

The T&N UK Asbestos
Trust and
The T&N EL Trust
Trustee's Annual Report 2017

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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 five separate funds. Under the terms of the Trust Deed, these Funds must remain separate and cannot be co-mingled.

This report is the eleventh 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	87	74
T&N – Cape Trust Claims	222	211
EL Scheme	39	25
Chester Street	87	68
Total	435	378

Note: Excludes second dividends

Payments to Trust Claimants can be summarised as follows.

£ million

T&N – first dividend	2.88
T&N – Cape Trust Claims	0.43
Chester Street – first dividend	0.46
T&N EL Trust – first dividend	0.93
T&N Hercules – first dividend	0.77
T&N Hercules – second dividend	2.20
Chester Street Hercules – first dividend	0.25
Chester Street Hercules – second dividend	0.78
Total	8.70

- ii At the start of the financial year we completed a full actuarial review. Payments to Trust Claimants were suspended for a three month period but recommenced in January 2017. The results of the review are shown in Section 4 but in summary we concluded that, with the exception of the projected rate of return on our investments, the remaining assumptions were still broadly in line with our previous review. However, the projected rate of return was clearly out of line with current expectations and accordingly we reduced the return from 6% to 4%. This had a material effect on the payment levels and the new levels are as follows.

	First	Final	Total
T&N Asbestos Trust	20p/£	3p/£	23p/£
EL Fund	47p/£	3p/£	50p/£
FM Friction Products	70p/£	10p/£	80p/£
TBA Industrial Products	3p/£	-	3p/£

- iii During the year we conducted a full review of our investment strategy. The details are contained in Section 5. In summary, based on advice from our investment adviser, we broadened the range of our investments to four funds each with a distinct investment strategy. The investment return during the past year was just over 5%. This level of return was a significant improvement on previous years and is in excess of the projected rate of return implicit in our latest actuarial review.
- iv In our last report we provided details of the commutation of the Hercules Policy and subsequent court approved agreement with the US Trust and Chester Street. Subsequent to the court approval we consulted with Chester Street Insurance Holdings Limited – in Scheme of Arrangement with respect to the first and final payment levels. These are as follows

	First	Final	Total
Hercules	2p/£	7p/£	9p/£

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 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 eleven years of operation are summarised below:

Status	As at 11 October 2016	As at 11 October 2017
Paid	2,728	3,056
Awaiting further information from Trust Claimants	48	44
Pending issue of Admission Notice	-	3
Withdrawn	85	90
Rejected	238	249
Total	3,099	3,442

During the year the Trust received 222 Cape Trust Claims (see section 2.6), all but one of which have been paid or are awaiting payment. One Cape claim has been rejected.

2.2 Payments to Trust Claimants

During the year a total of £9.26 million was paid out in respect of Trust Claims. The total paid out during the first eleven years was £88.86 million and can be summarised as follows:

£ million	As at 11 October 2016	Paid during year	As at 11 October 2017	% of total
Payments to Trust Claimants	74.06	8.70	82.76	93.1
Trust Claimants' legal fees	4.58	0.46	5.04	5.6
Trust Claimants' medical costs	0.93	0.10	1.03	1.2
Other	0.03	-	0.03	0.1
Total	79.60	9.26	88.86	100.00

2.3 Disease analysis

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

Disease	Total claims %	Total claims % (excluding Cape)
Mesothelioma	35	51
Lung cancer	8	12
Asbestosis	47	21
Pleural thickening	7	11
Pleural plaques	3	5
Total	100	100

During the past six years the proportion of Trust Claims attributable to asbestosis has increased substantially. This is due to the vast majority of Cape Trust Claims being asbestosis related. 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 eleven years of the Trusts, 21 Trust Claims have been referred to the Expert.

