

546708

EXECUTION VERSION

Dated 11 August 2006

THE PERSONS NAMED IN SCHEDULE 1

and

MID-STATES PLC

SHARE SALE AND PURCHASE
AGREEMENT

O

O'MELVENY & MYERS LLP

We hereby certify this to be a true
and complete copy of the original.
O'Melveny & Myers LLP
O'Melveny & Myers LLP
Warwick Court
5 Paternoster Square
London
EC4M 7DX
Date: 16/10/2006



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THIS AGREEMENT is made on 11 August 2006

PARTIES

- (1) **THE PERSONS** whose names and addresses are set out in Schedule 1 (each a "Seller" and collectively the "Sellers"); and
- (2) **MID-STATES PLC** a company duly incorporated under the laws of England and Wales with company number 546708 and whose registered office is at Masters House, 107 Hammersmith Road, London W14 0QH (the "Buyer").

RECITALS

- (A) Inov8 Technologies Limited ("**Inov8**") and Moving Sun Limited ("**Moving Sun**") are both private companies limited by shares incorporated in England, further particulars of which are set out in Schedule 2.
- (B) The Corporate Seller is the legal and beneficial owner of and is able to sell to the Buyer the entire issued share capital of Inov8.
- (C) The Individual Sellers are the legal and beneficial owners of and are able to sell to the Buyer the entire issued share capital of Moving Sun.
- (D) The Corporate Seller and the Individual Sellers have agreed to sell and the Buyer has agreed to purchase the entire issued share capital of each of Inov8 and Moving Sun respectively on the terms and subject to the conditions set out in this Agreement.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATIONS

- 1.1 In this Agreement and the Schedules hereto, where the context so requires, the following words and expressions shall have the following meanings:

"Admission Document"	a document in agreed form produced pursuant to the AIM Rules in connection with the proposed delisting from the Official List and admission of the Buyer's entire issued and to be issued ordinary share capital to AIM
"AIM"	the AIM market operated by the London Stock Exchange plc
"AIM Rules"	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange Plc
"Assets Sale Agreement"	the agreement dated 28 July 2006 by which DTA&T sold its business and assets to Inov8
"Associated Company"	means a company or undertaking in which a member of the Buyer's Group or of the Corporate Seller's Group (as the context requires) holds shares or other

interests conferring the right to:

- (a) exercise 20 per cent. or more of the votes that could be cast on a poll at a general meeting of that company or undertaking;
- (b) receive 20 per cent. or more of any distribution, whether of profits or upon a return of capital of any kind, payable to members of that company or undertaking; or
- (c) appoint and/or remove such number of directors of the board of that company or undertaking to permit control over the board

“Automotive Business”

the business of vehicle emission control support and efficiency improvement through the supply of proprietary equipment for the development, design, validation and characterisation of fuel systems

“Buckingham Property”

the freehold land lying on the east side of Bath Lane and land and buildings on the south side of Tingewick Road, Buckingham being part of the land comprised in title numbers BM221542 and BM225497 and shown edged red on the Plan

“Business Day”

means a day (other than a Saturday or Sunday) on which banks in London are open generally for the transaction of normal banking business

“Business Hours”

9.30 a.m. to 5.30 p.m. on a Business Day

“Business Information”

all information, know-how and records (whether or not confidential and in whatever form held) including (without limitation) all formulas, designs, specifications, drawings, data, manuals and instructions and all customer lists, sales information, business plans and forecasts, and all technical or other expertise and all computer software and all accounting and tax records, correspondence, orders and inquiries

“Buyer’s Circular”

the circular incorporating the Admission Document in agreed form to be sent by the Buyer to its shareholders in connection with the sale and purchase hereby contemplated and delisting from the Official List and the re-listing of the Buyer's share capital (including the Consideration Shares) on AIM

“Buyer’s Group”

means the Buyer and its subsidiaries, subsidiary undertakings, its holding companies, parent undertakings and the subsidiaries and subsidiary

	undertakings of those holding companies and parent undertakings from time to time as at the date of this Agreement and any Associated Company of any of the foregoing from time to time as at the date of this Agreement
"Buyer's Solicitors"	O'Melveny & Myers LLP, of Warwick Court, 5 Paternoster Square, London, EC4M 7DX
"Buyer's Warranties"	the representations, warranties and undertakings set out in clause 9 and Part B of Schedule 4 and "Buyer's Warranty" shall be construed accordingly
"Capac Limited"	Capac Limited, a company duly incorporated under the laws of England and Wales with company number 5331517, whose registered office is at Tingewick Road, Buckingham MK18 1EF and is a wholly owned subsidiary of Inov8
"Capac Shares"	1 issued ordinary share of £1.00 in the capital of Capac Limited, being the entire issued share capital of Capac Limited
"Companies"	Inov8 and Moving Sun
"Companies Act"	the Companies Act 1985 (as amended from time to time)
"Completion"	completion of this Agreement as provided in clause 6
"Completion Date"	as defined in clause 6
"Consideration Shares"	22,410,361 shares which comprise 29.99 per cent. of the enlarged issue share capital of the Buyer and allotted to the Sellers in the proportions set out in clause 5.1 on Completion
"Corporate Seller"	Managed Technologies Limited, further particulars of which are set out in Schedule 1
"Corporate Seller's Group"	means the Corporate Seller and its subsidiaries, subsidiary undertakings, its holding companies, parent undertakings and the subsidiaries and subsidiary undertakings of those holding companies and parent undertakings from time to time as at the date of this Agreement and any Associated Company of any of the foregoing from time to time as at the date of this Agreement
"Disclosure Letter"	the letter of the same date as this Agreement from the Individual Sellers to the Buyer disclosing exceptions

to the Individual Sellers' Warranties

"DTA&T"

DT Assembly & Test-Europe Limited, duly incorporated under the laws of England and Wales with company number 03403962 and whose registered office is at South House, Park Barns, Irthington, Cumbria CA6 4NQ

"EHS Law"

all or any applicable laws or European Union decision (insofar as legally binding), government circular, official code of practice, or official instruction or decision of any competent regulatory body in force from time to time relating to EHS Matters

"EHS Matters"

all or any matters relating to:

- (a) the pollution or protection of the Environment;
or
- (b) harm to human health and safety or the health of animals and plants arising in each case from exposure to, presence or migration of or retention or accumulation in, on, under or over the Properties of Hazardous Substances

"EHS Permits"

all or any permits, consents, licences and other authorisations required by EHS Law for the operation of the Automotive Business by Inov8

"Encumbrances"

any mortgage, charge, pledge, lien, hypothecation, option, right of pre-emption or encumbrance whatever or to any factoring arrangement, hire purchase, conditional sale or credit sale or lease agreement or retention of title arrangement or any other contract whereby title to any assets, or any rights in the proceeds of sale of any assets is or may be reserved to the seller of the assets or to any third party

"Enlarged Group"

the combined entity consisting of the Buyer, Inov8, Capac and Moving Sun after admission of the Buyer's entire issued and to be issued ordinary share capital to AIM

"Event"

any transaction, action, omission or event (including Completion, any change in the residence of any person for any Taxation purpose and any change in accounting reference date) and reference to an Event "effected, entered into or occurring" on or before Completion shall include any Event deemed to have been effected, entered into or to have occurred for the

	purposes of any Taxation on or before Completion
"Hazardous Substance"	means any natural or artificial substance or thing (whether in a solid, liquid, gas, vapour or other form) which may alone or in combination with any other substance, cause harm to or have a deleterious effect on the environment or public health or welfare or the presence of which has to be notified to a regulatory authority or which restricts or makes more costly the use, development, ownership or occupation of property or which is categorised or listed under EHS Law as being prescribed, prohibited or restricted or as requiring precautions to be taken or notifications to be made (including, without limitation, controlled, clinical, special or hazardous waste, toxic or dangerous substances, radiation, noise, vibration, electricity or heat)
"Individual Sellers"	Mr David Murray MacDonald and Mr Michael Ernest Heath, further particulars of whom are set out in Part B of Schedule 1
"Inov8 Sale Shares"	2 issued ordinary shares of £1.00 each in the capital of Inov8, being the entire issued share capital of Inov8
"Intellectual Property Rights"	(i) copyright, patents, database rights and rights in trade marks, moral rights, design rights, business and domain names, designs, know-how and confidential information (whether registered or unregistered); (ii) applications for registration, and rights to apply for registration, of any of the foregoing rights; and (iii) all other intellectual or industrial property rights and equivalent or similar forms of protection existing anywhere in the world
"Milton Keynes Property"	Martela House, Precedent Drive, Rooksley, Milton Keynes registered with leasehold title number BM301794
"Moving Sun Sale Shares"	100 issued ordinary shares of £1.00 each in the capital of Moving Sun, being the entire issued share capital of Moving Sun
"the Moving Sun Business"	the management and development of Intellectual Property Rights, including the application for registration of registerable Intellectual Property Rights
"Law"	all or any applicable law (whether criminal, civil or administrative), common law, judgment, court order, statute, statutory instrument, regulation, directive, European Community decision (insofar as legally

	binding), by-law, treaty, government circular, code of practice and guidance notes, or instruction or decision of any competent regulatory body
“Overdraft Facility”	the monies agreed to be paid by Inov8 under the Assets Sale Agreement, subject to the release by Barclays Bank Plc of any charges relating to those monies
“Pensions Regulator”	the body corporate established pursuant to section 1 of the Pensions Act 2004
“Pension Schemes”	means the DT ATT UK pension scheme (pension scheme registration number 10227382) and any other pension scheme operated by DTA&T or any of its Associated Companies or in which DTA&T or any of its Associated Companies has participated
“Plan”	the plan of the Buckingham Property attached in Schedule 8
“Pre-Contractual Statement”	has the meaning ascribed to it in clause 18.1
“Properties”	the Buckingham Property and the Milton Keynes Property
“Relevant Business”	<ul style="list-style-type: none"> (i) any business of either of the Companies (including the Automotive Business in relation to Inov8); and/or (ii) any other business carried on by either of the Companies; <p>in either case on or at any time during the period of twelve months ending on the Completion Date</p>
“Relevant Period”	the period of 3 years commencing on the Completion Date
“Relevant Territory”	the United Kingdom, Europe, the United States of America and any other territory in which during the period of two years ending on the Completion Date either of the Companies has undertaken any material business
“Reorganisation”	the transfer of the Automotive Business by DTA&T to Inov8 that was completed pursuant to the Assets Sale Agreement
“Sale Shares”	the Inov8 Sale Shares and Moving Sun Sale Shares

"Sellers' Solicitors"	Fladgate Fielder of 25 North Row, London W1K 6DJ
"Sellers' Warranties"	the representations, warranties and undertakings set out in clause 8 and Part A of Schedule 4 and "Sellers' Warranty" shall be construed accordingly
"Tax or Taxation"	as defined in the Tax Covenant
"Tax Authority"	as defined in the Tax Covenant
"Tax Covenant"	the tax covenant in the form set out in Schedule 7
"Transaction"	the acquisition of the Inov8 Sale Shares and the Moving Sun Sale Shares by the Buyer
"UKLA"	the Financial Services Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"VAT"	the value added tax payable under the VATA 1994 or any similar tax replacing or substituted for or levied in addition to the same
"VATA 1994"	the Value Added Tax Act 1994
"Warranties"	the Buyer's Warranties and the Sellers' Warranties
"Warranty Claim"	any claim made by the Buyer for breach of any of the Sellers' Warranties by a Seller or any claim made by the Individual Sellers for breach of any of the Buyer's Warranties by the Buyer, as applicable

1.2 In this Agreement, unless otherwise specified:

- (a) the terms "subsidiary" and "holding company" have the meanings given to them by section 736 of the Companies Act 1985, "company" has the meaning given to it by section 735 of the Companies Act 1985, "subsidiary undertaking" and "parent undertaking" have the meanings given to them by section 258 of the Companies Act 1985, and "undertaking" has the meaning given to it by section 259 of the Companies Act 1985;
- (b) a reference to a person includes a reference to an individual, firm, company, corporation or other body corporate, joint venture, partnership, limited liability partnership, limited partnership, government, state or agency of a state, association, organisation, foundation or trust in each case whether or not having a separate legal personality;
- (c) references to writing shall include any modes of reproducing words in a legible and non-transitory form (excluding, for the avoidance of doubt, email or other electronic forms of communication);

- (d) the Schedules and any attachments to this Agreement form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include the Schedules;
- (e) use of the singular includes the plural and vice versa;
- (f) use of any gender includes the other genders;
- (g) the rule known as the *ejusdem generis* rule of construction shall not apply to this Agreement and accordingly general words shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things.
- (h) headings and the table of contents are included for convenience only and do not affect the interpretation of this Agreement;
- (i) a reference to a clause or a Schedule is a reference to the relevant clause of or Schedule to this Agreement;
- (j) a reference to a statute, statutory provision or subordinate legislation (together, "legislation") includes a reference to:
 - (i) that legislation as re-enacted, amended or consolidated and in force from time to time;
 - (ii) any legislation which that legislation re-enacts, (with or without modification);
 - (iii) any subordinate legislation (as defined under the Interpretation Act 1978) made under that legislation before or after the date of this Agreement, as originally enacted or re-enacted, amended or consolidated, or under any legislation referred to in sub-clause 1.2(j)(ii) above,

except to the extent that any amendment or subordinate legislation made after the date of this Agreement would increase any liability or impose any additional obligation upon the parties;
- (k) a reference to a document being in the "agreed form" is to a document in a form agreed by each of the parties to this Agreement and initialled by or on behalf of each party for the purpose of identification;
- (l) a reference to a period of clear days excludes the first day and the last day; and
- (m) a reference to a time of day is a reference to time in London, England.

