

Western Selection P.L.C.

Incorporated in England - No. 234871

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20th October 2010

Our ref. RJM/WSL11:

Dear Fellow shareholder,

Swallowfield Annual General Meeting

Since 2001 we have been shareholders in Swallowfield, and own 1,587,649 shares representing 14% of the Company. We believe that the company can be more successful and would like to see improvements to the board of directors.

You will have received from Swallowfield the Notice of AGM which includes Resolution 11 that has been proposed by us. We are writing to all shareholders to explain why we have proposed this motion and we are asking you to reject the Directors' recommendation to vote against of resolution 11. We and Mr. Peter Gyllenhammar, who owns 30% of the company, will **both** be voting in **FAVOUR** of resolution 11.

The profit performance of Swallowfield has been disappointing. Over the last 4 years, profit before interest and tax, excluding exceptional items, has fluctuated between £1.31m and £1.54m, despite turnover increasing by 17% to £52m.

Shareholders owning 44% of the Company are clear that a company is an entity owned by its shareholders and managed by the directors on behalf of all shareholders.

Over the last 4 years we have repeatedly urged the Swallowfield Board to increase the number of directors, to bring more expertise to the Board, and this had been ignored until Mr Berrebi was recently appointed. We still believe a further director should be brought in with appropriate experience and qualifications.

There has been no communication by the Board with either of their largest shareholders when considering the appointment of new directors, in spite of the fact we have continually been requesting that we be kept informed on such matters.

We ask you to vote in favour of resolution 11 calling for a further strengthening of the Swallowfield Board. Further background information is included overleaf.

Yours sincerely

David Marshall
Chairman, Western Selection plc

Background to Resolution 11

Western Selection submitted the proposed resolution to the company at the end of June 2010.

The resolution calls for an increase in size of the Swallowfield Board from five to seven. This is to be effected by the Board selecting appropriately qualified and experienced directors.

Over the last 4 years we have repeatedly been told that the Board considered five to be the appropriate number of directors. In our extensive experience, as investors in many small quoted trading companies, five directors are too few; especially given the increasing burdens that are being placed on Boards and the need for good governance. The contribution from high quality non-executive directors more than offsets any additional costs resulting from their appointment.

In the recent notice of AGM, shareholders are now told that the nomination committee has been looking to expand the size of the Board to six **since October 2009**, and that six is now considered to be the appropriate size. Whilst welcoming the change to a policy more in line with our view, we are surprised at the timing of this change in policy since last year's notice of AGM repeated that five was the appropriate size for the Board. As significant shareholders, who have long been championing an increase in the size of the Board, we are very surprised that shareholders were not informed of this change in the Board's policy prior to the appointment of a new director at the end of July, 10 months after the change in policy.

We believe all shareholders should have been advised of the change in policy regarding the appropriate size of the Board at the last AGM, or in one of the announcements made since then. This failure in communication and in transparency gives us further cause for concern. In our considered opinion, the Board needs to be augmented by a highly experienced non-executive director who will be able to understand the issues highlighted repeatedly to the Chairman by the major shareholders.

We note the appointment of Mr Berrebi, but another appointment is needed for the reasons alluded to above, to bring greater breadth and depth of experience to the Board, and to perform the role expected of a Senior Independent non-executive Director.

Information about Western Selection plc.

Western Selection is a publicly quoted investment company incorporated in 1928. Full details about the company can be found on its website: [**www.westernselection.co.uk**](http://www.westernselection.co.uk)

Western Selection also has significant investments in two other successful smaller quoted companies: Creston plc, and Northbridge Industrial Services plc. Directors of Western Selection sit on the Boards of both these companies.

Western is managed by a Board consisting of Mr Marshall, Mr Robotham, Mr Hall and Mr Beale, who between them have many decades of experience as successful long term investors in, and as directors of, successful smaller quoted companies.