2.5 Rejected claims

During the year, 12 Trust Claims were rejected, making a total of 249 rejected Trust Claims over the first eleven 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 2016	Activity	As at 11 October 2017
Failure to satisfy exposure criteria	73	5	78
Failure to satisfy medical criteria	57	1	58
No response to requests for further information	38	2	40
Trust Claimant had already been compensated in full	20	1	21
Exposure pre-1965 and not within Margereson/Hancock	23	-	23
Limitation grounds	19	2	21
Lung cancer not meeting Helsinki criteria	5	-	5
Other	2	1	3
Total	237	12	249

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 we have received a number of Cape household Trust Claims. After taking advice from David Allan QC these have been subject to a further deduction of 25%, making a total deduction of 75% from scheduled values.

During the year a further 222 Cape Trust Claims have been received. Payments to these Claimants total £0.43 million and associated medical and legal fees were £0.27 million. Since the inception of the Trusts a total of 1,369 Cape Trust Claims have been received. Payments to these Claimants totalled £5.57 million and associated medical and legal fees totalled £1.82 million.

3. Chester Street Fund

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 eleven years of the Trusts' operation can be summarised as follows:

Trust Claims	As at 11 October 2016	As at 11 October 2017
Paid/established	556	641
British Shipbuilders' settlement	2,219	2,219
Awaiting further information	8	3
Rejected/Withdrawn	150	157
Total	2,933	3,020

During the year a total of £0.46 million has been paid out in respect of Chester Street Trust Claims.

During the year, 2 Chester Street Trust Claims were rejected.

4. Hercules Fund

In our last report we provided details of the agreement we reached with the US Asbestos Trust and Chester Street with respect to commuting the Hercules policy. The effect of this agreement is to increase the estimated Hercules dividend from 2p/£ to 9p/£. In order to provide some measure of prudence for Chester Street we decided to limit the first dividend payment to 2p/£ with the second dividend to be 7p/£. Trust Claimants whose claim is less than 5 years old will receive the second payment of 7p/£ five years after the payment of the first dividend. Trust Claimants whose claims are more than 5 years old will receive the full 9p/£.

We have now made payments to all Claimants who submitted claims in years 1 to 6 of the Trusts. In total £3.14 million was paid to these Claimants. Having received this payment, this relieves the Trusts of any further obligation to these Claimants.

Following consultation with the Chester Street representatives we agreed that we would only transfer funds from Chester Street as and when funds were required to pay Hercules dividends. As a result, the Hercules Fund does not hold any long-term funds.

5. Dividend policy/Actuarial review

At the start of the financial year a full Actuarial Review was commissioned from our actuaries, Willis Towers Watson. This was in accordance with the terms of the Trust Deeds which require reviews on each fifth anniversary of the Trusts. Willis Towers Watson have conducted all previous reviews and have been involved with the Trusts since their inception. The highlights of the review were as follows

The current estimate for future claims is as follows (with comparatives from the last review).

Category (£m)	2013 Review	2016 Review	Difference
Employees – EL cover	31.2	30.3	(0.9)
Employees – No EL cover	32.3	39.7	7.4
Subrogated	13.5	11.3	(2.2)
Third Party	25.7	25.6	(0.1)
Cape	11.1	16.6	5.5
Product Liability	8.9	3.8	(5.1)
Total	122.7	127.3	4.6

By value, claims for mesothelioma still represent the vast majority of future claims, accounting for 70% of the total. Although Cape claims are large in number they only account for 13% by value.

In our last report we highlighted our concern about the rate of return on our investments. During the three years to 2016 the average rate of return was 2.6%. We consulted with both our actuaries and investment managers and concluded that in view of the current investment climate the assumption about the long-term rate of return on our investments was inappropriate. Accordingly, we have now reduced this from 6% to 4%. The effect on the dividend was significant. As an example, this factor on its own was responsible for a reduction in the total T&N Fund dividend from 30p/£ to 23p/£.

Based on the updated actuarial review and our amended estimate of the investment return we have implemented the following dividend rates with effect for all claims received after 11 October 2016 when claims were temporarily suspended.

