

The T&N UK Asbestos Trust and The T&N EL Trust

Trustee's Annual Report 2014

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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 eighth annual report issued by the Trustee (see 1.2). This report contains terms which are defined in the Trust Distribution Procedures (the **TDP**).

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 Trust Claims received and paid by the Trusts can be summarised as follows:

	Received	Paid/settled
T&N excluding Cape Trust Claims	142	149
T&N – Cape Trust Claims	166	166
Chester Street	20	20
Total	328	335

Note: Excludes second dividends

Payments to Trust Claimants can be summarised as follows:

£ million	
T&N – first dividend	3.90
T&N – second dividend	1.97
T&N – Cape Trust Claims	0.73
Chester Street – first dividend	0.14
Chester Street – second dividend	0.40
T&N EL Trust – first dividend	1.78
T&N EL Trust – second dividend	0.62
	9.54

- ii During the course of the year we completed a full actuarial review. We had become concerned that the declining trend in asbestos claims forecast at the previous review (2011) had not materialised. In particular the incidence of mesothelioma claims from ex-employees has increased. Our actuaries indicated that our experience was similar to other asbestos defendants. Based on the review, we have concluded that it is appropriate to maintain the dividend in the T&N Asbestos Trust, the TBA Fund and the FM Friction Products Fund at the same level as previously. However we are now obliged to reduce the dividend for the EL Fund from 100 pence/£ on agreement of claim to 60 pence/£ on agreement of claim with a further 5 pence/£ payable after five years. This change was effective from 12 October 2014. The conclusions of the actuarial review are discussed in more detail in section 3.

- iii The investment return during the past year was 5.7%, representing an improvement over the previous year. In conjunction with the full actuarial review we have also consulted with our investment adviser over the appropriate rate of investment return to use in the modelling of asbestos liabilities. Following this advice we have determined that the expected rate of return should be slightly increased to 6.5%, primarily based on their views on long term interest rates. Whilst the increase is modest it does have a material effect on the estimated net present value of future asbestos liabilities. This is discussed in further detail in section 5.1.
- iv We continue to be greatly concerned about the impact of the Mesothelioma Act (the **Act**) on T&N ex-employees suffering from mesothelioma. We have conducted research to quantify the full effect. In the two years since the Act came into force, the Trust has received 41 claims from ex-employees who would otherwise be able to claim under the Act. In almost every case they are significantly worse off as a result of being excluded from the Act. The detailed results of our research are shown in section 7.

During the year we have discussed the consequences of the Act with Lord Alton and he has expressed great sympathy with the plight of ex-employees. He agreed to raise the issue with the Department of Work & Pensions (the **DWP**) and also his related concern over the reduction in the required funding for the Diffuse Mesothelioma Payment Scheme (the **Scheme**). He received reassurance from the DWP that the reduced funding was not related to the exclusion of T&N ex-employees from the Scheme. He also received a detailed explanation as to reasons for the exclusion of T&N ex-employees from the Scheme. These documents are attached at Appendix 1. We have also approached Kate Green MP, the shadow minister with responsibility for asbestos matters. We asked her whether the Labour party, if elected, would be prepared to reconsider the position of T&N ex-employees under the Act. Her reply was very positive and is shown at Appendix 1.

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 AlixPartners Services UK LLP. In February 2015, Zolfo Cooper LLP was acquired by AlixPartners Services UK LLP and as a consequence James Gleave and Anne O'Keefe are now part of AlixPartners Services UK 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/T&N EL Trust Claims

This section relates to claims against the above two Funds and excludes Chester Street Claims, which are shown in section 4 of this report.

2.1 Trust Claims analysis

The Trust Claims submitted in the first eight years of operation are summarised below:

Status	As at 11 October 2013	As at 11 October 2014
Paid	1,763	2,162
Awaiting further information from Trust Claimants	68	46
Pending issue of Admission Notice	2	5
Subject to Expert review process	-	-
Withdrawn	72	75
Rejected	187	200
Total	2,092	2,488

During the year the Trust received 166 Cape Trust Claims (see 2.6), all of which have been paid or are awaiting payment.

2.2 Payments to Trust Claimants

During the year a total of £9.54 million was paid out in respect of Trust Claims. The total paid out during the first eight years is £61.96 million and can be summarised as follows:

£ million	As at 11 October 2013	Paid during year	As at 11 October 2014	% of total
Payments to Trust claimants	48.13	9.54	57.67	93.1
Trust claimants' legal fees	3.07	0.46	3.53	5.7
Trust claimants' medical costs	0.64	0.09	0.73	1.1
Other	0.03	-	0.03	0.1
Total	51.87	10.09	61.96	100.00

2.3 Disease analysis

The Trust Claims during the first eight years of operations are analysed between diseases as follows:

Disease	Total claims %
Mesothelioma	32
Lung cancer	9
Asbestosis	48
Pleural thickening	9
Pleural plaques	2
Total	100

During the past five years the proportion of Trust Claims attributable to asbestosis has increased substantially. This is due to the vast majority of Cape Trust Claims from India being for asbestosis.

2.4 Trust Claims subject to Expert review process

In the last year, no Trust Claims were referred to the Expert.

In total, during the first eight years of the Trusts, 21 Trust Claims were referred to the Expert.

