

The T&N UK Asbestos
Trust and
The T&N EL Trust
Trustee's Annual Report 2016

Contents

1. Introduction	1
1.1 Executive summary	1
1.2 The Trustee	2
1.3 Core objective	2
2. T&N Fund/T&N EL Trust Claims.....	3
2.1 Trust Claims analysis	3
2.2 Payments to Trust Claimants	3
2.3 Disease analysis	4
2.4 Trust Claims subject to Expert review process	4
2.5 Rejected claims	4
2.6 Cape Trust Claims	5
3. Chester Street Fund.....	5
4. Dividend policy/Actuarial review	6
5. Trusts' investments	6
5.1 Investment strategy	6
5.2 Funds held at year end	6
5.3 Investment performance	7
6. Hercules	7
7. Professional costs	8
8. Trusts' financial statements	8
9. Contact details	9

Appendices

Appendix A:	The T&N UK Asbestos Trust financial statements for the period from 12 October 2015 to 11 October 2016
Appendix B:	The T&N EL Trust financial statements for the period from 12 October 2015 to 11 October 2016
Appendix C:	Order of Chief Master Marsh dated 28 September 2016

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 tenth annual report issued by the Trustee. 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	136	129
T&N – Cape Trust Claims	152	153
Chester Street	109	106
Total	397	388

Note: Excludes second dividends

Payments to Trust Claimants can be summarised as follows:

£ million

T&N – first dividend	4.18
T&N – second dividend	0.54
T&N – Cape Trust Claims	0.89
Chester Street – first dividend	1.05
Chester Street – second dividend	0.24
T&N EL Trust – first dividend	1.68
T&N EL Trust – second dividend	-
Total	8.58

- ii The investment return during the past year was 1.2 %. This level of return was disappointing and continues the trend we have experienced over the past three years. Of greater concern is that the return from our major investment manager, BlackRock, was significantly less than its peer group. Over the past three years the returns from our two major managers can be summarised as follows:

BlackRock	1.0%
M&G	7.8%

The cumulative investment return over the past three years represents a significant shortfall against our actuarial model and it is unrealistic to expect that this will be recovered in future years.

We have discussed this situation with our investment advisers and have concluded that we need to review our investment strategy in the light of the returns we have experienced over the past three years.

- iii Under the terms of the TDP, the Trustee is obliged to commission a full actuarial review every five years. This review commenced at the end of the financial year and as a consequence, payments to Trust Claimants were suspended for a three month period. We will use this review as an opportunity to critically re-examine whether our assumptions on the many factors that determine dividend levels remain appropriate. However it is already clear to us that our previous investment return assumption is too optimistic and will require reduction. This factor, combined with the shortfall in investment returns over the past three years will, in all probability, lead to a significant reduction in future dividend levels.
- iv In our last report we provided details of the commutation of the Hercules Policy. Subsequent to the commutation we entered into a further set of complex negotiations with the US Asbestos Trust and the representatives of Chester Street Insurance Holdings – In Scheme of Arrangement (**Chester Street**). These negotiations resulted in a further agreement which substantially increased the dividend payment under the Hercules Policy from 2p/£ to 9p/£. This agreement involved the Trustee exercising discretion over matters generally seen as outside the powers of Trustee. As a consequence the Trustee was advised that it was appropriate to seek the consent of the Court. In particular it involved the Trustee varying the rights of future beneficiaries of the Trust. Clearly as the future beneficiaries cannot be known we consulted on this issue with their representatives. The Court consent was granted after a full hearing in front of Master Marsh on 28 September 2016 and a copy of the Order is included at Appendix C. We would like to place on record our appreciation of the professional and patient approach of the US Trustees and Chester Street to the negotiations and the eventual court approved agreement.

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. 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 Trust Claims against the above two Funds and excludes Chester Street Claims, which are shown in section 3 of this report.