2. CONDITIONS PRECEDENT

- 2.1 The provisions of clauses 4, 5 and 6 of this Agreement are conditional upon the following conditions precedent having been satisfied or occurred on or before 12 noon on 5 October 2006 (or such other time and day as the parties may agree):
- (a) the passing at a general meeting of the Buyer of the first and second resolutions set out in the notice of extraordinary general meeting set out in the Buyer's Circular; and
 - (b) the London Stock Exchange plc agreeing to admit the share capital of the Buyer (including the Consideration Shares to be allotted in satisfaction of the consideration payable for the Sale Shares) to trading on AIM.
- 2.2 If by the time mentioned in clause 2.1 (or such other time and day as the parties may agree in writing) the conditions precedent referred to in paragraphs (a) and b) shall not have been satisfied or waived by the Buyer in writing, then (except for clauses 19, 20, 21 and 22), this Agreement shall lapse and be of no further effect and (save for any antecedent breach of the operative provisions of this Agreement) none of the parties shall have any liability in respect of this Agreement.
- 2.3 The Sellers and the Buyer respectively shall keep the other promptly informed of all progress and developments with regard to satisfaction of the conditions precedent in clause 2.1 and shall provide the other with such evidence as it or they may reasonably require to evidence the satisfaction or failure of the same.

3. POST-SIGNING, PRE-COMPLETION OBLIGATIONS

- 3.1 Pending Completion or lapse of this Agreement as provided in clause 2 of this Agreement:
- (a) the Sellers shall provide to the Buyer, its accountants, solicitors and all other persons authorised by it promptly after request such facilities and information regarding the business assets liabilities affairs and records of the Companies as the Buyer may from time to time require, including, without limitation, for the purposes of satisfaction of the conditions precedent in clause 2.1 or preparation of any circular or admission document or prospectus or supplementary circular admission document or prospectus to be sent by the Buyer to its shareholders or any announcement to be made by or on behalf of the Buyer in connection with the transactions contemplated in this Agreement or in connection with the proposed admission of the Buyer's issued share capital and the Consideration Shares to trading on AIM;
 - (b) the Sellers shall procure that Inov8 will in consultation with the Buyer carry on business in the ordinary course and with a view to profit and not do anything outside the ordinary course of its normal day-to-day trading without the prior written consent of the Buyer;
 - (c) the Sellers shall procure that no action is taken (save for such acts done in the ordinary course of trading of Inov8) without the prior written consent of the Buyer which results or may reasonably be expected to result in the net assets

of Inov8 being reduced and/or which will or may reasonably be expected to have a adverse effect on the goodwill, financial or trading position or prospects of Inov8; and

- (d) the Individual Sellers shall procure that Moving Sun continues to run the Moving Sun Business and nothing is done outside the ordinary course of its business or which results or may reasonably be expected to result in the net assets of Moving Sun being reduced and/or which will or may reasonably be expected to have an adverse effect on the goodwill, financial position or prospects of Moving Sun without the prior written consent of the Buyer.

4. AGREEMENT TO SELL AND PURCHASE

- 4.1 The Sellers hereby agree to sell or procure the sale of the Sale Shares to the Buyer (a) free from all Encumbrances (b) together with the benefit of all rights and profits attaching thereto including all rights to dividends and other distributions declared made or payable in respect of periods commencing on or after the date of this Agreement and (c) otherwise with full title guarantee and the Buyer hereby agrees to purchase the same on and subject to the terms of this Agreement.
- 4.2 Nothing in this Agreement shall oblige the Buyer to buy any of the Sale Shares or otherwise complete this Agreement unless the sale and purchase of all of the Sale Shares is completed simultaneously and in accordance with the terms of this Agreement.
- 4.3 Each of the Sellers hereby irrevocably waives and undertakes to procure the waiver of all rights of pre-emption and similar rights over the Sale Shares or any of them to which it or he or any other person is or may be entitled under the articles of association of the Companies or otherwise in relation to the sale and purchase of the same under this Agreement.

5. CONSIDERATION

- 5.1 The consideration for the Sale Shares shall be satisfied on Completion by the allotment to the Sellers of the Consideration Shares credited as fully paid in the following proportions:
 - (a) Corporate Seller: 1 Consideration Share for its 2 Inov8 Sale Shares;
 - (b) David Murray MacDonald: 17,928,288 Consideration Shares for his 80 Moving Sun Sale Shares; and
 - (c) Michael Ernest Heath: 4,482,072 Consideration Shares for his 20 Moving Sun Sale Shares.
- 5.2 The Consideration Shares shall on allotment rank pari passu with the shares of the Buyer of the same class then in issue.

6. COMPLETION

- 6.1 Unless otherwise agreed between the parties, completion of the sale and purchase of the Sale Shares ("**Completion**") shall take place at the offices of the Buyer's

Solicitors (i) on or before 2.00 p.m. on 5 October 2006, or (ii) on the first Business Day (or such other day as the parties agree in writing) after this Agreement shall have become unconditional for the purposes of clause 2 (whichever occurs first) (the "**Completion Date**").

- 6.2 On Completion, the Corporate Seller and the Individual Sellers shall in respect of Inov8 and Moving Sun respectively do all things set out in Schedule 3.
- 6.3 Subject to due performance of all of the matters referred to in clause 6.2 above and set out in Schedule 3, the Buyer shall on Completion:
- (a) deliver to the Sellers or the Sellers' Solicitors a counterpart of the Tax Covenant duly executed by the Buyer;
 - (b) allot the Consideration Shares to the Sellers in the proportions set out in clause 5.1 and cause such Consideration Shares to be registered in the names of each of the Sellers and deliver certificates in respect of the said Consideration Shares to the Sellers; and
 - (c) appoint Mr Michael Ernest Heath as a director of the Buyer.

7. RESCISSION

- 7.1 If on the Completion Date any of the Sellers fails to comply in any respect with their obligations under clause 6, the Buyer may by notice in writing to the Seller or Sellers in default (i) defer Completion to a date not more than 28 days following such day (and the provisions of this clause 7.1 shall apply to Completion as so deferred) or (ii) in the Buyer's absolute discretion proceed to Completion so far as practicable but without prejudice to its rights under this Agreement or (iii) rescind this Agreement.
- 7.2 If on the Completion Date the Buyer fails to comply in any respect its obligations under clause 6, the Sellers may by notice in writing to the Buyer (i) defer Completion to a date not more than 28 days following such day (and the provisions of this clause 7.2 shall apply to Completion as so deferred) or (ii) in the Sellers' absolute discretion proceed to Completion so far as practicable but without prejudice to their rights under this Agreement or (iii) rescind this Agreement.
- 7.3 If this Agreement is rescinded pursuant to this clause 7, it shall have no further force and effect and none of the parties shall have any liability under this Agreement, except for liability relating to any antecedent breach, save that the provisions of clauses 19, 20, 21 and 22 shall continue in full force and effect.

8. SELLERS' WARRANTIES

- 8.1 The Individual Sellers hereby jointly and severally represent and warrant to the Buyer (for the benefit of the Buyer and its successors in title) and separately as trustee for each of the Companies in the terms of the Sellers' Warranties and acknowledge that the Buyer is entering into this Agreement in reliance on each of the Sellers' Warranties and that save as provided in clause 8.3 below no information of which the Buyer has knowledge (actual or constructive) will prejudice any claim made by the Buyer in respect of the Sellers' Warranties or will operate to reduce any amount

recoverable in respect of any breach of any of the Sellers' Warranties or will operate to prevent any claim being made by the Buyer for any breach by the Individual Sellers of the covenants implied by the Law of Property (Miscellaneous Provisions) Act 1994.

- 8.2 The Warranties set out in the Assets Sale Agreement shall be deemed repeated in this Agreement as if given, and as if the Individual Sellers were the Seller thereunder, by the Individual Sellers to the Buyer in respect of this Agreement and should be therefore deemed to be Sellers' Warranties for all purposes of this Agreement.
- 8.3 Except as provided below, the Sellers' Warranties are given subject only to (i) those matters fully, fairly and expressly disclosed in the Disclosure Letter and (ii) the limitations set out in Schedule 5.
- 8.4 The Sellers' Warranties shall be deemed repeated immediately before Completion with reference to the then existing facts and circumstances and if any matter which is inconsistent with any of the Sellers' Warranties or which would cause any of them to be untrue, misleading or breached becomes known to the Buyer prior to or at Completion (whether by reason of any disclosure made pursuant to this Agreement or otherwise), the Buyer shall have the right but not the obligation to treat this Agreement as discharged.
- 8.5 Each of the Sellers' Warranties is given independently from and (save as provided in clause 8.1 as regards the Disclosure Letter) shall not be limited by reference to any of the other Sellers' Warranties or anything else contained in this Agreement or the Tax Covenant.
- 8.6 Save as necessary to give effect to the express terms of this Agreement, the Sellers shall not and shall procure that the Companies shall not do, fail to do, allow or procure before Completion anything which is or might cause or constitute or result in a breach of any of the Sellers' Warranties as given on exchange of this Agreement and/or immediately prior to Completion.
- 8.7 Each of the Sellers shall forthwith disclose to the Buyer in writing any matter or thing which may arise or become known to any of them after the date of this Agreement (whether or not prior to Completion) which is or could be a breach of or inconsistent with or may render inaccurate or misleading any of the Sellers' Warranties as given on exchange of this Agreement and/or immediately prior to Completion.
- 8.8 Each of the Sellers hereby irrevocably waives all rights and claims which any of them may have against each of the Companies and the officers and employees of the Companies in respect of any misrepresentation inaccuracy or omission in or from any information or advice given by any of them or any officers or employees of the Corporate Seller to enable the Sellers to give any of the Sellers' Warranties or to prepare the Disclosure Letter or to assume any of the obligations assumed or to be assumed by them under or pursuant to this Agreement.

9. BUYER'S WARRANTIES

- 9.1 The Buyer hereby represents and warrants to the Sellers (for the benefit of the Sellers and their successors in title) in the terms of the Buyer's Warranties and acknowledges that the Sellers are entering into this Agreement in reliance on the Buyer's Warranties.
- 9.2 Except as provided below, the Buyer's Warranties are given subject only to the limitations set out in Schedule 6.
- 9.3 The Buyer's Warranties shall be deemed repeated immediately before Completion with reference to the then existing facts and circumstances and if any matter which is inconsistent with any of the Buyer's Warranties or which would cause any of them to be untrue, misleading or breached becomes known to the Sellers prior to or at Completion (whether by reason of any disclosure made pursuant to this Agreement or otherwise), the Sellers shall have the right to treat this Agreement as discharged.
- 9.4 Each of the Buyer's Warranties is given independently from and shall not be limited by reference to any of the other Buyer's Warranties or anything else contained in this Agreement.
- 9.5 Save as necessary to give effect to the express terms of this Agreement, the Buyer shall not do, fail to do, allow or procure before Completion anything which is or might cause or constitute or result in a breach of any of the Buyer's Warranties as given on exchange of this Agreement and/or immediately prior to Completion.
- 9.6 The Buyer shall forthwith disclose to the Sellers in writing any matter or thing which may arise or become known to the Buyer after the date of this Agreement (whether or not prior to Completion) which is or could be a breach of or inconsistent with or may render inaccurate or misleading any of the Buyer's Warranties as given on exchange of this Agreement and/or immediately prior to Completion.

