

**This document is important and requires your immediate attention. You are recommended to vote on all resolutions to be proposed at the Annual General Meeting. If you are unable to attend the AGM, you may instead complete the enclosed Form of Proxy to express how you wish your votes to be cast.**

**SWALLOWFIELD PLC**  
Registered number 01975376

Swallowfield House  
Station Road  
Wellington  
Somerset  
TA21 8NL

15 October 2007

**Dear Shareholder,**

## **Notice of the 2007 Annual General Meeting**

I am pleased to enclose the Company's Report and Accounts for the year ended 30 June 2007.

### **Annual General Meeting**

This year's Annual General Meeting of the Company will be held on Thursday 8 November 2007 at 12 noon at Swallowfield House, Station Road, Wellington, Somerset. The notice of the AGM is set out on pages 3 and 4, and there are notes explaining these resolutions on pages 5 and 6 of this document.

Two of the resolutions relate to the re-election of two directors and, in that context, we urge you to read the section below headed "Board Structure" and **we recommend that shareholders vote 'For' on both of those resolutions (Resolutions 4 and 5).**

### **Board Structure**

Shareholders should be aware that Tony Wardell has decided to retire as a Director at this year's AGM and will not be offering himself for re-election. After contributing to the development of the Group for more than 40 years, it has been Tony's intention, since stepping down as CEO, to remain on the Board for a transitional handover period. In the light of this, your Directors have been considering the composition of the Board, in particular that of its non-executive Directors. The Board had concluded that having only two non-executive Directors would be an appropriate structure for a group of our size and market listing, provided that it was satisfied that both Directors are independent. We are strengthened in this view by the recent improved financial performance of the Group.

The Board, however, has also had to consider a recent request from two of its major shareholders, Mr Peter Gyllenhammar and Western Selection PLC, for each of them to have board representation. While we believe that the Board would be fully effective without any further changes, we recognised that Mr Gyllenhammar, in addition to the significant investment he has made in the Company, could also bring a wide breadth of experience to the Group. Accordingly we invited him to join the Board. Mr Gyllenhammar subsequently declined that invitation. The Directors have therefore decided unanimously to preserve the Board structure which they have already concluded would be in the best interests of shareholders as a whole at this stage of the Group's development.

**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.**

### **Companies Act 2006**

The Companies Act 2006 is presently being implemented in stages, and many of the main provisions are yet to come into force. The Company has already begun the process of reviewing its Articles of Association in the light of the new Act, and intends to seek the approval of shareholders for any changes thought necessary at next year's AGM, by which time the new Act will be fully in force.

**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 Investors Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8FB, no later than 12 noon on Tuesday 6 November 2007, following the instructions on the Form. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you so wish. Please see the notes to the notice of AGM and the Form of Proxy for full details about the appointment of proxies.

**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, CEO, or Peter Houston, Group Finance Director, on 01823 662241.

Yours sincerely

**S J Winning**

Chairman

If you have sold or transferred all of your holding of ordinary shares you should pass this document and any accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

# Notice of Annual General Meeting

Notice is hereby given that the Twenty First Annual General Meeting of the Company will be held at Swallowfield House, Station Road, Wellington, Somerset on Thursday 8 November 2007 at 12 noon for the following purposes:

## As Ordinary Business

1. To receive and adopt the annual statement of accounts and the reports of the Directors and auditors for the year ended 30 June 2007.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2007.
3. To declare a final dividend of 1.3p per ordinary share.
4. To re-elect J M Fletcher as a Director.
5. To re-elect R T Organ as a Director.
6. To authorise the Directors to determine the auditors' remuneration.

## As Special Business

7. As an Ordinary Resolution to re-appoint Grant Thornton UK LLP as auditors to hold office until the conclusion of the next Annual General Meeting of the Company.
8. To consider and if thought fit pass the following resolution as an Ordinary Resolution:  
"That the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to the aggregate nominal amount of £190,106. This authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and accordingly the Directors may allot relevant securities pursuant to any such offer or agreement as if such authority had not expired; and all previous authorities under Section 80 of the Act shall henceforth cease to have effect."
9. To consider and if thought fit pass the following resolution as a Special Resolution:  
"That the Directors of the Company be and are hereby empowered under Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities within the meaning of Section 94 of the Act ("equity securities") for cash, pursuant to the authority under Section 80 of the Act granted by resolution 8 in this Notice of Annual General Meeting, as if Section 89(1) of the Act did not apply to any such allotment, provided that this authority (which supersedes and replaces the authority granted to the Directors under Section 95 of the Act on 2 November 2006) shall be limited to:
  - (a) The allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them provided that the Directors shall have the right to make exclusions or other arrangements in connection with the offer as they deem necessary or expedient:
    - (i) to deal with equity securities representing fractional entitlements; and
    - (ii) to deal with legal or practical problems arising in any overseas territory or by virtue of shares being represented by depository receipts, the requirements of any regulatory body or any stock exchange, or any other matter whatsoever;
  - (b) The allotment of equity securities for the purpose of any option, incentive or profit sharing scheme (whether or not an employees' share scheme as defined in the Act) being a scheme approved by the shareholders in general meeting; and
  - (c) The allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities for cash up to an aggregate nominal value of £28,141.

