

The T&N UK Asbestos
Trust and
The T&N EL Trust
Trustee's Annual Report 2011

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1 Introduction

1.1 Executive summary

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

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

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

The highlights of the report are as follows:

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

	Received	Paid/Settled
T&N	149	156
T&N - Cape Type	129	129
Chester Street - claims	41	39
Chester Street - Shipbuilders' settlement	2,219	2,219
Total	2,538	2,543

Payments to Trust Claimants can be summarised as follows:

	£ million
T&N	2.31
T&N - Cape Type	0.75
Chester Street	2.43
T&N EL Trust	3.12
	8.61

- ii The investment return during the past year has been poor, with an overall loss of 1.6%. The poor performance was a consequence of the difficult economic conditions experienced during the year which impacted virtually all investment sectors. Since the year end performance has improved and the losses incurred to October 2011 have been eliminated.
- iii We continue to emphasise the sensitivity of dividend rates to the incidence of product liability claims (PL claims). During the past year the amount paid out in respect of PL claims was in line with our actuarial forecasts and accordingly we have not seen any requirement to amend the dividend levels. This trend has continued into the following year. We closely monitor the incidence of this type of claim on an ongoing basis. This is discussed more fully in section 2.7.

- iv With effect from 11 October 2011 the Trustee has implemented a new matrix of loss values for the expedited review process. Further to this, maximum claim values have been increased as well as legal fees. These have been prepared following advice from David Allan QC and are intended to reflect the current position within the UK legal system. Further details are shown in section 9.

1.2 The Trustee

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

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

1.3 Core objective

The Core Objective of the Trusts is broadly to allow Trust claimants to receive a payment (or payments) from the appropriate fund or funds which:

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

2 T&N fund/EL fund claims

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

2.1 Claims analysis

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

Status	As at 11 October 2010	As at 11 October 2011
Paid	963	1,248
Awaiting further information from Trust claimant	60	45
Pending issue of Admission Notice	24	6
Subject to Expert review process	3	-
'Cape Type' Claims	-	-
Withdrawn	55	65
Rejected	141	160
Total	1,246	1,524

During the year the Trust received 129 'Cape Type' claims (see 2.6) and paid all of them.

2.2 Payments to Trust claimants

During the year a total of £6.75 million was paid out in respect of claims against the Trusts. The total paid out during the first five years is £30.25 million and can be summarised as follows:

£ million	At 11 October 2010	Paid during year	At 11 October 2011	% of total
Payments to Trust claimants	21.43	6.18	27.61	91.27
Trust claimants' legal fees	1.74	0.46	2.20	7.27
Trust claimants' medical costs	0.30	0.11	0.41	1.36
Other	0.03	-	0.03	0.10
Total	23.50	6.75	30.25	100.00

Significantly greater sums were paid during the year in comparison with previous years primarily because of the large increase in the level of dividend, which took effect from the start of the year. This level of payments is in line with our actuarial forecasts.

2.3 Disease analysis

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

Disease	% total claims
Mesothelioma	36
Lung cancer	10
Asbestosis	43
Pleural thickening	11
Total	100

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

2.4 Claims subject to Expert review process

In the last year, two claims have been referred to the Expert. The reason for the referrals and the result of the Expert's review are as follows:

Reason for referral	Expert outcome
Litigation risk discount	Reduced discount
Rejected by Trustee	Accepted - judgment not fully satisfied by prior payment

In total, during the first five years of the Trusts, 20 claims have been referred to the Expert.

2.5 Rejected claims

Nineteen claims have been rejected during the year, making a total of 160 claims over the first five years of operation. All rejected claims are reviewed and discussed in detail at a meeting of the Trustee. A detailed explanation of the reason for rejection is provided to the Trust claimant at the time of rejection.

The reasons for rejection are shown below:

Reason for rejection	As at 11 October 2010	Activity	As at 11 October 2011
Failure to satisfy medical criteria	48	-	48
No response to requests for further information	23	6	29
Failure to satisfy exposure criteria	27	9	36
Trust claimant had already been compensated in full	16	2	18
Exposure to asbestos prior to 1965 and did not fall within the Margereson/Hancock judgment	11	2	13
Limitation grounds	9	-	9
Lung cancer not meeting Helsinki criteria	5	-	5
Other	2	-	2
Total	141	19	160

2.6 'Cape Type' claims

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

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

A total of 226 'Cape Type' claims have been received originating from India. All claims have been accepted and paid. Payments to these claimants totalled £638,000. Medical and legal fees totalled £373,000.

