

**ROBIN SPENCER'S ADDRESS TO SHAREHOLDERS AT THE INFORMAL SHAREHOLDERS' MEETING OF
LANGBAR INTERNATIONAL LIMITED**

1. INTRODUCTION

I am now going to mention in some detail the scheme of arrangement which it is intended be proposed to those persons who are described as "Scheme Creditors" in the Scheme. The current draft of the Scheme Document runs to over 60 pages. The Scheme Document contains the Scheme itself, an Explanatory Statement and a notice convening a Scheme Meeting. It is complex and all of its aspects cannot be covered fully in my short address to you today. A draft of the Scheme Document was posted on the Company's website on 19 June. As David said, since that draft of the Scheme Document was posted a number of important revisions have been made and therefore it is vital that the most up to date draft of the Scheme is read and considered. For those who have read the previous draft, these revisions include the expansion of the definition of "Scheme Creditor" to include the beneficial owners of Securities, an opt-out for those shareholders who do not want to participate in the Scheme, the introduction of a directors' certification of net assets for the purpose of the Special Payment (rather than audited accounts) and the removal of the default share price of 11.5 pence where share price information has not been provided. After a Court hearing on 28 July, it is proposed that a fresh draft of the Scheme will be posted on the Company's website along with a blackline showing the revisions from the draft of 19 June. The final draft, however, will not be prepared until early September when it will be sent out to all Scheme Creditors known to Langbar.

A number of you might not be familiar with the term "scheme of arrangement" and therefore I will give you some background to the process and procedure of schemes.

A scheme of arrangement is a legally binding compromise or arrangement provided for in section 425 of the Companies Act 1985 between a company and its members (or any class of them) or creditors (or any class of them). The Scheme being proposed by the Company is a scheme with a class of its creditors. The Company is a "company" for the purposes of this section even though it is incorporated and registered in Bermuda. The Scheme only affects your rights as a potential creditor of the Company and not as a shareholder. The claims against the Company you have or might have are referred to as Scheme Claims.

Scheme Creditors have the right to vote on the Scheme at a "Scheme Meeting".

The Scheme will become effective and binding on the Company and all its Scheme Creditors if:-

- a majority in number representing at least three quarters in value of those present and voting either in person or by proxy at the Scheme Meeting, agrees to the compromise or arrangement and
- the compromise or arrangement is sanctioned by order of the Court and a copy of the Court Order is delivered to the Registrar of Companies for registration.

If the Scheme becomes effective, the Scheme will bind all Scheme Creditors even if they did not receive notice of the Scheme Meeting, did not vote or voted against the Scheme.

A Scheme Creditor is defined as a creditor of the Company who is not an Excluded Person and who immediately prior to the Effective Date has a Scheme Claim and a Third Party Claim and is (a) the Registered Holder of the Securities to which the Scheme Claim relates and/or (b) the person who in the reasonable opinion of the Company is the beneficial owner of such Securities.

2. **WHAT DOES THE SCHEME DO?**

The Scheme causes Scheme Creditors to assign all their Third Party Claims (which are principally their claims against any persons who might have caused a loss of them in relation to their investment in the Company). This means that Scheme Creditors themselves will not be able to pursue their Third Party Claims. In return for the assignment, Langbar will pursue and seek to make recoveries in respect of the Company's Claims (these are principally the claims which the Company itself has against those who have caused loss to the Company) and the Assigned Claims (which are the Third Party Claims after they have been assigned under the Scheme) subject to certain provisos. The Company will indemnify Scheme Creditors against the costs of pursuing the Assigned Claims incurred by them at the Company's request including the reasonable costs of any Scheme Creditor whose co-operation is required in order to bring the claim. Any recoveries made in respect of Assigned Claims will be received by the Company as assets of the Company to be applied and dealt with by the Company as part of its general assets.

The Scheme also prevents Scheme Creditors from issuing or continuing proceedings in respect of Scheme Claims or recovering against the Company. This prohibition does not as a matter of law constitute a waiver of a Scheme Claim but the Scheme does provide that Scheme Claims are waived if a Re-listing Event occurs.

The Scheme also provides a mechanism for the valuation of Scheme Claims. To require each and every Scheme Creditor to value its claim by reference to detailed legal criteria would be time consuming and costly for the Company and would potentially diminish returns to Scheme Creditors. The Company has therefore considered that a formula (which is the number of Securities held by the Scheme Creditor on the record date

multiplied by the purchase price of those Securities) would be appropriate. The formula assumes a total loss for Scheme Creditors who purchased Securities on or before 12 October 2005 and have retained them on the Record Date.

