

# LANGBAR INTERNATIONAL

21 September 2006

To Scheme Creditors/Shareholders

From David Buchler - Chairman of Langbar International Ltd

You should, by now, have received an envelope containing the formal documents for Langbar's Scheme of Arrangement. These documents include not only the Scheme and the statement which explains its terms but also the documents which enable you to vote at the Scheme Meeting which will be held on 6 October 2006 at The New Connaught Rooms, 61-65 Great Queen Street, London WC2B 5DA starting at 10.30am.

As Chairman of Langbar, I would urge you to exercise your right to vote upon the Scheme. The directors of Langbar consider that the Scheme is the only reasonable and fair way forward for the company given its present circumstances. It is essential that Langbar and the Scheme Creditors act in a unified way.

The alternatives to the Scheme are set out in the Explanatory Statement at pages 17-19 of the Scheme Document. In the view of the company each of the alternatives has substantial disadvantages. Those disadvantages are set out in detail. In the view of Langbar none of the alternatives are likely to be as effective in producing realisations for you as the Scheme.

It is with some dismay that I have read email traffic on the internet, particularly that emanating from the Langbar Shareholders Action Group ("LSAG"). You may have become aware or indeed even seen a document entitled "Alternative to the Scheme of Arrangement for Shareholders" circulated by LSAG. It urges persons who would be eligible to participate in the Scheme to opt out and commence proceedings against a number of parties (including the former directors and Langbar) by way of a collective action. I find this very disappointing as Langbar has consulted closely with LSAG in relation to the Scheme during the course of its development. In the view of Langbar's directors a separate collective action would be most damaging to the prospects of recovery for all creditors and shareholders of the company. It is in the interests of both Langbar under its new management and its shareholders and creditors to achieve the maximum realisation of claims against third parties and to distribute those realisations fairly. The Scheme goes a long way to achieving this and I and my fellow directors would urge you to participate in it.

The document circulated by LSAG is defective or misleading in a number of key respects and leaves many questions unanswered:

- the document claims the action will be brought on a "no win no fee basis", but it does not state at what level the fees will be if it is successful and by how much those fees will be enhanced over the usual rates for the lawyers;
- in response to the threat of an adverse costs order the document claims that insurance will be obtained: it does not say who will pay the premium for such insurance;
- contrary to the assertions made in the document, Langbar's intention is to deal with all creditors (including Scheme Creditors and those who opted out) on an equal footing even if that involves a distribution through a liquidation of Langbar or a subsequent scheme of arrangement to regulate claims of all creditors;
- if there is a liquidation before any proposed re-listing of Langbar, all creditors, including Scheme Creditors, will be entitled to claim against Langbar on an equal footing;

- the comparison with litigation funders (taking 25% and leaving 75%) and the level of the Special Payment is misleading as all the assets of Langbar (after costs), not just the 25% of Net Assets over £10 million available for early distribution, will either be distributed in a liquidation to shareholders or reflected in the value of re-listed shares or substituted securities;
- what would be the terms of any litigation funding? Who would have control of the claim and any terms of settlement?
- a collective action would require a committee and a Chairman to instruct the lawyers. Would they give their services for free? Who would be trusted to serve on the committee and how would they be elected?
- success in litigation is never a certainty and failure is always expensive as was demonstrated in the failed actions of the Railtrack shareholders against the Government (brought by Edwin Coe) and Nigel Smith against the London Stock Exchange in the Room Service case;
- competing claims will make settlement with the defendants more difficult.

Langbar has made substantial progress in both achieving realisations and freezing assets which could, but for Langbar's action, be well beyond the reach of us all by now.

I would urge you not to opt-out but to attend the meeting in person or by proxy (by returning your Proxy Forms in accordance with the directions provided) and vote for the Scheme.

David Buchler

Chairman of Langbar International Ltd