The overall amount paid out in respect of 'Cape Type' claims remains within the parameters of the Trustee's last actuarial review and accordingly there is currently no requirement to amend the Trusts' dividend rates.

The litigation risk discount of 50% applied to the claims initially only applied to claims determined under the Expedited Review process. However the Trustee concluded that this was an anomaly and during the year it was determined to be appropriate to extend the same discount to 'Cape Type' claims determined under the Individual Review process. To date no 'Cape Type' claimant has opted for Individual Review.

2.7 Product liability claims

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

	Number of claims
2007	-
2008	4
2009	7
2010	13
2011	19
Total	43

The increasing number of annual PL claims is self-evident.

The T&N Trust paid out £0.5 million in respect of PL claims in the year to 11 October 2011, making a total of £0.9 million since the inception of the Trust.

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

The incidence of PL claims remains of significant concern, particularly as the Trusts appear to be the only major defendant paying PL claims. We understand that few if any other defendants are pursued because of the significant litigation risk and, therefore, cost risk associated with this type of case. All PL claims, whether progressing by Expedited or Individual Review are subject to a discount of 50%.

3 Dividend policy

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

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

The EL Fund now pays a dividend of 100p/£ and refunds have been made to those funds that originally contributed to claims which have been impacted by the increase. The refunds made during the year were £830,000 to the T&N Fund, £568,000 to Federal-Mogul Friction Products and £420,000 to TBA Industrial Products.

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

4 Chester Street Fund

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

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

Investment	As at 11 October 2010	As at 11 October 2011
Paid/established	245	284
British Shipbuilders' settlement	-	2,219
Awaiting further information	42	3
Rejected	74	115
Total	361	2,621

During the year a total of £0.4 million has been paid out in respect of compensation payments (excluding the lump sum settlement discussed below).

The main reason for rejecting claims has been a failure to satisfy the exposure criteria.

During the year the Trustee concluded negotiations with British Shipbuilders for a lump sum settlement of all claims relating to the period from the date of administration (1 October 2001) to 31 July 2010. The Trust made a payment of £2 million in respect of all British Shipbuilders claims for this period. In addition British Shipbuilders agreed to forego all rights to any additional dividend. The agreement encompasses 2,219 claims. All future claims will be processed on an individual basis in the usual manner.

British Shipbuilders' claims represent a significant proportion of Chester Street claims. All claims relating to all prior periods have been settled in a previous lump sum settlement.

5 Trust fund investments

5.1 Investment strategy

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

This fund does not have a targeted rate of return but rather concentrates on an investment profile with moderate levels of risk.

5.2 Funds held at year end

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

Investment (£ million)	Amount	% of total
Blackrock Cautious Portfolio Fund	94.22	97
Bank deposit accounts	2.65	3
Total	96.87	100

5.3 Investment performance

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

£ million	Valuation 11 Oct 2010	Additions	withdrawals	Investment returns	Valuation 11 Oct 2011
T&N Fund	52.39	1.83	(3.65)	(0.85)	49.72
Chester Street Fund	22.61		(2.25)	(0.30)	20.06
EL Fund	27.54		(4.98)	(0.35)	22.21
T&N Remuneration Fund	-	2.90	(0.55)	(0.12)	2.23
Total	102.54	4.73	(11.43)	(1.62)	94.22

The T&N Fund includes amounts relating to Federal-Mogul Friction Products (£2.6 million) and TBA Industrial Products (£2.2 million).

During the year the return on the Trusts' Investments was a loss of 1.6%. The past year has seen diminutions in values in almost all asset classes reflecting market conditions.

The Trustee considered the loss made by the Fund Manager during the year and reflected on the moderate risk profile set out in the strategy. As a consequence the Trustee asked its investment adviser (Mercers) to conduct a comparative review of the Fund Manager. The investment adviser concluded that, considering the adverse market conditions, the Fund Manager performance was better than average return from funds with similar risk profiles. This provided some comfort to the Trustee and accordingly we continued the Fund Managers' mandate. Since the end of the year the performance of the Fund has improved and the losses incurred last year have now been entirely recouped.