Scheme Creditors should be aware that if the Company is placed into liquidation or administration or has a global settlement of its debts with creditors generally, Scheme Creditors will no longer be bound by the formulation and will be entitled to enforce their claims (subject to the relevant insolvency law). Scheme Creditors may be included in a further scheme.

3. **WHY IS THE COMPANY PURSUING THE SCHEME?**

The Company is pursuing the Scheme first, because as Sion said, the defendants (the alleged perpetrators of the fraud) have attempted to strike out the Company's own claims on the basis that the Company itself has not suffered loss and that the claimants at law are the shareholders. If the Scheme goes through, this avenue will be closed to the defendants to the proceedings. The second principal reason is that the Scheme helps to remove certain of the risks to the Company's solvency which currently exist.

4. **WHAT WILL SCHEME CREDITORS RECEIVE UNDER THE SCHEME?**

In addition to the prosecution of their claims by the Company Scheme Creditors will receive, collectively, a one time payment of 25% of the net asset value over £10 million when the directors issue a certificate stating that such net assets exist. Scheme Creditors will therefore receive a minimum of £2.5 million collectively if the Company has such net assets. Please do not confuse 25% of the net asset value over £10 million as meaning 25% of the price at which you purchased your shares. The 25% of net asset value over £10 million is likely to be a much lower figure.

As shareholders, Scheme Creditors will also get to share in further recoveries by the Company once other creditors' claims have been addressed provided they retain their shares. Creditors who fall outside the definition of "Scheme Creditor" will be entitled to bring claims against the Company if they so wish and they will have to be dealt with but there will be a substantial disincentive on them to place the Company into insolvency proceedings.

5. **WHAT ARE THE MAIN ADVANTAGES OF THE SCHEME TO THE SCHEME CREDITORS?**

The main benefits of the Scheme to Scheme Creditors are listed below.

- The Company and only the Company will be entitled to pursue the Company Claims (i.e. those which the Company may have against the Third Parties) and the Assigned Claims, enabling the Company Claims and the Assigned Claims to be pursued in a more streamlined and cost effective manner for the ultimate

benefit of all Scheme Creditors. In the absence of claims being brought by the Company, there is no certainty that any claims would be brought against the Third Parties or that such claims would cover the entire liabilities of the Third Parties.

- The Company and the Scheme Creditors will no longer be in competition with each other to make recoveries from a limited pool of assets (i.e. the assets of the Third Parties).
- Third Parties will not be able to continue to challenge whether the Company is the correct claimant in respect of some claims against them as the Company will, after the Effective Date, be the owner of the Third Party Claims.
- The costs of bringing Third Party Claims will be met by the Company.
- The Company will be able to operate without Scheme Creditors being able to threaten to wind-up the Company or assert claims against the Company requiring the directors to spend the Company's limited resources investigating and, where appropriate, defending or settling those claims.
- The mechanism contained in the Scheme for valuing Scheme Claims will prevent the possibility of costly and time consuming disputes over their value and any compensation payable in respect of them.
- Should recoveries be such that the value of the Net Assets of the Company exceed £10 million, a payment will be made by the Company which will enable a return of assets to Scheme Creditors sooner than would be achievable in a liquidation or administration of the Company.
- In the event of recoveries being made, Scheme Creditors might also obtain further compensation either through additional distributions in respect of their Securities or by the value of their Securities increasing.
- The risk of the Company being placed into liquidation or administration will be reduced.
- Scheme Creditors will retain the ability to dispose of their Securities should a Re-listing Event occur. Although it is impossible to say whether a re-listing of the Company is a realistic possibility at this stage, if the Company makes a substantial recovery through litigation and has significant cash resources, the Directors would certainly consider whether the best way to return value to the Company's members would be achieved by a re-listing.

6. **WHAT ARE THE MAIN DISADVANTAGES OF THE SCHEME TO THE SCHEME CREDITORS?**

The main disadvantages of the Scheme to Scheme Creditors are listed below.