Fund	Initial	Second	Total
T&N EL Trust	47	3	50
T&N Fund	20	3	23
Chester Street Fund	23	3	26
TBA Industrial Products	3	-	3
Federal-Mogul Friction Products	70	10	80
T&N Chester Street Fund	2	7	9

6. Trusts' investments

6.1 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. As a consequence of the actuarial review and after advice from our investment advisers we concluded that it was appropriate to broaden our range of investment. In addition to our two current investment funds we interviewed a further four investment managers. After these interviews we decided that it was appropriate to retain five investment managers as follows

- Blackrock Dynamic Diversified Growth (**BDGG**)
- Blackrock Strategic Alternative Income Fund (**BSAIF**)
- M&G Real Estate Debt Fund (**M&G**)
- Invesco Global Targeted Returns Fund (**Invesco**)
- Pictet Dynamic Asset Allocation Fund (**Pictet**)

In broad terms our strategy is to reduce the amount of funds held by the BDGG and use some of the funds realised to increase the amount in BSAIF. The M&G Real Estate Fund is a closed fund and is currently returning funds to investors. We understand that M&G are looking to establish some similar funds in the future.

6.2 Funds held at year end

At the end of the year our funds were held in the following investments:

£m.	Total	%
Blackrock Dynamic Diversified Growth	15.03	25
Blackrock Strategic Alternative Income	0.88	1
M&G Real Estate Debt Fund	8.93	15
Invesco Perpetual	9.88	17
Pictet	20.51	35
Cash	3.91	7
Total	59.14	100

The analysis of cash and investments by Fund is as follows:

Fund	Amount (£ million)
T&N Fund	29.15
FMFP Fund	1.55
TBA Fund	0.48
Remuneration Fund	0.72
T&N EL Trust	11.43
Chester Street Fund	15.81
Total	59.14

6.3 Investment performance

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

£ million	Valuation 11 October 2016	Investment/ (Withdrawals)	Investment returns	Valuation 11 October 2017
BlackRock BDGG	49.95	(36.30)	1.38	15.03
BlackRock BSAIF	-	0.88	-	0.88
M&G	13.81	(6.19)	1.31	8.93
Pictet	-	20.00	0.51	20.51
Invesco	-	10.00	(0.12)	9.88
Cash	0.70	3.21	-	3.91
Total	64.46	(8.40)	3.08	59.14

During this year the return quoted by the investment managers on the Trusts' investments was as follows:

	%
BlackRock BDGG	5.8
M&G	9.0
Pictet (invested from March 2017)	2.5
Invesco Perpetual (invested from May 2017)	(0.1)

The weighted average return was just over 5% which is in excess of the return we have used in our actuarial model. The BSAIF investment was entered into just before the year end and so has been reflected at par.

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	14	46	8
Audit fees	4	3	7
Total	18	49	15

Claims management and Trustee fees incurred in the year to 11 October 2017 are as follows:

£000	2017	2016
Chester Street Fund	151	186
T&N EL Scheme Trust	153	126
T&N Remuneration Fund	337	364
Total	641	676

All these fees were paid to 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. Approval is required from the appropriate Trust Advisory Committee and an analysis of fees will be sent in a separate letter.

8. Trusts' financial statements

Attached at Appendices A and B are copies of the Trusts' financial statements for the period 12 October 2016 to 11 October 2017.

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 2016 to 11 October 2017**

The UK Asbestos Trust

Report and Financial Statements

for the year ended 11 October 2017

The UK Asbestos Trust

Annual Report and Financial Statements for the year ended 11 October 2017

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The UK Asbestos Trust

Trustees and advisors for the year ended 11 October 2017

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
Investment manager	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL

The UK Asbestos Trust

**Trustees and advisors
for the year ended 11 October 2017**

Investment manager (continued)

M&G Investment Management Limited
Laurence Pountney Hill
London
EC4R 0HH

Invesco Asset Management Limited
30 Finsbury Square
London
EC2A 1AG

Pictet Asset Management Limited
Moor House Level 11
120 London Wall
London
EC2Y 5ET

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2017

The Trustee presents their annual report and financial statements for the year ended 11 October 2017.