6 Hercules

The T&N Asbestos Trust is entitled to 11.9% of any recovery under the Hercules Reinsurance Policy, with the US Asbestos Trust being entitled to the remainder. The Policy has a face value of £500 million. Under the terms of the Trust Deed, the US Asbestos Trust has the primary responsibility for pursuing recoveries under the Policy. During the year we have held a number of meetings and conference calls with the US Asbestos Trustees and their legal representatives. We have discussed with them their potential legal strategies and it is clear that they have now become more focussed on this issue. We are now more confident that we will see some progress during the following year.

7 Tax status

In our last report we indicated the steps the Trustee had taken to endeavour to secure a tax exempt status for the Trust Funds. These efforts culminated in a commitment from the Chancellor of Exchequer, contained in the June 2010 Emergency Budget, to exempt the Trusts from all the taxation. In December 2010 this commitment was enacted in law with the passing of the Finance Act 2010.

8 Closure of the Federal Mogul CVAs

During the year the supervisors of the Federal Mogul CVAs concluded that they should commence the closure procedures for the CVAs. Two consequences flowed from this decision.

- i In 2009 the supervisors of the CVAs and the Trustee had agreed that it was appropriate to transfer a significant proportion of the remaining funds in the CVAs to the Trust (approximately £25 million). At this stage the remaining tax liabilities within the CVAs had not been finalised and it was agreed that any funds necessary would be returned to the CVAs when the tax liability was finalised. On finalising the tax liabilities £1.2 million was transferred back to the CVAs from the Trust to meet the obligation.
- ii Under the terms of the T&N CVAs, on the closure of the CVA any remaining balance in the Remuneration Reserve must be transferred to the T&N Asbestos Trust and thereafter falls to be administered by the Trustee. The rationale for this condition is that once the CVAs are closed, the supervisors cease to have any power to administer the Remuneration Reserve. The terms of the CVA specify that these funds must be segregated, are not available to meet claims and can only be used to pay the administration costs of the Trust. The Remuneration Reserve is now designated as the T&N Remuneration Fund. The balance transferred to the Trust was £2.9 million.

9 TDP changes

With effect from 17 March 2011 the Trustee decided, having considered the advice of David Allan QC, that all PL claims should be discounted by 50% to reflect the high degree of litigation risk.

With effect from 11 October 2011 the following further changes became effective.

- a As a result of the five year review, a revised schedule for Expedited Review claims has been implemented. This impacts both the scheduled claim value and the maximum claim value.

The details are as follows:

- i Trust and EL Claims made under the laws of England, Wales, Northern Ireland and Scotland (save for Trust Claims concerning deceased Injured Persons where Asbestos Disease (Levels I, II or III) was causative of death).

£		Expedited review value	Maximum value
Mesothelioma		120,000	288,000
Lung cancer		100,000	230,000
Asbestosis:	Mild	29,000	58,000
	Moderate	58,000	115,000
	Severe	92,000	230,000
Diffuse pleural thickening:	Mild	20,000	46,000
	Moderate	40,000	92,000
	Severe	70,000	173,000

- ii Trust and EL Claims concerning deceased Injured Persons which are made under the laws of England, Wales and Northern Ireland where Asbestos Disease (Levels I, II or III) was causative of death.

£	Expedited review value	Maximum value
Mesothelioma	130,000	315,000
Lung cancer	110,000	260,000
Severe asbestosis	104,000	260,000

- iii Trust and EL Claims concerning deceased Injured Persons which are made under the laws of Scotland where Asbestos Disease (Levels I, II or III) was causative of death.

£	Expedited review value	Maximum value
Mesothelioma	160,000	358,000
Lung cancer	128,000	304,000
Severe asbestosis	128,000	304,000

- b Increase in legal costs:

The £500 cap in Clauses 3.4.6(a) and 5.2.3(a) shall be increased to £575 and the £5,000 overall maximum in Clauses 3.4.6 and 5.2.3 shall be increased to £5,750.

- c The Trustees have the option to discount 'Cape Type' claims by 50% when they proceed by Individual Review. This treatment has been adopted for 'Cape Type' claims under the Expedited Review process.