2.1 Trust Claims analysis

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

Status	As at 11 October 2015	As at 11 October 2016
Paid	2,455	2,728
Awaiting further information from Trust Claimants	55	48
Pending issue of Admission Notice	24	-
Withdrawn	77	85
Rejected	217	238
Total	2,828	3,099

During the year the Trust received 152 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 £8.58 million was paid out in respect of Trust Claims. The total paid out during the first nine years was £79.6 million and can be summarised as follows:

£ million	As at 11 October 2015	Paid during year	As at 11 October 2016	% of total
Payments to Trust Claimants	66.06	8.00	74.06	93.0
Trust Claimants' legal fees	4.10	0.48	4.58	5.7
Trust Claimants' medical costs	0.83	0.10	0.93	1.2
Other	0.03	-	0.03	0.1
Total	71.02	8.58	79.60	100.00

2.3 Disease analysis

The Trust Claims during the first ten years of operations are analysed between disease types as follows:

Disease	Total claims %	Total claims % (excluding Cape)
Mesothelioma	36	51
Lung cancer	9	12
Asbestosis	45	22
Pleural thickening	7	11
Pleural plaques	3	4
Total	100	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 being in respect of asbestosis. In order to give a clearer perspective on the levels of disease types in the UK we have also shown the analysis excluding Cape Trust Claims.

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 ten years of the Trusts, 21 Trust Claims have been referred to the Expert.

2.5 Rejected claims

During the year 22 Trust Claims were rejected, making a total of 239 Trust Claims over the first ten years of operation. This represents 7.7% 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 2015	Activity	As at 11 October 2016
Failure to satisfy exposure criteria	62	12	74
Failure to satisfy medical criteria	54	3	57
No response to requests for further information	37	2	39
Trust Claimant had already been compensated in full	19	1	20
Exposure pre-1965 and not within Margereson/Hancock	21	2	23
Limitation grounds	17	2	19
Lung cancer not meeting Helsinki criteria	5	-	5
Other	2	-	2
Total	217	22	239

2.6 Cape Trust Claims

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

The T&N Fund continues to receive a significant number 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 the 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 Trust Claims of this nature.

During the year a further 152 Cape Trust Claims have been received. Payments to these Cape Trust Claimants total £0.6 million and associated medical and legal fees were £0.2 million. Since the inception of the Trusts a total of 1,047 Cape Trust Claims have been received. Payments to these Cape Trust Claimants totalled £5.14 million and medical and legal fees totalled £1.55 million.

During the year we have received a number of Cape household Trust Claims. After taking advice from David Allan QC these will have a further deduction of 50%, making a total deduction of 75%. As part of the actuarial review we will reassess the likely value of future Cape Trust Claims.

3. 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 ten years of the Trusts' operation can be summarised as follows:

Trust Claims	As at 11 October 2015	As at 11 October 2016
Paid/established	464	556
British Shipbuilders' settlement	2,219	2,219
Awaiting further information	3	8
Rejected	135	150
Total	2,821	2,933

During the year a total of £1.29 million has been paid out in respect of Chester Street Trust Claims.

During the year 6 Chester Street Trust Claims were rejected.

4. Dividend policy/Actuarial review

During the year dividend levels paid from the Trusts have remained unchanged.

Fund	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

5. Trusts' investments

5.1 Investment strategy

The Trustee continues to adopt a prudent investment policy whilst remaining conscious of the long-term nature of the Trusts which equates to the Trustee adopting an investment approach similar to an occupational pension scheme.

The Trusts' investments are currently held in two funds, the BlackRock Dynamic Diversified Growth Fund (**Blackrock**) and the M&G Real Estate Debt Fund (**M&G**). The BlackRock fund does not have a targeted rate of return but rather concentrates on an investment profile with moderate levels of risk. M&G is a more risky investment but we believe that the increased level of risk is warranted by the potential additional return. M&G accounts for 21% of the total Trust investments. Across the two Funds the overall level of risk remains low. The funds below include amounts relating to Federal-Mogul Friction Products (£2.1 million) and TBA Industrial Products (£0.6 million).

5.2 Funds held at year end

At the year end the Trusts held investment and cash as shown below:

Investment	Amount (£ million)	% of total
BlackRock	49.95	77
M&G	13.81	21
Cash	0.69	2
Total	64.45	100.0

Fund	Amount (£ million)
T&N Fund	29.72
FMFP Fund	2.08
TBA Fund	0.63
Remuneration Fund	0.90
T&N EL Trust	11.38
Chester Street Fund	19.74
Total	64.45

5.3 Investment performance

The performance of the Trusts' investments in BlackRock and M&G can be summarised as follows:

£ million	Valuation 11 October 2015	Investment/ (Withdrawals)	Investment returns	Valuation 11 October 2016
BlackRock	62.28	(11.50)	(0.83)	49.95
M&G	7.81	5.89	0.11	13.81
Total	70.09	(5.61)	(0.72)	63.76

During this year the return on the Trusts' investments with BlackRock not including fee rebates was a small loss of 0.7%. The annualised return over the last three years is 0.6%. The return on M&G during the past year was 7.8%. Across the two funds the average return during the past year was 1.2%, which does include fee rebates.

