

This notice of meeting is important and requires your immediate attention.

If you are in any doubt as to the contents of this document and/or the action you should take, you are recommended to seek personal financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in the Company, please send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the transfer was effected so that they can be passed on to the person who now owns the shares.

## SWALLOWFIELD PLC

(Registered in England and Wales with company number 01975376)

Swallowfield House  
Station Road  
Wellington  
Somerset  
TA21 8NL

13 October 2008

Dear Shareholder,

# Notice of the 2008 Annual General Meeting

I am pleased to enclose the Report and Accounts for Swallowfield plc (the "**Company**") for the year ended 30 June 2008.

## Annual General Meeting

This year's Annual General Meeting (the "**AGM**") of the Company will be held on Thursday 6 November 2008 at 12 noon at Swallowfield House, Station Road, Wellington, Somerset TA21 8NL. The notice of the AGM is set out on page 3 of this document. This letter summarises the items of business to be transacted at the meeting and on pages 6 to 9 of this document there are notes explaining these resolutions.

## Ordinary Business

- **Resolutions 1 to 7** deal with the directors' report and financial statements for the period ended 30 June 2008 (resolution 1); the directors' remuneration report for the period ended 30 June 2008 (resolution 2); the final dividend (resolution 3); the re-election of Ian Mackinnon as a director (resolution 4); the re-election of Patrick Gaynor as a non-executive director (resolution 5); the granting of authority to directors to determine the auditors' remuneration (resolution 6); and the re-appointment of Grant Thornton UK LLP as the Company's auditors (resolution 7).

## Special Business

- **Resolution 8** deals with the authority of the directors to allot new shares in the capital of the Company.
- **Resolution 9** deals with the seeking of approval in respect of the disapplication of pre-emption rights.
- **Resolution 10** deals with the purchase, by the Company, of its own shares.
- **Resolution 11** deals with the adoption of new articles of association (the "**New Articles**") which, amongst other things, reflect recent changes introduced by the Companies Act 2006 (the "**2006 Act**").

## Companies Act 2006

The 2006 Act is presently being implemented in stages, and many of the main provisions are now fully in force. The Company has completed the process of reviewing its existing articles of association ("**Existing Articles**") in light of the 2006 Act, and intends to seek the approval of shareholders for changing the Articles of Association.

## **LTIP**

The Board has decided to defer the introduction of a Long Term Incentive Plan for senior executives in order to give further consideration to the appropriate structure.

## **Board Structure**

Shareholders will be aware from my report dated 11 September, that we were undertaking a search for a new independent non-executive director and that this was at an advanced stage. Following this search, we are delighted that Mr Patrick Gaynor has accepted our offer to join the Board. His biography can be found in the Directors and News sections, in the Investors portion of our website ([www.swallowfield.com](http://www.swallowfield.com)). Richard Organ has indicated that, after a period of handover, he wishes to resign from the Board in the first half of 2009.

Following the handover period, the Board will have only two independent non-executive directors, which it continues to believe will be an appropriate structure for a group of our size and market listing. As shareholders will recall at last year's AGM, there was, and there continues to be, some opposition regarding the Board's recommendation on the structure and composition of the Board from two of the Company's major shareholders, Mr Peter Gyllenhammar and Western Selection PLC. The Board is continuing discussions with those two shareholders and, in the meantime, we ask you for your support by voting 'For' on all the attached resolutions set out in the Notice of the AGM.

**The Directors strongly urge you to vote your shares in favour of all the attached resolutions and to support the Board in its management of the Group.**

## **Action**

If you are unable to attend the meeting or wish to register your proxy votes now in relation to the resolutions proposed, you should complete the enclosed Form of Proxy and return it to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, by no later than 12 noon on Tuesday 4 November 2008, following the instructions on the form. Please see the notes to the notice of AGM and the Form of Proxy for full details about the appointment of proxies.

The 2006 Act has inadvertently introduced potential complexities regarding the appointment by companies of corporate representatives. This is more fully explained in the notes on page 11. We would, therefore, encourage corporate shareholders to consider the appointment of proxies if they intend to exercise multiple voting rights.

## **Recommendation**

Your Board considers each of the proposed resolutions to be in the best interests of the Company and its shareholders as a whole. Accordingly, your directors unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings.

If you have any questions regarding any of the business to be conducted at the AGM, please contact Ian Mackinnon, Chief Executive Officer, or Peter Houston, Group Finance Director, on +44 (0)1823 662241.