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 five funds: the T&N Asbestos Fund, the Chester Street Fund, the T&N Remuneration Fund, the T&N Hercules Fund and the Chester Street Hercules 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 435 claims (348 against the T&N Asbestos Fund and 87 against the Chester Street Fund) and processed for payment 577 claims, of which 223 were second dividend payments (184 against the T&N Asbestos Fund and 39 against the Chester Street Fund). In total £3.8m was paid to claimants: £3.3m from the T&N Asbestos Fund and £0.5m from the Chester Street Fund. Contributions from the T&N EL Trust totalled £0.3m.

The Hercules Funds were established during the year and an additional 1,108 payments were made (837 from the T&N Hercules Fund and 271 from the Chester Street Hercules Fund). In total £4.0m was paid to claimants: £3.0m from the T&N Hercules Fund and £1.0m from the Chester Street Hercules Fund.

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 its day to day responsibilities to a dedicated claims agreement team based in Manchester. However they reserve to themselves all strategic decisions as well as certain specific matters including claims rejection, investment strategy and tax. The Directors of the Trustee 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 2017

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2017, as set out on pages 9 to 15 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 £	Chester Street Hercules Fund £	T&N Fund £	T&N Hercules Fund £	T&N Remun'n Fund £	2017 Total £	2016 Total £
Contributions receivable	-		1,081,983		-	1,081,983	1,676,509
Hercules funding	(4,016,766)	1,033,090	-	2,983,676		-	-
Compensation payments	(459,093)	(1,033,090)	(3,306,362)	(2,971,726)	-	(7,770,271)	(6,384,545)
Other claims payments	-	-	(511,171)	(11,950)	-	(523,121)	(514,468)
Administrative expenses	(208,618)	-	21,470	-	(210,018)	(397,166)	(882,035)
Net withdrawal	(4,684,477)	-	(2,714,080)	-	(210,018)	(7,608,575)	(6,104,539)
Investment income	328,397	-	656,636	-	35	985,068	630,920
Change in market value of investments	419,902	-	813,473	-	29,835	1,263,210	(611,036)
Net returns/(losses) on investments	748,299	-	1,470,109	-	29,870	2,248,278	19,884
Net (decrease)/increase in funds	(3,936,178)	-	(1,243,971)	-	(180,148)	(5,360,297)	(6,084,655)
Net assets at start of year	19,734,918	-	32,426,413	-	903,597	53,064,928	59,149,583
Net assets at end of year	15,798,740	-	31,182,442	-	723,449	47,704,631	53,064,928

The funds statement and net assets statement on pages 9 to 10 show that the values of the Trust's assets are £47,704,631 as at 11 October 2017 (2016: £53,064,928).

Further details of the financial developments of the Trust may be found in the audited financial statements on pages 9 to 15.

The net returns on investments of £2,248,278 (2016: £19,884) is a combination of investment income and the increase in the value of the underlying investments. The significant improvement in investment returns reflects the stronger performance of the Trust's investments (see notes 5 and 6).

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2017

Dividend policy / Actuarial review

The dividend levels paid from the Trust changed on the 12 October 2016. The revised dividend levels are shown below:

Fund	Dividends (pence / £)		
	Initial	Second	Total
T&N Fund	20	3	23
Chester Street Fund	23	3	26
TBA Industrial Products	3	-	3
Federal - Mogul Friction Products	70	10	80
Hercules	2	7	9

The financial statements set out on pages 9 to 15 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 2016 and the results of the valuation have been incorporated into the dividend policies of the Trust with effect from 12 October 2016.

Investment management

The Trustee delegates the day-to-day management of their investments to external investment managers, BlackRock Investment Management (UK) Limited, M&G Investment Management Ltd, Invesco Asset Management Limited and Pictet Asset Management 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 2017

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 20 March 2018

**Independent auditors' report to the Trustee of The UK Asbestos Trust
for the year ended 11 October 2017**

Opinion

We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2017 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.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Trustee's Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

The UK Asbestos Trust

Independent auditors' report to the Trustee of The UK Asbestos Trust for the year ended 11 October 2017

Responsibilities of trustees

As described in the statement of Trustee's responsibilities on page 6, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our auditors' report.

