

**SANDERSON GROUP PLC**  
**Registered office: Sanderson House, Manor Road, Coventry CV1 2GF**  
**Company registration number: 04968444**

Mr J C M Paterson  
6 Hintlesham Avenue  
Edgbaston  
Birmingham  
West Midlands  
B15 2PH

23 November 2004

Dear John

**APPOINTMENT AS NON-EXECUTIVE DIRECTOR**

This letter sets out the terms and conditions agreed for your appointment as a non-executive director of the board of directors ("**Board**") of Sanderson Group plc ("**Company**").

**1. APPOINTMENT**

The Board is pleased to confirm your appointment as a non-executive director of the Board, which will take effect from the date of this letter.

It is proposed that the Company's shares are to be admitted to trading on the Alternative Investment Market ("**AIM**"), a market operated by the London Stock Exchange plc ("**Admission**"). Following Admission the Company will be bound by the rules of the London Stock Exchange plc governing admission to and the operation of AIM ("**AIM Rules**"). It will be the Company's policy to comply, wherever reasonably practicable given its size and standing, with the Combined Code of Best Practice, as set out in the Listing Rules of the UK Listing Authority ("**Best Practice Provisions**"). To that end, if there are subsequent revisions to the AIM Rules or to the Best Practice Provisions or if any other code or report dealing with corporate governance is issued, we would wish to discuss appropriate revisions to the terms and conditions of your appointment.

Notwithstanding any other provisions of this letter, if Admission has not occurred on or before *24 December* 2004 your appointment shall lapse and have no legal effect.

*Just.*

**2. POWERS AND DUTIES**

2.1 As a non-executive director, you should bring an independent and objective judgement to bear on issues of strategy, performance and resources of the Company and its subsidiaries (together the "**Group**"), including key appointments and standards of conduct. You should be able to foresee and assist in resolving conflicts of interest which occur in the business. You will help the Board to provide the Company with effective leadership as well as ensuring the continuing effectiveness of the management team and high standards of financial probity and corporate governance.

2.2 Your responsibilities and role as a non-executive director will evolve over time, however the attached schedule sets out a non-exhaustive list of the main aspects of the role you are to undertake.

- 2.3 Following Admission, you will be expected to be bound by and assist with compliance with the AIM Rules and the Best Practice Provisions where relevant. You will also be expected to serve on one or more of the Board committees (eg Audit, Remuneration and Nomination) and such other offices in Group related matters (eg as trustee of the pension scheme) as the Board may require from time to time. Our expectation is that you will attend each Board meeting and each meeting of any of the committees to which you are appointed. You will also be required to attend the annual and extraordinary general meetings of the Company.
- 2.4 The dates and times for Board meetings will be notified to you in good time and, generally, you will receive an agenda, together with relevant supporting papers, at least three days before each Board meeting. However, from time to time, it may be necessary to hold meetings at short notice. You will be entitled to full access to all Board papers and accompanying documentation. Should you at any time require any further information, please contact the Company secretary. If at any time you consider you are not being kept fully informed as to the Company's affairs, you should let me know immediately.
- 2.5 The Board will ensure that you are allowed full access to the advice and services of the Company secretary and the advisers to the Company in the performance of your duties.

### 3. MEETINGS

- 3.1 The Board usually meets monthly. Meetings will be normally held at the Company's registered office from time to time. It may be appropriate and/or necessary from time to time for you to visit certain of the other operating sites within the Group. The requirements for and timing of any such visits will of course be agreed with you.
- 3.2 We expect that your appointment will normally require the equivalent of approximately two working days each month to be spent on the Company's business, plus additional time for committee business. Should additional time be required, you will be expected to provide services as necessary for which you will be reimbursed at a rate to be agreed between you and the Company.

### 4. FEES

- 4.1 During your appointment as a non-executive director, the Company will pay you an annual fee of £25,000 (twenty five thousand pounds) ("Fee"), payable monthly in arrears in twelve equal instalments. You will not participate in any share option or bonus schemes or receive any pension or other fringe benefits from the Company.
- 4.2 It is hereby acknowledged by both the Company and you that any sums payable to you pursuant to this letter are consultancy fees in your capacity as a consultant to the Company and consequently nothing in this letter shall be construed as or have effect as constituting you as an employee of the Company. Consequently, you agree to be responsible for any income tax in respect of any sums paid to you pursuant to this letter and to indemnify and hold harmless the Company accordingly against any such sums that it is required to pay on your behalf.
- 4.3 Subject to clause 10, in respect of any shares held by you in the capital of the Company ("Company Shares"), you covenant with the Company not to sell or otherwise dispose of or agree to sell or otherwise dispose of any of the Company

Shares or any interest in the Company Shares on or before the first anniversary of the date of Admission, except with the prior written consent of the Company.