6. Hercules

In our report last year, we discussed the commutation of the Hercules Policy. This became legally binding on all parties in October 2015.

In accordance with the terms of the T&N Company Voluntary Arrangement (CVA), the gross commutation sum of £56.55 million was paid to the Hercules Payment Agents (two UK based Chartered Accountants). The funds could not be distributed to either the UK or US Asbestos Trusts until the issue of costs incurred in pursuing the Hercules Policy had been agreed. The UK Asbestos Trust was entitled to 11.9% of the net recoveries under the Hercules Policy. We estimated that after costs the amount available to the UK Asbestos Trust would have been as follows:

	Amount (£ million)
T&N Hercules Fund	1.80
Chester Street Hercules Fund	1.20
Total	3.00

Under the terms of the CVA all past and future Trust Claimants are entitled to a payment from the Hercules Recoveries. The settlement would have enabled a dividend of approximately 2p/£ to be paid.

In late 2015 we entered into further negotiations with the US Asbestos Trust involving both the Hercules Policy commutation proceeds and a potential surplus in the Chester Street Fund.

By way of background, the Chester Street Fund is governed by certain specific requirements. In particular the dividend payment level is tied to the dividend level being paid to T&N Trust Claimants (with a small adjustment because Chester Street Claims do not incur legal or medical costs). During the past ten years the payments out of the Chester Street Fund have been significantly less than assumed when the CVA was approved. The current balance of the Chester Street Fund is approximately £20 million compared with the original funding of £22 million. These circumstances were envisaged at the time of the CVA when the US Asbestos Trust insisted that any resulting surplus in the Chester Street Fund should be returned to them. They had effectively funded the payment into the Chester Street Fund at the inception of the Trusts. However the surplus can only be returned to the US Asbestos Trust when the UK Trustee, at its sole discretion, concludes that there are no realistic prospects of further Chester Street Claims being lodged.

In conjunction with our actuaries we reviewed the level of future Trust Claims and expenses out of the Chester Street Fund. We concluded that the Chester Street Fund would not be exhausted and that it would have a surplus with an estimated net present value of £12 million. However this surplus would not be available to the US Asbestos Trust until 2046 at the earliest.

After consultation with the representatives of Chester Street we agreed to exchange our rights to the Hercules Recoveries for their rights to the surplus in the Chester Street Fund. At the same time we also agreed to relinquish our rights to approve the costs incurred by the US Asbestos Trust in the pursuit of the Hercules reinsurers. Because of the significant legal principles involved, we were advised that this agreement required approval from the UK Court. Our application for consent was heard in two hearings. No objections were received and after consideration by Chief Master Marsh the Trustee was given consent to finalise the agreement with the US Asbestos Trust. The Order is attached at Appendix C of this report.

The effect of the agreement is to increase the dividend to Trust Claimants from 2p/£ to 9p/£. In order to provide some measure of prudence for Chester Street we agreed with the representatives of Chester Street that we would limit the first dividend payment to 2p/£ with the second dividend to be 7p/£. Trust Claimants whose claim are less than 5 year old will receive the second payment of 7p/£ five years after the payment of first dividend. Trust Claimants whose claims are more than 5 years old will receive the full 9p/£.

7. 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	84	169	5
Audit fees	4	3	7
Total	88	172	12

Claims management and Trustee fees incurred in the year to 11 October 2016 are as follows:

£000	
Chester Street Fund	186
T&N EL Trust	126
T&N Remuneration Fund	364

All these fees were paid to AlixPartners Services UK LLP.

The fees and costs incurred in respect of Section 6 above have been met by the Chester Street Fund.

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. A separate letter detailing the composition of the fees relating to those two funds will be sent to the Committee members.