Hurst & Company Accountants LLP

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

Date *26 March 2018*

The UK Asbestos Trust

Fund account for the year ended 11 October 2017

	Notes	2017 £	£	2016 £	£
Contributions and benefits					
Contributions receivable	2	1,081,983		1,676,509	
			1,081,983		1,676,509
Claims payable					
Compensation payments	3	(7,770,271)		(6,384,545)	
Other claims payments	3	(523,121)		(514,468)	
Administrative expenses	4	(397,166)		(882,035)	
			(8,690,558)		(7,781,048)
Net withdrawal			(7,608,575)		(6,104,539)
Returns on investment					
Investment income	5	985,068		630,920	
Change in market value of investments	6	1,263,210		(611,036)	
Net returns on investments			2,248,278		19,884
Net decrease in the fund	9		(5,360,297)		(6,084,655)
Net assets as at 12 October 2016	9		53,064,928		59,149,583
Net assets as at 11 October 2017	9		47,704,631		53,064,928

The notes on pages 11 to 15 form part of these financial statements.

The UK Asbestos Trust

Net asset statement As at 11 October 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	6		44,845,670		52,557,902
Current assets					
Cash at bank	7	2,867,661		515,426	
		<u>2,867,661</u>		<u>515,426</u>	
Creditors: amount falling due within one year	8	(8,700)		(8,400)	
		<u>2,858,961</u>		<u>507,026</u>	
Total assets less current liabilities		<u>47,704,631</u>		<u>53,064,928</u>	
Financed by					
Chester Street Fund	9	15,798,740		19,734,918	
T&N Fund	9	31,182,442		32,426,413	
T&N Remuneration Fund	9	723,449		903,597	
		<u>47,704,631</u>		<u>53,064,928</u>	
Restricted Fund Reserve at 11 October 2017		<u>47,704,631</u>		<u>53,064,928</u>	

These financial statements were approved by the Trustee on the 20 March 2018 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 11 to 15 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, M&G Investment Management Limited, Invesco Asset Management Limited and Pictet Asset 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.

Notes to the financial statements
for the year ended 11 October 2017

2. CONTRIBUTIONS RECEIVABLE

	Chester Street Fund £	T&N Fund £	2017 Total £	2016 Total £
Claims contributions: EL Scheme	-	1,081,983	1,081,983	1,676,509
Total contributions receivable	-	1,081,983	1,081,983	1,676,509

3. CLAIMS PAYMENTS

	Chester Street Fund £	Chester Street Hercules Fund £	T&N Fund £	T&N Hercules Fund £	2017 Total £	2016 Total £
Compensation: Initial Dividend	(459,093)	(986,294)	(3,349,538)	(322,476)	(5,117,401)	(5,474,748)
Second Dividend	-	(46,796)	43,176	(2,649,250)	(2,652,870)	(909,797)
	(459,093)	(1,033,090)	(3,306,362)	(2,971,726)	(7,770,271)	(6,384,545)
Payments to claimants:						
Legal costs	-	-	(412,270)	(11,950)	(424,220)	(428,409)
Medical costs	-	-	(98,901)	-	(98,901)	(86,059)
	-	-	(511,171)	(11,950)	(523,121)	(514,468)
	(459,093)	(1,033,090)	(3,817,533)	(2,983,676)	(8,293,392)	(6,899,013)

Notes to the financial statements
for the year ended 11 October 2017

4. ADMINISTRATIVE EXPENSES

	Chester Street Fund £	T&N Fund £	T&N Remuneration Fund £	2017 Total £	2016 Total £
Legal and professional fees	157,697	168,964	(123,841)	202,820	604,328
Second dividend search fees	-	4,130	-	4,130	1,240
Rebate on management fees	(145,714)	(274,987)	(13,654)	(434,355)	(411,314)
Irrecoverable VAT	34,495	58,474	-	92,969	102,955
Audit fee	2,333	4,917	-	7,250	7,000
Trust advisory committee	656	-	-	656	1,640
Insurance	4,951	9,901	-	14,852	14,554
Bank charges	-	384	-	384	621
Claim management and Trustee fees	152,606	3,500	347,513	503,619	556,239
Sundry	1,594	3,247	-	4,841	4,772
	<u>208,618</u>	<u>(21,470)</u>	<u>210,018</u>	<u>397,166</u>	<u>882,035</u>

