

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your ordinary shares or deferred shares in John Swan & Sons PLC, you should pass this document, the accompanying form of proxy and the annual report and financial statements of John Swan & Sons PLC for the financial year ended 30 April 2008 without delay to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## **JOHN SWAN & SONS PLC**

*(Registered Number SC007893)*

*Directors:*

Alastair J Ritchie (*Non-executive Chairman*)  
John C Clark (*Executive Director*)  
Francis W Forrest (*Executive Director*)  
James D Allen (*Non-executive Director*)  
George R Forbes (*Non-executive Director*)  
George T Neill (*Non-executive Director*)

*Registered office:*

6 St Colme Street  
Edinburgh  
EH3 6AD

30 July 2008

*To holders of ordinary shares of 25p each (the "Ordinary Shares") and deferred shares of 12.5p each in the capital of John Swan & Sons PLC*

Dear Shareholder

### **2008 Annual General Meeting**

I am writing to you to explain the background to the holding of the Company's ninety-seventh Annual General Meeting which will be held at 12 noon on Thursday, 28 August 2008 at The Lodge Hotel, Carfraemill, Lauder. The notice of meeting is set out at the end of this letter (the "Notice").

### **Business of the Annual General Meeting**

In addition to the routine business normally dealt with at the Company's Annual General Meeting, there is one item of special business to be dealt with at this Annual General Meeting. This relates to proposed amendments to the Company's articles of association (the "Articles") to take account of certain changes in company law brought about by the implementation of the Companies Act 2006 (the "2006 Act").

The following resolutions will be proposed at the Annual General Meeting as routine business:

#### **Resolution 1: Receipt of Annual Report and Financial Statements (Ordinary Resolution)**

This resolution relates to the receipt by the Annual General Meeting of the directors' and auditors' reports and the financial statements of John Swan & Sons PLC and its subsidiary undertakings for the financial year ended 30 April 2008, which are enclosed with this letter.

#### **Resolutions 2 and 3: Re-election of Directors (Ordinary Resolutions)**

The Company's articles of association require that at each Annual General Meeting of the Company one-third of the directors for the time being shall retire from office. Accordingly, the directors to retire by rotation are Mr Forrest and Mr Allen who, being eligible, now offer themselves for re-election. Resolution 2 proposes the re-election of Mr Forrest and resolution 3 proposes the re-election of Mr Allen.

#### **Resolution 4: Re-appointment of Auditors (Ordinary Resolution)**

This resolution is proposed to re-appoint Scott-Moncrieff as auditors of the Company and to authorise the directors to fix their remuneration.

#### **Resolution 5: Declaration of Dividend (Ordinary Resolution)**

The directors recommend the payment of a dividend of 15p per Ordinary Share which, if approved at the Annual General Meeting, would be paid to shareholders on 28 August 2008.

The following resolution will be proposed at the Annual General Meeting as special business:

**Resolution 6: Alterations to the Articles (Special Resolution)**

The directors are asking shareholders to approve resolution 6 which will amend the Articles to confer power on the directors to authorise certain conflicts of interest in accordance with the provisions of section 175 of the 2006 Act, as explained below.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or may have, a direct or indirect interest that conflicts or may conflict with a 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 2006 Act 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 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

The changes to the Articles proposed in resolution 6, to take effect from 1 October 2008, empower the directors to authorise conflicts or potential conflicts subject to such terms as the directors may determine at their absolute discretion.

There are safeguards that will apply when directors are deciding 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.

**Action to be taken**

You will find enclosed with this document a form of proxy for use at the Annual General Meeting. Whether or not you propose to attend the Annual General Meeting in person you are requested to complete the form of proxy and return it to the Company's secretaries, Geoghegan & Co, 6 St Colme Street, Edinburgh EH3 6AD so as to arrive no later than 12 noon on 26 August 2008. The completion and return of the form of proxy will not affect your right to attend and vote in person at the Annual General Meeting if you so wish.

