Accountants LLP*  
.....

Hurst & Company Accountants LLP  
Chartered Accountants & Statutory Auditors  
Lancashire Gate  
21 Tiviot Dale  
Stockport  
Cheshire  
SK1 1TD

Date ..... *6/2/2013* .....



**T & N EL Scheme Trust****Fund account  
for the year ended 11 October 2012**

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	Notes	2012		2011	
		£	£	£	£
<b>Claims payable</b>					
Compensation payments	2	(4,202,032)		(3,124,140)	
Refund of claim contributions	6	-		(1,827,724)	
Administration expenses	3	(202,351)		(98,786)	
		<u>                    </u>	(4,404,383)	<u>                    </u>	(5,050,650)
<b>Net withdrawal</b>			(4,404,383)		(5,050,650)
<b>Returns on investments</b>					
Investment income	4	2,618		1,821	
Change in market value of investments	5	1,165,164		(354,183)	
		<u>                    </u>	1,167,782	<u>                    </u>	(352,362)
<b>Net returns/(losses) on investments</b>			1,167,782		(352,362)
<b>Net decrease in the fund</b>	9		(3,236,601)		(5,403,012)
<b>Net assets as at 12 October 2011</b>	9		22,920,482		28,323,494
<b>Net assets as at 11 October 2012</b>	9		<u>                    </u> 19,683,881		<u>                    </u> 22,920,482

The notes on pages 10 to 13 form part of these financial statements.

**T & N EL Scheme Trust**

**Net asset statement  
As at 11 October 2012**

	Notes	2012		2011	
		£	£	£	£
<b>Fixed assets</b>					
Investments	5		19,023,130		22,207,966
<b>Current assets</b>					
Cash at bank	7	668,551		720,316	
		<u>668,551</u>		<u>720,316</u>	
<b>Creditors: amount falling due within one year</b>	8	(7,800)		(7,800)	
			<u>660,751</u>		<u>712,516</u>
<b>Total assets less current liabilities</b>			<u>19,683,881</u>		<u>22,920,482</u>
<b>Restricted Fund Reserve at 11 October 2012</b>	9		<u>19,683,881</u>		<u>22,920,482</u>

These financial statements were approved by the Trustee on the ... 5 FEBRUARY 2013 ... and are signed on their behalf by:

  
 .....  
 J J Gleave  
 Chairman  
 The T & N Asbestos Trustee Company Limited

  
 .....  
 A O'Keefe  
 Director  
 The T & N Asbestos Trustee Company Limited

The notes on pages 10 to 13 form part of these financial statements.

**1. ACCOUNTING POLICIES**

**1.1 Basis of accounting**

The financial statements have been prepared in accordance with the Trust Deed dated 23 November 2006 and with the guidelines set out in United Kingdom Generally Accepted Accounting Practice.

The financial statements summarise the transactions of the Trust and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay compensation claims, which fall due after the end of the Trust year.

**Accounting policies**

The principal accounting policies are set out below:

- (a) Investments are stated at market value as defined below.
- (b) Compensation payments are accounted for in the period in which they fall due.
- (c) Income from investments is dealt with in the period in which it is earned.
- (d) The costs of administration expenses and investment management are borne by the Trust and accounted for as they fall due.

**Investment assets and income**

Investment assets are stated at market value provided by BlackRock Investment Management (UK) Limited.

**Compensation payments**

Claimants have up to 28 days in which to refer their claim to an Expert or accept the compensation offered.

**2. COMPENSATION PAYMENTS**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Claim Payments to UK Asbestos Trust – Initial	3,166,898	3,124,140
Claim Payments to UK Asbestos Trust - Second	1,035,134	-
	<hr/>	<hr/>
	4,202,032	3,124,140
	<hr/>	<hr/>

**T & N EL Scheme Trust**

**Notes to the financial statements  
for the year ended 11 October 2012**

**3. ADMINISTRATIVE EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Legal and professional fees	7,457	33,162
Rebate on management fees	(159,893)	(253,762)
Irrecoverable VAT	7,399	9,407
Audit fee	6,500	6,500
Trust advisory committee	8	261
Insurance	3,548	9,321
Bank charges	-	45
Trustee fees	320,287	292,884
Sundry	17,045	968
	<u>202,351</u>	<u>98,786</u>

**4. INVESTMENT INCOME**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank interest received	2,618	1,821
	<u>2,618</u>	<u>1,821</u>

**5. INVESTMENTS**

	<b>2012</b>
	<b>£</b>
Balance as at 12 October 2011	22,207,966
Additions	-
Disposals	(4,350,000)
Change in market value	1,165,164
Balance as at 11 October 2012	<u>19,023,130</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of units held during the year.

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>%</b>	<b>£</b>	<b>%</b>	<b>£</b>
<b>Details of investments held</b>				
Black Rock Cautious Fund	100.0	19,023,130	100.0	22,207,966
	<u>100.0</u>	<u>19,023,130</u>	<u>100.0</u>	<u>22,207,966</u>

## T & N EL Scheme Trust

### Notes to the financial statements for the year ended 11 October 2012

#### 6. REFUND OF CLAIM CONTRIBUTIONS

	2012 £	2011 £
Refund of claim contributions	-	1,827,724
	-	1,827,724

The increase in the dividend rate paid from 12 October 2010 resulted in claim contributions from other Funds being refunded.

#### 7. CASH AT BANK

	2012 £	2011 £
Deposit accounts	668,551	720,316
	668,551	720,316

#### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Accruals and deferred income	7,800	7,800
	7,800	7,800

#### 9. RESTRICTED FUND RESERVES

	2012 Total £
Balance as at 12 October 2011	22,920,482
Fund account movement	(3,236,601)
Balance as at 11 October 2012	19,683,881

**10. RELATED PARTY TRANSACTIONS**

During the year the professional fees of £316,627 (2011: £287,741) were paid to Zolfo Cooper LLP relating to the claims processing team in which one of the directors of the Trustee company is also a member.

Independent Trustee fees of £3,659 (2011: £5,143) were paid to C Melton, a director of the Trustee company.

The Trustee management fees have been paid in accordance with clauses 16, 8.4 and 8.5 of the Deed.

**11. SECOND DIVIDEND PAYMENTS**

The Trust anticipates paying £1.4 million of second dividends in the financial year to 11 October 2013. Second dividend payments are only made if the Trustee considers the forecast liabilities and investment performance of the Trust are in line with expectations.