2.5 Rejected claims

During the year 15 Trust Claims were rejected, making a total of 200 rejected Trust Claims over the first eight years of operation. This represents 8% of the total number of Trust Claims received. All rejected Trust Claims are reviewed and discussed in detail at a meeting of the directors 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 2013	Activity	As at 11 October 2014
Failure to satisfy medical criteria	49	2	51
No response to requests for further information	33	3	36
Failure to satisfy exposure criteria	47	9	56
Trust claimant had already been compensated in full	19	-	19
Exposure to asbestos prior to 1965 and did not fall within the Margerison/Hancock judgment	17	1	18
Limitation grounds	13	-	13
Lung cancer not meeting Helsinki criteria	5	-	5
Other	2	-	2
Total	185	15	200

2.6 Cape Trust Claims

Cape Trust Claims are defined within the TDP and are essentially those overseas claims originating from Swaziland, Zimbabwe, Botswana, South Africa and India.

The T&N Fund continues to receive a steady stream of Cape Trust Claims from India, all relating to the operation of Hindustan Ferodo, a brake pad manufacturer and Asbestos Cement Limited, an asbestos cement manufacturing company. Both these companies were at one time subsidiaries of T&N Limited. All of these Cape Trust 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 166 Cape Trust Claims have been received. Payments to these Cape Trust Claimants total £0.73 million and associated medical and legal fees were £0.26 million. Since the inception of the Trusts a total of 635 Cape Trust Claims originating from India have been received. Payments to these Cape Trust Claimants totalled £2.92 million and medical and legal fees totalled £0.95 million. During the year the Trustee agreed to reduced legal fees in respect of Cape Trust Claims from India.

Whilst the number of Cape Trust Claims being received is significant, they are generally for mild to moderate asbestosis. Accordingly the average dividend payment is far less than for other types of Trust Claim. The overall amount paid out in respect of Cape Trust Claims remains within the parameters of the Trustee's recent actuarial review.

2.7 Product liability (PL) claims

The number of PL claims paid during the past eight years is summarised as follows:

Financial year	Number of claims
2007	3
2008	15
2009	10
2010	14
2011	21
2012	10
2013	8
2014	2
Total	83

The T&N Trust paid out £29,125 in respect of PL claims in the year to 11 October 2014, making a total of £1.5 million since the inception of the Trust. All PL claims are subject to detailed individual scrutiny by the Trustee, whether progressing by Expedited or Individual Review, and are subject to a discount of 50%.

The numbers of PL claims received by the Trust peaked in 2011 and has been declining since then. Historically the majority of PL claims were from individuals who were not covered by employers liability insurance. We believe that the decline in recent years is primarily a consequence of the introduction of the Mesothelioma Act, as this now affords an alternative and generally more attractive route for claimants to obtain compensation. We continue to monitor the level of PL claims but believe that the trend identified over the past few years is now sufficiently well established to indicate a long term reduction in the level of PL claims. We have discussed this conclusion with our actuaries and they concur with our views. As a consequence they have incorporated this factor into their actuarial findings which are shown below.

3. Dividend policy/Actuarial review

In our last report we highlighted our concerns over the generally adverse trend in the incidence of asbestos claims and indicated that we would be commissioning a full actuarial review. We understand that our experience over the past few years is typical of the situation facing most major defendants in asbestos litigation. The expectation that the level of asbestos claims would peak early in this decade has not materialised. The actuarial review was completed in the summer of 2014 and the principal findings from the review are as follows:

1. The estimated number of future mesothelioma claims, particularly from ex-employees, has significantly increased. Many of these claimants are now in their late 70s and 80s. At the time of last review we had experienced a small number of claims from this age cohort.
2. The estimated number of PL claims is now forecast to be lower than previously estimated (see 2.7 above).
3. The estimated number of claims for asbestos induced lung cancers has moderately reduced.
4. The incidence of Cape Claims remains within the previous estimates.
5. We are likely to continue to receive claims past the originally anticipated time span for the Trust of 40 years. We now expect to continue to receive claims past 2050.
6. The actuaries recommended that we make a small increase in the discount rate used in assessing the net present value of asbestos liabilities to reflect the likely movement in long-term interest rates. We agreed with this view and have increased the discount rate from 6% to 6.5%.

As a consequence of the actuarial review we concluded that we are obliged to reduce the current dividend percentage in respect of the T&N EL Trust. The remaining dividend percentages remain unchanged. The change in respect of the T&N EL Trust was implemented with effect from 12 October 2014. The table below shows the dividend levels currently being paid to Trust Claimants.

Fund	Dividends (pence/£)		
	Initial	Second	Total
T&N EL Trust	60	5	65
T&N Fund	27	5	32
Chester Street Fund	30	5	35
TBA Industrial Products	10	-	10
Federal-Mogul Friction Products	100	-	100

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 Trust Claims made against T&N and Federal-Mogul companies, as joint tortfeasors, by Chester Street.

The Trust Claims submitted to the Chester Street Fund in the eight years of the Trusts' operation can be summarised as follows:

Investment	As at 11 October 2013	As at 11 October 2014
Paid/established	357	376
British Shipbuilders' settlement	2,219	2,219
Awaiting further information	1	1
Rejected	118	120
Total	2,695	2,716

During the year a total of £0.54 million has been paid out in respect of compensation payments.

During the year, two Trust Claims were rejected.

5. Trusts' 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. In practical terms, this equates to the Trustee adopting an investment approach similar to pension scheme trustees.

Almost all the investments of the Trusts are held in the BlackRock Dynamic Diversified Growth Fund (formerly the BlackRock Cautious Portfolio Fund). This fund does not have a targeted rate of return but rather concentrates on an investment profile with moderate levels of risk. A small proportion is invested in the M&G Real Estate Debt Fund.