5. INVESTMENT INCOME

	Chester Street Fund £	T&N Fund £	T&N Remuneration Fund £	2017 Total £	2016 Total £
Bank interest received	374	591	35	1,000	3,255
M&G investment income	328,022	656,046	-	984,068	627,665
	<u>328,396</u>	<u>656,637</u>	<u>35</u>	<u>985,068</u>	<u>630,920</u>

6. INVESTMENTS

	Chester Street Fund £	T&N Fund £	T&N Remuneration Fund £	2017 Total £
Reconciliation				
Balance at 12 October 2016	19,678,750	32,094,679	784,473	52,557,902
Additions	8,627,983	16,368,120	523,674	25,519,777
Disposals	(13,561,465)	(20,235,080)	(698,674)	(34,495,219)
Change in market value	419,902	813,470	29,838	1,263,210
	<u>15,165,170</u>	<u>29,041,189</u>	<u>639,311</u>	<u>44,845,670</u>

Notes to the financial statements
for the year ended 11 October 2017

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.

	2017 %	2017	2016 %	2016
Details of investments held				
BlackRock Diversified Growth Fund	27.4	12,303,892	80.3	42,199,755
BlackRock Strategic Alternative Income Fund	1.5	658,307	-	-
M&G Real Estate Debt Funds	14.9	6,699,119	19.7	10,358,147
Invesco Perpetual Global Targeted Returns Fund	18.3	8,188,115	-	-
Pictet Dynamic Asset Allocation Fund	37.9	16,996,237	-	-
	100.0	44,845,670	100.0	52,557,907

7. CASH AT BANK

	Chester Street Fund £	T&N Fund £	T&N Remuneration Fund £	2017 Total £	2016 Total £
Deposit accounts	637,068	2,146,451	84,142	2,867,661	515,426
	637,068	2,146,451	84,142	2,867,661	515,426

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Chester Street Fund £	T&N Fund £	2017 Total £	2016 Total £
Accruals and deferred income	3,480	5,220	8,700	8,400
	3,480	5,220	8,700	8,400

Notes to the financial statements
for the year ended 11 October 2017

9. RESTRICTED FUND RESERVES

	Chester Street Fund £	T&N Fund £	T&N Remuneration Fund £	2017 Total £
Balance as at 12 October 2016	19,734,918	32,426,413	903,597	53,064,928
Net increase/ (decrease) in funds	(3,936,178)	(1,243,971)	(180,148)	(5,360,297)
Fund account movement	(3,936,178)	(1,243,971)	(180,148)	(5,360,297)
Balance as at 11 October 2017	15,798,740	31,182,442	723,449	47,704,631

10. RELATED PARTY TRANSACTIONS

During the year claims management and Trustee fees of £498,369 (2016: £550,564) were paid to AlixPartners Services UK LLP, in which one of the directors of the Trustee company was a member of until 31 December 2016.

Independent Trustee fees of £5,250 (2016: £5,675) were paid to C Melton, a director of the trustee company.

11. REFUND ON CLAIM CONTRIBUTIONS

During the year £nil (2016: £16,447) was repaid in respect of the refund of claim contributions made in earlier years from other Funds. In 2016 this amount was 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 2016 to 11 October 2017**

T&N EL Scheme Trust

Report and Financial Statements

for the year ended 11 October 2017

T&N EL Scheme Trust

**Annual Report and Financial Statements
for the year ended 11 October 2017**

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T&N EL Scheme Trust

**Trustees and advisors
for the year ended 11 October 2017**

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
Investment manager	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL

T&N EL Scheme Trust

**Trustees and advisors
for the year ended 11 October 2017**

Investment manager (continued)

M&G Investment Management Limited
Laurence Pountney Hill
London
EC4R 0HH

Invesco Asset Management Limited
30 Finsbury Square
London
EC2A 1AG

Pictet Asset Management Limited
Moor House Level 11
120 London Wall
London
EC2Y 5ET

T&N EL Scheme Trust
Trustee's annual report
for the year ended 11 October 2017

The Trustee presents its annual report and financial statements for the year ended 11 October 2017.