- Those Scheme Creditors who wish to pursue Third Party Claims in their own names for their own benefit (and at their own cost) will no longer be able to do so as all Third Party Claims will become assets of the Company and treated as such.
- There will be some actual or potential creditors of the Company with claims similar to Scheme Claims (such as former holders of Securities, holders or former holders of Derivatives, former beneficial owners of Securities) who fall outside the definition of 'Scheme Creditor' and will not be bound by the Scheme. Such actual or potential creditors will be able to pursue their claims against Third Parties and the Company without restriction to the possible prejudice of Scheme Creditors. This category also includes creditors who return a Non Participation Form and decide to opt out. If significant numbers of creditors opt out the ability of the Scheme to achieve its purposes would be reduced.
- In the event that recoveries are made under the Assigned Claims, the tax treatment of those recoveries is likely to be less favourable than if the recovery were made by the Scheme Creditor since tax could arise at the level of the Company and at the level of the Scheme Creditor. The directors of the Company understand that any Special Payment made to a Scheme Creditor is likely to be treated for tax purposes as a chargeable gain, the amount of the gain depending on complex valuation issues. Although there is a risk that a taxable gain could arise on the Scheme Creditor disposing of his Third Party Claim, the amount of this gain is likely to be small. The main tax liability would accrue when the Scheme Creditor receives the Special Payment.
- Scheme Creditors who disagree with the Scheme Claim Formula will no longer be able to have their claims or the claims of other Scheme Creditors valued by reference to any other factors or formulae.
- All Scheme Claims will be treated as being of equal strength. The Third Party Claims of some Scheme Creditors might be stronger than the claims of other Scheme Creditors. Furthermore, the Scheme Claims of some Scheme Creditors might rank differently from those of others in a liquidation in either England or Bermuda. The Scheme places all Scheme Claims on an equal footing.

7. WHAT OTHER CHOICES DO SHAREHOLDERS HAVE?

Shareholders who have lost their investment could bring, in their own names, claims through a group litigation order or representation order. This is likely to be costly and risky. In the event that the Company's own claims are struck out the current freezing orders will have to be retained. This would mean that claims to the amount of €56 million would have to be asserted by shareholders through other means to maintain freezing orders in place.

Scheme Creditors who wish to opt out of the Scheme will be entitled to do so provided they serve a notice on the Company 48 hours before the start of the Scheme Meeting. Details of this will be clearly set out in the Explanatory Statement which accompanies the Scheme.

8. THE FUTURE?

Clearly, the future depends to a great extent on the recoveries achieved by the Company. Options are a liquidation, a buy back of shares, a restructuring or a relisting. Whichever of these alternatives is considered most appropriate, will be a matter for shareholders at the time. David has, however, agreed that a cash based exit will be proposed for shareholders whichever option is followed even if this means proposing a liquidation of the Company if other routes are unavailable.

9. WHO ARE THE EXCLUDED PERSONS?

A certain number of persons have been excluded from voting and participating in the Scheme. They are, principally, the defendants to the current proceedings and Mr Wood and Mr Pearson (who, although they are not believed to be complicit in the fraud, were directors at the time many shareholders purchased their shares).

10. WHAT DO SCHEME CREDITORS NEED TO DO?

The Company has embarked upon a full investigation of the beneficial ownership of its shareholder base. A substantial number of the Company's shares are held by nominees. There is a legal question as to who holds the claim against the relevant persons (the nominee or the beneficial owner). In order to remove this uncertainty it is essential that all of the claims of both the nominees and the beneficial owners are transferred to the Company. The Scheme achieves this. It is therefore important that all the beneficial owners make themselves known to the Company. A number of nominees have declined to disclose the identity of the beneficial owners for reasons of banking secrecy and for the reason that the Company is not governed by section 212 of the Companies Act 1985 which, in the case of a UK company, requires beneficial ownership to be disclosed. Beneficial owners should contact the Company and provide the best evidence possible

that they are beneficial owners including copies of contract notes, broker's notes and other dealings that they have had in relation to the Company's shares. It is important that the shares are held on the Record Date by the person holding the Scheme Claim. Shareholders would therefore take advice before disposing of their shares on any grey market prior to the Record Date. This is the date on which the Scheme will be formally published.

Scheme Creditors should note that the Bermuda Monetary Authority froze the Company's share register on 28 November 2005 and CREST suspended settlement on 2 December 2005 at the request of Capita. Accordingly, legal ownership of Common Shares and Depository Interests is frozen. Legal ownership of common shares was frozen on 28 November 2005 and legal ownership of Depository Interests was frozen on 2 December 2005.

As I mentioned at the beginning of this address, there will be a full Scheme document published. To the extent that there is any difference between what has been said today by any of the persons speaking from this podium and the Scheme Document, the Scheme Document will prevail.

11. **TIMETABLE**

- Record Date Early September 2006
- Scheme Meeting Early October 2006
- Court hearing to sanction the Scheme Mid October 2006
- Scheme becomes effective (the "Effective Date") Mid October 2006
- The Company calls for details of Scheme Claims (see paragraph 5.4 of the Explanatory Statement) Within 60 days after the Effective Date (the "Call Date")
- Response of Scheme Creditors to calls for details of Scheme Claims Not later than 90 days from the Call Date