

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

1 October 2012

Dear Shareholder,

# Notice of the 2012 Annual General Meeting

I am pleased to enclose the Report and Accounts for Swallowfield plc (the "**Company**") for the year ended 30 June 2012.

## Annual General Meeting

This year's Annual General Meeting (the "**AGM**") of the Company will be held on Thursday 15 November 2012 at 12 noon at Swallowfield House, Station Road, Wellington, Somerset TA21 8NL. The notice of the AGM is set out on pages 3 and 4 of this document. This letter summarises the items of business to be transacted at the Meeting, and on pages 5, 6 and 7 of this document there are notes explaining these resolutions.

## Ordinary Business

- **Resolutions 1 to 6** deal with the directors' report and financial statements for the period ended 30 June 2012 (resolution 1); the directors' remuneration report for the period ended 30 June 2012 (resolution 2); the final dividend (resolution 3); the re-election of Roger McDowell as a non-executive director (resolution 4); the granting of authority to directors to determine the auditors' remuneration (resolution 5); and the re-appointment of Grant Thornton UK LLP as the Company's auditors (resolution 6).

## Special Business

- **Resolution 7** deals with the authority of the directors to allot new shares in the capital of the Company.
- **Resolution 8** deals with the seeking of approval in respect of the disapplication of pre-emption rights.
- **Resolution 9** deals with the purchase, by the Company, of its own shares.
- **Resolution 10** deals with the adoption of new Articles of Association of the Company.

I am pleased to invite you to my first Annual General Meeting since being appointed Chairman in January of this year. The Group continues to perform robustly against the current trading background. Earnings per share increased by 16.7% to 11.2p compared with 9.6p last year, whilst net debt reduced by £0.6m.

## **Board and Strategy**

Following my appointment as Chairman on 10th January 2012 and the re-appointment of Roger McDowell on 1st March 2012, I am pleased to say that the Board has now focused its efforts on the task of improving the Group's performance. This has included a thorough review of the Group's strategy, which will now emphasise product development, partnerships and acquisition activity to improve profitability, whilst tightly controlling costs.

## **Dividends**

As discussed in our last report, the Board determined that the dividend policy could be strengthened over time. The previous dividend policy was to retain a dividend cover of 1.5 times post-tax earnings over the medium term. The Board believes that the dividend cover should be increased over time to 2 times post-tax earnings. The dividend cover for the current year, assuming that the recommended dividend is approved at the Annual General Meeting is 1.8 times.

## **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 BS99 6ZY, by no later than 12 noon on Tuesday 13 November 2012, 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.

## **Recommendation**

Your Board considers **resolutions 1 to 10** 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 resolutions 1 to 10**, 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 Mark Warren, Group Finance Director, on +44 (0)1823 662241.

Yours sincerely  
**Stephen Boyd**  
Chairman

# Notice of Annual General Meeting

Notice is hereby given that the twenty sixth Annual General Meeting (the "**AGM**") of Swallowfield plc (the "**Company**") will be held at Swallowfield House, Station Road, Wellington, Somerset TA21 8NL on Thursday 15 November 2012 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 2012.
2. To approve the directors' remuneration report for the year ended 30 June 2012.
3. To declare a final dividend of 4.1p per ordinary share.
4. To re-elect R S McDowell as a director.
5. To authorise the directors to determine the auditors' remuneration.
6. 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 7 will be proposed as an ordinary resolution and resolutions 8, 9 and 10 will be proposed as special resolutions:

7. 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 551, Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "**relevant securities**") provided that this authority shall be limited to relevant securities up to an aggregate nominal amount of £188,440, 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 2012 and, unless previously revoked, varied or extended, this authority shall expire on the earlier of 30 December 2013 and 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.
8. That the directors be and they are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company wholly for cash where such allotment is either pursuant to the authority of the directors under section 551 of the Act conferred by resolution 7 above, or by virtue of section 573 of the Act, in either case as if section 561(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 £28,266, 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 2012; and
  - b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the earlier of 30 December 2013 or 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.