8. Trusts' financial statements

Attached at Appendices A and B are copies of the Trust's financial statements for the period 12 October 2015 to 11 October 2016.

9. Contact details

The T&N Asbestos Trustee Company Limited

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

Telephone: (0) 161 838 4559

Fax: (0) 161 493 9488

Website: www.tandnasbestostrust.org

Email: acrichton@alixpartners.com

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

**Appendix A: The T&N UK Asbestos Trust financial statements for the period
from 12 October 2015 to 11 October 2016**

The UK Asbestos Trust

**Report and Financial Statements
for the year ended 11 October 2016**

The UK Asbestos Trust

Annual Report and Financial Statements for the year ended 11 October 2016

Contents	Page
Trustees and advisors	1
Trustee's annual report	2-5
Independent auditors' report to the Trustee of The UK Asbestos Trust	6-7
Fund account	8
Net asset statement	9
Notes to the financial statements	10-14

The UK Asbestos Trust

Trustees and advisors for the year ended 11 October 2016

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Willis Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment advisor	Jardine Lloyd Thompson Group plc Bond House The Bourse Boar Lane Leeds LS1 5EN
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 2016

The Trustee presents their annual report and financial statements for the year ended 11 October 2016.

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 362 claims (253 against the T&N Asbestos Fund and 109 against the Chester Street Fund) and processed for payment 864 claims, of which 512 were second dividend payments (374 against the T&N Asbestos Fund and 138 against the Chester Street Fund). In total £6.4m was paid to claimants: £5.1m from the T&N Asbestos Fund and £1.3m from the Chester Street Fund. Contributions from the T&N EL Trust totalled £1.7m.

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 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.

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2016

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2016, 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 £	2016 Total £	2015 Total £
Contributions receivable	-	1,676,509	-	1,676,509	1,214,564
Compensation payments	(1,293,900)	(5,090,645)	-	(6,384,545)	(7,172,770)
Other claims payments	(375)	(514,093)	-	(514,468)	(672,292)
Administrative expenses	(451,377)	(34,568)	(396,090)	(882,035)	(191,797)
Net withdrawal	(1,745,652)	(3,962,797)	(396,090)	(6,104,539)	(6,822,295)
Investment income	209,696	421,068	156	630,920	372,352
Change in market value of investments	(227,314)	(368,208)	(15,514)	(611,036)	406,035
Net returns/(losses) on investments	(17,618)	52,860	(15,358)	19,884	778,387
Net (decrease)/increase in funds	(1,763,270)	(3,909,937)	(411,448)	(6,084,655)	(6,043,908)
Net assets at start of year	21,498,188	36,336,350	1,315,045	59,149,583	65,193,491
Net assets at end of year	19,734,918	32,426,413	903,597	53,064,928	59,149,583

The funds statement and net assets statement on pages 8 to 9 show that the values of the Trust's assets are £53,064,928 as at 11 October 2016 (2015: £59,149,583).

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

The net returns on investments of £19,884 (2015: £778,387) reflects a combination of investment income and an increase in the value of the underlying investments. The significant reduction from the previous year primarily reflects the poor investment performance of some of the Trust's investments (see notes 5 and 6).

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2016

Dividend policy / Actuarial review

The dividend levels paid from the Trust have remained unchanged from last year and are shown below:

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

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. The Trustee is obliged to commission an actuarial valuation of these liabilities by the Trust Actuary every five years. In addition further valuations can be commissioned if the Trustee believes this is appropriate. The last valuation took place during the year to 11 October 2014 and the results of the valuation were incorporated into the dividend policies of the Trust with effect from 12 October 2014. A further valuation is scheduled for the next financial year.

