



EVERSHEDS

Dated

25 June

2007

- (1) SDI Group Limited
- (2) Gordon Smith

Service agreement

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CONTENTS

Clause		Page
1	MEANING OF WORDS USED.....	1
2	PREVIOUS AGREEMENTS.....	2
3	APPOINTMENT, DURATION AND NOTICE	3
4	DUTIES.....	4
5	PLACE OF WORK	4
6	HOURS OF WORK.....	5
7	REMUNERATION.....	5
8	EXPENSES.....	5
9	CAR ALLOWANCES	5
10	PENSION AND OTHER BENEFITS	6
11	HOLIDAYS.....	7
12	INCAPACITY	7
13	CONFLICT OF INTERESTS.....	9
14	RESTRICTIVE COVENANTS	9
15	CONFIDENTIALITY.....	13
16	INTELLECTUAL PROPERTY RIGHTS.....	14
17	TERMINATION	17
18	DEDUCTIONS	19
19	DELIVERY OF DOCUMENTS AND PROPERTY	19
20	RESIGNATION AS DIRECTOR	19
21	RIGHTS FOLLOWING TERMINATION.....	20
22	DISCIPLINARY AND GRIEVANCE PROCEDURES.....	20
23	THIRD PARTY RIGHTS.....	21
24	DATA PROTECTION.....	21
25	NOTICES.....	22
26	MISCELLANEOUS	22

THIS AGREEMENT is made the 25th day of June

2007

BETWEEN

- (1) **SDI Group Limited** (to be re-registered as a Plc re-named SDI Group Plc) whose registered office is at 11 Jarman Way, Orchard Road, Royston, Hertfordshire SG8 5HW ("the Company"); and
- (2) Gordon Smith of 36 Lowfields, Little Eversden, Cambridge, CB3 7HJ

WHEREBY IT IS AGREED as follows:

1. Meaning of words used

1.1 In this Agreement the following expressions have the following meanings:

- | | |
|---------------------|--|
| "Board" | the Board of Directors of the Company from time to time and any other person or persons authorised by the Board as its representative for the purposes of this Agreement |
| "Commencement Date" | |
| "Group Company" | any holding company from time to time of the Company or any subsidiary or associated company from time to time of the Company or of any such holding company (for which purpose "holding company" and "subsidiary" have the meanings ascribed to them by Section 736 of the Companies Act 1985 as amended by the Companies Act 1989 and "associated company" means any company which any such holding company or subsidiary holds or controls more than 20 per cent. of the equity share capital); |
| "Group" | the Company and every Group Company wherever registered or incorporated; |
| "the 1996 Act" | the Employment Rights Act 1996; |
| "holiday year" | the period of 12 months from 1 January to 31 December; |
| "PAYE deductions" | deductions made to comply with or meet any liability of the Company to account for tax pursuant to regulations made under Chapter 2 |

of Part 11 Income Tax (Earnings and Pensions) Act 2003 and with any obligations to deduct national insurance contributions;

"Recognised Investment Exchange" has the meaning in Section 285 of the Financial Services and Markets Act 2000;

"Termination Date" the date on which the Executive's employment under this Agreement terminates and references to "from the Termination Date" mean from and including the date of termination.

1.2 References herein to "clauses" and "sub-clauses" are to clauses and sub-clauses of this Agreement unless otherwise specified.

1.3 Unless otherwise required words denoting the singular include the plural and vice versa.

1.4 References in this Agreement to statutory provisions include all modifications and re-enactments of them and all subordinate legislation made under them.

1.5 Clause headings are included in this Agreement for convenience only and do not affect its construction.

2. **Previous agreements**

2.1 This Agreement contains the entire and only agreement and will govern the relationship between the Company and the Executive from the Commencement Date in substitution for all previous agreements and arrangements whether written, oral or implied between the Company or any Group Company and the Executive relating to the services of the Executive all of which will be deemed to have terminated by consent with effect from the Commencement Date.