- 4.4 Nothing in clause 4.3 shall preclude you:
- 4.4.1 from accepting any general offer (or giving an irrevocable undertaking to accept an offer) for shares in the Company of a kind to which the City Code on Takeovers and Mergers applies;
  - 4.4.2 from making any disposal or agreement to dispose of Company Shares between you and any of your connected persons (as defined in section 346 of the Companies Act 1985) provided such persons agree, in a form previously agreed with us, to be subject to the restrictions set out in this clause; or
  - 4.4.3 from making any disposal or transfer into, or agreement to dispose or transfer into of any Company Shares into a personal equity plan or individual savings account in your name.
- 4.5 The Fee will be reviewed annually by the Board. In addition, you will be fully reimbursed for all out of pocket expenses which you may incur in the course of your duties in accordance with the Company's normal procedures.
- 4.6 The Company maintains directors' and officers' liability insurance, details of which are available from the Company secretary.

## 5. TERM OF YOUR APPOINTMENT

- 5.1 Your appointment will (subject to the provisions below) be for an initial period of two years unless terminated by either party giving to the other not less than one month's notice at any time. Upon Admission this notice period shall be extended to three months. Upon expiry of the initial period of two years, your appointment shall continue unless terminated by either party in accordance with the provisions of this clause 5.
- 5.2 Your appointment will be subject to the provisions of the Company's articles of association dealing with appointment, retirement and disqualification of directors.
- 5.3 The Company reserves the right to terminate your appointment without payment of compensation by written notice if;
- 5.3.1 you accept any position or acquire any interest in another company, firm or business which in the reasonable opinion of the Board is, or is likely to give rise to, a material conflict of interest with your position as a director of the Company;
  - 5.3.2 you commit any serious breach of any of the terms of this agreement; or
  - 5.3.3 you wilfully neglect the discharge of your duties under this agreement; or
  - 5.3.4 you are guilty of any fraud, dishonesty, criminal offence or conduct tending to bring yourself, the Company or any Group company into serious disrepute; or

- 5.3.5 you are adjudicated bankrupt or make any arrangement or composition with his creditors; or
- 5.3.6 you vacate your office or become prohibited by law from being or acting as a director of the Company.
- 5.4 As a non-executive director, you should note that you do not have authority to commit the Company in any way, nor should you make any statements on the Company's behalf or concerning the Company to the media, financial institutions or anyone associated with the stock market or investor community, in each case without the express authorisation of the Board, except where you are fulfilling your duties as set out in this letter or where required by law.
- 5.5 On the termination of your appointment for whatever reason you will:
- 5.5.1 at the request of the Company, resign from office as a director of the Company and all offices held by you in any other Group company. Should you fail to do so, the Company is hereby irrevocably authorised to appoint some person in your name and on your behalf to sign any documents or do any things necessary or desirable to give effect to such resignation(s); and
- 5.5.2 return to the Company secretary all property of the Company or any subsidiary of the Company in your possession, custody or power and if requested will provide written confirmation that you have complied with this obligation.

## 6. CONFLICTS OF INTEREST

- 6.1 If any circumstances should arise in which it becomes necessary for you to seek separate independent legal advice about your responsibilities as a director of the Company, you will be reimbursed for the reasonable legal costs of doing so. However in most circumstances I would expect you to discuss the issue with me or one of your non-executive colleagues in advance should you consider it appropriate.
- 6.2 If you are a member of the Remuneration Committee you must not hold any cross directorships with any executive director, except with the prior approval of the Board.
- 6.3 Can you please write to the Company secretary as soon as possible to confirm your disclosable interests under Section 324 of the Companies Act 1985. You should set out in full those interests of both you and your family of which the Company will need to be aware in order to avoid any unintentional conflict of interests and in order to comply with statutory requirements. If you have any questions regarding this disclosure requirement please speak to the Company secretary.

