

**T & N EL Scheme Trust**

**Report and Financial Statements  
for the year ended 11 October 2010**

**T & N EL Scheme Trust**

**Annual Report and Financial Statements  
for the year ended 11 October 2010**

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## T & N EL Scheme Trust

### Trustees and advisors for the year ended 11 October 2010

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<b>Trustee</b>	The T & N Asbestos Trustee Company Limited
<b>Actuary</b>	EMB Consultancy LLP 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 & Registered Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
<b>Bankers</b>	Halifax Bank of Scotland Pentland House, 2 <sup>nd</sup> Floor 8 Lochside Avenue Edinburgh Park South Gyle Edinburgh EH12 9DJ
<b>Solicitors</b>	SNR Denton 1 Fleet Place London EC4M 7WS
<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**

### **Trustees' annual report for the year ended 11 October 2010**

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The Trustees present their annual report and financial statements for the year ended 11 October 2010.

#### **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. The Trust may not have sufficient funds to meet these liabilities in full and therefore 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 33 claims and processed for payment 41 claims. In total £2m was paid to claimants.

Throughout the year the Trustees continued to negotiate with HMRC over the appropriate tax treatment for income and capital gains arising from the Trust assets. These negotiations culminated in a statement from the Chancellor in June 2010 that he intended to exempt the Trust from all income, inheritance and Capital taxes. This statement was encapsulated in the Finance Act which passed into law at the end of 2010.

#### **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.

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 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

### Trustees' annual report for the year ended 11 October 2010

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#### Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2010, 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:

	2010 Total £	2009 Total £
Compensation payments	(1,744,211)	(2,121,527)
Indemnity rights dividend	(1,614,900)	-
Administrative expenses	(604,619)	(284,667)
	<hr/>	<hr/>
<b>Net (withdrawal)/additions</b>	<b>(3,963,730)</b>	<b>(2,406,194)</b>
Investment income	13,542	7,970
Change in market value of investments	2,368,837	3,676,910
	<hr/>	<hr/>
<b>Net returns /(losses) on investments</b>	<b>2,382,379</b>	<b>3,684,880</b>
Net (decrease)/increase in funds	(1,581,351)	1,278,686
Net assets at start of year	29,904,845	28,626,159
	<hr/>	<hr/>
<b>Net assets at end of year</b>	<b>28,323,494</b>	<b>29,904,845</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 £28,323,494 as at 11 October 2010 (2009: £29,904,845). The Trust achieved net returns on investments of £2,382,379 (2009:£ 3,684,880).

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 reduced from £2.1m in 2009, to £1.75m, primarily as a result of a reduction in the number of claims received during the year,

The change in market value of investments of £2.4m gain (2009: £3.7m gain) has arisen mainly due to the favourable investment climate and performance of the Trust's investment manager.

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

### **Trustees' annual report for the year ended 11 October 2010**

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#### **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 Trustees. In the light of the claims experience in the first four years of the Trust and the granting of the exemption from all taxes, the Trustees believed it was appropriate to commission a new actuarial valuation. This valuation has now been received and as a consequence the Trustees have increased the dividend paid from both funds. The increase is effective from 11 October 2010.

#### **Investment management**

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

The investment objective set by the Trustees 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**

**Trustees' annual report  
for the year ended 11 October 2010**

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**Statement of Trustees' responsibilities**

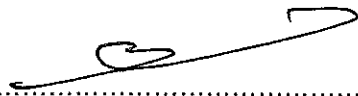
The audited financial statements are the responsibility of the Trustees. The Trust is governed by a Trust Deed which require the Trustees to make available to certain other parties audited financial statements for each Trust year which:

- 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.

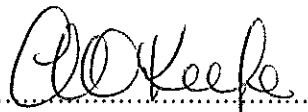
The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

Under Trust law the Trustees also have 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



.....  
JJ 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 17 March 2011 .....

**Independent auditor's report to the Trustees of T & N EL Scheme Trust  
for the year ended 11 October 2010**

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We have audited the financial statements of T & N EL Scheme Trust for the year ended 11 October 2010 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 trustees, 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 trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Trustees and the auditor**

As described in the statement of Trustees' responsibilities on page 5, the Trustees are 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 Trustees' 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 Trustees 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.