This power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and accordingly the Directors may allot equity securities pursuant to any such offer or agreement as if this power had not expired; and all previous authorities under Section 95 of the Act shall henceforth cease to have any effect."

10. To consider and if thought fit pass the following resolution as a Special Resolution:

“That the Company be and is hereby generally and unconditionally authorised in accordance with Part V of the Companies Act 1985 (the ‘Act’) to make market purchases (within the meaning of Section 163 of the Act) of its own ordinary shares on such terms and in such manner as the Directors of the Company shall determine provided that:

(a) The maximum number of ordinary shares hereby authorised to be purchased is 1,125,000.

(b) The minimum price which may be paid for each ordinary share is its nominal value exclusive of any expenses payable by the Company; and

(c) The maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the closing middle market quotations for the ordinary shares of the Company (derived from the AIM Index of the Daily Official List of the London Stock Exchange) on the five business days immediately preceding the day on which the ordinary share is purchased.

This power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may after such expiry make a purchase of ordinary shares in execution of a contract of purchase that was made under and before expiry of such authority.”

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

**15 October 2007**

**Registered office:**  
**Swallowfield House**  
**Station Road**  
**Wellington**  
**Somerset TA21 8NL**

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 Annual General Meeting 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 Annual General Meeting or another person as proxy.
2. In the case of joint holders, the proxy appointment of the most senior holder will be accepted to the exclusion of any appointments by the other joint holders. For this purpose, seniority is determined by the order in which the names are stated in the register of members of the Company in respect of the joint holding (the first named being the most senior).
3. To be effective, forms of proxy must reach the Company’s registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS13 8FB, by 12 noon on Tuesday 6 November 2007.
4. Only members entered in the register of members of the Company as at close of business on Tuesday 6 November 2007 shall be entitled to attend and vote at the above meeting. Changes to entries in the register of members after close of business on Tuesday 6 November 2007 shall be disregarded in determining the rights of a person to attend and vote at the meeting. These requirements reflect Regulation 41 of the Uncertificated Securities Regulations 2001.
5. The register of the Directors’ interests in the capital of the Company, and copies of the Directors’ contracts of service with the Company and the non-executive Directors’ letters of appointment will be available for inspection at the Registered Office during usual business hours on any weekday (Saturday, Sunday and public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting until its conclusion.
6. Please note that communications regarding the matters set out in this notice of Annual General Meeting will not be accepted in electronic form.

## **Explanatory notes to the resolutions as proposed at the 2007 Annual General Meeting:**

### ***Ordinary Business:***

#### **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 the approval of this Directors' Remuneration Report, which is set out on pages 14 to 16 of the Report and Accounts 2007.

#### **Resolutions 4 and 5 (Re-election of Directors)**

In accordance with the Company's articles of association the number closest to one-third of the Directors are required to submit themselves for re-election each year, being those Directors who have been longest in office since their last re-election or appointment. The two Directors to retire by rotation are JA Wardell and JM Fletcher. While JM Fletcher is submitting herself for re-election, JA Wardell is retiring at this year's AGM and is not offering himself for re-election.

In addition and in accordance with corporate governance best practice as set out in the Combined Code, RT Organ is also retiring due to his length of service as a non-executive director of the Company and is submitting himself for re-election. In the opinion of the Directors, RT Organ's length of service does not impair his objectivity and independence as is shown by the challenging and constructive thinking he brings to the Board.

### ***Special Business:***

#### **Resolution 7 (To re-appoint Grant Thornton UK LLP as auditors)**

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 2 July 2007 creating a casual vacancy, which the Directors filled by appointing Grant Thornton on 15 August 2007. Special notice is required for a resolution to re-appoint Grant Thornton in these circumstances and such notice has been given to the Company in accordance with section 312 of the Companies Act 2006.

#### **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 in 2008.

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 in 2008.

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 conclusion of the Company's Annual General Meeting in 2008. 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 £0.89 on Monday 1 October 2007 would involve the Company in the expenditure of approximately £1,001,250 before stamp duty and commissions, and at the minimum permitted price would involve the expenditure, on the same basis, of £56,250.)

As at Monday 1 October 2007, 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.