## 7. CONFIDENTIALITY

- 7.1 During your appointment you will come into possession of confidential information. You will not at any time during or after your appointment except for the Company's purposes directly or indirectly use or disclose trade secrets or confidential information relating to the Group's agents, customers, prospective customers or suppliers.
- 7.2 For the purposes of clause 7.1 confidential information shall include any information relating to the business and/or financial affairs of the Group's agents, customers, prospective customers or suppliers and in particular shall include but not be limited

to: the business methods and information of the Group (including prices charged, discounts given to customers or obtained from suppliers, product development, marketing and advertising programmes, costings, budgets, turnover, sales targets or other financial information); lists and particulars of the Group's suppliers and customers and individual contacts at such suppliers and customers; details and terms of the Group's agreements with suppliers and customers; secret manufacturing or production processes and know-how employed by the Group or its suppliers; confidential details as to the design of the Group's or its suppliers' products and inventions or developments relating to future products; whether or not in the case of documents or other written materials they are or were marked as confidential; and whether or not, in the case of other information, such information is identified or treated by the relevant Group member as being confidential.

- 7.3 This clause shall not restrict you from disclosing any confidential information which you are authorised to disclose by the Board or which has entered into the public domain other than as a result of your unauthorised disclosure.
- 7.4 You undertake to and covenant with the Company during the term of your appointment and for a period of twelve months thereafter (either on your own behalf or jointly with another person or as an officer, employee, adviser, consultant or agent for any other person ) not to be directly or indirectly engaged or interested in any other capacity in carrying on any business within the United Kingdom and/or Ireland in competition with the business carried on by the Group as at the date of termination of your appointment.
- 7.5 You undertake to and covenant with the Company, during the term of your appointment and for a period of twelve months thereafter (either on your own behalf or jointly with another person or as an officer, employee, adviser, consultant or agent for any other person) not to directly or indirectly solicit or otherwise endeavour to entice away any person who at any time during the period of six months preceding the termination of your appointment was an employee of any member of the Group with a view to the specific knowledge or skills of such person being used by or for the benefit of any person carrying on business in competition with the business carried on by the Group.

## 8. SHARE DEALINGS

As you would expect, we must require any dealings by you in the Company's shares and other listed securities to be strictly in accordance with the rules of any Model Code for transactions in securities by directors of listed companies and persons connected with them as applicable to or adopted by the Company from time to time. A copy of the Company's share dealing code, to be adopted prior to Admission, is enclosed for your information.

## 9. MEMORANDUM AND ARTICLES OF ASSOCIATION

A copy of the Company's existing memorandum and articles of association, and a draft of those to be adopted conditional on Admission, is available from the Company secretary.

## 10. CHANGE OF CONTROL

In the event that, following Admission, the Company terminates your appointment within twelve months of a change of control of the Company (as defined by Section 840 of the Income and Corporation Taxes Act 1988 (as amended from time to time)) the notice period to terminate this agreement shall be extended to twelve months. If the Company serves notice to

terminate this agreement within twelve months of such change of control of the Company then the Company shall be obliged to pay you a sum equivalent to the Fee, whereupon this agreement shall terminate forthwith.]

## 11. INDEMNITY

Subject to the provisions of the Companies Act 1985, Companies Act 1989 and all other statutes orders regulations or other legislation for the time being in force concerning companies so far as they apply to the Company, but without prejudice to any indemnity to which you may otherwise be entitled, you shall be indemnified out of the assets of the Company against all costs charges expenses losses damages and liabilities incurred by you in or about the execution of your duties or the exercise of your powers or otherwise in relation thereto including any liability incurred by you in defending any proceedings whether civil or criminal which relate to anything done or omitted or alleged to have been done or admitted by you as an officer of the Company in which judgment is given in your favour or in which you are acquitted or which are otherwise disposed of without any finding or admission of material breach of duty on your part or in connection with any application to which relief is granted to you by the Court from liability for negligence default breach of duty or breach of trust in relation to the affairs of the Company.

Please indicate your acceptance to the terms contained in this letter by signing the enclosed copy.

I look forward to seeing you at our next Board meeting.