**Recommendation**

**Your Board believes that the proposed resolutions are in the best interests of the Company and unanimously recommends that you vote in favour of them as your directors intend to do in respect of their own beneficial shareholdings.**

Yours faithfully

Alastair J Ritchie  
Chairman

## Notice of Annual General Meeting

Notice is hereby given that the ninety-seventh Annual General Meeting of John Swan & Sons PLC (the "Company") will be held at The Lodge Hotel, Carfraemill, Lauder on Thursday 28 August 2008 at 12 noon for the following purposes:

### Routine business

1. To receive and if thought fit, to adopt the reports of the directors and the auditors and the financial statements for the year ended 30 April 2008.
2. To re-elect Frank Forrest, who retires at the Annual General Meeting by rotation, as a director of the Company.
3. To re-elect James Allen, who retires at the Annual General Meeting by rotation, as a director of the Company.
4. To re-appoint Scott-Moncrieff as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to determine their remuneration.
5. To declare a dividend of 15p on each ordinary share of 25p in the capital of the Company for the year ended 30 April 2008.

### Special business

6. To consider and, if thought fit, to pass the following resolution as a special resolution:  
THAT the articles of association of the Company (the "Articles") be altered as follows:
  - (a) by the insertion of a new definition in article 2 of the Articles as follows:  
"the 2006 Act" the Companies Act 2006";
  - (b) by the insertion of "the 2006 Act," at the beginning of the definition of "Statutes" in article 2 of the Articles; and
  - (c) by the insertion of a new article 113.6 as follows:  
**"113.6 Directors' power to authorise conflicts of interest**  
113.6.1 For the purposes of section 175 of the 2006 Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.  
113.6.2 The power of the Directors to authorise any matter under Article 113.6.1 applies (but is not limited) to the exploitation of any property, information or opportunity (and it is immaterial whether the Company could take advantage of the property, information or opportunity), but does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.  
113.6.3 Authorisation of a matter under this Article 113.6 shall be effective only if:
    - (i) the matter in question shall have been proposed in writing for consideration at a meeting of the Directors in accordance with the Board's normal procedures or such other manner as the Directors may determine;
    - (ii) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question or any other interested Director; and
    - (iii) the matter was agreed to without such Director (or Directors) voting, or would have been agreed to if the votes of any interested Directors had not been counted.

113.6.4 Any authorisation of a matter under this Article 113.6 shall be subject to such conditions, limitations and/or terms as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be varied or revoked by the Directors at any time and at their absolute discretion. Such conditions, limitations and/or terms may include, without limitation, that:

- (i) any information obtained by the Director, other than in his capacity as a Director or employee of the Company, which is confidential in relation to a third party, need not be disclosed or used for the benefit of the Company where such disclosure or use would constitute a breach of confidence;
- (ii) the Director shall notify the Board as soon as practicable of any significant change in the circumstances proposed for consideration under Article 113.6.3(i);
- (iii) the Director shall not be required or entitled to attend those parts of meetings of the Directors (or a committee thereof) at which the matter under consideration is discussed; and
- (iv) the Director shall not be entitled to receive any papers or other documents in relation to, or concerning, the matter under consideration.

Subject to any such conditions, limitations and/or terms imposed by the Directors, any authorisation given shall be deemed to be given to the fullest extent permitted by the Statutes. A Director shall comply with any obligations imposed on him by the Directors pursuant to any such authorisation.

113.6.5 A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the Directors under this Article 113.6 and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

113.6.6 Any authorisation of a matter under this Article 113.6 shall extend to any actual or potential conflict of interest which may reasonably be expected by the Directors, at the time such authorisation is given, to arise out of the matter so authorised.

113.6.7 The provisions of this Article 113.6 shall take effect on and from 1 October 2008 or such other date that section 175 of the 2006 Act comes into force.”.

By order of the Board

**Geoghegan & Co**

Secretaries

Registered office:

6 St Colme Street

Edinburgh

EH3 6AD

30 July 2008

#### Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed. If used, proxies must be lodged together with the power of attorney or other authority (if any) under which they are signed, or an extract from the Books of Council and Session or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or authority at the office of the Company's secretaries, Geoghegan & Co, 6 St Colme Street, Edinburgh EH3 6AD not less than 48 hours before the time of the meeting. Appointment of a proxy will not preclude a member from attending and/or voting in person at the meeting. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's secretaries.
2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company as at 6.00 p.m. on 26 August 2008 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the shares registered in their name at that time. Changes to the entries on the register of members after 6.00 p.m. on 26 August 2008 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the articles of association of the Company or other instrument to the contrary.