10. COVENANTS TO PROTECT GOODWILL

- 10.1 Each of the Sellers hereby undertakes to and covenants with the Buyer (for itself and separately as trustee for and on behalf of each of the Companies and for any member of the Buyer's Group, any assignee and shareholder from time to time below mentioned), that none of them (and no member of the Corporate Seller's Group in relation to the Companies) will at any time on or after the Completion Date (and in relation to the Individual Sellers save in the proper performance of their duties as employees or officers of the Buyer or the Companies):
 - (a) take away make use of or disclose to any person firm or company (save insofar as necessary to comply with any statutory obligation or order of any Court or statutory tribunal of competent jurisdiction) any confidential information or trade secrets in his possession and which in any way relates to the business or other affairs of the Companies or to any manufacturer supplier customer client agent or any other person who has or who has had dealings with any of the Companies;
 - (b) make use of the names "Inov8 Technologies Limited" and "Moving Sun Limited" or any other corporate or business name which is identical or similar

to or is likely to be confused with the corporate name or any business name of either of the Companies or which might suggest a connection with the same.

10.2 For the purposes of protecting the goodwill of the Companies, their businesses and the value of the Sale Shares each of the Sellers hereby undertakes to and covenants with the Buyer (for itself and separately as trustee for and on behalf of each of the Companies and for any member of the Buyer's Group, any assignee and shareholder from time to time below mentioned) that (except in relation to the Individual Sellers in the proper performance of their duties as an employee or officer of any of the Companies or any member of the Buyer's Group) none of them (and no member of the Corporate Seller's Group in relation to the Companies) will, whether for his own account or jointly with or as manager agent officer employee consultant shareholder or otherwise on behalf of any other person firm or corporation, and whether directly or indirectly, during the Relevant Period:

- (a) be engaged concerned or interested in or associated within the Relevant Territory with any business which is the same as or similar to or in direct or indirect competition with any Relevant Business;
- (b) within the Relevant Territory carry on or be engaged concerned or interested in the sale of goods or provision of services, of a kind supplied by either of the Companies in connection with its Relevant Business, to any person firm or company which has at any time within the period of twelve months preceding the Completion Date been a customer of or in the habit of dealing with any of the Companies for such goods or services;.
- (c) endeavour to procure the supply of goods or services from any person firm or company which during the twelve months preceding the Completion Date has been a supplier of goods or services in connection with any Relevant Business to any of the Companies where such supply may have an adverse effect on or cause loss to the Companies;
- (d) solicit, interfere with or endeavour to entice away from any of the Companies any person, firm or company who to his knowledge is now or has during the twelve months preceding the Completion Date been a client, customer, correspondent, agent of or in the habit of dealing with either of the Companies nor enter into a partnership or any association whether directly or indirectly with any such person;
- (e) solicit interfere with or endeavour to entice away from any of the Companies or offer to employ or engage under a contract for services or enter into partnership with any person who on or during the twelve months preceding the Completion Date is or was an officer or employee of or full time consultant to any of the Companies; or
- (f) knowingly do or say anything which is or is calculated to be prejudicial to the interests of any of the Companies or its business or which results or may result in the discontinuance of any contract or arrangement of benefit to any of the Companies,

PROVIDED THAT nothing in this clause 10.2 shall prohibit the Sellers from holding

between them directly or indirectly (for investment purposes only) not more than 5% of the shares of a public company listed or dealt in on a recognised investment exchange (as defined in Section 285 of the Financial Services and Markets Act 2000).

- 10.3 Each Seller undertakes for no additional consideration to execute and deliver and do such documents deeds and things as the Buyer may reasonably require after Completion to vest in Moving Sun, or such other member of the Buyer's Group as the Buyer shall direct, ownership and title and all rights of such Seller in respect of all inventions and Intellectual Property Rights owned by or vested in it or him and which relate to products of any of the Companies or any manufacturing process used or intended at Completion to be used by any of the Companies in its business.
- 10.4 Each of the undertakings and covenants contained in the separate paragraphs of clauses 10.1 and 10.2 is and shall be a separate undertaking and covenant by each Seller.

11. DISPOSAL OF CONSIDERATION SHARES

The Sellers undertake to the Buyer that each of them will not, until the publication of the preliminary announcement of the Buyer for the current financial period, without the prior consent in writing of the Buyer (to be given under the hand of a director or the company secretary of the Buyer who is not (nor has been at any time prior to Completion) also a director of the Companies or of any member of the Corporate Seller's Group), dispose of any of the Consideration Shares to be allotted to them pursuant to this Agreement or any shares allotted by way of capitalisation or rights in respect thereof or otherwise representing the same, through conversion, sub-division, consolidation or otherwise and thereafter shall only dispose of the same after consultation with the Buyer and the brokers to the Buyer at least until the publication of the preliminary announcement of the Buyer for the next financial period.

12. INTELLECTUAL PROPERTY AND BUSINESS INFORMATION

Without prejudice to paragraph 16 of Schedule 4, in the event that any of the Sellers or the Buyer discovers that any of the Sellers or a former employee of any of the Sellers or any entity owned or controlled by any of the Sellers (each an "IP Seller") owns any Intellectual Property Rights or Business Information which has in the three years prior to Completion been used primarily or exclusively by any of the Companies, the relevant IP Seller agrees to and will procure that such Intellectual Property Rights and/or Business Information is immediately transferred to the Buyer or a person or company nominated by the Buyer for nominal consideration.

13. EFFECT OF COMPLETION

Any provision of this Agreement and any document in agreed form or referred to in this Agreement which is capable of being performed after but which has not been performed at or before Completion and all Warranties and covenants and other undertakings contained in or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Completion.

14. REMEDIES, WAIVERS AND LIABILITY

- 14.1 No delay or omission by any party to this Agreement in exercising any right, power or remedy provided by law or under this Agreement or any other documents referred to in it shall:
- (a) affect that right, power or remedy; or
 - (b) operate as a waiver thereof.
- 14.2 The single or partial exercise of any right, power or remedy provided by law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 14.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.
- 14.4 Save as set out in paragraph 2 of Schedule 5 in respect of Warranty Claims and save for those obligations in this Agreement expressly assumed by and to be performed by a specific Seller, the representations, warranties, undertakings, covenants, indemnities, agreements and obligations of the Sellers under this Agreement are joint and several.
- 14.5 If any liability of one or some but not all of the Sellers is, or becomes illegal, invalid or unenforceable in any respect, that shall not affect or impair the liabilities of the other Sellers under this Agreement.

15. INDEMNITY

The Sellers hereby indemnify the Buyer against any cost, claim, demand, damages, compensation, expenses (including legal expenses) or other liability to or in respect of the Pension Schemes or any trustee or member thereof or any contractual obligation relating to retirement of current and former employees of DTA&T. This liability will cease absolutely three years after the date of this Agreement unless notice in writing of any claim under this indemnity has been given within that three year period.

16. ASSIGNMENT

- 16.1 This Agreement shall not be assignable by any of the Sellers without the prior written consent of the Buyer, but shall be binding upon and shall enure for the benefit of each of the Sellers' successors and permitted assigns and on each Individual Sellers' personal representatives.
- 16.2 Save as expressly provided in clause 16.3 below, this Agreement shall not be assignable by the Buyer without the prior written consent of the Sellers, but shall be binding upon and shall enure for the benefit of the Buyer's successors and permitted assigns.
- 16.3 The parties acknowledge and agree that the Buyer may assign its rights under this Agreement to a member of the Buyer's Group without the prior written consent of the parties hereto.

17. FURTHER ASSURANCE

- 17.1 Each of the Sellers hereby agrees for no additional consideration or payment to do execute and deliver any such further acts documents and things as the Buyer may reasonably require to vest in the Buyer (or as it shall direct) the beneficial ownership of the Sale Shares and any other assets hereby agreed to be sold to the Buyer free from all Encumbrances and other adverse interests and to vest the benefit of this Agreement in the Buyer.
- 17.2 The Buyer hereby agrees for no additional consideration or payment to do execute and deliver any such further acts documents and things as the Sellers may reasonably require to vest in the Sellers (or as they shall direct) the beneficial ownership of the Consideration Shares free from all Encumbrances and other adverse interests and to vest the benefit of this Agreement in the Sellers.
- 17.3 Each of the Sellers hereby irrevocably and unconditionally appoints the Buyer with effect on and from Completion as its/his attorney with full powers of substitution in its name and for it and on its behalf (and to the complete exclusion of any rights it may have in such regard) lawfully to exercise all voting and other rights and receive all the benefits and entitlements which may at any time on or after the Completion Date attach to its/his Sale Shares or any of the Sale Shares registered in its/his name (whether alone or jointly with any other person) and to transfer and deal with such shares, rights, benefits and entitlements and execute such documents under hand or as a deed and do such acts and things in connection with the foregoing (including without limitation the passing of any resolutions required under Section 155 of the Companies Act to facilitate Completion) as the Buyer shall from time to time think fit in all respects as if the Buyer were the absolute legal and beneficial owner thereof.
- 17.4 Each of the Sellers hereby irrevocably and unconditionally appoints the Buyer with effect on and from Completion as its/his attorney with full powers of substitution as aforesaid to execute deliver and do all such documents deeds acts and things as may be required by the Buyer under this Agreement.
- 17.5 The powers of attorney granted in this clause are given by way of security for the due performance by each of the Sellers of its/his obligations contemplated under this Agreement.

18. ENTIRE AGREEMENT AND VARIATION

- 18.1 For the purpose of this clause, "**Pre-Contractual Statement**" means any undertaking, promise, assurance, statement, representation, warranty or understanding howsoever made or given by any person (whether or not a party to this Agreement) relating to the transactions contemplated by this Agreement other than as set out expressly in this Agreement.
- 18.2 This Agreement, the Tax Covenant and the Disclosure Letter constitute the entire agreement between the parties relating to the transactions contemplated by this Agreement and supersede and extinguish any previous agreement between the parties or Pre-Contractual Statement between the parties relating to these transactions.
- 18.3 This Agreement may only be varied in writing signed by each of the parties.

19. NOTICES

- 19.1 Except where expressly stated otherwise, a notice under this Agreement shall only be effective if it is in writing.
- 19.2 Notices under this Agreement shall be sent to a party at its address or fax number and for the attention of the party set out below:

Party	Address	Fax Number
Mid-States Plc	As specified on page 1	020 7603 8448
Managed Technologies Limited	As specified on Schedule 1	01280 828501
Mr David Murray MacDonald	As specified on Schedule 1	01280 828501
Mr Michael Ernest Heath	As specified on Schedule 1	01280 828501

PROVIDED THAT a party may change its notice details upon giving notice to the other party of the change in accordance with this clause. That notice shall only be effective on the day falling three clear Business Days after the notification has been received.

- 19.3 Any notice given under this Agreement shall, in the absence of earlier receipt, be deemed to have been duly given as follows:
- (a) if delivered personally, on delivery;
 - (b) if sent by first class post, two clear Business Days after the date of posting; and
 - (c) if sent by airmail, seven clear Business Days after the date of posting.
- 19.4 Any notice given under this Agreement outside Business Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Business Hours in such place.

20. ANNOUNCEMENTS

Save in respect of statutory returns or matters required to be disclosed by law or to the UKLA or London Stock Exchange plc or Panel on Takeovers and Mergers or other governmental or regulatory authority, none of the parties hereto shall make any press statement or other public announcement in connection with this Agreement without the prior written approval of the text of such statement or announcement by the other party.

21. CONFIDENTIALITY

21.1 Each party shall treat as confidential all information obtained as a result of entering into or performing this Agreement which relates to:

- (a) the provisions of this Agreement;
- (b) the negotiations relating to this Agreement;
- (c) the subject matter of this Agreement; or
- (d) the other party.