Investment management

The Trustee currently delegates the day-to-day management of their investments to external investment managers, BlackRock Investment Management (UK) Limited and M&G Investment Management Ltd. 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 2016

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 22 March 2017

The UK Asbestos Trust

Independent auditors' report to the Trustee of The UK Asbestos Trust for the year ended 11 October 2016

We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2016 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 Trustee of The UK Asbestos Trust for the year ended 11 October 2016

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 2016 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 3 April 2017
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The UK Asbestos Trust

Fund account for the year ended 11 October 2016

	Notes	2016 £	£	2015 £	£
Contributions and benefits					
Contributions receivable	2	1,676,509		1,214,564	
			1,676,509		1,214,564
Claims payable					
Compensation payments	3	(6,384,545)		(7,172,770)	
Other claims payments	3	(514,468)		(672,292)	
Administrative expenses	4	(882,035)		(191,797)	
			(7,781,048)		(8,036,859)
Net withdrawal			(6,104,539)		(6,822,295)
Returns on investment					
Investment income	5	630,920		372,352	
Change in market value of investments	6	(611,036)		406,035	
Net returns on investments			19,884		778,387
Net decrease in the fund	9		(6,084,655)		(6,043,908)
Net assets as at 12 October 2015	9		59,149,583		65,193,491
Net assets as at 11 October 2016	9		53,064,928		59,149,583

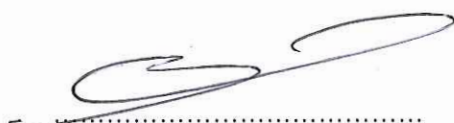
The notes on pages 10 to 14 form part of these financial statements.

The UK Asbestos Trust

Net asset statement As at 11 October 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	6	52,557,902		57,402,493	
Current assets					
Cash at bank	7	515,426		1,755,490	
		515,426		1,755,490	
Creditors: amount falling due within one year	8	(8,400)		(8,400)	
		507,026		1,747,090	
Total assets less current liabilities		53,064,928		59,149,583	
Financed by					
Chester Street Fund	9	19,734,918		21,498,188	
T & N Fund	9	32,426,413		36,336,350	
T & N Remuneration Fund	9	903,597		1,315,045	
Restricted Fund Reserve at 11 October 2016		53,064,928		59,149,583	

These financial statements were approved by the Trustee on the 22 March 2017 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.

The UK Asbestos Trust

Notes to the financial statements As at 11 October 2016

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 concurred 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. At that time the Directors estimated these liabilities at £108.0m. In total therefore, the Directors estimated 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 believed that it was inconceivable that the Trust (excluding the Chester Street Fund) would 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 2016**

2. CONTRIBUTIONS RECEIVABLE

	Chester Street Fund £	T & N Fund £	2016 Total £	2015 Total £
Claims contributions:				
EL Scheme	-	1,676,509	1,676,509	1,214,564
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions receivable	-	1,676,509	1,676,509	1,214,564
	<hr/>	<hr/>	<hr/>	<hr/>

3. CLAIMS PAYMENTS

	Chester Street Fund £	T & N Fund £	2016 Total £	2015 Total £
Compensation – Initial Dividend	(1,051,632)	(4,423,116)	(5,474,748)	(5,709,042)
Compensation – Second Dividend	(242,268)	(667,529)	(909,797)	(1,463,728)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,293,900)	(5,090,645)	(6,384,545)	(7,172,770)
Payments to claimants:				
Legal costs	(375)	(428,034)	(428,409)	(571,212)
Medical costs	-	(86,059)	(86,059)	(100,983)
Issue fees	-	-	-	(97)
	<hr/>	<hr/>	<hr/>	<hr/>
	(375)	(514,093)	(514,468)	(672,292)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,294,275)	(5,604,738)	(6,899,013)	(7,845,062)
	<hr/>	<hr/>	<hr/>	<hr/>

The UK Asbestos Trust

Notes to the financial statements
for the year ended 11 October 2016

4. ADMINISTRATIVE EXPENSES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2016 Total £	2015 Total £
Legal and professional fees	344,775	215,465	44,088	604,328	222,095
Second dividend search fees	-	1,240	-	1,240	1,940
Rebate on management fees	(150,440)	(250,244)	(10,630)	(411,314)	(601,842)
Irrecoverable VAT	47,273	47,102	8,580	102,955	49,658
Audit fee	2,800	4,200	-	7,000	7,000
Trust advisory committee	1,640	-	-	1,640	-
Insurance	4,851	9,703	-	14,554	14,136
Bank charges	-	621	-	621	610
Claim management and Trustee fees	198,887	3,300	354,052	556,239	494,822
Sundry	1,591	3,181	-	4,772	3,378
	<u>451,377</u>	<u>34,568</u>	<u>396,090</u>	<u>882,035</u>	<u>191,797</u>