10 Professional costs

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

£000	T&N	Chester St	EL
Legal fees	61	17	33
Audit fees	4	3	7
Total	65	20	40

Trustee and claims administration fees in respect of the Chester Street Fund and EL Trust are drawn from the relevant Fund and approval is required from the appropriate Trust Advisory Committee. The fees incurred in the year to October 2011 are as follows:

£000	
Chester Street Fund	208
T&N EL Trust	280
T&N Remuneration Fund	357

All these fees are paid to Zolfo Cooper LLP.

11 Trust Funds accounts

Attached at Appendices A and B are copies of the Trust accounts for the period 12 October 2010 to 11 October 2011.

12 Contact details

The T&N Asbestos Trustee Company Limited

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Manchester International Office Centre
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M22 5WB

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Fax: 0161 493 9488
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Should you wish to discuss any aspect of this report or obtain further copies, please do not hesitate to contact us.

**The T&N UK Asbestos Trust Accounts for the period
from 12 October 2010 to 11 October 2011**

Appendix A

The UK Asbestos Trust

**Report and Financial Statements
for the year ended 11 October 2011**

The UK Asbestos Trust

Annual Report and Financial Statements for the year ended 11 October 2011

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The UK Asbestos Trust

**Trustees and advisors
for the year ended 11 October 2011**

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment manager	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
Investment advisor	Mercer 1 Whitehall Whitehall Road Leeds LS1 4HR
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	SNR Denton 1 Fleet Place London EC4M 7WS
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 2011

The Trustee presents its annual report and financial statements for the year ended 11 October 2011.

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 2,506 claims (245 against the T&N Asbestos Fund and 2,261 against the Chester Street Fund) and processed for payment 2,520 claims (260 against the T&N Asbestos Fund and 2,260 against the Chester Street Fund). In total £6.8m was paid to claimants: £4.4m from the T&N Asbestos Fund and £2.4m from the Chester Street Fund. Contributions from the T&N EL Trust and other funds totalled £3.1m.

In 2011 the supervisors of the T&N CVA concluded that this CVA was nearing closure. One consequence was that, in accordance with terms of the CVA, the supervisors were obliged to transfer the balance in the remuneration reserve to the T&N Asbestos Trust. The balance at the date of transfer was approximately £3m and the Trustee is now empowered to administer these funds. The terms of the CVA specify that these funds must be retained in a segregated fund and can only be used to pay the administration costs of the Trusts and any residual administrative costs of the CVA. In the event that the Fund has a surplus at the closure of the Trust, this must be returned to the FM Group and is not available to meet asbestos claims.

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.

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

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2011

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2011, 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 £	2011 Total £	2010 Total £
Contributions receivable	-	3,048,534	-	3,048,534	1,800,219
Transfer of Remuneration Fund	-	-	3,010,092	3,010,092	-
Compensation payments	(2,434,540)	(4,350,694)	-	(6,785,234)	(5,969,966)
Other claims payments	(7,152)	(576,042)	-	(583,194)	(637,429)
Administrative expenses	(41,333)	368,393	(598,256)	(271,196)	(1,160,785)
Net (withdrawal)/additions	(2,483,025)	(1,509,809)	2,411,836	(1,580,998)	(5,967,961)
Investment income	1,596	7,430	1,062	10,088	30,638
Change in market value of investments	(296,268)	(852,316)	(115,428)	(1,264,012)	6,185,011
Net (losses)/returns on investments	(294,672)	(844,886)	(114,366)	(1,253,924)	6,215,649
Net (decrease)/increase in funds	(2,777,697)	(2,354,695)	2,297,470	(2,834,922)	247,688
Net assets at start of year	23,171,564	53,630,691	-	76,802,255	76,554,567
Net assets at end of year	20,393,867	51,275,996	2,297,470	73,967,333	76,802,255

The funds statement and net assets statement on pages 8 to 9 show that the values of the trust's assets are £73,967,333 as at 11 October 2011 (2010: £76,802,255).

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

The increase in compensation payments from £6.0m last year to £6.8m is partially as a result of the increased dividend which applied to all claims paid from 12 October 2010.

The net losses on investments of £1.26m (2010: £6.2m net gain) have occurred due to the difficult conditions in the financial markets which have been experienced during the year.

