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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

22 March 2011

Dear Shareholder,

## General Meeting to be held on 11 April 2011

Further to the Notice of General Meeting issued on 14 March 2011.

### Requisition of a General Meeting by a Member

The Board is in receipt of a requisition for a General Meeting dated 21 February 2011 from The Union Discount Company of London Limited, a company representing the interests of Mr Peter Gyllenhammar, who in total owns 29.56% of the voting rights of Swallowfield plc. This requisition is for two resolutions; one proposing the removal of the Chairman, Shena Winning, and the other proposing the removal of any directors that the current Board might appoint between the date of the requisition and the General Meeting to which this notice relates.

The Board is also in receipt of correspondence from a representative of Western Selection plc stating that Western Selection, which owns 16.25% of the voting rights of the Company, intends to support the resolutions proposed by Mr Gyllenhammar.

The following provides shareholders with further background to this situation, detailing the reasons for the Board recommendation to vote **AGAINST** all resolutions.

### Background to this requisition

You will recall from previous Annual General Meetings ("AGM's") that both Mr Gyllenhammar and Western Selection plc have sought to make changes to the Board over a number of years and have regularly voted against certain other resolutions proposed by the Board.

You might also recall that Mr Gyllenhammar was offered a seat on the Board prior to the 2007 AGM but refused to take up the offer, unless the Board also offered a seat to Mr Marshall who is Chairman of Western Selection. Subsequently, at the same AGM, Western Selection tabled resolutions to appoint Mr Gyllenhammar and Mr Marshall to the Board. These resolutions were withdrawn at the AGM after a majority of shareholders indicated they would vote against them.

The Board, led by Shena Winning, has sought, on several occasions over a number of years, to compromise with both shareholders including by offering participation in the Board whilst ensuring that the Board can remain independently managed for the benefit of all shareholders. These compromises have been effectively rebuffed by the creation of conditions that would undermine the independence of the Board. The Board has also procured the services of its nominated advisor, Smith & Williamson Corporate Finance Limited, to mediate in this matter but it has not proved possible to reach an outcome acceptable to both the Board and the two shareholders.

Subsequent to the requisition of this General Meeting, Mr Gyllenhammar has strongly indicated that removing the Chairman is the first step in his desire to change the composition of the Board. Western Selection, through its representative Mr Beale, has said that its immediate priority is for Mr Gyllenhammar to be comfortable with the composition of the Board, by implication supporting any further changes desired by Mr Gyllenhammar.

## Ordinary Resolution 1 – the removal of Shena Winning as a director.

The current chairman was elected by a majority of shareholders at the 2009 AGM to serve for a further three year term. The Board is unanimous in its support for Shena Winning to conclude this mandate.

The Board understands from communication with Mr Gyllenhammar and Western Selection that they have two main arguments in support of their proposal. The first is that, in their view, Shena Winning has been “confrontational” and not communicated adequately with them. The second is that the company has, in their view, been underperforming for a period of time and the Chairman lacks the drive necessary to improve the performance sufficiently quickly for them.

Taking each of these arguments in turn:

One of the main criticisms of Shena Winning made by the two shareholders stems from the fact that the Board asked the Takeover Panel in 2007 whether these two shareholders could be deemed to be acting in concert. Advice taken from the company's advisors at the time made it clear that this was an appropriate and necessary action in the interests of all shareholders, however at that time the Panel ruled that they were not acting in concert. A further criticism stems from the desire of both Mr Gyllenhammar and Western Selection to interview and vet directors before their appointment to the Board. The whole Board believes this is inappropriate for an independent listed company but, nonetheless, has taken into account the views of the major shareholders as to the kind of skills and background that they think are necessary. The Board's consideration of the views of the major shareholders is evidenced by the quality of Board appointments made during the last year following an ongoing evaluation of skills and to ensure a robust succession plan. Throughout the last five years the Board has communicated frequently with Mr Gyllenhammar on topics covering operational, commercial, strategic and corporate governance matters. The Board has attempted to find common ground and pursued some of the ideas suggested by Mr Gyllenhammar, but has not always received a clear indication of the direction he wishes to take. This has made it very difficult to find good strategic alignment.

For these reasons the Board believes the charge of confrontational style and poor communication to be without foundation.

In response to the second argument put forward by Mr Gyllenhammar and Western Selection, the Board believes that, over the last few years, the company has performed well in exceptionally difficult circumstances. Throughout the global financial crisis and recession, the company has remained profitable and continued to pay dividends. Since 30 June 2008 the company share price has increased from 84p to 133.5p per share as at 18 March 2011, representing a growth performance over 50% above the FTSE All Share Index. In addition during this period shareholders have also received dividend payments totalling 16.3 pence per share. The company has a clearly articulated strategy and direction, which the Board believes will continue to deliver returns for shareholders. The company has been actively increasing its overseas presence in China, the Czech Republic, France and the USA in response to the growing difficulties it foresees for the UK consumer. It has improved the quality and underlying potential of the business by development of new customer relationships and new product capabilities and this is showing through in the revenue growth we have achieved over the last 2½ years. The Board therefore does not support the view that Shena Winning is deficient in drive in pursuing the role of Chairman.