5.2 Funds held at year end

At the year end the Trusts held investments and cash shown below:

Investment	Amount (£ million)	% of total
BlackRock Dynamic Diversified Growth Fund	71.96	90.6
M&G Real Estate Debt Fund	4.01	5.1
Cash	3.42	4.3
Total	79.39	100.0

5.3 Investment performance

The performance of the Trusts' investments in the BlackRock Dynamic Diversified Growth Fund can be summarised as follows:

£ million	Valuation 11 October 2013	Withdrawals	Investment returns	Valuation 11 October 2014
T&N Fund	42.20	(7.18)	2.16	37.20
Chester Street Fund	21.28	(1.57)	1.10	20.81
T&N EL Trust	15.32	(3.62)	0.76	12.46
T&N Remuneration Fund	1.80	(0.40)	0.09	1.49
Total	80.60	(12.75)	4.11	71.96

The T&N Fund includes amounts relating to Federal-Mogul Friction Products (£2.0 million) and TBA Industrial Products (£0.8 million).

During this year the return on the Trusts' investments with BlackRock was a gain of 5.7%. The annualised return over the last four years invested in the BlackRock Dynamic Diversified Growth Fund is 5.4%.

6. Hercules

The T&N Asbestos Trust is entitled to 11.9% of any recovery under the Hercules Reinsurance Policy (the **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 this year the Trustee maintained close contact with the US Asbestos Trust and its UK legal advisors. Judgement on the March 2014 litigation commenced by the US Asbestos Trust was delivered in the summer of 2014. Unfortunately the results were disappointing. The judge concluded that the US Asbestos Trust had no standing to bring the action but did go on to consider the declaration sought by the US Asbestos Trust. On most of these issues he found in favour of the re-insurers. The US Asbestos Trust have been given permission to appeal the question of standing but it is clear that the issues are unlikely to be resolved in the short term. We are not able to give a view on the amount or likely timing of a realisation under the Hercules policy. The costs of all legal proceedings are being borne entirely by the US Asbestos Trust although it is entitled to recover its costs from any recoveries received.

7. Mesothelioma Act 2014 (the Act)

During the year the Mesothelioma Act came into force, with effect for mesothelioma claims diagnosed after 29 July 2012. Whilst the Act was generally welcomed by the claimant community it had major consequences for T&N ex-employees. Under the detailed regulations T&N ex-employees are specifically excluded from the benefits of the Act. We believe that T&N is the only private sector employer to be treated in this fashion. We have conducted detailed research into the effect on T&N ex-employees. In summary we have paid 41 claimants who would otherwise have been eligible under the Act. Of those claimants 38 are worse off with only 3 being in a better position. The majority received less than 50% of what they would have received under the Act. In total we have paid £2.3 million to the 41 claimants compared to £4.6 million they would have received if they had been eligible under the Act.

In 2014, the DWP announced a reduction in the required level of funding for the Diffuse Mesothelioma Payments Scheme. The reduction was significant. Lord Alton raised this issue with the DWP and they confirmed that the reduction was unconnected with excluding T&N from the Scheme but rather related to a reduced level of claims. On our behalf Lord Alton also asked the DWP to reconsider their position with regard to T&N. Their response was uncompromising and it is clear that the exclusion of T&N is a policy issue and is not likely to change under the current government. However they did provide Lord Alton with a detailed explanation of their reasoning which is attached at Appendix 1. We would like to formally place on record our appreciation of the significant efforts made by Lord Alton on behalf of T&N ex-employees.

Based on Lord Alton's advice we contacted Kate Green MP, the Shadow Minister with responsibility for asbestos matters. She has previously been very helpful in connection with matters concerning the Trusts and is clearly supportive of the plight of ex-employees suffering from mesothelioma. A copy of our correspondence is attached at Appendix 1. In summary, at the present moment, she could not commit to amending the legislation but is prepared to seriously consider the issue. In addition she has committed to restore the levy on employers liability insurers to the previous forecast level and to enshrine this principle in legislation.

8. Professional costs

During the year the legal and other professional fees paid by the Trusts are detailed as follows:

£000	T&N	Chester St	T&N EL
Legal fees	95	75	24
Audit fees	4	3	7
Total	99	78	31

Claims management and Trustee fees incurred in the year to 11 October 2014 are as follows:

£000	
Chester Street Fund	55
T&N EL Trust	175
T&N Remuneration Fund	318

All these fees were paid to Zolfo Cooper LLP prior to its acquisition by AlixPartners Services UK LLP.

Claims management and Trustee fees in respect of the Chester Street Fund and the T&N EL Trust are drawn from the relevant Fund and approval is required from the appropriate Trust Advisory Committee.

9. Trusts accounts

Attached at Appendices B and C are copies of the Trust accounts for the period 12 October 2013 to 11 October 2014.

10. Contact details

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

Appendix A: Mesothelioma Act 2014 correspondence

This Appendix contains the following documents:

- Email from James Gleave to Lord Alton (subsequently forwarded to Lord Freud at the DWP)
- Letter from Lord Freud to Lord Alton
- Email exchanges between James Gleave and Kate Green MP, Shadow Minister responsible for asbestos matters

Lord Freud, the Department for Work and Pensions, has provided the following answer to your written parliamentary question (HL4227):

Question:

To ask Her Majesty's Government what assessment they have made of the position of mesothelioma claimants whose claims have been lodged with the T&N Asbestos Trusts; whether T&N claimants are receiving their legal entitlement; why T&N claimants are excluded from the benefits of the Mesothelioma Act 2014; and why those claimants are treated differently from any other claimant affected by mesothelioma. (HL4227)

Tabled on: 16 January 2015

Answer:

Lord Freud:

A person with diffuse mesothelioma, or their dependents, may be eligible to apply for the Diffuse Mesothelioma Payment Scheme (DMPS) if no one has received damages or a specified payment in respect of the disease or is eligible to receive a specified payment from another source.