The UK Asbestos Trust

Trustee's annual report for the year ended 11 October 2011

Actuarial review

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

Investment management

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

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

Further information

Enquiries about the 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 2011**

Statement of Trustee's responsibilities

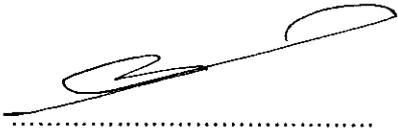
The audited financial statements are the responsibility of the Trustee. The Trust is governed by a Trust Deed which requires the Trustee to make available to certain other parties audited financial statements for each Trust year which:

- 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 10 APRIL 2012

**Independent auditors' report to the Trustee of The UK Asbestos Trust
for the year ended 11 October 2011**

We have audited the financial statements of The UK Asbestos Trust for the year ended 11 October 2011 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 trustees 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.

Independent auditors' report to the Trustees of The UK Asbestos Trust
for the year ended 11 October 2011

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 2011 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 Trustee's 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 *18 April 2012*

The UK Asbestos Trust

Fund account
for the year ended 11 October 2011

	Notes	2011		2010	
		£	£	£	£
Contributions and benefits					
Contributions receivable	2	3,048,534		1,800,219	
			3,048,534		1,800,219
Transfer of Remuneration Fund					
	3	3,010,092		-	
			3,010,092		-
Claims payable					
Compensation payments	4	(6,785,234)		(5,969,966)	
Other claims payments	4	(583,194)		(637,429)	
Administrative expenses	5	(271,196)		(1,160,785)	
			(7,639,624)		(7,768,180)
Net withdrawal			(1,580,998)		(5,967,961)
Returns on investment					
Investment income	6	10,088		30,638	
Change in market value of investments	7	(1,264,012)		6,185,011	
Net returns on investments			(1,253,924)		6,215,649
Net (decrease)/increase in the fund	11		(2,834,922)		247,688
Net assets as at 12 October 2010	11		76,802,255		76,554,567
Net assets as at 11 October 2011	11		73,967,333		76,802,255

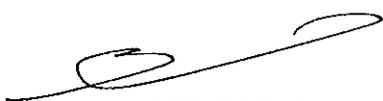
The notes on pages 10 to 14 form part of these financial statements.

The UK Asbestos Trust

Net asset statement
As at 11 October 2011

	Notes	2011		2010	
		£	£	£	£
Fixed assets					
Investments	7		72,009,404		74,999,410
Current assets					
Debtors	8	37,449		-	
Cash at bank	9	1,928,280		1,810,483	
			1,965,729		1,810,483
Creditors: amount falling due within one year	10	(7,800)		(7,638)	
			1,957,929		1,802,845
Total assets less current liabilities			73,967,333		76,802,255
Financed by					
Chester Street Fund	11		20,393,867		23,171,564
T & N Fund	11		51,275,996		53,630,691
T & N Remuneration Fund	11		2,297,470		-
Restricted Fund Reserve at 11 October 2011			73,967,333		76,802,255

These financial statements were approved by the Trustee on the 10 APRIL 2012 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

1. ACCOUNTING POLICIES

1.1 Basis of accounting

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

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

Accounting policies

The principal accounting policies are set out below.

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

Investment assets and income

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

Asbestos liabilities

The UK Asbestos Trust was established as a consequence of the approval of Company Voluntary Arrangements (CVAs) for the Federal Mogul Group of companies. The CVAs provided a mechanism for paying all asbestos liabilities, both current and future, of the Federal Mogul Group (excluding asbestos claims originating in the USA). 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 2011

2. CONTRIBUTIONS RECEIVABLE

	Chester Street Fund £	T & N Fund £	2011 Total £	2010 Total £
Claims contributions:				
EL Scheme	-	3,048,534	3,048,534	1,744,211
FM Bradford	-	-	-	14,006
Unclaimed dividends from CVA	-	-	-	42,002
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions receivable	-	3,048,534	3,048,534	1,800,219
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3. TRANSFER OF REMUNERATION FUND

In accordance with Clause 32.3, following the closing procedures for the T&N CVA the Remuneration Reserve which formed part of the CVA arrangement was transferred to the UK Asbestos Trustee on 31 March 2011. This transfer of assets is to be held in a separate fund and designated the Remuneration Fund.