2.2 The Executive and the Company acknowledge that in entering into this Agreement neither has relied on any representation or undertaking by the other whether oral or in writing except as expressly incorporated in this Agreement. The Company will not be liable for any misrepresentation by it or any Group Company before the Commencement Date made innocently or negligently and any remedy of the Executive in respect of any representation which is untrue made before the Commencement Date will be limited to damages for breach of contract.

2.3 The Executive hereby acknowledges that he has no outstanding claim of any kind against the Company or any Group Company.

2.4 The Executive warrants and represents to the Company that he will not breach any existing or former terms of employment applicable to him whether express or implied or any other obligation binding on him by reason of entering into this Agreement or performing any of his duties and obligations under it.

3. Appointment, duration and notice

3.1 The Company will employ the Executive and the Executive will serve the Company as Managing Director.

3.2 The said appointment will be deemed to have commenced on the Commencement Date and will continue subject as follows unless and until the employment is terminated either by the Company giving to the Executive not less than 12 calendar months written notice to expire at any time or by the Executive giving to the Company not less than 12 calendar months written notice to expire at any time.

3.3 Without prejudice to clauses 17.1 and 17.2 at its absolute discretion the Company may terminate this Agreement and the employment of the Executive with immediate effect at any time by giving him written notice and in full and final settlement of all claims which he has or may have against the Company or any director, employee or agent of the Company under or arising out of his employment with the Company, the termination of his employment (including without limitation his right to notice pursuant to clause 3.2) or otherwise, in such event the Company will:

3.3.1 pay him a termination payment (less PAYE deductions) equivalent to his salary under clause 7.1 at the rate applicable at the Termination Date; and

3.3.2 either continue to provide him with his contractual benefits, subject in each case to the agreement of the relevant benefits provider and to the rules of the scheme from time to time; or

3.3.3 pay him the equivalent of the taxable value (or the cost of the Company if none) of any contractual benefits (excluding pension benefits (if any) and bonus (if any)) which are not continued pursuant to clause 3.3.2.

3.4 Notwithstanding the provisions of clause 3.2, the Executive's employment under this Agreement will automatically terminate on his 65th birthday. Age 65 is the Company's Normal Retirement Age.

3.5 The Executive's continuous employment with the Company for the purposes of the 1996 Act commenced on

3.6 The Executive agrees to the transfer of his employment to any Group Company at any time during his employment under this agreement.

4. Duties

4.1 The Executive will carry out such duties and functions, exercise such powers and comply with such instructions in connection with the business of the Company and the Group as the Board reasonably determines from time to time. Except when prevented by illness, accident or holiday as provided below the Executive will devote substantially the whole of his time and all of his attention and skill to the affairs of the Company and where appropriate the Group and use his best endeavours to promote their interests.

4.2 The Executive will if and so long as he is so required by the Company carry out duties for and/or act as a director, officer or employee of any other Group Company. The duties attendant on any such appointment will be carried out by the Executive as if they were duties to be performed by him on behalf of the Company under this Agreement.

4.3 The Executive will at all times promptly give to the Board (in writing if requested) all information, explanations and assistance that the Board may require in connection with the business or affairs of the Company and the Group and his employment under this Agreement.

4.4 The Executive will comply with the rules of any Recognised Investment Exchange including without limitation all requirements, recommendations or regulations, as amended from time to time, of the UK Listing Authority (including the Model Code for transactions in securities by directors and certain senior executives of listed companies), the AIM Rules, the Financial Services Authority and all regulatory authorities relevant to the Company or the Group and any code of practice issued by the Company (as amended from time to time) relating to dealing in the securities of the Company or the Group.

4.5 Without prejudice to clause 17.2 the Board may at any time require the Executive to cease performing and exercising all or any of such duties, functions or powers and/or the Board may appoint any person or persons to act jointly with the Executive to discharge his duties and functions hereunder.