Yours sincerely  
**S Winning**  
Chairman

# Notice of Annual General Meeting

Notice is hereby given that the twenty second Annual General Meeting (the "**AGM**") of Swallowfield plc (the "**Company**") will be held at Swallowfield House, Station Road, Wellington, Somerset TA21 8NL on Thursday 6 November 2008 at 12 noon for the following purposes:

## As Ordinary Business

To consider and, if thought fit, pass the following resolutions each of which will be proposed as ordinary resolutions:

1. To receive and adopt the annual statement of accounts and the reports of the directors and auditors for the year ended 30 June 2008.
2. To approve the directors' remuneration report for the year ended 30 June 2008.
3. To declare a final dividend of 4.1p per ordinary share.
4. To re-elect I A Mackinnon as a director.
5. To re-elect P Gaynor as a director.
6. To authorise the directors to determine the auditors' remuneration.
7. To re-appoint Grant Thornton UK LLP as auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

## As Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 8 will be proposed as an ordinary resolution and resolutions 9, 10 and 11 will be proposed as special resolutions:

8. That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby generally and unconditionally authorised pursuant to section 80, Companies Act 1985 (the "**Act**") to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) provided that this authority shall be limited to relevant securities up to an aggregate nominal amount of £190,106, representing approximately one third of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 30 June 2008 and unless previously revoked, varied or extended, this authority shall expire at the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.
9. That the directors be and they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company wholly for cash where such allotment is either pursuant to the authority of the directors under section 80 of the Act conferred by resolution 8 above, or by virtue of section 94(3A) of the Act, in either case as if section 89(1) of the Act did not apply to such allotment provided that:
  - (a) the power conferred by this resolution shall be limited to:
    - (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws or requirements of any regulatory body or any stock exchange; and
    - (ii) the allotment, otherwise than pursuant to sub-paragraph (a) (i) above, of equity securities up to an aggregate nominal value equal to £28,141, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 30 June 2008; and
  - (b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the next Annual General Meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

10. That the Company be and is hereby unconditionally and generally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of its ordinary shares of 5p each ("**Ordinary Shares**") provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 1,125,000 representing 10% of the Company's issued ordinary share capital as shown in the audited accounts of the Company for the year ended 30 June 2008;
  - (b) the minimum price which may be paid for any such Ordinary Share is 5p exclusive of any expenses payable by the Company;
  - (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market quotations for an Ordinary Share as derived from the AIM Index of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
  - (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the conclusion of the next Annual General Meeting and the date falling 12 months after the date of the passing of this resolution, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.
11. That the articles of association produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

**By order of the Board**  
**Alan Farrer-Halls**  
**Secretary**

**Swallowfield House**  
**Station Road**  
**Wellington**  
**Somerset**  
**TA21 8NL**

**13 October 2008**

Members should refer to the explanatory notes that accompany this notice.

1. A member who is entitled to attend, speak and vote may appoint a proxy to attend, speak and vote instead of him. A proxy need not also be a member of the Company but must attend the AGM in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the AGM or another person as proxy.
2. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 11.45 a.m. on the day of the AGM until its conclusion:
  - (a) copies of the executive directors' service contracts with the Company and letters of appointment of the non-executive directors;
  - (b) the register of directors' interest in the capital of the Company; and
  - (c) a copy of the proposed new articles of association of the Company.
3. The Company pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.00 p.m. on Tuesday 4 November 2008 (or if the AGM is adjourned, two working days before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
4. Please note that communications regarding the matters set out in this notice of Annual General Meeting will not be accepted in electronic form.
5. As at 10 October 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 11,256,416 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 10 October 2008 are 11,256,416.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate

representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (a) above.

## **Explanatory notes to the resolutions as proposed at the 2008 Annual General Meeting:**

### **Ordinary Business:**

#### **Resolution 1 (Annual accounts and reports)**

The directors present the accounts, directors' report and auditors' report to the shareholders at the AGM.

#### **Resolution 2 (Remuneration report)**

All companies quoted on the official list of the London Stock Exchange are required by law to produce for each financial year a directors' remuneration report which sets out the remuneration committee's policy in relation to directors' remuneration, together with the remuneration and benefits paid to directors during the year. Such companies are also required to put an ordinary resolution to shareholders approving the report at the meeting at which the Company's report and accounts for that year are laid.

The Company moved its listing from the official list of the London Stock Exchange to AIM in May 2006, and is, therefore, no longer required to produce a directors' remuneration report. In meeting their commitment to high standards of corporate governance, the directors have voluntarily prepared a directors' remuneration report for this financial year, and Resolution 2 seeks approval of this directors' remuneration report, which is set out on pages 14 to 15 of the report and accounts 2008.

#### **Resolution 3 (Final dividend)**

This resolution concerns the Company's final dividend payment. A final dividend can only be paid after the shareholders at a general meeting have approved it. The directors are recommending a final dividend of 4.1p per ordinary share in respect of the year ended 30 June 2008 which, if approved, will be payable on 28 November 2008 to the shareholders who are on the register on 14 November 2008.

#### **Resolutions 4 and 5 (Election and re-election of directors)**

In accordance with the provisions of the Company's articles of association regarding the retirement of directors by rotation, I A Mackinnon is submitting himself for re-election. In addition, the Company's articles of association require any person appointed by the directors to submit themselves for re-election at the next AGM following their appointment. Accordingly, under Resolution 5, P Gaynor is also submitting himself for re-election.

The Combined Code recommends that any non-executive director serving more than nine years should be subject to annual re-election. However, as Richard Organ has declared his intention to remain on the Board for only a limited handover period following Patrick Gaynor's appointment (and, in any event, to step down by the end of June 2009, at the latest), the Board has concluded that it would not be appropriate in those circumstances to submit Richard Organ for re-election.