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 37 claims and processed for payment 24 claims, of which 4 were second dividend payments. In total, £0.3m 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 2017

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2017, as set out on pages 9 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:

	2017 £	2016 £
Compensation payments	(330,214)	(1,681,019)
Administrative expenses	(199,269)	(134,627)
	<hr/>	<hr/>
Net withdrawal	(529,483)	(1,815,646)
Investment income	328,467	209,770
Change in market value of investments	245,271	(118,224)
	<hr/>	<hr/>
Net returns on investments	573,738	91,546
Net (decrease)/increase in funds	44,255	(1,724,100)
Net assets at start of year	11,376,870	13,100,970
	<hr/>	<hr/>
Net assets at end of year	11,421,125	11,376,870
	<hr/> <hr/>	<hr/> <hr/>

The funds statement and net assets statement on pages 9 to 10 show that the value of the Trust's assets is £11,421,125 as at 11 October 2017 (2016: £11,376,870). The Trust achieved net gains on investments of £573,738 (2016: £91,546).

Further details of the financial developments of the scheme may be found in the audited financial statements on pages 9 to 14.

The net return on investments was £573,738 (2016: £91,546) which reflects a combination of investment income and an increase in the value of the underlying investments. The significant improvement in investment returns reflects the stronger performance 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 2017

Dividend policy / Actuarial review

The dividend levels paid from the Trust changed on the 12 October 2016. The revised dividend levels are shown below:

Fund	Dividends (pence / £)		
	Initial	Second	Total
T&N EL Trust	47	3	50

The financial statements set out on pages 9 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 2016 and the results of the valuation have been incorporated into the dividend policies of the Trust with effect from 12 October 2016.

Investment management

The Trustee delegates the day-to-day management of their investments to external investment managers. BlackRock Investment Management (UK) Limited, M&G Investment Management Ltd, Invesco Asset Management Limited and Pictet Asset Management 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 2017**

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 20 March 2018

T&N EL Scheme Trust

Independent auditor's report to the Trustee of T&N EL Scheme Trust for the year ended 11 October 2017

Opinion

We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2017 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.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the Trustee's Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

T&N EL Scheme Trust

Independent auditor's report to the Trustee of T&N EL Scheme Trust for the year ended 11 October 2017

Responsibilities of trustees

As described in the statement of Trustee's responsibilities on page 6, 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our auditors' report.

Hurst & Company Accountants LLP

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

Date *26 March 2018*

T&N EL Scheme Trust

Fund account for the year ended 11 October 2017

	Notes	2017 £	£	2016 £	£
Claims payable					
Compensation payments	2	(280,967)		(1,618,279)	
Other claims payments	2	(49,247)		(62,740)	
Administration expenses	3	(199,269)		(134,627)	
			(529,483)		(1,815,646)
Net withdrawal			(529,483)		(1,815,646)
Returns on investments					
Investment income	4	328,467		209,770	
Change in market value of investments	5	245,271		(118,224)	
			573,738		91,546
Net increase/(decrease) in the fund	8		44,255		(1,724,100)
Net assets as at 12 October 2016	8		11,376,870		13,100,970
Net assets as at 11 October 2017	8		11,421,125		11,376,870

The notes on pages 11 to 14 form part of these financial statements.