5. Place of work

5.1 The Executive will perform his duties principally at the head office of the Company at 11 Jarman Way, Orchard Road, Royston, Hertfordshire, SG8 5HW and at such other place or places as the Company reasonably requires. The Executive may be required to travel both inside and outside the United Kingdom in the course of his duties but the Company will not require him without his prior

consent to reside anywhere outside the United Kingdom for a total period of more than one month.

6. Hours of work

6.1 The Company's normal office hours are from 9:00 am to 5:30 pm Monday to Friday with 1 hour for lunch to be taken at a time to be agreed between the Company and the Executive but the Executive will be required to work outside these hours without additional remuneration in order to meet the requirements of the business and for the proper performance of his duties. By signing the form at the end of this Agreement the Executive may opt out of any limit on his working time imposed by the Working Time Regulations 1998.

7. Remuneration

7.1 The Company will pay the Executive a salary at the rate of £190,000 per annum with effect from the Commencement Date (or at such rate as may from time to time be notified to him by the Board) which salary will accrue from day to day and be payable in arrears by equal monthly instalments on the last working day of each month.

7.2 The Executive's salary will be subject to annual reviews by the Board which will be effective on and from the first and each subsequent anniversary of the Commencement Date provided that the increase (if any) of such salary will be a matter to be decided at the Board's absolute discretion. The fact that the Executive's salary may be increased in any year or years during his employment does not confer any right on the Executive to receive any increase in any subsequent year.

7.3 The salary referred to in clause 7.1 will be inclusive of any director's fees to which the Executive may be entitled as a director of the Company or of any Group Company.

8. Expenses

8.1 The Executive will be reimbursed all out of pocket expenses reasonably and properly incurred by him in the performance of his duties under this Agreement on hotel, travelling, entertainment and other similar items provided that he complies with the Company's then current guidelines and/or regulations relating to expenses and produces to the Company satisfactory evidence of expenditure.

9. Car Allowances

9.1 Provided that the Executive holds a current driving licence the Executive shall receive a car allowance for use of the Employee's own car of £15,000 per annum which shall be payable together with and in the same manner as the salary in

accordance with clause 7.1. The car allowance shall not be treated as part of the basic salary for any purpose and shall not be pensionable.

9.2 The Executive shall immediately inform the Company if he is disqualified from driving and shall cease to be entitled to receive the allowance under clause 9.1.

10. Pension and other benefits

10.1 The Executive shall not be entitled to any pensions benefit or contribution and a contracting-out certificate is not in force in respect of the appointment of the Executive.

10.2 At the absolute discretion of the Board, the Executive may be allowed to participate in such permanent health insurance scheme as the Company operates for executives of comparable status on such terms as the Board may determine from time to time and subject at all times to the rules of the scheme from time to time in force (and any replacement schemes provided by the Company) and subject to the Executive being eligible to participate in or benefit from such schemes pursuant to their rules at a cost which is acceptable to the Company.

10.3 During his employment the Executive will be entitled to participate at the Company's expense in the Company's:

10.3.1 life insurance scheme up to 4 times the Executive's salary under clause 7.1 from time to time provided that the Executive will be responsible for any tax falling due;

10.3.2 private medical expenses insurance scheme for the benefit of the Executive and his wife/partner and all dependent children under the age of 18;

subject to the rules of the said schemes from time to time (and any replacement schemes provided by the Company) and subject to the Executive (and where appropriate his wife/partner and dependent children) being eligible to participate in or benefit from such schemes pursuant to their rules at a cost which is acceptable to the Company.

10.4 The Company in its sole and absolute discretion reserves the right to discontinue, vary or amend any scheme (including the level of the Executive's cover) referred to in clauses 10.2 and 10.3 at any time on reasonable notice to the Executive.

10.5 The Executive may be invited to participate in the Company's Share Option Scheme ("the Share Option Scheme") in accordance with its rules from time to time ("the Rules"). Any participation will be voluntary and will not constitute a contractual entitlement under this Agreement or give rise to any rights or remedies against the Company or Group Company. By participating the