Eligibility for, or receipt of, such payments disqualifies an applicant from receiving a DMPS payment. This prevents a person receiving more than one payment for the same condition and ensures that all claimants are treated fairly and with equity.

These specified payments include payments under the Turner and Newall Trusts.

Date and time of answer: 22 Jan 2015 at 14:02.

Email from James Gleave to Lord Alton, 17 February 2015

Dear Lord Alton,

Could I firstly extend our sincere thanks to you for getting involved in this matter. I must apologise for the delay in replying but I have been doing some detailed analysis of the claims we have received since the Mesothelioma Act became effective. This is referred to below.

I was surprised by the tenor of the answer you received from Lord Freud. During my discussions with the DWP it was made clear to me that the primary motivation for excluding T&N ex-employees from the scheme was financial. The DWP had considerable negotiations with the Insurance industry and were not able to persuade them to accept a higher levy than 3%. At no stage was it indicated that the DWP were concerned about fairness as between various claimants. Below are three quotes from correspondence I had with the DWP, which I think summarises their position during the drafting stages of the Mesothelioma Bill.

"The scheme will be funded through a levy on currently active EL insurers which means that many of these active insurers who will pay are not the original insurers. Because of this we have had to negotiate carefully to ensure we strike a fair balance between the needs of those people who develop Mesothelioma as a result of negligent exposure to asbestos at work but cannot claim compensation because their employer no longer exists and a relevant EL insurer cannot be traced and the cost of imposing the levy on active EL insurers"

- *Letter from Fiona Walshe, Health and Wellbeing Directorate DWP, 29 August 2013*

"... if we were to widen the eligibility criteria to enable ex-T&N workers to apply to the scheme, there is a risk that the entire scope of the scheme would need to be expanded, possibly to a much wider group, with consequences on the cost of the levy on current EL insurers and potentially on business"

- Letter from Fiona Walshe, Health and Wellbeing Directorate DWP, 29 August 2013

"... the scheme is funded by a levy on current active Employer Liability insurers who were not necessarily the insurer at the time that the exposures to asbestos were occurring, it is not appropriate to extend eligibility to other mesothelioma sufferers or be used to guarantee a minimum level of payment to all sufferers"

- Letter from Mike Penning MP Minister of State for Disabled People, 13 January 2014

These discussions were all held when the mooted levy was 3%. In my view it is clear that the Scheme could be extended to include T&N ex-employee without any increase on the original proposed levy of 3%.

To illustrate the unfairness in respect of ex-T&N employees I have attached a schedule of ex-employee claims received in the last two years. This schedule compares the compensation we are able to pay from the T&N Asbestos Trusts with what claimants would have received from the Scheme, if they had been eligible. In summary we have paid out £2.3m to 41 claimants compared to £4.6m that would have been paid to them under the Scheme. 38 claimants are worse off and only three are in a better position. The majority of claimants receive less than the 50% of what they would have received under the Scheme.

It is my belief that these 38 claimants are the only Mesothelioma ex-employees in this country who have received less compensation than that paid under the Diffuse Mesothelioma Scheme. I fail to see how these claimants can be considered to have been treated "fairly and equitably".

The DWP will undoubtedly respond that as a result of previous legislative concessions, T&N ex-employees are exempt from compensation recovery for benefits and DWP lump sums. In addition they are entitled to a further small payment from the T&N Asbestos Trusts. I would emphasise that I am not seeking to improve the position of T&N ex-employee over and above any other claimant against the Scheme. Whilst the mechanics of the Trust and the previous legislative concessions are complex it is not beyond the wit of man to devise a treatment that ensures T&N ex-employees are treated fairly.

Contrary to the position adopted by Mike Penning, the then responsible minister, I believe it is entirely appropriate for the Scheme to guarantee a minimum level of payment to all sufferers, provided that the cost is within acceptable parameters. At the time the Scheme was being formulated the Insurance industry was happy with Levy being set at 3%. If the Levy was finalised at 3% I believe there would be sufficient funding to ensure that T&N ex-employees are in no worse a position than any other ex-employee Mesothelioma sufferers.

I appreciate that now the legislation has become effective, amendment is difficult. However the exclusion of T&N ex-employees is contained in the detailed Regulations and I understand that these are capable of amendment by Statutory Instrument.

Any help you can give with raising this further with DWP would be hugely appreciated.

Finally, thanks again for getting involved and if you need anything further please do not hesitate to get back to me.

Yours sincerely
James Gleave
Chairman
T&N Asbestos Trusts



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Lord Alton of Liverpool
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24 February 2015

Dear David,

Thank you for your emails of 15th January, 26th January and 17th February about applications to the Diffuse Mesothelioma Payment Scheme (DMPS) from Turner & Newall (T&N) ex-employees.

As you are aware, the fundamental principle upon which the DMPS is based is that it will pay where there is no other form of redress available to the applicant.

I am pleased to see from the data provided by Mr Gleave that in a small number of cases the compensation paid by the T&N Asbestos Trusts is more than those people would have received under the DMPS. However, I do also appreciate that for the remainder of those who are able claim from the T&N Asbestos Trusts, the amount they receive is less than they would have received had they been eligible to apply to the DMPS. However, I must emphasise that the sufferers that the DMPS aims to help are those who would have received nothing at all to assist them or their families following their diagnosis as they have no other recourse to compensation whatsoever.

The fairness and equity principle of the Scheme is to ensure that all diffuse mesothelioma sufferers receive some form of compensation, not that all sufferers receive equal compensation whatever route they have taken. As the DMPS tariff is based on average civil claims, it will also be the case that some of those who are able to take civil action against their former employer or employer's insurer will receive less than they would have done had they been able to claim under the Scheme.