#### **Resolutions 6 and 7 (Auditors' remuneration and appointment)**

Shareholders are required to authorise the Directors to fix the auditors' remuneration and also to appoint auditors at each general meeting at which accounts are presented. Resolution 6 authorises the directors to set the auditors' remuneration and Resolution 7 proposes the re-appointment of Grant Thornton UK LLP as auditors of the Company for the financial year ending 30 June 2009.

### **Special Business:**

#### **Resolution 8 (Directors' power to allot securities)**

Resolution 8 seeks to renew the directors' general authority under section 80 of the Companies Act 1985 to allot new shares in the capital of the Company. This general authority is to allot shares up to an aggregate nominal value of £190,106, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as shown in the latest audited accounts of the Company in addition to the allotment of shares to satisfy existing employee share options. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2009.

The directors do not have any present intention of exercising this authority but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities.

#### **Resolution 9 (Disapplication of pre-emption rights)**

Resolution 9 seeks approval for the renewal of the authority given at last year's Annual General Meeting to permit the directors to (i) allot equity shares in connection with rights issues without having to obtain prior approval from shareholders on each occasion, and (ii) to allot a small number of shares for cash without first being required to offer such shares to existing shareholders. In accordance with current guidelines, the maximum nominal amount of shares

that may be issued for cash under this authority is limited to £28,141. This represents approximately five per cent of the nominal value of the issued share capital of the Company as shown in the latest audited accounts of the Company. Unless renewed, revoked, varied or extended, this authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2009.

The Directors consider that the power proposed to be granted by Resolution 9 is necessary to retain flexibility, although they currently have no intention of exercising such power.

#### **Resolution 10 (Market purchase of shares)**

Under its articles of association and section 163 of the Companies Act 1985 the Company has power to purchase its own shares. Resolution 10 is proposed to renew the general authority given at last year's Annual General Meeting to enable the Company, subject to certain limitations, to purchase shares in the market for cancellation and/or for holding in treasury. This authority would last for the period until the conclusion of the Company's Annual General Meeting to be held in 2009. Such authority would allow for purchases to be made on the terms set out in the Resolution of up to a maximum number of 1,125,000 ordinary shares (representing just under ten per cent of the present issued ordinary share capital). (A purchase of the proposed maximum of 1,125,000 ordinary shares at the share price of £0.91 on 10 October 2008 would involve the Company in the expenditure of approximately £1,023,750 before stamp duty and commissions, and at the minimum permitted price would involve the expenditure, on the same basis, of £56,250).

As at 10 October 2008, there were outstanding options to subscribe for a total of 50,000 ordinary shares in the Company, representing approximately 0.4 per cent of the Company's issued share capital at that time. If the Company was to exercise in full the proposed authority to purchase its own shares and prior to such purchase the Company's issued share capital remained unchanged, the shares for which there are outstanding options to subscribe would represent approximately 0.5 per cent of the Company's issued ordinary share capital as reduced by those purchases.

The directors would use the share purchase authority with discretion and purchases would only be made from funds not required for other purposes and in the light of market conditions prevailing at the time. In reaching a decision to purchase any shares, your directors would take account of the Company's cash resources and capital, the effect of such purchase on the Company's business, any impact on earnings per share or on net tangible assets per share. No announcement will be made by the Company in advance of market purchases but any purchases made by the Company would be announced by 8.30 a.m. on the business day next following the transaction.

In renewing this authority the Board is not indicating any commitment to purchase ordinary shares. The authority, if conferred, will only be exercised if to do so would be in the best interests of shareholders generally.

#### **Resolution 11 (Adoption of new articles of association)**

Resolution 11 will be proposed to adopt new articles of association (the "**New Articles**") in order to update the Company's existing articles of association (the "**Existing Articles**"), primarily to take account of changes in English company law brought about by those provisions of the Companies Act 2006 (the "**2006 Act**") which have come into force since last year's Annual General Meeting. An explanation of the main changes between the New Articles and Existing Articles is set out below.

##### **(a) Articles which duplicate statutory provisions**

Provisions in the Existing Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

##### **(b) Form of resolution**

The Existing Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Existing Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

##### **(c) Variation of class rights**

The Existing Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been removed in the New Articles.

#### **(d) Convening extraordinary and annual general meetings**

The provisions in the Existing Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

#### **(e) Votes of members**

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting, or in the case of a poll which is taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, and in each case with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed. The chairman of a general meeting no longer has a casting vote. The New Articles reflect all of these new provisions.

#### **(f) Age of directors**

The Existing Articles contain a provision requiring a director to vacate office at the age of 70. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

#### **(g) Conflicts of interest**

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the existing position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

#### **(h) Records to be kept**

The provision in the Existing Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

#### **(i) Distribution of assets otherwise than in cash**

The Existing Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Existing Articles.

#### **(j) Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the

request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

**(k) Directors' indemnities and loans to fund expenditure**

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

**(l) General**

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.