9. That the Company be and is hereby unconditionally and generally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) 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 1,130,000 representing approximately 10% of the Company's issued ordinary share capital as shown in the audited accounts of the Company for the year ended 30 June 2012;
  - 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 30 December 2013 or the conclusion of the next Annual General Meeting of the Company, 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.
10. That, with effect from the conclusion of the meeting:
- a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Company's Articles of Association; and
  - b) 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 new Articles of Association of the Company in substitution for, and to the exclusion of, the current Articles of Association.

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

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

**1 October 2012**

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; and
  - (b) the register of directors' interests in the capital 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 13 November 2012 (or if the AGM is adjourned, two 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. As at 28 September 2012 (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 1 October 2012 are 11,306,416.

## **Explanatory notes to the resolutions as proposed at the 2012 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)**

Changes to AIM rules with effect from February 2010 require all AIM companies to disclose details of directors' remuneration earned in respect of the financial year by each director of the AIM company acting in such capacity during the financial year. Resolution 2 seeks specific approval of this directors' remuneration report, which is set out on pages 34 to 37 of the report and accounts 2012.

#### **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 2012 which, if approved, will be payable on 30 November 2012 to the shareholders who are on the register on 9 November 2012.

#### **Resolutions 4 (Re-election of director)**

In accordance with the provisions of the Company's articles of association, any person appointed by the directors is required to submit himself or herself for re-election at the next AGM following his or her appointment. Accordingly, under resolution 4, R S McDowell is submitting himself for re-election. Biographical details of the directors can be found on pages 24 and 25 of the report and accounts.

#### **Resolutions 5 and 6 (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 5 authorises the directors to set the auditors' remuneration and Resolution 6 proposes the re-appointment of Grant Thornton UK LLP as auditors of the Company for the financial year ending 30 June 2013.

### **Special Business:**

#### **Resolution 7 (Directors' power to allot securities)**

Resolution 7 seeks to provide the directors' with general authority under section 551 of the Companies Act 2006 to allot new shares in the capital of the Company. This general authority is to allot shares up to an aggregate nominal value of £188,440, 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. 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 2013.

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 8 (Disapplication of pre-emption rights)**

Resolution 8 seeks approval 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 £28,266. 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 2013.

The Directors consider that the power proposed to be granted by Resolution 8 is necessary to retain flexibility, although they currently have no intention of exercising such power.

#### **Resolution 9 (Market purchase of shares)**

Under its articles of association and section 693 of the Companies Act 2006, the Company has power to purchase its own shares. Resolution 9 seeks approval to permit the directors, 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 2013. Such authority would allow for purchases to be made on the terms set out in the Resolution of up to a maximum number of 1,130,000 ordinary shares (representing just under ten per cent of the present issued ordinary share capital). (A purchase of the proposed maximum of 1,130,000 ordinary shares at the share price of, for example, £1.14 would involve the Company in the expenditure of approximately £1,288,200 before stamp duty and commissions, and at the minimum permitted price would involve the expenditure, on the same basis, of £56,500).

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 seeking 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 10 (explanatory notes in relation to the principal changes to the company's articles of association)**

This resolution is resubmitted to shareholders at this AGM having failed to receive the necessary support of 75% of shareholders voting at the 2011 Annual General Meeting.

##### **a) The Company's objects**

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum (which previously contained, amongst other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake). The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, were treated as forming part of the Company's articles of association with effect from 1 October 2009. Resolution 10(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the revised articles of association (the "New Articles") also contain an express statement regarding the limited liability of shareholders.

##### **b) Articles which duplicate statutory provisions**

Provisions in the Company's existing articles of association (the "Existing Articles") which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006.

##### **c) Authorised share capital and unissued shares**

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

##### **d) Redeemable shares**

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

##### **e) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly certain of the relevant enabling provisions have been removed in the New Articles.

##### **f) Adjournments for lack of quorum**

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Existing Articles have been changed to reflect this requirement.

**g) Limitation on borrowing powers**

The provisions in relation to the limitation of the directors' borrowing powers have been updated in the New Articles, in accordance with ABI guidelines on the content of Articles of Association, issued in November 2009. As the Company prepares and presents its audited financial accounts in accordance with International Accounting Standards, the New Articles reflect IFRS rather than UK GAAP terminology.

**h) 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 to that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

A draft copy of the proposed New Articles can be found on the company's website along with this Notice of AGM:

[www.swallowfield.com](http://www.swallowfield.com) and go to the investors / governance / shareholder documents section