4. CLAIMS PAYMENTS

	Chester Street Fund £	T & N Fund £	2011 Total £	2010 Total £
Payments to claimants:				
Legal costs	(6,635)	(464,428)	(471,063)	(493,182)
Medical costs	-	(111,364)	(111,364)	(143,782)
Issue fees	(517)	(250)	(767)	(465)
	<hr/>	<hr/>	<hr/>	<hr/>
	(7,152)	(576,042)	(583,194)	(637,429)
Compensation	(2,434,540)	(6,178,418)	(8,612,958)	(5,969,966)
Indemnity rebate from EL Fund	-	1,827,724	1,827,724	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,434,540)	(4,350,694)	(6,785,234)	(5,969,966)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	(2,441,692)	(4,926,736)	(7,368,428)	(6,607,395)

Indemnity Rebate from EL Fund

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

The UK Asbestos Trust

Notes to the financial statements
for the year ended 11 October 2011

5. ADMINISTRATIVE EXPENSES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £	2010 Total £
Legal and professional fees	17,651	61,043	63,817	142,511	742,588
CVA fees	-	-	135,988	135,988	-
Rebate on management fees	(215,308)	(464,401)	(13,590)	(693,299)	(32,775)
Irrecoverable VAT	5,381	15,617	(22,255)	(1,257)	112,830
Audit fee	2,600	3,900	-	6,500	7,638
Trust advisory committee	700	259	-	959	1,463
Insurance	5,696	8,545	-	14,241	26,831
Bank charges	45	475	35	555	70
Trustee fees	223,975	5,214	434,261	663,450	299,792
Sundry	593	955	-	1,548	2,348
	<u>41,333</u>	<u>(368,393)</u>	<u>598,256</u>	<u>271,196</u>	<u>1,160,785</u>

6. INVESTMENT INCOME

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £	2010 Total £
Bank interest received	1,596	7,430	1,062	10,088	30,638
	<u>1,596</u>	<u>7,430</u>	<u>1,062</u>	<u>10,088</u>	<u>30,638</u>

Notes to the financial statements
for the year ended 11 October 2011

7. INVESTMENTS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £
BlackRock reconciliation				
Balance at 12 October 2010	22,610,008	52,389,402	-	74,999,410
Transferred in at 31 March 2011			2,896,282	2,896,282
Additions	-	1,827,724	-	1,827,724
Disposals	(2,250,000)	(3,650,000)	(550,000)	(6,450,000)
Change in market value	(296,268)	(852,315)	(115,428)	(1,264,011)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 11 October 2011	20,063,740	49,714,812	2,230,854	72,009,404
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2011 Total %	2011 Total £	2010 Total %	2010 Total £
Details of investments held				
BlackRock Cautious Fund	100.0	72,009,404	100.0	74,999,410
	<hr/>	<hr/>	<hr/>	<hr/>

8. DEBTORS

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £	2010 Total £
VAT receivable	-	-	37,449	37,449	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	37,449	37,449	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

9. CASH AT BANK

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £	2010 Total £
Deposit accounts	333,247	1,565,865	29,168	1,928,280	1,810,483
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	333,247	1,565,865	29,168	1,928,280	1,810,483
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements
for the year ended 11 October 2011

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Chester Street Fund £	T & N Fund £	2011 Total £	2010 Total £
Accruals and deferred income	3,120	4,680	7,800	7,638
	<u>3,120</u>	<u>4,680</u>	<u>7,800</u>	<u>7,638</u>

11. RESTRICTED FUND RESERVES

	Chester Street Fund £	T & N Fund £	T & N Remuneration Fund £	2011 Total £
Balance as at 12 October 2010	23,171,564	53,630,691	-	76,802,255
Transfer in	-	-	3,010,092	3,010,092
Net decrease in funds	(2,777,697)	(2,354,695)	(712,622)	(5,845,014)
Fund account movement	<u>(2,777,697)</u>	<u>(2,354,695)</u>	<u>2,297,470</u>	<u>(2,834,922)</u>
Balance as at 11 October 2011	<u>20,393,867</u>	<u>51,275,996</u>	<u>2,297,470</u>	<u>73,967,333</u>

12. RELATED PARTY TRANSACTIONS

During the year Trustee fees of £262,598 (2010: £280,998) were paid to Zolfo Cooper LLP, in which one of the directors of the trustee company is also a partner.

Independent Trustee fees of £7,148 (2010: £17,495) were paid to C Melton, a director of the trustee company.