21.2 Notwithstanding the other provisions of this clause, any party to this Agreement may disclose confidential information:

- (a) if and to the extent required by law or for the purpose of any judicial proceedings;
- (b) if and to the extent required by existing contractual obligations;
- (c) if and to the extent required by any securities exchange or regulatory or governmental body to which that party is subject wherever situated;
- (d) if and to the extent required to vest the full benefit of this Agreement in that party;
- (e) to its professional advisers, auditors and bankers;
- (f) if and to the extent the information has come into the public domain through no fault of that party; or
- (g) if and to the extent the other party has given prior written consent to the disclosure, such consent not to be unreasonably withheld or delayed.

Any information to be disclosed pursuant to clauses (a), (b), (c) or (d) shall be disclosed, where practicable, only after consultation with the other party.

21.3 The restrictions contained in this clause shall apply without limitation in time.

22. COSTS AND EXPENSES

22.1 Except as otherwise stated in clause 22.2 below, each party shall pay its own costs and expenses in relation to the negotiations leading up to the sale and purchase of the Sale Shares and the preparation, execution and carrying into effect of this Agreement and all other documents referred to in it and the Sellers confirm that no expense of whatever nature relating to the sale and purchase of the Sale Shares has been or is to be borne by either of the Companies.

22.2 In the event that Completion occurs, the Buyer shall pay the reasonable expenses of the Corporate Seller and the Individual Sellers incurred in connection with the negotiations leading up to the sale and purchase of the Sale Shares and the

preparation, execution and carrying into effect of this Agreement and all other documents referred to in it, up to a maximum sum of £200,000.

23. COUNTERPARTS

- 23.1 This Agreement may be executed in any number of counterparts, and by the parties on *separate counterparts*, but shall not be effective until each party has executed at least one counterpart.
- 23.2 Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

24. INVALIDITY

- 24.1 If any provision of this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect or impair:
- (a) the other provisions of this agreement which shall remain in full force and effect; or
 - (b) the validity or enforceability under the law of any other jurisdiction of that or any other provision of this agreement.
- 24.2 If any provision of this Agreement is found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

25. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Except as otherwise provided in this Agreement, the parties to this Agreement do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

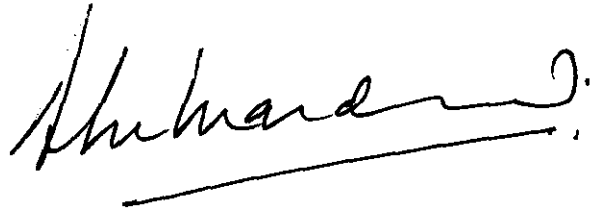
26. GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by and construed in accordance with English law and each party irrevocably submits and agrees to submit to the non-exclusive jurisdiction of the English courts for the settlement of any disputes arising out of or in connection with this Agreement, the Tax Covenant any other documents referred to in this Agreement.

IN WITNESS whereof this Agreement has been duly executed as a deed by each of the parties the day and year first above written.

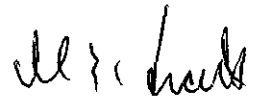
ATTESTATIONS

EXECUTED and DELIVERED as a
DEED by DAVID MURRAY MACDONALD
in the presence of:

)
) 
)

Witness signature:
Witness name: CATARINA LOURENÇO
Witness address: WARWICK COURT
5 PATERNOSTER SQUARE
LONDON EC4M 7DX
Witness occupation: SOLICITOR

EXECUTED and DELIVERED as a
DEED by MICHAEL ERNEST HEATH
in the presence of:

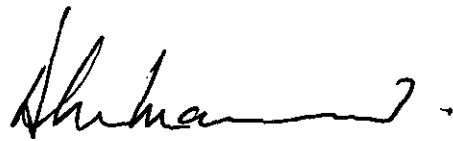
)
) 
)

Witness signature:
Witness name: CATARINA LOURENÇO
Witness address: WARWICK COURT
5 PATERNOSTER SQUARE
LONDON EC4M 7DX
Witness occupation: SOLICITOR

EXECUTED and DELIVERED as a
DEED by MANAGED TECHNOLOGIES
LIMITED
acting by its duly authorised officers:

)
)
)
)

Director



Director/ Secretary



EXECUTED and DELIVERED as a
DEED by **MID-STATES PLC**
acting by its duly authorised officers:

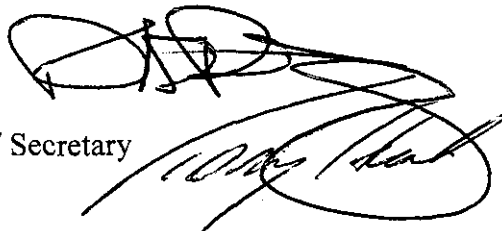
)

)

)

Director

Director/ Secretary

The image shows two handwritten signatures. The first signature, for the Director, is a complex, stylized scribble. The second signature, for the Director/Secretary, is also a complex, stylized scribble, appearing more fluid and continuous than the first.

SCHEDULE 1
(PARTICULARS OF THE SELLERS)

PART A

INOV8

Name and Address of Corporate Seller	Number of Inov8 Sale Shares Held	Consideration Shares
Managed Technologies Limited South House, Park Barns Irthington Cumbria CA6 4NQ	2	1
TOTAL	<u>2</u>	<u>1</u>

PART B

MOVING SUN

Names and Addresses of Individual Sellers	Number of Moving Sun Sale Shares Held	Consideration Shares
Mr David Murray MacDonald South House, Park Barns Irthington Cumbria CA6 4NQ	80	17,928,288
Mr Michael Ernest Heath South House, Park Barns Irthington Cumbria CA6 4NQ	20	4,482,072
TOTAL	<u>100</u>	<u>22,410,360</u>

SCHEDULE 2
(THE COMPANIES)

INOV8

1.	Company Name:	Inov8 Technologies Limited
2.	Registered Number	05394224
3.	Date and place of incorporation:	16 March 2005 England and Wales
4.	Principal business:	Automotive business
5.	Authorised share capital:	£50,000 divided into 50,000 ordinary shares of £1.00 each
6.	Issued share capital:	2 ordinary shares of £1.00 each all fully paid or credited as fully paid
7.	Directors' names:	David Murray MacDonald Michael Ernest Heath
8.	Company secretary's name:	Michael Ernest Heath
9.	Registered Office:	South House, Park Barns, Irthington, Cumbria CA6 4NQ
10.	Accounting reference date:	31 March
11.	Auditors:	Nexia Smith & Williamson Audit Limited

MOVING SUN

1.	Company Name:	Moving Sun Limited
2.	Registered Number	05157414
3.	Date and place of incorporation:	18 June 2004 England and Wales
4.	Principal business:	Management and development of intellectual property
5.	Authorised share capital:	£1,000 divided into 1,000 ordinary shares of £1.00 each
6.	Issued share capital:	100 ordinary shares of £1 fully paid or credited as fully paid

7.	Directors' names:	Thomas Murray MacDonald David Murray MacDonald
8.	Company secretary's name:	Thomas Murray MacDonald
9.	Registered Office:	South House, Park Barns, Irthington, Cumbria CA6 4NQ
10.	Accounting reference date:	30 June
11.	Auditors:	Nexia Smith & Williamson Audit Limited

SCHEDULE 3

(COMPLETION)

1. On Completion, the Corporate Seller and the Individual Sellers shall in respect of Inov8 and Moving Sun respectively:
 - (a) deliver to the Buyer:
 - (i) duly executed transfers of the Sale Shares in favour of the Buyer or the Buyer's nominee(s) together with the share certificates or an indemnity in a form acceptable to the Buyer in the case of any missing share certificates;
 - (ii) irrevocable powers of attorney in the agreed form, duly executed by each of the registered holders of the Sale Shares, authorising the Buyer or its nominee(s) to exercise after Completion all voting and other rights attaching to the Sale Shares until registration of the Buyer or such nominee(s) as the holder(s) of the Sale Shares;
 - (iii) the certificate(s) of incorporation, the common seal, minute book, register of members (duly written up to date) share certificate book and all other statutory records and other documents and papers of each of the Companies and Capac Limited;
 - (iv) the written resignations of each of the directors (other than Mr David Murray MacDonald and Mr Michael Ernest Heath) and the secretary of each of the Companies and Capac Limited, each such resignation to be executed as a deed and to confirm that the person resigning has no claims against each of the Companies (as applicable) for compensation for loss of office or otherwise;
 - (v) confirmations in the agreed form duly executed as a deed by or on behalf of each of the Sellers to the effect that (except as expressly therein mentioned and save for a loan note for £100,000 issued by Inov8 to DTA&T in connection with the Reorganisation and any sums due to the Individual Sellers in relation to employment related matters regarding the Companies) each Seller has no claim on any account whatsoever against any of the Companies and that Inov8 and Capac Limited are not in any way indebted to either the Corporate Seller or a member of the Corporate Seller's Group or the Individual Sellers and Moving Sun is not in any way indebted to the Individual Sellers, and neither of the Companies is in any way indebted to any company or undertaking in which any of the Sellers has an interest;
 - (vi) a statement showing the balances on all bank accounts of each of the Companies and Capac Limited at the latest practicable date prior to Completion together with a list of all sums received and payments made in excess of £1,000 for any one item since the date of the relevant statement;

- (vii) the lease relating to the Milton Keynes Property and any other documentation supplemental to the lease including the Licence to Occupy and Agreement for Assignment and the Licence to Occupy the Buckingham Property, as defined in the Assets Sale Agreement;
 - (viii) the Tax Covenant duly executed by each of the Covenantors therein mentioned;
- (b) repay or procure the repayment in full of all amounts owing (even if not due for payment) to each of the Companies and Capac Limited by any of the Sellers or any director, shareholder or any connected persons or associates or Associated Companies of the Corporate Seller or any connected persons or associates of the Individual Sellers and shall procure that all guarantees or indemnities given by or binding on Inov8 and/or Moving Sun in respect of any liabilities or obligations (whether actual or contingent) of any of the Sellers or any such directors shareholders or connected persons or associates are fully and effectively released without cost to any of the Companies;
 - (c) procure the release, and provide evidence of such release, of any guarantees, indemnities or suretyships binding upon Companies and Capac Limited which relate to and are due to be performed in the period after Completion and will indemnify and keep the Buyer indemnified against any and all liabilities, costs or expenses it or the Companies and Capac Limited may suffer or incur under or in respect of such guarantees, indemnities and suretyships;
 - (d) procure that each of Mr David Murray MacDonald and Mr Michael Ernest Heath shall enter into service agreements in the agreed form with the Buyer; and
 - (e) procure that a meeting of the board of directors of each of Inov8 and Moving Sun shall be held at which:
 - (i) the transfers of the Inov8 Sale Shares and Moving Sun Sale Shares respectively shall be approved for registration subject only to them being duly stamped, and
 - (ii) such other business shall be attended to as the Buyer shall reasonably require.
2. The Buyer acknowledges that Inov8 has assumed the liability to discharge the monies owed by DTA&T under the Overdraft Facility and shall on Completion advance monies to Inov8 to discharge the same.

SCHEDULE 4

(WARRANTIES)

PART A - SELLERS' WARRANTIES

1. INTERPRETATION

- 1.1 Except where Inov8 and Moving Sun are specifically referred to in this Schedule, references in this Schedule to **"the Companies"** shall be construed as references to Inov8, to Moving Sun and to Capac Limited and to each of their subsidiaries from time to time and the expression **"the Company"** shall be construed accordingly so that (without limitation) each of the Sellers' Warranties contained in this Schedule 4 shall be deemed separately given in respect of and in relation to each of the Companies.
- 1.2 Where any of the following paragraphs of this Schedule or any provision or disclosure made or referred to in the Disclosure Letter is qualified by the expression **"to the best of the knowledge, information and belief of the Sellers"** or **"so far as the Sellers are aware"** or any similar expression, that paragraph shall be deemed to include an additional Sellers' Warranty to the effect that the statement has been made after due diligent and careful enquiry and that each of the Sellers has used all its/his reasonable endeavours to ensure that all information given is true and accurate in all respects.