As predicted by Mr Gleave, I think it is important to note that, unlike civil claims and DMPS payments, all payments made by the Turner and Newall trust funds are exempt from compensation recovery of state benefits and lump sums. This does go some way to bringing the amounts former T&N

employees receive closer to the level of DMPS payments (and in some of the cases provided by Mr Gleave, would mean that their T&N Asbestos Trusts payment exceeds the amount they would have received under the DMPS). The average amount recovered from DMPS payments to date is around £25,000.

As you know, the Mesothelioma Act 2014 allows a levy to be applied to the insurance industry to pay for the DMPS. The Act requires active insurers to pay a levy with a view to meeting the costs of the Scheme in any one year. The 3% figure was the maximum percentage of the active employers' liability insurance market to be levied on the insurance industry to recoup the costs of the Scheme. This figure is a cap rather than a set rate.

This first year's levy rate has been based on the estimated costs of the Scheme, extrapolated from the first seven months of its operation. As this is a demand led scheme, the calculations for the levy are done afresh each year. An upturn in applications to the Scheme would result in a higher levy rate in future years. The fact that the levy for the first year of the Scheme's operation is equivalent to 2.2% of the active employers' liability insurance market rather than 3% is not as a result of the exclusion of T&N ex-employees, rather a result of lower than anticipated applications to the Scheme.

In order to ensure the continued success of the Scheme it must remain one of last resort and help only those who would otherwise receive nothing at all to assist them after their diagnosis. By extending the Scheme to T&N ex-employees we would risk having to extend the Scheme to a much wider group, putting at risk the funding agreement we have with the insurance industry. For this reason, we do not believe that it is appropriate to extend eligibility to those who have received a T&N Asbestos Trusts payment.

Yours sincerely



Lord Freud

Minister for Welfare Reform

Email from James Gleave to Kate Green, 24 March 2015

Dear Kate,

You might recall that during we 2013 we worked together on the draft Mesothelioma Act. Unfortunately we were not able to persuade the government to include T&N ex-employees within the ambit of the Act. I now believe that T&N ex-employees are the only private sector employees who are excluded from the Act.

This issue has recently come to fore as the government has announced that the levy on Insurers to fund the Mesothelioma Act has been reduced to 2.2% compared to the 3% that was suggested at the time of the implementation of the Act. The DWP maintain that the reduction the levy is not due to excluding T&N ex-employees but rather is a result of lower than expected claim levels. I remain sceptical that the reduction in the proposed levy is entirely unconnected to excluding T&N ex-employees.

The exclusion of T&N ex-employees from the Act has had a significant effect on the amount of compensation that they have received. Because the Funds available to the T&N Asbestos Trusts are limited, we are only able to pay claimants a proportion of their legal entitlements. Generally this is substantially less than they would have received if they were able to claim under the Mesothelioma Act. In summary, during the last two years we have paid out £2.3m to 41 claimants compared to £4.6m that would have been paid to them, if they had been eligible under the Act.

Lord Alton raised the reduction in the proposed levy with the DWP and subsequently asked a number of questions on our behalf. Thanks to the efforts of Lord Alton we have received a clear statement from the DWP indicating that the decision to exclude T&N ex-employee is a policy decision based on the principle that the Mesothelioma Act was only established as a compensation scheme of last resort. If a claimant is entitled to receive any compensation, no matter how small, they are not eligible under the Act.

I have attached copies of some of the correspondence between myself, Lord Alton and the DWP, which gives some more background to this issue and the clear policy principles enunciated by Lord Freud, the responsible minister.

In the light of the upcoming election, I know that things must be very hectic for you, but I wonder whether the Labour Party has had an opportunity of considering whether they agree with the current DWP policy.

If you would like any further information, please do not hesitate to contact me

Yours sincerely
James Gleave
Chairman
The T&N Asbestos Trusts

Response from Kate Green to James Gleave, 24 March 2015

Dear Jamie

Thank you for writing to me about this matter. I certainly recall our discussions in 2013, and you will remember that I tabled amendments to protect T&N employees when the legislation was going through parliament – sadly, my amendments were not accepted by the government.

From Labour's perspective, we have been quite explicit that our position is specifically to legislate for a 3% levy on the industry. This is a sum that we were assured the industry could afford without passing additional costs to customers, so we believe it to be both just, and entirely affordable.

Given that a levy of 3% of gross written premium now seems more than ample to fund pay-outs at 100% of average civil compensation to beneficiaries under the current scheme (contrary to what we were told as the legislation was passing through parliament), it appears that there would be additional money raised from the levy available to the scheme. This could fund a range of more generous support for sufferers, including potentially payments to those not currently covered by the scheme. At this stage we have not taken a decision on how best to deploy any surplus funding and would consult on the matter, but I remain well aware of the situation re T&N employees, and while there would of course be implications for the claw back of any state benefits received by them, the possibility of payments to them under the scheme is an option we would certainly consider as part of the consultation process.

I hope this is helpful.

Best wishes

Kate

Appendix B: The T&N UK Asbestos Trust Accounts for the period from 12 October 2013 to 11 October 2014

The UK Asbestos Trust

**Report and Financial Statements
for the year ended 11 October 2014**

The UK Asbestos Trust

Annual Report and Financial Statements for the year ended 11 October 2014

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The UK Asbestos Trust

Trustees and advisors for the year ended 11 October 2014

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment manager	BlackRock Investment Management (UK) Limited 33 King William Street London EC4R 9AS
Investment advisor	Buck Consultants Limited 44 Peter Street Manchester M2 5GP
Auditor	Hurst & Company Accountants LLP Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
Bankers	Allied Irish Bank Vantage Point Hardman Street Spinningfields Manchester M3 3PL
Solicitors	Weil Gotshal & Manges 110 Fetter Lane London EC4A 1AY
Administration office	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 2014

The Trustee presents their annual report and financial statements for the year ended 11 October 2014.