13. POST BALANCE SHEET EVENTS

During 2009 the Supervisors of the Federal Mogul CVAs transferred approximately £25m to the Trust. This transfer represented all the funds in the CVAs which were not required for the immediate payment of creditor claims. At this time only one significant issue was outstanding in the CVAs which was the resolution of several complex tax issues. The supervisors and the Trustee agreed that full amount of the surplus could be transferred to the Trust provided that once the tax issues were resolved the Trust would reimburse the CVAs for the agreed settlement with HMRC. In January the tax issues were resolved and this resulted in a reimbursement of £1.2million.

**The T&N EL Trust Accounts for the period from
12 October 2010 to 11 October 2011**

Appendix B

T & N EL Scheme Trust

Report and Financial Statements

for the year ended 11 October 2011

T & N EL Scheme Trust

**Annual Report and Financial Statements
for the year ended 11 October 2011**

Contents	Page
Trustee 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 2011**

Trustee	The T & N Asbestos Trustee Company Limited
Actuary	Towers Watson Saddlers Court 64-74 East Street Epsom Surrey KT17 1HB
Investment manager	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
Investment advisor	Mercer 1 Whitehall Whitehall Road Leeds LS1 4HR
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	SNR Denton 1 Fleet Place London EC4M 7WS
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 2011

The Trustee presents its annual report and financial statements for the year ended 11 October 2011.

Introduction

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

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

Recent developments

During the year the Trust received 34 claims and processed for payment 33 claims. In total £3.1m was paid to claimants.

Management of the Trust

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

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

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

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

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

T & N EL Scheme Trust

Trustee's annual report for the year ended 11 October 2011

Financial development of the Trust

The financial statements of the Trust for the year ended 11 October 2011, 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:

	2011 Total £	2010 Total £
Compensation payments	(3,124,140)	(1,744,211)
Indemnity rights dividend	-	(1,614,900)
Refund of claim contributions	(1,827,724)	-
Administrative expenses	(98,786)	(604,619)
	<hr/>	<hr/>
Net (withdrawal)/additions	(5,050,650)	(3,963,730)
Investment income	1,821	13,542
Change in market value of investments	(354,183)	2,368,837
	<hr/>	<hr/>
Net returns /(losses) on investments	(352,362)	2,382,379
Net (decrease)/increase in funds	(5,403,012)	(1,581,351)
Net assets at start of year	28,323,494	29,904,845
	<hr/>	<hr/>
Net assets at end of year	22,920,482	28,323,494
	<hr/> <hr/>	<hr/> <hr/>

The funds statement and net assets statement on pages 8 to 9 show that the value of the Trust's assets are £22,920,482 as at 11 October 2011 (2010: £28,323,494). The Trust achieved net losses on investments of £352,362 (2010: £2,382,379 return).

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

Compensation payments have increased from £1.75m in 2010, to £3.1m, primarily as a result of the increased dividend which applied to all claims paid from 12 October 2010.

The change in market value of investments of £354k loss (2010: £2.4m gain) has occurred due to the difficult conditions in the financial markets which have been experienced during the year.

Actuarial status

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

Investment management

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

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

Further information

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

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

Tel: 0161 838 4558

Website: tandnasbestos.org.uk

Trustee's annual report
for the year ended 11 October 2011

Statement of Trustee's responsibilities

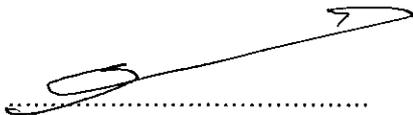
The audited financial statements are the responsibility of the Trustee. The Trust is governed by a Trust Deed which require the Trustee to make available to certain other parties audited financial statements for each Trust year which:

- 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.

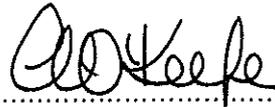
The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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 10 APRIL 2012

**Independent auditor's report to the Trustee of T & N EL Scheme Trust
for the year ended 11 October 2011**

We have audited the financial statements of T & N EL Scheme Trust for the year ended 11 October 2011 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.