Furthermore, we believe that Mr Gyllenhammar and Western Selection might have concerns over the recent appointments of Mr Hagen and Mr Organ which they suggest were made in direct opposition to their wishes and in an underhand way. The Board would like to clarify that a recruitment process was commenced in May 2010 in order to identify an experienced non-executive director who could affect an orderly handover of the Chairmanship given Shena Winning's intention to step down in 2012. The frequent threat of a General Meeting from the major shareholders brought a conclusion to this process with Martin Hagen appointed to the Board. The departure of Patrick Gaynor, the relatively recent appointment of Franklin Berrebi and this

continued threat of a General Meeting to remove the Chairman, led the Board to decide to appoint a further non-executive director to provide stability and experience to the Board at a time of potential upheaval. The Board is confident that the appointment of Richard Organ will provide that experience and stability.

During the last few years we have continued to develop and strengthen the Board and have a good team in place for the future. This new, but highly experienced, team now needs time and support from shareholders in order to deliver on the Board's objectives. We believe it is in the best interests of all parties that the management team and the wider Board are allowed to focus their efforts on the business rather than on matters such as this requisition which are distracting and time-consuming.

#### Ordinary Resolution 2

This resolution prevents the existing Board from making any further appointments between the date of the General Meeting requisition and the conclusion of the meeting.

#### **Conclusion**

The Board believes that these resolutions could be a significant and irreversible step towards eliminating the independence of the Board which might ultimately be detrimental to the minority shareholders.

Given that the two major shareholders hold between them 45.81% of the voting rights of the company, your Board believes it is important that every shareholder registers their vote so that their views count.

#### **Recommendation**

**Your Board strongly urges you to vote your shares AGAINST the resolutions as each of the Directors will be doing in respect of their own shares at the General Meeting.**

#### **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 Form of Proxy enclosed with the Notice Of General Meeting dated 14 March 2011 and return it to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 11.30am on Thursday 7 April 2011 following the instructions on the form. Please see the notes to the notice of the General Meeting and the Form of Proxy for full details about the appointment of proxies. Additional proxy forms may be obtained by contacting the Registrars helpline on 0870 707 1332.

If you have any questions regarding any of the business to be conducted at the General Meeting, please contact Ian Mackinnon, Chief Executive Officer, or Mark Warren, Group Finance Director, on +44 (0)1823 662241 or e-mail: [investors@swallowfield.com](mailto:investors@swallowfield.com)

Yours sincerely

Swallowfield plc Board

S J Winning	Chairman	I A Mackinnon	Chief Executive
R T Organ	Non Executive	M W Warren	Group Finance Director
M J Hagen	Non Executive	J M Fletcher	Group Sales & Marketing Director
F P Berrebi	Non Executive		

# Notice of a General Meeting

Notice is hereby given that a General Meeting of Swallowfield plc (the "**Company**") will be held at Swallowfield House, Station Road, Wellington, Somerset TA21 8NL on Monday, 11 April at 11.30am

The following requisition was received from The Union Discount Company of London Limited dated 21 February 2011:

"Pursuant to sections 168 and 303 Companies Act 2006 ('Act'), we, the undersigned, being the holder of not less than one-twentieth of the paid-up share capital of Swallowfield plc ('Company') which at the date hereof carries the right of voting at general meetings of the Company hereby require you pursuant to sections 304 and 312 of the Act forthwith to convene a general meeting of the Company ('Requisitioned Meeting') for the purpose of considering and if thought fit passing the following resolutions both of which will be proposed as an ordinary resolution:

- **Ordinary Resolution 1**  
That Shena Janette Winning be and is hereby removed from office as a director of the Company
- **Ordinary Resolution 2**  
That any person appointed by the directors as an additional director pursuant to the Articles of Association of the Company between the date of the requisition and the conclusion of the Requisitioned Meeting be and is hereby removed from office as a director of the Company."

**By order of the Board**  
**M W Warren**  
**Group Finance Director and Company Secretary**

**14 March 2011**

**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 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 General Meeting or another person as proxy.
2. 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 close of business on 7 April 2011 (or if the General Meeting is adjourned, two working days before the time fixed for the adjourned General Meeting) shall be entitled to attend and vote at the General Meeting 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 General Meeting.
3. As at 11 March 2011 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 11,306,416 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 March 2011 are 11,306,416.