5. INVESTMENT INCOME

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2016 Total £	2015 Total £
Bank interest received	474	2,625	156	3,255	4,803
M&G investment income	209,222	418,443	-	627,665	367,549
	<u>209,696</u>	<u>421,068</u>	<u>156</u>	<u>630,920</u>	<u>372,352</u>

6. INVESTMENTS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2016 Total £
Reconciliation				
Balance at 12 October 2015	21,008,916	35,118,590	1,274,987	57,402,493
Additions	1,472,148	2,944,297	-	4,416,445
Disposals	(2,575,000)	(5,600,000)	(475,000)	(8,650,000)
Change in market value	(227,314)	(368,208)	(15,514)	(611,036)
	<u>19,678,750</u>	<u>32,094,679</u>	<u>784,473</u>	<u>52,557,902</u>

The UK Asbestos Trust

Notes to the financial statements for the year ended 11 October 2016

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.

	2016 %	2016 £	2015 %	2015 £
Details of investments held				
BlackRock Diversified Growth Fund	80.3	42,199,755	89.8	51,542,231
M&G Real Estate Debt Funds	19.7	10,358,147	10.2	5,860,262
	<u>100.0</u>	<u>52,557,902</u>	<u>100.0</u>	<u>57,402,493</u>

7. CASH AT BANK

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2016 Total £	2015 Total £
Deposit accounts	59,616	336,684	119,126	515,426	1,755,490
	<u>59,616</u>	<u>336,684</u>	<u>119,126</u>	<u>515,426</u>	<u>1,755,490</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Chester Street Fund £	T & N Fund £	2016 Total £	2015 Total £
Accruals and deferred income	3,360	5,040	8,400	8,400
	<u>3,360</u>	<u>5,040</u>	<u>8,400</u>	<u>8,400</u>

The UK Asbestos Trust

Notes to the financial statements for the year ended 11 October 2016

9. RESTRICTED FUND RESERVES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2016 Total £
Balance as at 12 October 2015	21,498,188	36,336,350	1,315,045	59,149,583
Net increase/(decrease) in funds	(1,763,270)	(3,909,937)	(411,448)	(6,084,655)
Fund account movement	(1,763,270)	(3,909,937)	(411,448)	(6,084,655)
Balance as at 11 October 2016	19,734,918	32,426,413	903,597	53,064,928

10. RELATED PARTY TRANSACTIONS

During the year claims management and Trustee fees of £550,564 (2015: £486,322) were paid to AlixPartners Services UK LLP, in which one of the directors of the trustee company is also a member.

Independent Trustee fees of £5,675 (2015: £8,500) were paid to C Melton, a director of the trustee company.

11. REFUND ON CLAIM CONTRIBUTIONS

During the year £16,447 (2015: £198,540) was repaid in respect of the refund of claim contributions made in earlier years from other Funds. This amount has been netted off the 'Contributions Receivable from the EL Scheme' in Note 2 to the accounts.

**Appendix B: The T&N EL Trust financial statements for the period from 12
October 2015 to 11 October 2016**

T & N EL Scheme Trust

**Report and Financial Statements
for the year ended 11 October 2016**

T & N EL Scheme Trust

Annual Report and Financial Statements for the year ended 11 October 2016

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

T & N EL Scheme Trust

Trustees and advisors for the year ended 11 October 2016

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Willis Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment advisor	Jardine Lloyd Thompson Group plc Bond House The Bourse Boar Lane Leeds LS1 5EN
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 2016

The Trustee presents its annual report and financial statements for the year ended 11 October 2016.

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 35 claims and processed for payment 36 claims, of which 4 were second dividend payments. In total, £1.7m 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 Investment 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 2016

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2016, 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:

	2016 £	2015 £
Compensation payments	(1,681,019)	(1,216,268)
Administrative expenses	(134,627)	(58,431)
	<hr/>	<hr/>
Net withdrawal	(1,815,646)	(1,274,699)
Investment income	209,770	123,489
Change in market value of investments	(118,224)	69,300
	<hr/>	<hr/>
Net returns /(losses) on investments	91,546	192,789
Net (decrease)/increase in funds	(1,724,100)	(1,081,910)
Net assets at start of year	13,100,970	14,182,880
	<hr/>	<hr/>
Net assets at end of year	11,376,870	13,100,970
	<hr/>	<hr/>

The funds statement and net assets statement on pages 8 to 9 show that the value of the Trust's assets is £11,376,870 as at 11 October 2016 (2015: £13,100,970). The Trust achieved net gains on investments of £91,546 (2015: £192,789).