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 378 claims (358 against the T&N Asbestos Fund and 20 against the Chester Street Fund) and processed for payment 790 claims, of which 490 were second dividend payments (414 against the T&N Asbestos Fund and 76 against the Chester Street Fund). In total £7.1m was paid to claimants: £6.6m from the T&N Asbestos Fund and £0.5m from the Chester Street Fund. Contributions from the T&N EL Trust totalled £2.4m.

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 negotiations over the Hercules Insurance policy. 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 2014

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2014, 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 £	2014 Total £	2013 Total £
Contributions receivable	-	2,402,364	-	2,402,364	4,013,100
Compensation payments	(543,108)	(6,590,194)	-	(7,133,302)	(10,737,135)
Other claims payments	-	(549,368)	-	(549,368)	(541,873)
Administrative expenses	(11,409)	115,627	(339,120)	(234,902)	(146,614)
Net withdrawal	(554,517)	(4,621,571)	(339,120)	(5,515,208)	(7,412,522)
Investment income	2,349	7,261	362	9,972	6,899
Change in market value of investments	1,118,015	2,199,503	89,778	3,407,296	3,695,897
Net returns/(losses) on investments	1,120,364	2,206,764	90,140	3,417,268	3,702,796
Net (decrease)/increase in funds	565,847	(2,414,807)	(248,980)	(2,097,940)	(3,709,726)
Net assets at start of year	21,582,146	43,809,656	1,899,629	67,291,431	71,001,157
Net assets at end of year	22,147,993	41,394,849	1,650,649	65,193,491	67,291,431

The funds statement and net assets statement on pages 8 to 9 show that the values of the Trust's assets are £65,193,491 as at 11 October 2014 (2013: £67,291,431).

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

The decrease in compensation payments from £10,737,135 last year to £7,133,302 reflects the fall in claims received from the UK.

The net returns on investments of £3,417,268 (2013: £3,702,796) reflect the return on the underlying investment in the BlackRock fund and the reduction in the size of the Funds on which this is based.

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2014

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 during the year to 11 October 2014 and the results of the valuation have been incorporated into the dividend policies of the Trust with effect from 12 October 2014.

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

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2014

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 12 March 2015

**Independent auditors' report to the Trustee of The UK Asbestos Trust
for the year ended 11 October 2014**

We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2014 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 2014

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 2014 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 *16 March 2015*

The UK Asbestos Trust

Fund account for the year ended 11 October 2014

	Notes	2014		2013	
		£	£	£	£
Contributions and benefits					
Contributions receivable	2	2,402,364		4,013,100	
			2,402,364		4,013,100
Claims payable					
Compensation payments	3	(7,133,302)		(10,737,135)	
Other claims payments	3	(549,368)		(541,873)	
Administrative expenses	4	(234,902)		(146,614)	
			(7,917,572)		(11,425,622)
Net withdrawal			(5,515,208)		(7,412,522)
Returns on investment					
Investment income	5	9,972		6,899	
Change in market value of investments	6	3,407,296		3,695,897	
Net returns on investments			3,417,268		3,702,796
Net decrease in the fund	9		(2,097,940)		(3,709,726)
Net assets as at 12 October 2013	9		67,291,431		71,001,157
Net assets as at 11 October 2014	9		65,193,491		67,291,431

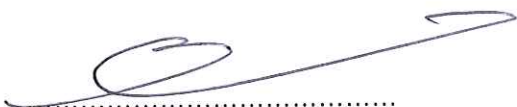
The notes on pages 10 to 14 form part of these financial statements.


The UK Asbestos Trust

Net asset statement As at 11 October 2014

	Notes	2014 £	2013 £
Fixed assets			
Investments	6	62,505,663	65,577,106
Current assets			
Cash at bank	7	2,696,228	1,722,125
		<u>2,696,228</u>	<u>1,722,125</u>
Creditors: amount falling due within one year	8	(8,400)	(7,800)
		<u>2,687,828</u>	<u>1,714,325</u>
Total assets less current liabilities		<u>65,193,491</u>	<u>67,291,431</u>
Financed by			
Chester Street Fund	9	22,147,993	21,582,146
T & N Fund	9	41,394,849	43,809,656
T & N Remuneration Fund	9	1,650,649	1,899,629
		<u>65,193,491</u>	<u>67,291,431</u>
Restricted Fund Reserve at 11 October 2014		<u>65,193,491</u>	<u>67,291,431</u>

These financial statements were approved by the Trustee on the 12 March 2015 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 14 form part of these financial statements.

1. ACCOUNTING POLICIES

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 and M&G Investment Management 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.