T&N EL Scheme Trust

Net asset statement As at 11 October 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	5		10,386,955		11,200,166
Current assets					
Cash at bank	6	1,042,870		185,104	
		<u>1,042,870</u>		<u>185,104</u>	
Creditors: amount falling due within one year	7	(8,700)		(8,400)	
		<u>1,034,170</u>		<u>176,704</u>	
Total assets less current liabilities		<u>11,421,125</u>		<u>11,376,870</u>	
Restricted Fund Reserve at 11 October 2017	8	<u>11,421,125</u>		<u>11,376,870</u>	

These financial statements were approved by the Trustee on the 20 March 2018 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 11 to 14 form part of these financial statements

T&N EL Scheme Trust

Notes to the financial statements As at 11 October 2017

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

All investment assets, excluding the Black Rock Strategic Alternative Income Fund which is stated at cost, are stated at market values provided by BlackRock Investment Management (UK) Limited, M&G Investment Management Limited, Invesco Asset Management Limited and Pictet Asset 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

	2017 £	2016 £
Claim Payments to UK Asbestos Trust – Initial	1,032,497	1,618,139
Claim Payments to UK Asbestos Trust - Second	-	140
Contribution received from Zurich for a claim	(100,945)	-
Refunds settled through BlackRock rebates	(650,585)	-
	<hr/> 280,967	<hr/> 1,618,279
Payments to claimants:		
Legal costs	39,994	53,177
Medical costs	9,253	9,563
	<hr/> 49,247	<hr/> 62,740
	<hr/> 330,214	<hr/> 1,681,019

T&N EL Scheme Trust

Notes to the financial statements As at 11 October 2017

3. ADMINISTRATIVE EXPENSES

	2017 £	2016 £
Legal and professional fees	92,599	64,490
Rebate on management fees	(106,338)	(87,610)
Second dividend search fees	840	670
Irrecoverable VAT	24,292	15,961
Audit fee	7,250	7,000
Insurance	4,951	4,851
Bank charges	-	-
Claim management and Trustee fees	155,211	127,674
Sundry	20,464	1,591
	<u>199,269</u>	<u>134,627</u>

4. INVESTMENT INCOME

	2017 £	2016 £
Bank interest received	445	548
M&G investment income	328,022	209,222
	<u>328,467</u>	<u>209,770</u>

5. INVESTMENTS

	2017 £
Balance as at 12 October 2016	11,200,166
Additions	5,357,968
Disposals	(6,416,450)
Change in market value	245,271
	<u>10,386,955</u>
Balance as at 11 October 2017	

T&N EL Scheme Trust

**Notes to the financial statements
As at 11 October 2017**

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.

	2017 %	2017 £	2016 %	2016 £
Details of investments held				
BlackRock Diversified Growth Fund	26.3	2,729,210	69.2	7,747,450
BlackRock Strategic Alternative Income Fund	2.1	219,436	-	-
M&G Real Estate Debt Funds	21.5	2,233,040	30.8	3,452,716
Invseco Perpetual Global Targeted Returns Fund	16.3	1,692,374	-	-
Pictet Dynamic Asset Allocation Fund	33.8	3,512,895	-	-
	100.0	10,386,955	100.0	11,200,166

6. CASH AT BANK

	2017 £	2016 £
Deposit account	1,042,870	185,104
	1,042,870	185,104

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Accruals	8,700	8,400
	8,700	8,400

T&N EL Scheme Trust

**Notes to the financial statements
As at 11 October 2017**

8. RESTRICTED FUND RESERVES

	2017 £
Balance as at 12 October 2016	11,376,870
Fund account movement	44,255
	<hr/>
Balance as at 11 October 2017	11,421,125
	<hr/>

9. RELATED PARTY TRANSACTIONS

During the year the claims management and Trustee fees of £153,461 (2016: £125,549) were paid to AlixPartners Services UK LLP relating to the claims processing team in which one of the directors of the Trustee company was a member of until 31 December 2016.

Independent Trustee fees of £1,750 (2016: £2,125) 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 £nil (2016: £16,447) was received in respect of the refund of claim contributions made in earlier years to other Funds. In 2016 this amount was netted off the 'Claim Payments to UK Asbestos Trust – Initial Payments' disclosed in Note 2 to the accounts.

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