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

The net return on investments was £91,546 (2015: £192,789) and reflects a combination of investment income and an increase in the value of the underlying investments. The significant reduction from the previous year primarily reflects the poor investment performance of some of the Trust's investments (see notes 4 and 5).

T & N EL Scheme Trust

Trustee's annual report for the year ended 11 October 2016

Dividend policy / Actuarial review

The dividend levels paid from the Trust have remained unchanged from last year and are shown below:

Dividends (pence / £)			
Fund	Initial	Second	Total
T & N EL Trust	60	5	65

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, the Trustee is obliged to commission an actuarial valuation by the Trust Actuary every five years. In addition further valuations can be commissioned if the Trustee believes this is appropriate. 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. A further valuation is scheduled for the next financial year.

Investment management

The Trustee currently delegates the day-to-day management of their investments to external investment managers. BlackRock Investment Management (UK) Limited and M&G Investment Management Ltd. 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 2016

Statement of Trustee's responsibilities

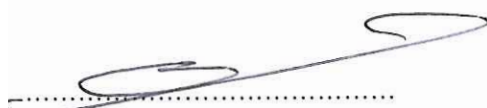
The audited financial statements are the responsibility of the Trustee. The Trust is governed by a Trust Deed which require the Trustee to make available to certain other parties audited financial statements for each Trust year which:

- 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



.....
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 22 March 2017

T & N EL Scheme Trust

Independent auditor's report to the Trustee of T & N EL Scheme Trust for the year ended 11 October 2016

We have audited the financial statements of T & N EL Scheme Trust for the year ended 11 October 2016 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 2016

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 2016 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 3 April 2017

T & N EL Scheme Trust

Fund account for the year ended 11 October 2016

	Notes	2016 £	£	2015 £	£
Claims payable					
Compensation payments	2	(1,618,279)		(1,163,074)	
Other claims payments	2	(62,740)		(53,194)	
Administration expenses	3	(134,627)		(58,431)	
			(1,815,646)		(1,274,699)
Net withdrawal			(1,815,646)		(1,274,699)
Returns on investments					
Investment income	4	209,770		123,489	
Change in market value of investments	5	(118,224)		69,300	
			91,546		192,789
Net returns/(losses) on investments					
Net decrease in the fund	8		(1,724,100)		(1,081,910)
Net assets as at 12 October 2015	8		13,100,970		14,182,880
Net assets as at 11 October 2016	8		11,376,870		13,100,970


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 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	5		11,200,166		12,696,240
Current assets					
Cash at bank	6	185,104		413,130	
		<u>185,104</u>		<u>413,130</u>	
Creditors: amount falling due within one year	7	<u>(8,400)</u>		<u>(8,400)</u>	
			176,704		404,730
Total assets less current liabilities			<u>11,376,870</u>		<u>13,100,970</u>
Restricted Fund Reserve at 11 October 2016	8		<u>11,376,870</u>		<u>13,100,970</u>

These financial statements were approved by the Trustee on the 22 March 2017 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.

T & N EL Scheme Trust

Notes to the financial statements for the year ended 11 October 2016

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 the Expert or accept the compensation offered.

2. COMPENSATION PAYMENTS

	2016 £	2015 £
Claim Payments to UK Asbestos Trust – Initial	1,618,139	1,087,028
Claim Payments to UK Asbestos Trust - Second	140	76,046
	<hr/>	<hr/>
	1,618,279	1,163,074
Payments to claimants:		
Legal costs	53,177	44,409
Medical costs	9,563	8,785
	<hr/>	<hr/>
	62,740	53,194
	<hr/>	<hr/>
	1,681,019	1,216,268
	<hr/> <hr/>	<hr/> <hr/>