2. ADMISSION DOCUMENT

- 2.1 The Sellers have provided to the Buyer and its advisers all information required to be included in the Admission Document in order to fully comply with the AIM Rules and the Admission Document in respect of the Companies and their subsidiaries contains and discloses all information reasonably necessary to enable investors to form a full understanding of:
- (a) the assets and liabilities, financial position, profits and losses, and prospects of each of the Companies, and
 - (b) any other matter relating to the Companies, the Automotive Business, the Moving Sun Business and the Sellers contained in the Admission Document,

and all such information is true and accurate and is not misleading in any material respect.

3. OWNERSHIP OF THE SALE SHARES

- 3.1 Each of the Sellers is the sole legal and beneficial owner of the Sale Shares set opposite its/his name in Schedule 1 and Inov8 is the sole legal and beneficial owner of the Capac Shares.
- 3.2 There is no Encumbrance on, over or affecting the Sale Shares or the Capac Shares or any of them and there is no agreement or commitment to give or create any

Encumbrance and no claim has been made by any person to be entitled to any Encumbrance.

4. CAPACITY OF THE SELLERS

- 4.1 Each Seller has the requisite capacity, power and authority to enter into and perform this Agreement and to execute, deliver and perform any obligations it may have under each document to be delivered by that Seller at Completion.
- 4.2 The execution and delivery of, and the performance by each Seller of its obligations under, this Agreement and each document to be delivered by that Seller at Completion will not:
 - (a) result in a breach of, or constitute a default under, any agreement by which any Seller or any of the Companies is bound; or
 - (b) result in a breach of any order, judgment or decree of any court or governmental agency by which any Seller or any of the Companies is bound.

5. CORPORATE MATTERS

- 5.1 The Sale Shares have been validly issued and allotted and are fully paid up and there is no agreement or commitment outstanding which calls for the allotment, issue or transfer of, or accords to any person the right to call for the allotment, issue or transfer of, any shares (including the Sale Shares) or debentures in or securities of the Companies.
- 5.2 None of the Sale Shares are subject to any rights of pre-emption or restrictions on transfer.
- 5.3 The statutory books (including all registers and minute books) of the Companies have been properly kept and contain an accurate and complete record of the matters which should be dealt with in those books and all documents which should have been delivered by the Companies to the Registrar of Companies have been properly so delivered.
- 5.4 Save for Capac Limited, the Companies do not have and have never had any subsidiaries and nor have they ever been the legal or beneficial owners of any shares or loan capital of any company.

6. FINANCIAL INFORMATION

- 6.1 The Financial Information relating to the Companies set out in the Admission Document comprises:
 - (a) The accountants report on Moving Sun;
 - (b) The accountants report on Inov8;
 - (c) The accountants' report on DTA&T for the 52 week periods ended 29 June 2003, 27 June 2004 and 26 June 2005; and

- (d) The unaudited interim results for DTA&T for the six months to 31 December 2005.

(the "Financial Information")

- 6.2 The Financial Information set out in (a), (b) and (c) and prepared by the respective accountants has been provided on the basis of information collated and produced to the accountants, on the basis of management accounts of the relevant Companies which have been prepared on a consistent basis, month by month, after due consideration and care and are believed to be a fair recognition of the financial condition of the Companies in the period to and as at the relevant dates.
- 6.3 The Individual Sellers have reviewed the Financial Information set out in (a), (b) and (c) and have provided all necessary information and access to the accountants in order to facilitate the preparation of the reports and having reviewed the accountants reports, the Individual Sellers believe that the accountants report fairly represent the financial condition as at and financial performance in the periods covered by the accountants reports in each case of the relevant Companies and the Individual Sellers are not aware of any information that should have been provided to the accountants for the purpose of the preparation of such reports which have not been so provided.
- 6.4 The Individual Sellers have reviewed and prepared the Financial Information set out in paragraphs (c) and (d) above and the Individual Sellers believe that the Financial Information in those paragraphs fairly represent the financial condition as at and the financial performance for the period in respect of DTA&T and the Individual Sellers are not aware of any information that should have been included which has not been so provided.
- 6.5 Recognising that the Financial Information has been produced from management accounts, the Individual Sellers believe that it does show a true and fair view of the state of affairs of the Companies as at the relevant dates to which they relate and of the profits or losses of the relevant Companies for each period to which the Financial Information relates; and the Individual Sellers are not aware of any liability (whether actual, contingent, unquantified or disputed) or outstanding capital commitments in relation to any of the Companies which is not adequately disclosed or provided for in the Financial Information.

7. EVENTS SINCE DECEMBER 2005

7.1 Since December 2005:

- (a) there has been no material adverse change in the financial or trading position or prospects of the Companies and so far as the Sellers are aware no circumstances have arisen which have or will give rise to any such change;
- (b) the business of the Companies has been carried on in the ordinary and usual course and in the same manner (including nature and scope) as in the past and no unusual or onerous contract differing from the routine contracts necessitated by the nature of its trade has been entered into by the Companies;

- (c) no asset has been acquired or disposed of on capital account or has been agreed to be acquired or disposed of and no contract involving expenditure by it on capital account has been entered into by the Companies (other than in the normal course of trading); and
 - (d) no resolution in general meeting or written resolution of shareholders of the Companies has been passed other than resolutions relating to the routine business of annual general meetings.
- 7.2 All book debts have been realised for an aggregate sum not being less than that owed to the Companies and no indication has been received that any debt now owing to the Companies is bad or doubtful.
- 7.3 Since incorporation, the Companies:
- (a) have not made any distributions, payment of dividends, returns of capital or any other payments to any of the Sellers (other than as disclosed in the Disclosure Letter); and
 - (b) have not made any changes of any nature to any of its accounting practices, policies or procedures.

8. CONTRACTS AND COMMITMENTS

The Companies are not a party to nor do either of them have any actual or contingent liability (present or future) under:

- (a) any contract or arrangement which, directly or indirectly, restricts its freedom to carry on its business in any part of the world in such manner as it may think fit or the ability to transfer the whole or any part of its business;
- (b) any contract or arrangement which relates to matters not within the ordinary business of the Companies or constitutes a commercial transaction or arrangement which deviates from the usual pattern of business for the Companies or is not entirely on arms' length terms;
- (c) any contract or arrangement which is of a length which significantly exceeds what is normal in the circumstances; or
- (d) any contract or arrangement which can be terminated in the event of any change in the underlying ownership or control of the Companies or would be materially affected by such change.

9. INSURANCES

- 9.1 The Companies have maintained adequate insurance cover against risks normally insured against by companies carrying on similar businesses, and in particular have maintained all insurances required by statute and adequate product liability insurance, and have insured their assets against those risks to their full replacement value free from any deduction or excess.

- 9.2 Full details of the insurance policies in respect of which the Companies have an interest are included in the Disclosure Letter, all such policies are in full force and effect and are not void or voidable, no claims are outstanding and no event has occurred which might give rise to any claim.

10. TRADING

- 10.1 Moving Sun's business is and has always only been since the date of its incorporation the Moving Sun Business.
- 10.2 Other than the Intellectual Property Rights in the CAPAC software and the software licence agreements disclosed to the Buyer in the Disclosure Letter, Capac Limited has no assets or liabilities.
- 10.3 During the 18 months preceding the date of this Agreement there has been no material adverse change (apart from normal price changes) in the bases or terms on which any person has been prepared to enter into contracts or to do business with the Companies and no change of that kind is expected.

11. BANK ACCOUNTS AND BORROWINGS

- 11.1 None of the Sellers nor the Companies owe any monies under any overdraft, loan or other financial facility in relation to the Companies and neither of them has entered into any debentures, charges, guarantees and indemnities pursuant to which any third party has or may have an interest or right in relation to the Sale Shares or any assets of the Companies.
- 11.2 The Companies have not lent or agreed to lend any money which has not been repaid to them nor do they own the benefit of any debt present or future (other than debts due to them in respect of the sale of trading stock in the normal course of trading) and the Companies do not hold any security, guarantee or indemnity which are not valid and enforceable by the Companies.
- 11.3 No event which is or, with the passing of any time or the giving of any notice, certificate, declaration or demand, would become an event of default under or any breach of any of the terms of any loan capital, borrowing, debenture or financial facility of the Companies or would entitle any third party to call for repayment prior to normal maturity has occurred or been alleged.

12. INSOLVENCY

- 12.1 No order has been made, no petition has been presented, no meeting has been convened to consider a resolution and no resolution has been passed for the winding up of any of the Companies.
- 12.2 No administration order has been made or petition presented or application made for such an order and no administrator has been appointed or notice given or filed or step taken or procedure commenced with a view to the appointment of an administrator in respect of any of the Companies.
- 12.3 No receiver (which expression shall include an administrative receiver) has been appointed in respect of any of the Companies or all or any of their assets.

- 12.4 No composition or similar arrangement with creditors including but not limited to a voluntary arrangement under Part I of the Insolvency Act 1986 has been proposed in respect of any of the Companies.
- 12.5 No moratorium under Schedule A1 of the Insolvency Act 1986 is in force nor has any step been taken or procedure commenced with a view to entering into such a moratorium in respect of any of the Companies.
- 12.6 No event analogous to any of the foregoing has occurred in relation to any of the Companies outside England and Wales.
- 12.7 The Companies are not insolvent, or unable to pay their debts within the meaning of section 123 of the Insolvency Act 1986, or have stopped paying their debts as they fall due.
- 12.8 No unsatisfied judgment is outstanding against any of the Companies.

13. COMPLIANCE WITH LAWS AND LICENCES

- 13.1 Both of the Companies conduct their businesses in compliance in all material respects with applicable Law and there is not any order, decree, judgment, final decision or finding of any court or any central or local government or quasi-judicial agent in the United Kingdom or any foreign country outstanding against the Sellers or the Companies nor any facts likely to lead to any such order, decree, judgment, decision or finding being made against the Sellers or the Companies, or which may have a material adverse effect upon the Companies or their businesses.
- 13.2 So far as the Sellers are aware all licences, consents and other permissions and approvals required for or in connection with the carrying on of the business or businesses now being carried on by the Companies:
 - (a) have been obtained and are in full force and effect;
 - (b) are listed in the Disclosure Letter; and
 - (c) are not limited in duration, subject to onerous conditions and have not been varied, revoked or not renewed.

14. LITIGATION AND CLAIMS

- 14.1 Neither of the Companies nor any of its directors are engaged in any litigation, arbitration or other dispute resolution process, or administrative or criminal proceedings, whether as claimant, defendant or otherwise. No litigation, arbitration or other dispute resolution process, or administrative or criminal proceedings by or against either of the Companies or any of its directors is pending, threatened or expected and there is no fact or circumstance likely to give rise to any such litigation, arbitration, mediation or administrative or criminal proceedings.
- 14.2 None of the Companies have received notification that any investigation or inquiry is being or has been conducted by any governmental or other body in respect of the affairs of the Companies and there are no circumstances which would give rise to any such investigation or inquiry.

- 14.3 Neither of the Companies have committed or is liable for any criminal, illegal, unlawful or unauthorised act or breach of any obligation or duty whether imposed by or pursuant to statute, contract or otherwise, and no claim that it has or is remains outstanding against the Companies.

15. OWNERSHIP AND CONDITION OF ASSETS

- 15.1 Each of the assets is owned both legally and beneficially by Inov8 free from any Encumbrances, and each of those assets capable of possession is in the possession of Inov8.
- 15.2 There is no Encumbrance on, over or affecting the whole or any part of the undertaking or assets of Inov8 and there is no agreement or commitment to give or create any Encumbrance and no claim has been made by any person to be entitled to any.

16. INTELLECTUAL PROPERTY

- 16.1 The Companies own or have the right to use all Intellectual Property Rights required to operate the Companies as carried at the date of this Agreement.
- 16.2 The Disclosure Letter sets out details of:
- (a) registered Intellectual Property Rights owned by the Sellers (and any pending applications for such); and
 - (b) unregistered Intellectual Property Rights owned by the Sellers,
- which are commercially significant to the operation of the Companies.
- 16.3 In relation to the above Intellectual Property Rights owned by the Sellers:
- (a) so far as the Sellers are aware there are no:
 - (i) challenges to validity, subsistence or ownership of such rights or any other reason the Sellers have to believe such rights to be in jeopardy;
 - (ii) restrictions which adversely affect the use of such rights in the Companies or any other encumbrances;
 - (iii) suspected, alleged or actual infringements or instances of unauthorised use of such rights; or
 - (iv) royalties or compensation payable or potentially payable to existing or former employees in respect of such rights; and
 - (b) the Disclosure Letter sets out any agreements (whether oral or written, formal or informal) to which a Company grants third parties permission to use such rights and none of these agreements:
 - (i) will be capable of termination by such third parties as a result of the acquisition of the Companies by the Buyer; or

- (ii) are the subject of any material breach by the Sellers or any Company or, so far as the Sellers are aware, any material breach by such third parties.

