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**Author:** Pam Costello/Thomas Miller **Date:** 25/05/2005 08:14

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**TO THE MEMBERS**

**FROM THE CHAIRMAN**

Dear Member

**INVESTMENT IN MILLERS**

My predecessor as Chairman wrote to you in June, 2000 advising you of the agreement reached by the Board to make an investment in the Managers' parent company, Thomas Miller Holdings Ltd. The investment was structured as a loan, which was convertible at the option of the Club into equity in the Managers' parent company after a period of five years.

I am now pleased to advise you that your Board has concluded an agreement with Millers to convert the loan into an equity stake in Thomas Miller Holdings Ltd. Your Board considered that the rationale for the original investment had not changed. Millers remain a private company owned by the majority of their employees worldwide and wish to remain a private company, independent of outside interests. Millers and the Club have a long history together, and are heavily dependent upon each other, so the Club is a natural investment partner for Millers.

Your Board obtained fresh advice from external financial and legal advisors and the new agreement enables the conversion to take place at a price which reflects the current value of the shareholding which is being acquired, representing approximately 12 per cent of the company. The agreement further provides for the Club to increase its shareholding up to a maximum of 15 per cent by 2007 at the latest, and to continue to provide limited support for the internal share market in order to support its liquidity, subject always to the shareholding not exceeding 20 per cent at any time. In addition to other investor protections, we continue to have the right to nominate a senior director from our Board as a non-executive director on the board of Thomas Miller Holdings Ltd.

Your Board believes that the completion of this investment is in the best interests of the Club and its Members, and that it will not only be a sound financial investment but also help to ensure the continued independence of our Managers and to support the dedicated service from experienced management which is an essential feature of the mutual club system on which we all rely.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Hawes', with a long horizontal stroke extending to the right.

Chairman