The UK Asbestos Trust

**Notes to the financial statements
for the year ended 11 October 2014**

2. CONTRIBUTIONS RECEIVABLE

	Chester Street Fund £	T & N Fund £	2014 Total £	2013 Total £
Claims contributions:				
EL Scheme	-	2,402,364	2,402,364	4,013,100
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions receivable	-	2,402,364	2,402,364	4,013,100
	<hr/>	<hr/>	<hr/>	<hr/>

3. CLAIMS PAYMENTS

	Chester Street Fund £	T & N Fund £	2014 Total £	2013 Total £
Payments to claimants:				
Legal costs	-	(461,099)	(461,099)	(384,552)
Medical costs	-	(88,269)	(88,269)	(157,321)
Issue fees	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(549,368)	(549,368)	(541,873)
Compensation – Initial Dividend	(142,108)	(4,624,626)	(4,766,734)	(6,912,287)
Compensation – Second Dividend	(401,000)	(1,965,568)	(2,366,568)	(3,824,848)
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	(543,108)	(6,590,194)	(7,133,302)	(10,737,135)
	<hr/>	<hr/>	<hr/>	<hr/>
	(543,108)	(7,139,562)	(7,682,670)	(11,279,008)
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The UK Asbestos Trust

Notes to the financial statements for the year ended 11 October 2014

4. ADMINISTRATIVE EXPENSES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2014 Total £	2013 Total £
Legal and professional fees	74,816	95,265	26,032	196,113	42,558
Second dividend search fees	-	420	-	420	3,499
Rebate on management fees	(132,222)	(247,709)	(10,178)	(390,109)	(421,603)
Irrecoverable VAT	15,751	22,342	4,814	42,907	12,999
Audit fee	2,800	4,200	-	7,000	6,500
Trust advisory committee	820	20	-	840	492
Insurance	2,790	4,185	-	6,975	6,975
Bank charges	-	395	-	395	345
Claim management and Trustee fees	46,169	4,352	318,452	368,973	493,242
Sundry	485	903	-	1,388	1,607
	<u>11,409</u>	<u>(115,627)</u>	<u>339,120</u>	<u>234,902</u>	<u>146,614</u>

5. INVESTMENT INCOME

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2014 Total £	2013 Total £
Bank interest received	344	3,252	362	3,958	6,899
Loan interest received	2,005	4,009	-	6,014	-
	<u>2,349</u>	<u>7,261</u>	<u>362</u>	<u>9,972</u>	<u>6,899</u>

6. INVESTMENTS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2014 Total £
Reconciliation				
Balance at 12 October 2013	21,392,526	42,387,879	1,796,701	65,577,106
Additions	882,089	1,764,172	-	2,646,261
Disposals	(1,575,000)	(7,150,000)	(400,000)	(9,125,000)
Change in market value	1,118,015	2,199,503	89,778	3,407,296
	<u>21,817,630</u>	<u>39,201,554</u>	<u>1,486,479</u>	<u>62,505,663</u>
Balance at 11 October 2014				

Notes to the financial statements
for the year ended 11 October 2014

6. INVESTMENTS (continued)

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.

	2014 Total %	2014 Total £	2013 Total %	2013 Total £
Details of investments held				
BlackRock Cautious Fund	95.2	59,499,033	99.5	65,276,746
M&G Real Estate Debt Funds	4.8	3,006,630	0.5	300,360
	100.0	62,505,663	100.0	65,577,106

7. CASH AT BANK

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2014 Total £	2013 Total £
Deposit accounts	333,345	2,198,713	164,170	2,696,228	1,722,125
	333,345	2,198,713	164,170	2,696,228	1,722,125

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Chester Street Fund £	T & N Fund £	2014 Total £	2013 Total £
Accruals and deferred income	3,360	5,040	8,400	7,800
	3,360	5,040	8,400	7,800

Notes to the financial statements
for the year ended 11 October 2014

9. RESTRICTED FUND RESERVES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2014 Total £
Balance as at 12 October 2013	21,582,146	43,809,656	1,899,629	67,291,431
Net increase/(decrease) in funds	565,847	(2,414,807)	(248,980)	(2,097,940)
Fund account movement	565,847	(2,414,807)	(248,980)	(2,097,940)
Balance as at 11 October 2014	22,147,993	41,394,849	1,650,649	65,193,491

10. RELATED PARTY TRANSACTIONS

During the year Claim management and Trustee fees of £361,720 (2013: £486,594) were paid to Zolfo Cooper LLP, in which one of the directors of the trustee company is also a member.

Independent Trustee fees of £7,253 (2013: £6,648) were paid to C Melton, a director of the trustee company.

11. SECOND DIVIDEND PAYMENTS

The Trust anticipates paying £2.4 million of second dividends in the financial year to 11 October 2015. 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.

Appendix C: The T&N EL Trust Accounts for the period from 12 October 2013 to 11 October 2014

T & N EL Scheme Trust

**Report and Financial Statements
for the year ended 11 October 2014**

T & N EL Scheme Trust

Annual Report and Financial Statements for the year ended 11 October 2014

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T & N EL Scheme Trust

Trustees and advisors for the year ended 11 October 2014

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment manager	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
Investment advisor	Buck Consultants Limited 44 Peter Street Manchester M2 5GP
Auditor	Hurst & Company Accountants LLP Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
Bankers	Allied Irish Bank Vantage Point Hardman Street Spinningfields Manchester M3 3PL
Solicitors	Weil Gotshal & Manges 110 Fetter Lane London EC4A 1AY
Administration office	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 2014

The Trustee presents its annual report and financial statements for the year ended 11 October 2014.

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 38 claims and processed for payment 93 claims, of which 67 were second dividend payments. In total £2.4m 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 negotiations over the Hercules Insurance policy. 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 2014

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2014, 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:

	2014 Total £	2013 Total £
Compensation payments	(2,406,627)	(4,295,615)
Administrative expenses	(255,025)	(291,179)
	<hr/>	<hr/>
Net withdrawal	(2,661,652)	(4,586,794)
Investment income	3,023	2,065
Change in market value of investments	783,367	958,990
	<hr/>	<hr/>
Net returns /(losses) on investments	786,390	961,055
Net (decrease)/increase in funds	(1,875,262)	(3,625,739)
Net assets at start of year	16,058,142	19,683,881
	<hr/>	<hr/>
Net assets at end of year	14,182,880	16,058,142
	<hr/>	<hr/>

The funds statement and net assets statement on pages 8 to 9 show that the value of the Trust's assets is £14,182,880 as at 11 October 2014 (2013: £16,058,142). The Trust achieved net gains on investments of £786,390 (2013: £961,055).