16.4 In relation to Intellectual Property Rights which the Sellers use in operating the Companies, but do not own:

- (a) so far as the Sellers are aware there are no challenges to validity, subsistence or ownership of such rights or any other reason the Sellers have to believe such rights to be in jeopardy;
- (b) the Disclosure Letter sets out all agreements (whether oral or written, formal or informal) under which the Companies obtain permission to use such rights from third parties and none of these agreements:
 - (i) will be capable of termination by such third parties as a result of the acquisition of the Companies by the Buyer; or
 - (ii) are the subject of any material breach by either Seller or any Company or, so far as the Sellers are aware, any material breach by such third parties.

16.5 In relation to Intellectual Property Rights owed or used by third parties there is no suspected, alleged or actual infringement of such rights by either Seller (by its own acts or as the result of it granting a license to use such rights).

17. **CONFIDENTIAL INFORMATION**

17.1 The Sellers have:

- (a) (subject to (b) below) not disclosed any information relating to:
 - (i) financial or technical data, plans, client lists, marketing information, records or materials;
 - (ii) customers, clients, employees or agents or other persons having dealings with the Companies; or
 - (iii) any other matter,

which is confidential to the Sellers and the disclosure of which in the Sellers' reasonable opinion might materially adversely affect the Companies, other than to the Sellers' professional advisors, Buyer and Buyer's advisors, third parties subject to obligations of confidentiality or as part of a public announcement or any application for registration of Intellectual Property Rights; and

- (b) entered into confidentiality agreements with respect to such information prior to its disclosure to third parties other than mentioned in paragraph 17(a) above and so far as the Sellers are aware, no such agreement has been breached.

18. THE ENVIRONMENT

- 18.1 Inov8 has obtained all EHS Permits relating to the Properties. Each EHS Permit is in full force and effect and Inov8 complies with all conditions of each permit.

19. EMPLOYMENT

- 19.1 No persons are or have been employed or engaged by Moving Sun and Moving Sun has not made any offer of employment or engagement to any person which remains outstanding.
- 19.2 To the best of the Sellers' knowledge, all information provided by or on behalf of DTA&T to the Pensions Regulator is complete, accurate and not misleading (including being misleading by omission).

20. TAX MATTERS

- 20.1 The Companies have within the applicable time limits made all proper returns, supplied all information, and maintained all records, as it is required to do by any Tax Authority, including (but without limitation) HM Revenue and Customs.
- 20.2 The Companies have sufficient records relating to past events, including any elections made, to calculate the Tax liability or Relief which would arise on any disposal or on the realisation of any asset owned by the Companies or acquired by the Companies before Completion.
- (a) On a disposal of all their assets by the Companies for a consideration equal to the consideration given for the acquisition, no Tax liability would be incurred by the Companies in respect of that asset.
- 20.3 The Companies have not, at any time within the last seven years, acquired any asset from any other company which was, at the time of the acquisition, a member of the same group of companies as that member for the purposes of any Tax.
- 20.4 The assets of the Companies and the shares of the Companies are not, and will not in consequence of an Event occurring on or before Completion (whether or not in combination with an Event occurring after Completion) become, subject to an HM Revenue & Customs charge as mentioned in section 237 Inheritance Tax Act 1984 (imposition of charge).
- 20.5 No person has, or could in consequence of an Event occurring on or before Completion (whether or not in combination with an Event occurring after Completion) obtain, the power under section 212 Inheritance Tax Act 1984 (powers to raise tax) to raise inheritance tax by the sale or mortgage of, or by a terminable charge on, an asset of the Companies.

21. DISCLOSED INFORMATION

The statements of fact and factual information contained or referred to in the Disclosure Letter and the annexures to the Disclosure Letter (including the documents included in the disclosure bundle referred to in the Disclosure Letter) and any other

documents referred to by way of disclosure in the Disclosure Letter are accurate in all material respects and are not misleading.

SCHEDULE 4

(WARRANTIES)

PART B - BUYER'S WARRANTIES

1. CAPACITY OF THE BUYER

- 1.1 Subject to the approval of the shareholders of the Buyer in general meeting and admission of its entire issued and to be issued ordinary share capital to trading on AIM, the Buyer will, on or before Completion, have obtained the necessary corporate authorisations to enter into and perform its obligations under this Agreement.
- 1.2 Subject to paragraph 1.1 above, the execution and delivery of, and the performance by the Buyer of its obligations under, this Agreement and each document to be delivered by the Buyer at Completion will not:
- (a) result in a breach of, or constitute a default under, any agreement by which the Buyer is bound; or
 - (b) result in a breach of any order, judgment or decree of any court or governmental agency by which the Buyer is bound.

2. ADMISSION DOCUMENT

- 2.1 The Admission Document in respect of the Buyer contains and discloses all information reasonably necessary to enable investors to form a full understanding of:
- (a) the assets and liabilities, financial position, profits and losses, and prospects of the Buyer and its securities,
 - (b) the rights attaching to the Buyer's securities, and
 - (c) any other matter relating to the Buyer contained in the Admission Document,
- and all such information is true and accurate and is not misleading in any material respect.

3. TRADING

The Buyer is a cash shell company which has not actively carried on a business or trade since 30 December 2004 and its assets principally comprise cash balances.

SCHEDULE 5

(SELLERS' LIMITATIONS ON LIABILITY)

1. Except in the case of fraud, fraudulent misrepresentation or wilful non-disclosure when the limitations in this Schedule shall not apply, no proceedings for a Warranty Claim shall be commenced in respect of:
 - (a) any Warranty Claim (other than as provided in paragraph (b) below in relation to Tax and in paragraph (c) below in relation to the Environment in paragraph 18 of Schedule 4), unless notice of the claim has been delivered to the Individual Sellers by the Buyer not later than 18 months from the Completion Date; or
 - (b) any Warranty Claim in relation to Tax, unless notice of the claim has been delivered to the Individual Sellers by the Buyer not later than the seventh anniversary of the Completion Date;
 - (c) any Warranty Claim in relation to the Environment, unless notice of the claim has been delivered by the Buyer not later than the sixth anniversary of the Completion Date; and
 - (d) unless, in each case, the Buyer shall have given to the Individual Sellers (as applicable) written notice of the Warranty Claim (specifying in reasonable detail the matter in respect of which such claim is made, the nature of the claim and (save to the extent that such claim is contingent or unquantifiable) an estimate of the amount claimed) before such date and so that any claim notified in accordance with this paragraph 1 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 12 months after the date of such notification.
2. In the absence of fraud, fraudulent misrepresentation or wilful non-disclosure the aggregate obligation and liability of the Individual Sellers to the Buyer for Warranty Claims, including any claim for warranties under the Assets Sale Agreement, shall be limited to an aggregate amount of £2,750,000, together with the proper and reasonable costs of recovery relating to such Warranty Claims incurred by or on behalf of the Buyer and the obligation and liability of each of the Individual Sellers shall be limited in the case of David MacDonald to 80 per cent. of £2,750,000 and in the case of Michael Heath to 20 per cent. of £2,750,000, and so that claims may be brought under this Agreement or the Assets Sale Agreement but shall be limited in terms of the aggregate liability, and the aggregate liability of each of the Individual Sellers as provided by this clause.
3. Notwithstanding anything contained in this Agreement or the Assets Sale Agreement the Individual Sellers under this Agreement and under the Assets Sale Agreement shall have no liability in respect of a Warranty Claim under this Agreement or any claim for breach of warranty under the Assets Sale Agreement unless the aggregate liability in respect of all such claims, whether under this Agreement or the Assets Sale Agreement agreed or determined (excluding related interests and costs) exceeds

£100,000 and if such aggregate liability exceeds that amount, then the Individual Sellers shall be liable for the whole of the liability and not just the excess, but subject to the maximum aggregate liability provided in paragraph 2 above.

4. The Buyer is entering into the Transaction on the basis of the Sellers' Warranties given in respect of both Inov8 (including Capac Limited) and Moving Sun and it is agreed and acknowledged between the Sellers and the Buyer that each and all liabilities under the Sellers' Warranties shall be given on the basis of all the Consideration Shares, regardless of the allocation of consideration and in particular the one Consideration Share being issued in relation to the Inov8 Sale Shares, and that the Buyer shall be entitled, subject to the limitations on liability in this Schedule 5, to bring Warranty Claims under the Sellers' Warranties in relation to either of Inov8 (including Capac Limited) or Moving Sun on the basis of the consideration given by the Buyer pursuant to the Transaction taken as a whole.
5. Notwithstanding anything contained in this Agreement, the Buyer shall not be entitled to make any Warranty Claim against the Individual Sellers in respect of any of the Sellers' Warranties:
 - (a) in respect of any matter or item to the extent that it is specifically provided for or taken into account as a liability in the Financial Information;
 - (b) to the extent that the matter, fact, act or omission which gives rise to such breach or liability has been fully, fairly and expressly disclosed in the Disclosure Letter;
 - (c) to the extent that the Buyer or any member of the Buyer's Group has recovered, in respect of the matter of the claim, under a policy of insurance maintained by or on behalf of any member of the Buyer's Group (provided that, for the avoidance of doubt, if the Buyer recovers from any of the Individual Sellers an amount in respect of a matter in which insurance cover is available to the relevant member of the Buyer's Group, the Buyer shall procure that all relevant insurance claim forms are submitted to the insurer in respect of the subject matter and the Buyer shall promptly account to the Individual Seller concerned for the insurance proceeds received from the insurer in relation to the insurance claim (less costs, expenses and tax incurred by or on behalf of the Buyer and any member of the Buyer's Group) up to the amount paid by each Individual Seller concerned under the relevant Warranty Claim);
 - (d) to the extent that the matter which is the subject of the Warranty Claim has already been made good to the Buyer's reasonable satisfaction without cost to the Buyer or any member of the Buyer's Group;
 - (e) to the extent that such Warranty Claim arises or is increased as a result of any change in the law or in the administrative practice of any government, governmental department, agency or regulatory body after the date of this Agreement provided that, for the avoidance of doubt, if the Warranty Claim is increased as a result of the matters referred to in this paragraph 5(e), the Warranty Claim made shall remain valid in respect to the portion of the Warranty Claim not so increased by such matters;

- (f) to the extent that the liability is attributable to any negligent act or omission by the Buyer after the date of this Agreement; or
 - (g) to the extent that recovery has already been made pursuant to the provisions of clause 2 of the Tax Covenant.
6. If in respect of any Warranty Claim the liability of the Individual Sellers (or the Corporate Seller or any member of the Corporate Seller's Group had a claim been brought against them) is contingent, then the Individual Sellers shall not be under any obligation to make payment until such time as the contingent liability ceases to be contingent and becomes actual and is due and payable provided that this paragraph shall not operate to avoid a claim in respect of which notice is given within the relevant time limit specified in paragraph 1 in respect of a contingent liability so long as proceedings are commenced (by being both issued and served) within six months after the contingent liability becomes an actual liability.