Independent auditor's report to the Trustees of T & N EL Scheme Trust  
for the year ended 11 October 2010

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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 2010 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 Ltd*  
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Hurst & Company Accountants LLP  
Chartered Accountants & Statutory Auditors  
Lancashire Gate  
21 Tiviot Dale  
Stockport  
Cheshire  
SK1 1TD

Date *21 March 2011*  
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**T & N EL Scheme Trust**

**Fund account  
for the year ended 11 October 2010**

	Notes	2010		2009	
		£	£	£	£
<b>Claims payable</b>					
Compensation payments	2	(1,744,211)		(2,121,527)	
Indemnity rights dividend	5	(1,614,900)			
Administration expenses	3	(604,619)		(284,667)	
			(3,963,730)		(2,406,194)
<b>Net (withdrawal)/additions</b>			(3,963,730)		(2,406,194)
<b>Returns on investments</b>					
Investment income	4	13,542		7,970	
Change in market value of investments	6	2,368,837		3,676,910	
<b>Net returns on investments</b>			2,382,379		3,684,880
<b>Net (decrease)/increase in the fund</b>	10		(1,581,351)		1,278,686
<b>Net assets as at 12 October 2009</b>	10		29,904,845		28,626,159
<b>Net assets as at 11 October 2010</b>	10		28,323,494		29,904,845

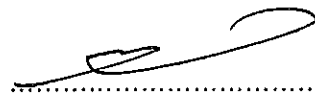
The notes on pages 10 to 13 form part of these financial statements.

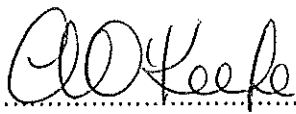
T & N EL Scheme Trust

Net assets statement  
As at 11 October 2010

	Notes	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Investments	5		27,539,873		29,271,036
<b>Current assets</b>					
Debtors	6		-		481,996
Cash at bank	7		791,259		169,439
			<u>791,259</u>		<u>651,435</u>
<b>Creditors: amount falling due within one year</b>	8		<u>(7,638)</u>		<u>(17,626)</u>
			<u>783,621</u>		<u>633,809</u>
<b>Total assets less current liabilities</b>			<u>28,323,494</u>		<u>29,904,845</u>
<b>Restricted Fund Reserve at 11 October 2010</b>	9		<u>28,323,494</u>		<u>29,904,845</u>

These financial statements were approved by the Trustee on the 17th March 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 Trustees. 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

	2010 £	2009 £
Claim Payments to UK Asbestos Trust	1,744,211	2,121,527
	<hr/>	<hr/>
	1,744,211	2,121,527
	<hr/> <hr/>	<hr/> <hr/>

## T & N EL Scheme Trust

### Notes to the financial statements for the year ended 11 October 2010

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#### 3. ADMINISTRATIVE EXPENSES

	2010 £	2009 £
Legal and professional fees	271,595	26,253
Rebate on management fees	(1,099)	-
Irrecoverable VAT	(2,919)	35,419
Audit fee	7,638	6,791
Trust advisory committee	533	-
Insurance	8,548	-
Bank charges	10	10
Trustee fees	319,008	215,994
Sundry	1,305	200
	<hr/>	<hr/>
	604,619	284,667
	<hr/> <hr/>	<hr/> <hr/>

#### 4. INVESTMENT INCOME

	2010 £	2009 £
Bank interest received	13,542	7,970
	<hr/>	<hr/>
	13,542	7,970
	<hr/> <hr/>	<hr/> <hr/>

#### 5. INDEMNITY RIGHTS

	2010 £	2009 £
Indemnity rights payment to Insurers	1,614,900	-
	<hr/>	<hr/>
	1,614,900	-
	<hr/> <hr/>	<hr/> <hr/>

6. INVESTMENTS

	2010 £
Balance as at 12 October 2009	29,271,036
Additions	-
Disposals	(4,100,000)
Change in market value	2,368,837
Balance as at 11 October 2010	<u>27,539,873</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.

Details of investments held	2010 Total %	2010 Total £	2009 Total %	2009 Total £
Black Rock Cautious Fund	100.0	27,539,873	100.0	29,271,036

7. DEBTORS

	2010 £	2009 £
Certificates of taxation deposits	-	481,996
	<u>-</u>	<u>481,996</u>

8. CASH AT BANK

	2010 £	2009 £
Deposit accounts	791,259	169,439
	<u>791,259</u>	<u>169,439</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Accruals and deferred income	7,638	17,626
	<u>7,638</u>	<u>17,626</u>

10. RESTRICTED FUND RESERVES

	2010 Total £
Balance as at 12 October 2009	29,904,845
Fund account movement	(1,581,351)
Balance as at 11 October 2010	<u>28,323,494</u>

11. RELATED PARTY TRANSACTIONS

During the year the professional fees of £316,239 (2009: £215,994) 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 director.

Independent Trustee fees of £2,769 (2009: £nil) 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.