Independent auditor's report to the Trustee of T & N EL Scheme Trust
for the year ended 11 October 2011

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 2011 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 *18 April 2012*

T & N EL Scheme Trust

Fund account
for the year ended 11 October 2011

	Notes	2011		2010	
		£	£	£	£
Claims payable					
Compensation payments	2	(3,124,140)		(1,744,211)	
Indemnity rights dividend	5	-		(1,614,900)	
Refund of claim contributions	7	(1,827,724)		-	
Administration expenses	3	(98,786)		(604,619)	
			(5,050,650)		(3,963,730)
Net withdrawal			(5,050,650)		(3,963,730)
Returns on investments					
Investment income	4	1,821		13,542	
Change in market value of investments	6	(354,183)		2,368,837	
Net (losses)/returns on investments			(352,362)		2,382,379
Net decrease in the fund	10		(5,403,012)		(1,581,351)
Net assets as at 12 October 2010	10		28,323,494		29,904,845
Net assets as at 11 October 2011	10		22,920,482		28,323,494

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 2011

	Notes	2011		2010	
		£	£	£	£
Fixed assets					
Investments	6		22,207,966		27,539,873
Current assets					
Cash at bank	8	720,316		791,259	
		<u>720,316</u>		<u>791,259</u>	
Creditors: amount falling due within one year	9	(7,800)		(7,638)	
			<u>712,516</u>		<u>783,621</u>
Total assets less current liabilities			<u>22,920,482</u>		<u>28,323,494</u>
Restricted Fund Reserve at 11 October 2011	10		<u>22,920,482</u>		<u>28,323,494</u>

These financial statements were approved by the Trustee on the 10 APRIL 2012 and are signed on their behalf by:



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



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

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

Notes to the financial statements
for the year ended 11 October 2011

1. ACCOUNTING POLICIES

1.1 Basis of accounting

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

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

Accounting policies

The principal accounting policies are set out below:

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

Investment assets and income

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

Compensation payments

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

2. COMPENSATION PAYMENTS

	2011 £	2010 £
Claim Payments to UK Asbestos Trust	3,124,140	1,744,211
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	3,124,140	1,744,211
	<hr/> <hr/>	<hr/> <hr/>

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

3. ADMINISTRATIVE EXPENSES

	2011 £	2010 £
Legal and professional fees	33,162	271,595
Rebate on management fees	(253,762)	(1,099)
Irrecoverable VAT	9,407	(2,919)
Audit fee	6,500	7,638
Trust advisory committee	261	533
Insurance	9,321	8,548
Bank charges	45	10
Trustee fees	292,884	319,008
Sundry	968	1,305
	<u>98,786</u>	<u>604,619</u>

4. INVESTMENT INCOME

	2011 £	2010 £
Bank interest received	1,821	13,542
	<u>1,821</u>	<u>13,542</u>

5. INDEMNITY RIGHTS

	2011 £	2010 £
Indemnity rights payment to Insurers	-	1,614,900
	<u>-</u>	<u>1,614,900</u>

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

6. INVESTMENTS

	2011 £
Balance as at 12 October 2010	27,539,873
Additions	-
Disposals	(4,977,724)
Change in market value	(354,183)
	<hr/>
Balance as at 11 October 2011	22,207,966
	<hr/> <hr/>

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

	2011 Total %	2011 Total £	2010 Total %	2010 Total £
Details of investments held				
Black Rock Cautious Fund	100.0	22,207,966	100.0	27,539,873
		<hr/> <hr/>		<hr/> <hr/>

7. REFUND OF CLAIM CONTRIBUTIONS

	2011 £	2010 £
Refund of claim contributions	1,827,724	-
	<hr/>	<hr/>
	1,827,724	-
	<hr/> <hr/>	<hr/> <hr/>

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

8. CASH AT BANK

	2011 £	2010 £
Deposit accounts	720,316	791,259
	<hr/>	<hr/>
	720,316	791,259
	<hr/> <hr/>	<hr/> <hr/>

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

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Accruals and deferred income	7,800	7,638
	<u>7,800</u>	<u>7,638</u>

10. RESTRICTED FUND RESERVES

	2011 Total £
Balance as at 12 October 2010	28,323,494
Fund account movement	(5,403,012)
	<u>22,920,482</u>

11. RELATED PARTY TRANSACTIONS

During the year the professional fees of £287,741 (2010: £316,239) were paid to Zolfo Cooper LLP relating to the claims processing team in which one of the directors of the Trustee company is also a director.

Independent Trustee fees of £5,143 (2010: £2,769) 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.