SCHEDULE 6

(BUYER'S LIMITATIONS ON LIABILITY)

1. Except in the case of fraud, fraudulent misrepresentation or wilful non-disclosure when the limitations in this Schedule shall not apply, no proceedings for a Warranty Claim shall be commenced in respect of:
 - (a) any Warranty Claim, unless notice of the claim has been delivered to the Buyer by the Sellers not later than 18 months from the Completion Date; and
 - (c) unless, in each case, each of the Sellers who wish to make the claim shall have given to the Buyer (as applicable) written notice of the Warranty Claim (specifying in reasonable detail the matter in respect of which such claim is made, the nature of the claim and (save to the extent that such claim is contingent or unquantifiable) an estimate of the amount claimed) before such date and so that any claim notified in accordance with this paragraph 1 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 12 months after the date of such notification.
2. In the absence of fraud, fraudulent misrepresentation or wilful non-disclosure, the obligations and liability of the Buyer to the Sellers for Warranty Claims, shall be limited to £2,750,000, together with the proper and reasonable costs of recovery related to such Warranty Claim incurred by or on behalf of the Sellers making the claim.
3. Notwithstanding anything contained in this Agreement, the Buyer shall have no liability in respect of a Warranty Claim unless the aggregate liability agreed or determined (excluding related interest and costs) in respect of all Warranty Claims exceeds £100,000 and if such aggregate liability exceeds that amount then the Buyer shall be liable for the whole of the liability and not just the excess.
4. Notwithstanding anything contained in this Agreement, the Sellers shall not be entitled to make any Warranty Claim against the Buyer in respect of any of the Buyer's Warranties:
 - (a) in respect of any matter specifically provided for or taken into account as a liability and expressly referred to or noted in the audited report and accounts of the Buyer for the two financial periods ending on 31 December 2004 and the financial period ending on 30 June 2006;
 - (b) to the extent that the matter, fact, act or omission which gives rise to such breach or liability has been fully, fairly and expressly disclosed;
 - (c) to the extent that the Sellers or any member of the Corporate Seller's Group has recovered, in respect of the matter of the claim, under a policy of insurance maintained by or on behalf of any of the Sellers or a member of the Corporate Seller's Group (provided that, for the avoidance of doubt, if any of

the Sellers recover from the Buyer an amount in respect of a matter in which insurance cover is available to the relevant Seller or Sellers or member of the Corporate Seller's Group, the relevant Seller or Sellers shall procure that all relevant insurance claim forms are submitted to the insurer in respect of the subject matter and the relevant Seller or Sellers shall promptly account to the Buyer for the insurance proceeds received from the insurer in relation to the insurance claim (less costs, expenses and tax incurred by or on behalf of the relevant Seller or Sellers or member of the Corporate Seller's Group) up to the amount paid by the Buyer under the relevant Warranty Claim);

- (d) to the extent that the matter which is the subject of the Warranty Claim has already been made good to the relevant Seller or Sellers' reasonable satisfaction without cost to the relevant Seller or Sellers or member of the Corporate Seller's Group;
 - (e) to the extent that such Warranty Claim arises or is increased as a result of any change in the law or in the administrative practice of any government, governmental department, agency or regulatory body after the date of this Agreement provided that, for the avoidance of doubt, if the Warranty Claim is increased as a result of the matters referred to in this paragraph 4(e), the Warranty Claim made shall remain valid in respect to the portion of the Warranty Claim not so increased by such matters; or
 - (f) in respect of any of the Buyer's Warranties to the extent that the cash available to the Enlarged Group is reduced by the costs incurred in relation to advisers and other costs relating to the Transaction and the Buyer's Circular.
5. If in respect of any Warranty Claim the liability of the Buyer or any member of the Buyer's Group is contingent, then the Buyer shall not be under any obligation to make payment until such time as the contingent liability ceases to be contingent and becomes actual and is due and payable provided that this paragraph shall not operate to avoid a claim in respect of which notice is given within the relevant time limit specified in paragraph 1 in respect of a contingent liability so long as proceedings are commenced (by being both issued and served) within six months after the contingent liability becomes an actual liability.

SCHEDULE 7
(TAX COVENANT)

1. Definitions

1.1 In this Schedule 7:

"Companies" means Inov8, Moving Sun and Capac Limited, and **"Company"** means any one of them;

"Covenant" means the covenants set out in paragraph 2 of this Schedule 7;

"Event" means any transaction, action, omission or event (including Completion, any change in the residence of any person for any Taxation purpose and any change in accounting reference date) and reference to an Event "effected, entered into or occurring" on or before Completion shall include any Event *deemed* to have been effected, entered into or to have occurred for the purposes of any Taxation on or before Completion;

"Post-Completion Relief" means a Relief which arises in respect of an Event occurring after Completion or in respect of a period commencing after Completion and includes a Relief surrendered to a Company by another company in the Buyer's group and, in the case of any Relief comprising a claim for capital allowances made by a Company in the accounting period in which Completion occurs in relation to capital expenditure incurred in a prior period, shall mean the proportion of the Relief equal to the proportion derived by dividing the number of days in the part of the accounting period falling after Completion by the total number of days in that accounting period;

"Relief" means any relief, loss, allowance, exemption, set-off, right to repayment, deduction or credit or other relief of a similar nature granted by or available in relation to Tax pursuant to any legislation or otherwise in computing or against profits or Taxation;

"ICTA" means the Income and Corporation Taxes Act 1988;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official whatsoever competent to impose any Taxation or exercise any function relating to Taxation whether in the United Kingdom or elsewhere;

"Tax Liability" has the meaning ascribed to it in paragraph 2.1 below;

"VAT" means Value Added Tax;

1.2 references to **"Taxation"** or **"Tax"** comprise

- 1.2.1 all forms of taxation (other than deferred tax), management charges connected with taxation and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies, in each case whether of the United Kingdom or elsewhere in the world whenever imposed and whether chargeable directly or primarily against or attributable directly or primarily to a Company or any other person;
- 1.2.2 instalments of corporation tax payable pursuant to the Corporation Tax (Instalment Payments) Regulations 1998;
- 1.2.3 reimbursements of amounts paid by any person, other than a Company, pursuant to any Group Payment Arrangement entered into pursuant to Finance Act 1998 Section 36; and
- 1.2.4 all penalties and interest relating to any matter within paragraphs 1.2.1, 1.2.2 or 1.2.3 above;
- 1.3 any reference to "**profits**" include income, profits or gains (including capital gains) of any description or from any source and references to profits "earned, accrued or received" include profits *deemed* to have been or *treated as* earned, accrued or received for Taxation purposes;
- 1.4 references to the "**Buyer**" shall, where the benefit of this Schedule 7 has been assigned under Clause 15 of this Agreement, mean the person or persons for the time being entitled to the benefit of this Schedule 7.

2 **Covenant**

- 2.1 Subject to any other provisions of this Schedule 7 the Sellers hereby jointly and severally covenant to pay to the Buyer on the due date for payment (in accordance with paragraph 5 below) an amount equal to each "**Tax Liability**", being:

- 2.1.1 any Taxation payable by a Company:

- (i) in respect of or arising from any Event occurring on or before Completion;
- (ii) by reference to any profits earned, accrued or received on or before Completion; or

in either case irrespective of whether or not the Tax is chargeable against or attributable to another person and whether or not any amount in respect thereof is recoverable from any other person;

- 2.1.2 any Taxation which would have been payable in consequence of an Event occurring on or before Completion or in respect of any income, profits or gains which were earned, accrued or received on or before Completion or in respect of a period ending on or before Completion, and which is not payable only as a consequence of the utilisation or set-off of a Post-Completion Relief;

2.1.3 any Taxation arising in consequence of an Event occurring at any time:

- (i) for which a Company is liable as a result of having at any time on or before Completion been a member of a group for Tax purposes; or
- (ii) for which a Company is liable as a result of having at any time on or before Completion been controlled by any person for any Tax purpose;

2.1.4 any repayment by a Company (other than to any other Company) in whole or in part for a Tax benefit received before Completion pursuant to any agreement or arrangement entered into on or before Completion;

2.1.5 any depletion in the assets, or increase in the liabilities, of the Buyer or a Company as a result of any inheritance tax which:

- (a) is at Completion a charge on any of the shares or assets of a Company or at that time gives rise to a power to sell, mortgage or charge any of the shares or assets of a Company; or
- (b) after Completion becomes a charge on, or gives rise to a power to sell, mortgage or charge, any of the shares or assets of a Company, being a liability in respect of inheritance tax payable as a result of the death of any person (whenever occurring) within seven years after a transfer of value or a deemed transfer of value where such transfer of value or deemed transfer of value occurred on or before Completion.

For the avoidance of doubt, any payment made by the Buyer or a Company to discharge or remove any charge or power to sell, mortgage or charge shall give rise to a depletion in the assets of the Buyer or the Company and, notwithstanding any provision in this Schedule 7, the Buyer or the Company may disregard any right to pay tax in instalments in discharging or removing a charge or power.

2.2 The Sellers shall pay to the Buyer an amount equal to the amount of any liability of the Company or the Buyer for any proper and reasonable third party costs incurred by a Company or the Buyer in connection with an assessment for or a liability in respect of Taxation as mentioned in this paragraph 2 or elsewhere in this Schedule 7 or in taking or defending an action under this Schedule 7.

2.3 Any payments made under paragraph 2.1 shall be treated as an adjustment to the consideration paid by the Buyer for the relevant Sale Shares under the terms of the Agreement.

3. Exclusions

3.1 The Sellers shall not be liable under paragraph 2 above:

- 3.1.1** in respect of any Taxation to the extent that such Taxation was discharged prior to Completion at no cost to the Buyer; or
- 3.1.2** to the extent that specific provision, reserve or allowance was made for such Taxation in the Accounts;

- 3.1.3 to the extent that such Taxation arises directly or indirectly as a result of an Event in the ordinary course of the business of a Company at any time since its incorporation provided that the profits to which the Taxation relates have not been paid out by way of dividend or other distribution prior to Completion;
 - 3.1.4 to the extent that such Taxation arises or is increased as a consequence of any change in the accounting policy or practice adopted by a Company after Completion except where such change was necessary in order to comply with any applicable legal, regulatory, financial reporting or other requirement; or
 - 3.1.5 to the extent that recovery has been made in respect of the same subject matter under the Agreement; or
 - 3.1.6 to the extent that any Relief of the Company arising in respect of a period ended on or before Completion is available to mitigate such Taxation;
 - 3.1.7 to the extent that such Taxation arises in respect of the Reorganisation and arises in Inov8 on Completion as a consequence of the acquisition of the Inov8 Sale Shares by the Buyer; or
 - 3.1.8 any stamp duty land tax payable in respect of the Reorganisation whether through the withdrawal or non-availability of group relief under Schedule 7 Finance Act 2003 or otherwise;
 - 3.1.9 to the extent that such Taxation would not have arisen but for a voluntary act carried out by the Buyer or a Company after Completion otherwise than in the ordinary course of business or pursuant to a binding obligation created on or before Completion, which could have reasonably been avoided and which the Buyer knew or reasonably ought to have known would give rise to such Taxation; or
 - 3.1.10 to the extent that the liability would not have arisen, but for an act carried out by the Seller or a Company prior to Completion at the written request or with the written approval of the Buyer being an act outside the ordinary course of their respective normal businesses; or
 - 3.1.11 to the extent that such Taxation arises or is increased only as a result of any increase in rates of Taxation made after Completion with retrospective effect or of any change in law or the published practice of any Tax Authority occurring after Completion with retrospective effect;
 - 3.1.12 to the extent that the Taxation arises or is increased by the failure of the Buyer to comply with its obligations under this Schedule save when such failure arises as a result of the Sellers failing to comply with their obligations under this Schedule.
- 3.2 The Sellers shall not be liable under paragraph 2 above unless written notice of the liability giving rise to the claim (stating in reasonable detail the nature of the liability and, if practicable, the amount claimed) has been given to the Seller on or before the seventh anniversary of the date of Completion provided that this paragraph 3.1.7 shall

not apply where a Taxation Authority can assess the Company in respect of the Tax to which the claim relates after such date because of fraudulent or negligent conduct or otherwise.

- 3.3** In the absence of fraud or wilful non-disclosure, the obligations of the Sellers to the Buyer for claims under this Schedule 7 when aggregated with any other liability in respect of the Warranties, shall be limited to the overall limitations contained in this Agreement.

4. Withholdings and Deductions

- 4.1** All payments made by the Sellers under this Schedule 7 shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be required by law.
- 4.2** If any deductions or withholdings are required by law, the sum due from the Sellers shall be increased to the extent necessary to ensure that the Buyer receives the same amount as it would have been entitled to receive had no deduction or withholding been made.
- 4.3** If any payment under paragraph 2 or paragraph 4 of this Schedule 7 will be or has been subject to Taxation in the hands of the Buyer (or would give rise to a charge to Taxation in the absence of any Reliefs available to the Buyer), then the Seller shall pay to the Buyer the amount (after taking into account Taxation payable in respect of the amount) as will ensure that the Buyer receives and retains a net sum equal to the sum it would have received had the payment not been subject to Taxation.