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

The change in the market value of investments of £783,367 (2013: £958,990) reflect the return on the underlying investment in the BlackRock fund and the reduction in the size of the Funds on which this is based.

T & N EL Scheme Trust

Trustee's annual report for the year ended 11 October 2014

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 during the year to 11 October 2014 and the results of the valuation have been incorporated into the dividend policies of the Trust with effect from 12 October 2014.

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

T & N EL Scheme Trust

Trustee's annual report for the year ended 11 October 2014

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 12 March 2015

T & N EL Scheme Trust

Independent auditor's report to the Trustee of T & N EL Scheme Trust for the year ended 11 October 2014

We have audited the financial statements of T & N EL Scheme Trust for the year ended 11 October 2014 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 2014

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 2014 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 16 March 2015

T & N EL Scheme Trust

**Fund account
for the year ended 11 October 2014**

		2014		2013	
	Notes	£	£	£	£
Claims payable					
Compensation payments	2	(2,406,627)		(4,295,615)	
Administration expenses	3	(255,025)		(291,179)	
			(2,661,652)		(4,586,794)
Net withdrawal			(2,661,652)		(4,586,794)
Returns on investments					
Investment income	4	3,023		2,065	
Change in market value of investments	5	783,367		958,990	
			786,390		961,055
Net decrease in the fund	8		(1,875,262)		(3,625,739)
Net assets as at 12 October 2013	8		16,058,142		19,683,881
Net assets as at 11 October 2014	8		14,182,880		16,058,142


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 2014

		2014		2013	
	Notes	£	£	£	£
Fixed assets					
Investments	5		13,463,343		15,422,891
Current assets					
Cash at bank	6	727,937		643,051	
		<u>727,937</u>		<u>643,051</u>	
Creditors: amount falling due within one year	7	(8,400)		(7,800)	
		<u>719,537</u>		<u>635,251</u>	
Total assets less current liabilities			<u>14,182,880</u>		<u>16,058,142</u>
Restricted Fund Reserve at 11 October 2014	8		<u>14,182,880</u>		<u>16,058,142</u>

These financial statements were approved by the Trustee on the 12 March 2015 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.

**Notes to the financial statements
for the year ended 11 October 2014**

1. ACCOUNTING POLICIES

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 and M&G Investment Management 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

	2014 £	2013 £
Claim Payments to UK Asbestos Trust – Initial	1,783,626	2,932,492
Claim Payments to UK Asbestos Trust - Second	623,001	1,363,123
	<hr/>	<hr/>
	2,406,627	4,295,615
	<hr/>	<hr/>

T & N EL Scheme Trust

Notes to the financial statements for the year ended 11 October 2014

3. ADMINISTRATIVE EXPENSES

	2014 £	2013 £
Legal and professional fees	121,646	31,362
Rebate on management fees	(86,582)	(108,640)
Second dividend search fees	526	1,013
Irrecoverable VAT	26,648	9,108
Audit fee	7,000	6,500
Insurance	4,565	4,565
Bank charges	30	-
Claim management and Trustee fees	180,398	346,219
Sundry	794	1,052
	<hr/>	<hr/>
	255,025	291,179
	<hr/>	<hr/>

4. INVESTMENT INCOME

	2014 £	2013 £
Bank interest received	1,019	2,065
Loan interest received	2,004	-
	<hr/>	<hr/>
	3,023	2,065
	<hr/>	<hr/>

T & N EL Scheme Trust

Notes to the financial statements for the year ended 11 October 2014

5. INVESTMENTS

	2014 £
Balance as at 12 October 2013	15,422,891
Additions	882,085
Disposals	(3,625,000)
Change in market value	783,367
	<hr/>
Balance as at 11 October 2014	13,463,343
	<hr/> <hr/>

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.

	2014 Total %	2014 Total £	2014 Total %	2013 Total £
Details of investments held				
Black Rock Cautious Fund	92.6	12,461,133	99.4	15,322,770
M&G Real Estate Debt Funds	7.4	1,002,210	0.6	100,121
	<hr/>	<hr/>	<hr/>	<hr/>
	100.0	13,463,343	100.0	15,422,891
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. CASH AT BANK

	2014 £	2013 £
Deposit accounts	727,937	643,051
	<hr/>	<hr/>
	727,937	643,051
	<hr/> <hr/>	<hr/> <hr/>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Accruals and deferred income	8,400	7,800
	<hr/>	<hr/>
	8,400	7,800
	<hr/> <hr/>	<hr/> <hr/>

8. RESTRICTED FUND RESERVES

	2014 Total £
Balance as at 12 October 2013	16,058,142
Fund account movement	(1,875,262)
	<hr/>
Balance as at 11 October 2014	14,182,880
	<hr/> <hr/>

9. RELATED PARTY TRANSACTIONS

During the year the Claims Management and Trustee fees of £175,651 (2013: £341,867) 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 £4,747 (2013: £4,352) 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.

10. SECOND DIVIDEND PAYMENTS

The Trust anticipates paying £132,000 of second dividends in the financial year to 11 October 2015. Second dividend payments are only made if the Trustee considers the forecast liabilities and investment performance of the Trust are in line with expectations.

The T&N Asbestos Trustee Company Limited
Suite 11b, MIOC, Styal Road, Manchester, M22 5WB

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