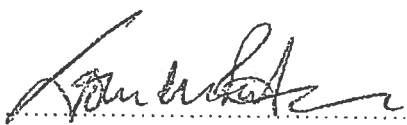
Yours sincerely



Christopher Winn  
Executive Chairman

for and on behalf of  
Sanderson Group plc

I agree to the terms and conditions set out above relating to my appointment as a non-executive director of the Company.

Signed ..... 

Mr John C M Paterson

Dated ..... 23<sup>rd</sup> November '04

## SCHEDULE

1. To attend meetings of the Board, its committees (where you are a member of those committees) and any other meetings of the Company.
2. To assist in providing a balance of executive and non-executive views.
3. To be responsible for (in conjunction with the other directors) ensuring that the Board takes balanced and informed decisions in discharging its responsibility for the direction, strategy and management of the Company and to provide an informed contribution to that process.
4. To be responsible (in conjunction with the other directors) for the formation of the Group's policies (eg towards shareholders, management, employees, creditors, suppliers and lenders).
5. To bring independence of judgement to the Board.
6. To serve and promote the best interests of the Company and exercise a duty of skill and care.
7. To ensure (in conjunction with the directors) that long term strategies are developed and properly considered.
8. To have a sufficient understanding of the business to be able to test the views of the executive team.
9. To work with the executive directors in all matters concerned with the public presentation of the Company, including annual and interim accounts, shareholder liaison, press and public relations, relationships with professional advisers, responses in the case of take over approaches and similar matters.
10. To ensure that the interests of the Group are paramount where there are conflicts of interest.
11. To monitor the executive management in relation to Board guidelines and delegated authorities.
12. To monitor (in conjunction with the other directors) compliance with standards of practice in listed companies, both regulatory and general.

Package: 'Laserform'  
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# 288a

Please complete in typescript,  
or in bold black capitals.

## APPOINTMENT of director or secretary (NOT for resignation (use Form 288b) or change of particulars (use Form 288c))

CHFP025

Company Number 04968444

Company Name in full  
SANDERSON GROUP PLC

Date of appointment Day Month Year 2 3 1 1 2 0 0 4 †Date of Birth Day Month Year 2 5 0 9 1 9 4 6

### Appointment form

Appointment as director  as secretary  Please mark the appropriate box. If appointment is as a director and secretary mark both boxes.

Notes on completion appear on reverse.

NAME \*Style / Title MR \*Honours etc

Forename(s) JOHN CLEMENT MACKENZIE

Surname PATERSON

Previous Forename(s) Previous Surname(s)

Usual residential address †† 6 HINTLESHAM AVENUE, EDGBASTON

Post town BIRMINGHAM Postcode B15 2PH

County / Region WEST MIDLANDS Country ENGLAND

†Nationality BRITISH †Business occupation DIRECTOR

†Other directorships (additional space overleaf) Elba Investments Limited  
I consent to act as \*\* director / secretary of the above named company

\* Voluntary details.  
† Directors only.  
\*\* Delete as appropriate

Consent signature *[Signature]* Date 23/11/04

A director, secretary etc must sign the form below.

Signed *[Signature]* Date 23/11/04

(\* a director / secretary / administrator / administrative receiver / receiver manager / receiver)

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

DLA LLP  
Fountain Precinct, Balm Green, Sheffield, S1 1RZ  
Tel 08700 111 111  
DX number DX: 708580 DX exchange SHEFFIELD 10



When you have completed and signed the form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff  
for companies registered in England and Wales or  
Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB  
for companies registered in Scotland DX 235 Edinburgh



**Company Number**

† Directors only.

† Other directorships


**NOTES**

Show the full forenames, NOT INITIALS. If the director or secretary is a corporation or Scottish firm, show the name on surname line and registered or principal office on the usual residential line.

Give previous forenames or surname(s) except:

- for a married woman, the name by which she was known before marriage need not be given.
- for names not used since the age of 18 or for at least 20 years

A peer or individual known by a title may state the title instead of or in addition to the forenames and surname and need not give the name by which that person was known before he or she adopted the title or succeeded to it.

**Other directorships.**

Give the name of every company incorporated in Great Britain of which the person concerned is a director or has been a director at any time in the past five years.

You may exclude a company which either is, or at all times during the past five years when the person concerned was a director, was

- dormant
- a parent company which wholly owned the company making the return, or
- another wholly owned subsidiary of the same parent company.