5. Due Date for Payment and Interest

- 5.1** The date for payment due from the Sellers under this Schedule 7 shall be as follows:
- 5.1.1** where a liability of the Sellers arises under paragraphs 2.1.1, 2.1.3, 2.1.4, 2.1.5 or 4 in respect of a liability of the Buyer or a Company to make a payment of Taxation which has not been made as at the date of the notice under paragraph 6 of this Schedule 7, the date falling five (5) Business Days before the first date on which that Taxation may be paid to the relevant Taxation Authority without a liability to interest or penalties accruing;
- 5.1.2** in a case within paragraph 2.1.2 above, the date on which the relevant Taxation liability would have been payable but for the utilisation or setting-off of the relevant Relief;
- 5.1.3** in any other case, including where any payment of Taxation claimed under the paragraphs referred to in paragraph 5.1.1 above has already been made as at the date of the notice of the claim, five (5) Business Days after service on the Seller by the Buyer of a notice containing a written demand in respect of the matter for which the Seller is liable.
- 5.2** Any payment due to be made under this Schedule 7 shall carry interest from the due date for payment or, if the claim under this Schedule 7 arises from a payment which has been made before the date of the notice under paragraph 6.1, the date such

payment was made, until actual payment at the rate of 2 per cent above the base rate from time to time of National Westminster Bank PLC provided that interest shall not accrue for any period in respect of which interest due to the relevant Taxation Authority is included in the payment due to be made under this Schedule 7 before the application of this paragraph 5.2.

6. Appeals and Conduct of Claims

- 6.1** If the Buyer or a Company becomes aware after Completion of any matter which could give rise to a liability on any of the Sellers under this Schedule 7, the Buyer shall procure that notice of that matter is given as soon as reasonably practicable to Fladgate Fielder or such other person as the Sellers shall nominate in writing on behalf of the Sellers ("the Seller's Representative") and, as regards any such matter, the Buyer shall itself or shall procure that the Company concerned shall at the request of the Sellers' Representative take such action as the Sellers' Representative may reasonably request to deal with the matter but subject as set out in paragraph 6.2 and paragraph 6.3 below and subject to the Buyer and the relevant Company being indemnified and secured to their reasonable satisfaction by the Sellers against all losses (including additional Taxation), and proper and reasonable third party costs, damages and expenses which may be incurred as a result, including any irrecoverable VAT thereon.
- 6.2** The Buyer and each Company shall be at liberty without reference to the Sellers to deal with any matter which could give rise to a liability under this Schedule 7 if the Sellers' Representative delays unreasonably in giving any such request as is mentioned in paragraph 6.1 above provided that the Buyer or Company concerned has notified the Sellers' Representative of its intention to so deal with the matter and has afforded the Sellers' Representative a period of ten (10) Business Days to respond.
- 6.3** Neither the Buyer nor any Company shall be required to pursue or accept any compromise or concession on the matter which it reasonably considers will be materially prejudicial to any of their post-Completion Tax affairs or business. The Buyer shall not be obliged to take action pursuant to paragraph 6.2 which involves contesting an assessment or claim beyond the Special Commissioners or other relevant first appellate body (excluding the Taxation Authority which has made the assessment or claim) unless tax counsel shall have advised that such action has reasonable prospect of success.
- 6.4** The Buyer shall procure that the Sellers' Representative and any duly authorised agents of the Sellers, subject to giving reasonable notice in writing to the Buyer, are afforded such access to the books, accounts, personnel, correspondence and documentation of a Company and such other assistance as may be reasonably required to enable the Sellers' Representative to exercise its (their) rights under this paragraph 6.
- 6.5** Notwithstanding the provisions of clause 6.1, the Buyer will procure that:
- 6.5.1** the Sellers are kept fully informed with regard to such matters and shall be sent copies of all correspondence relating to them;

6.5.2 the appointment of solicitors or other professional advisers shall be subject to the prior approval of the Sellers, such approval not to be unreasonably withheld or delayed; and

6.5.3 all communications written or otherwise pertaining to such matters which are to be transmitted to a Tax Authority shall first be submitted to the Sellers for approval and shall only be finally transmitted if such approval is given, such approval not to be unreasonably withheld or delayed.

7. Recovery from Third Parties

7.1 If the Sellers pay an amount in respect of Taxation under paragraph 2, paragraph 4.2 or paragraph 4.3 of this Schedule 7 and any Company is or becomes entitled to recover from some other person (other than another Company) any sum in respect of that Taxation, then the Buyer shall:

7.1.1 as soon as reasonably practicable, notify the relevant Seller(s) of such entitlement and shall, if so requested by the relevant Seller(s) and subject to the Buyer and the Company being indemnified and secured to their reasonable satisfaction by the relevant Seller(s) against all proper and reasonable damages, costs and expenses which may be reasonably incurred, the Buyer shall procure that the Company takes all reasonable steps to enforce that recovery (keeping the relevant Seller(s) informed of the progress of any action taken); and

7.1.2 account to the relevant Seller(s) within 10 Business Days of recovering any such amount for the whole of any sum so recovered (including any interest or repayment supplement paid to the Buyer or a Company) less any costs and expenses of recovery (as above) up to an amount not exceeding the amount of any such payment previously made by the Sellers under this Schedule 7 in respect of such Taxation.

8. Buyer's Covenant

8.1 The Buyer hereby covenants with the Sellers:

8.1.1 to pay the Sellers an amount equal to any Taxation for which the Sellers are or may be liable as a result of the application of section 767A or section 767AA ICTA where the taxpayer Company or the transferred Company (as defined in section 767A(1)(a) and section 767AA(1)(a) respectively) is a Company together with any reasonable costs and expenses reasonably and properly incurred by the Sellers in connection with taking any successful action under this paragraph;

8.1.2 to indemnify the Seller against any Taxation arising to the Sellers as a result of the Reorganisation in consequence of the acquisition of the Inov8 Sale Shares by the Buyer;

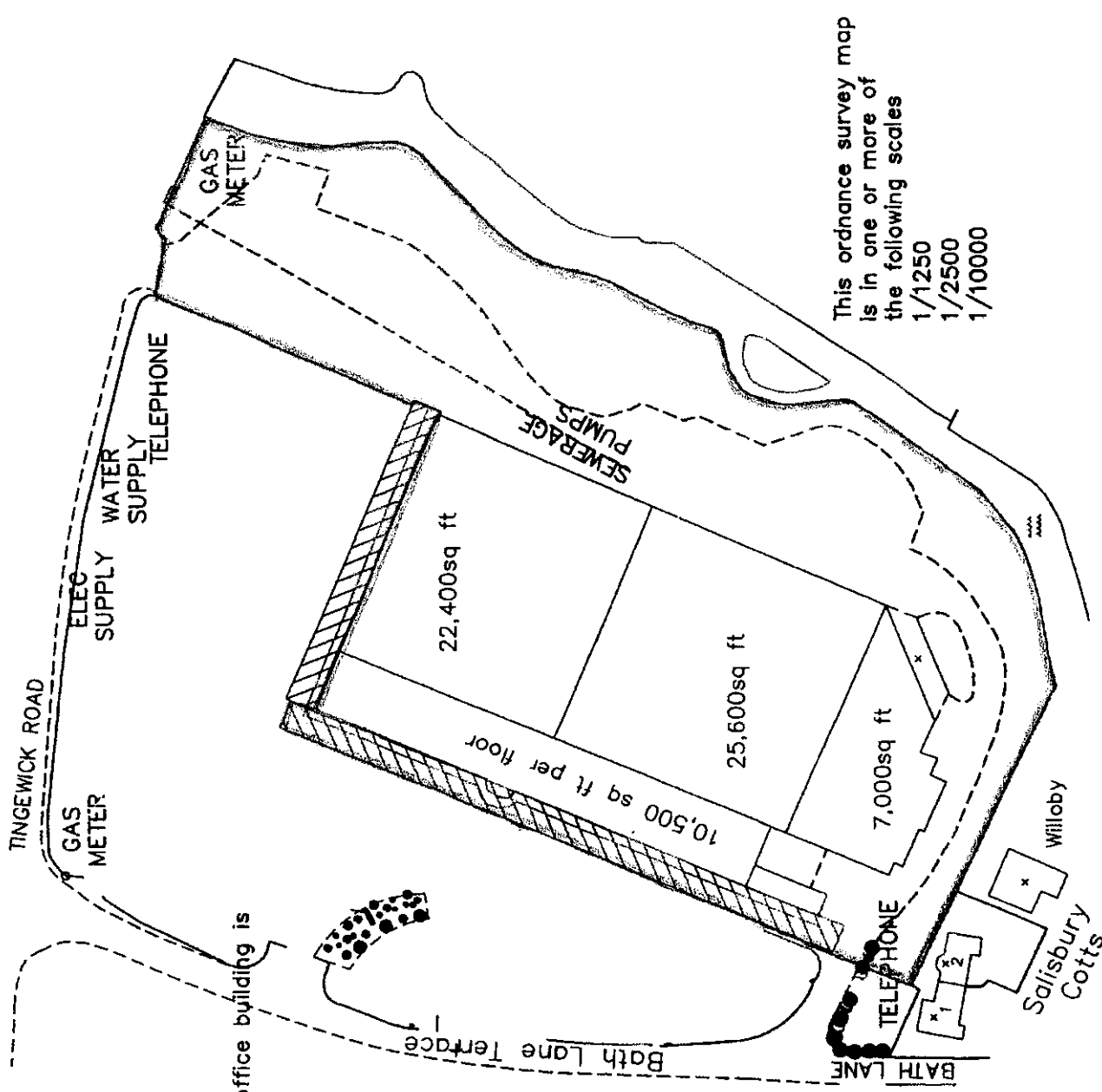
8.1.3 to pay to the Sellers an amount equal to any Taxation which may be or become payable by Managed Technology Ltd as a result of an Assignment of Inventory from Managed Technology Ltd to Moving Sun Ltd dated 7 June 2006 and paragraphs 4, 6 and 7 of this Schedule will apply thereto as though references to "Buyer" were to "the Sellers" and vice versa. This paragraph 8.1 will not apply unless

the Sellers procure that the relevant Tax return of Managed Technology Limited is submitted on the basis that the Assignment of Inventory was entered into for nominal consideration.

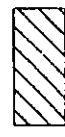
- 8.2 A payment to be made by the Buyer under this Schedule 7 shall be made in cleared funds seven (7) days after written demand for such payment.
- 8.3 Where the Buyer fails to make a payment in satisfaction of a liability under this Schedule 7 by the due date for payment, the liability of the Buyer shall be increased to include interest on such sum from the date on which the Buyer becomes liable to make payment to the date of actual payment at a rate per annum being 6 per cent. above the base rate from time to time of National Westminster Bank PLC (such interest to accrue after as well as before judgment).

9. Administration

- 9.1 The Buyer or their duly authorised agents shall (at the Company's expense) forthwith prepare the accounts and corporation tax returns and shall conduct the Tax affairs of each Company for all accounting periods ending on or before Completion to the extent that the same have not been prepared before Completion.
- 9.2 Without prejudice to the Buyer's rights under this Schedule 7, the Buyer shall procure that each Company shall cause the accounts and returns mentioned in this paragraph 9 whose subject matter may be the subject of a claim against the Sellers under this Schedule 7 (the "**Relevant Claim**") to be sent to the Sellers Representative and shall incorporate such reasonable amendments, if any, as the Sellers Representative may reasonably request within thirty (30) Business Days of receipt (or if a time limit applies at least five Business Days prior to the expiry of such time limit) before submitting the same to the relevant Taxation Authority.
- 9.3 The Buyer shall ensure that all communications to the relevant Taxation Authority that relate to a Relevant Claim are first sent to the Sellers Representative at least fifteen days before the due date for the submission of the same to the relevant Taxation Authority and the Buyer shall incorporate any reasonable comments of the Sellers Representative.



The existing road width along side of the office building is
road 16'
shingle 7'
bank 9'



This hatched section indicates a 5meter
road and boundary line

This ordnance survey map
is in one or more of
the following scales
1/1250
1/2500
1/10000