T & N EL Scheme Trust

Notes to the financial statements for the year ended 11 October 2016

3. ADMINISTRATIVE EXPENSES

	2016 £	2015 £
Legal and professional fees	64,490	34,460
Rebate on management fees	(87,610)	(130,657)
Second dividend search fees	670	430
Irrecoverable VAT	15,961	9,176
Audit fee	7,000	7,000
Insurance	4,851	4,712
Bank charges	-	48
Claim management and Trustee fees	127,674	132,365
Sundry	1,591	897
	<u>134,627</u>	<u>58,431</u>

4. INVESTMENT INCOME

	2016 £	2015 £
Bank interest received	548	974
M&G investment income	209,222	122,515
	<u>209,770</u>	<u>123,489</u>

5. INVESTMENTS

	2016 £
Balance as at 12 October 2015	12,696,240
Additions	1,472,150
Disposals	(2,850,000)
Change in market value	(118,224)
Balance as at 11 October 2016	<u>11,200,166</u>

T & N EL Scheme Trust

Notes to the financial statements for the year ended 11 October 2016

5. 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.

	2016 %	2016 £	2015 %	2015 £
Details of investments held				
Black Rock Diversified Growth Fund	69.2	7,747,450	84.6	10,742,820
M&G Real Estate Debt Funds	30.8	3,452,716	15.4	1,953,420
	<u>100.0</u>	<u>11,200,166</u>	<u>100.0</u>	<u>12,696,240</u>

6. CASH AT BANK

	2016 £	2015 £
Deposit account	185,104	413,130
	<u>185,104</u>	<u>413,130</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Accruals	8,400	8,400
	<u>8,400</u>	<u>8,400</u>

8. RESTRICTED FUND RESERVES

	2016 £
Balance as at 12 October 2015	13,100,970
Fund account movement	(1,724,100)
	<u>11,376,870</u>
Balance as at 11 October 2016	

**Notes to the financial statements
for the year ended 11 October 2016**

9. RELATED PARTY TRANSACTIONS

During the year the claims management and Trustee fees of £125,549 (2015: £129,865) were paid to AlixPartners Services UK 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 £2,125 (2015: £2,500) 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. REFUND OF CLAIM CONTRIBUTIONS

During the year £16,447 (2015: £198,540) was received in respect of the refund of claim contributions made in earlier years to other Funds. This amount has been netted off the 'Claim Payments to UK Asbestos Trust – Initial Payments' disclosed in Note 2 to the accounts.

Appendix C: Order of Chief Master Marsh dated 28 September 2016

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

Before Chief Master Marsh

Dated 28 September 2016

Claim No. HC-2016-001884



HC-2016-001884

THE T&N ASBESTOS TRUSTEE COMPANY LIMITED

Claimant

ORDER

UPON the application of the Claimant by Part 8 Claim Form dated 24 June 2016

AND UPON HEARING Peter Arden QC and Anna Scharnetzky for the Claimant

AND UPON READING the first witness statement of James Gleave dated 24 March 2016, the second witness statement of James Gleave dated 9 June 2016 and the third witness statement of James Gleave dated 22 September 2016

IT IS ORDERED THAT:

1. The Claimant, as sole trustee of a trust (the "UK Asbestos Trust") established by a trust deed dated 10 October 2006 between T&N Limited, the Companies (as defined therein) and the Claimant (the "Trust Deed") for the purpose of paying holders of asbestos-related personal injury claims against T&N Limited and its affiliates, be permitted:

- (a) to exercise its powers under clauses 6 and 7 of the Trust Deed to enter into an agreement with the Federal-Mogul Asbestos Personal Injury Trust in the form annexed to this Order and marked "Appendix 1"; and
 - (b) to exercise its powers under clause 19 of the Trust Deed and clause 8 of the related trust distribution procedures (the "TDP") to amend the Trust Deed and TDP in the form or substantially the same form as shown in red in the versions of those documents annexed to this Order and marked as "Appendix 2" and "Appendix 3", respectively.
- 2. The Claimant's costs, as well as the Claimant's costs in relation to the related application made by Application Notice dated 24 March 2016, be paid as UK Asbestos Trust Costs pursuant to clause 17.3 of the Trust Deed.
 - 3. Formal service of this Order on any person is not required, but the Claimant shall as soon as reasonably practicable upload a copy of this Order onto its publicly accessible website <https://tandnasbestos.org.uk>.

The court has provided a sealed copy of this order to:

Solicitors for the Applicant

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