

24 May 2010

TO ALL MEMBERS

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Dear Sirs

THE LONDON P&I CLUB – 2009/10 FINANCIAL YEAR

The London P&I Club's Annual Report, including Financial Statements for the year ended 20 February 2010 and detailed analysis of events and industry issues arising during that period, will be published as usual, in July. In the meantime, this Circular is to provide Members with an advance summary of the Club's results for the 2009/10 financial year.

Financial Position

The Club achieved a financial year surplus of US\$25.9m. This has served to increase free reserves by 22% to US\$141.4m. Progress has been made towards balancing premium income with claims and operating costs; and is continuing through measures including the strengthening of rating levels and adjustments to Member deductible structures.

Claims

Claims incurred net of reinsurance increased to US\$106.1m. Although there was a significant reduction in the aggregate cost of claims below US\$1m, the year under review saw an increase in the number of claims notified to the International Group's Pool, three of which involved Members of the Club. However, the main driver of the increased claims cost was an unusually high incidence of larger retained claims, particularly during the first six months of the year. As stated, further information on this and other aspects of the Club's results will be contained in the Annual Report, in the usual way.

Investments

In the year to 20 February 2010, the Club recorded a return on its investments and cash of US\$42.7m or 14%. Fixed income holdings remain the dominant asset class in the portfolio managed by the quota share reinsurer in Bermuda and a feature of the return was the strong performance relative to benchmark of these assets.

Membership

During the course of the year 6.4m gt of tonnage was entered with the Club from existing Members, principally in Germany and China, as well as new Members from Greece and various parts of the Far East. The Club continues to attract support from high class Owners and Operators in, particularly, the dry bulk, tanker and container sectors. With the addition of tonnage entered since the last renewal, the Club's current Membership stands at nearly 40m gt.

Yours faithfully

A BILBROUGH & CO LTD
(MANAGERS)

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