

WE HEREBY CERTIFY THIS TO
BE A TRUE COPY OF THE ORIGINAL
Ward Hadaway

Dated 14 June 1999

SANDCO 610 LIMITED

and

JOHN GEORGE LUMSDEN
AND 8 OTHERS

SHARE FOR SHARE EXCHANGE AGREEMENT

relating to the whole of the issued share capital of
Esh Holdings Limited



3724890

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THIS AGREEMENT is made

14 June

1999



BETWEEN

- (1) **SANDCO 610 LIMITED** (reg no. 3724890) whose registered office is at 65 Durham Road, Esh Winning, Durham, DH7 9NR ("the Purchaser"); and
- (2) The Persons whose respective names and addresses are set out in Column 1 of Schedule 1 ("the Target Shareholders")

IT IS AGREED:

1. Definitions

In this agreement:

- 1.1 "Accounts" means the last audited accounts of the Target Company or, if no such accounts shall have been prepared, the last audited accounts of the various subsidiaries of the Target Company;
- 1.2 "Completion" means the completion of the sale and purchase of the Target Shares in accordance with clause 3;
- 1.3 "the Consideration Shares" means the 12.5% Cumulative Preference Shares of £1 each and the Non-Voting Ordinary Shares of £0.01 (1p) each in the Purchaser set out in Column 3 of the Schedule;
- 1.4 "Disclosure Letter" means the letter of even date from the Target Shareholders to the Purchaser a copy of which is annexed hereto and initialled by the parties hereto;
- 1.5 "Independent Chartered Accountant" means the chartered accountant appointed under the provisions of clause 5.2.5;
- 1.6 "Management Accounts" means the Management Accounts of the Company for the period ending on 31 March 1999;
- 1.7 "Net Assets" means the consolidated balance sheet of the Target Company but excluding goodwill and excluding the investments set out in Appendix A attached to this Agreement as shown on the Management Accounts;
- 1.8 "Purchaser's Accountants" means Courtman Stock of Christine House, Sorbonne Close, Teesdale Business Park, Stockton on Tees TS17 6DA;
- 1.9 "the Target Company" means Esh Holdings Limited (reg. no. 3493414) whose registered office is at 65 Durham Road, Esh Winning, Durham, DH7 9NR;

- 1.10 "the Target Shares" means all the issued "A" Redeemable Preferred Ordinary Shares of £1 each (the A Shares), the "C" Redeemable Non-voting Shares of £1 each (the C Shares), the "D" Ordinary Shares of 10 pence each (the D Shares) and the "E" Ordinary Shares of 10 pence each (the E Shares) in the Target Company set out in Column 2 of the Schedule.

2. Sale and Purchase

The Target Shareholders and the Purchaser agree for the sale by the Target Shareholders and the purchase by the Purchaser of the Target Shares in consideration of the issue and allotment fully paid by the Purchaser of the Consideration Shares to the Target Shareholders, but so that the Target Shareholders shall be entitled to retain for their own use and benefit any dividend declared and paid (whether before or after the completion of this Agreement) in respect of the Target Shares or some of them by reference to a record date for being a registered member of the Target Company which is earlier than the date of this Agreement.

3. Completion

- 3.1 The sale and purchase shall be completed at the offices of the Purchaser on the date hereof.
- 3.2 On Completion:
- 3.2.1 the Target Shareholders will deliver to the Purchaser duly executed transfers of the Target Shares together with the share certificates for the Target Shares; and
- 3.2.2 the Purchaser will issue and allot fully paid the Consideration Shares to the Target Shareholders.
- 3.3 The Target Shareholders shall procure that the benefit together with the burden of the Target Company's business shall be for the Purchaser on and from 1 April 1999.

4. General

- 4.1 The Target Shareholders and the Purchaser shall procure that such resolutions of the Target Company and of the Purchaser and of their respective boards of directors shall be passed and shall make or do or procure to be made or done such other deeds acts or things as may be necessary or appropriate to implement the terms of this agreement.
- 4.2 The Target Shareholders waive any rights of pre-emption in respect of the Target Shares contained in the articles of association of the Target Company or otherwise.

5. Warranties, Completion Accounts and payment of shortfall

5.1 The Target Shareholders warrant to the Purchaser that the Net Assets of the Target Company at Completion are £1,500,000 and that nothing has occurred since 31 March 1999 to make any material adverse change (meaning more than £10,000) thereto.

5.2 Management Accounts Review

5.2.1 The Target Shareholders shall procure that, promptly after Completion if not already available, the Management Accounts shall be prepared in a manner consistent with the accounting policies and principles used in preparing the Accounts and be delivered to the Purchaser's Accountants.

5.2.2 Due regard shall be had in the review of the Management Accounts (inter alia) to all matters set out or referred to in the Disclosure Letter (if any) insofar as the same disclose any liability (actual or contingent) which ought properly to be provided for in the Management Accounts.

5.2.3 The Purchaser shall use its reasonable endeavours to arrange for the Purchaser's Accountants to deliver within 90 days after Completion a written review of the Management Accounts to the Target Shareholders and to the Purchaser indicating what adjustments (if any) should be made to the Management Accounts.

5.2.4 If the Target Shareholders shall notify the Purchaser or the Purchaser shall notify the Target Shareholders in either case within 21 days of receipt of such written review that they or it do or does not accept the correctness thereof in relation to any adjustments to the Management Accounts indicated to be necessary and their or its reasons for such non-acceptance, the parties shall use their reasonable endeavours to reach agreement on the written review as soon as possible after such notification. If neither the Target Shareholders so notify the Purchaser nor the Purchaser so notifies the Target Shareholders within the said 21 days period then the Target Shareholders and the Purchaser shall be deemed to accept the correctness of such written review which shall become final and binding on the parties (in the absence of manifest error) upon the expiry of the said 21 days and the Management Accounts shall be adjusted as stated in such written review or as shall be agreed between the parties.

5.2.5 If the parties are unable to reach agreement within 30 days following the notification of objections by the Target Shareholders to the Purchaser or the Purchaser to the Target Shareholders, the matter in dispute may be referred on the application of either party to an Independent Chartered Accountant to be appointed (in default of nomination by agreement between the parties within 10 days of either party requesting the appointment of such Independent Chartered Accountant) by the

President for the time being of the Institute of Chartered Accountants in England and Wales on the written application of either party. In giving his decision the Independent Chartered Accountant shall state what adjustments (if any) are necessary to the Management Accounts in order to comply with the requirements of this Agreement. The Management Accounts as so adjusted or not (as the case may be) shall become final and binding on the parties upon the written notification of such decision to the Target Shareholders and the Purchaser by the Independent Chartered Accountant.

- 5.2.6 Any determination by the Independent Chartered Accountant pursuant to clause 5.2.5 shall be binding on all concerned and shall be given by him as an expert and not as an arbitrator and the Arbitration Act 1996 shall not apply. The expenses of any determination by the Independent Chartered Accountant shall unless he shall otherwise indicate in writing be borne equally by the Target Shareholders on the one part and the Purchaser on the other part.
- 5.2.7 The Target Shareholders and the Purchaser shall procure to the extent within their respective powers that the Purchaser's Accountants, any accountants instructed by the Target Shareholders and the Independent Chartered Accountant shall have reasonable access to all relevant papers documents records and personnel for the purposes of preparing and agreeing or determining the said written review and any adjustments to the Management Accounts.
- 5.2.8 For the purposes of this clause 5.2 the agreement or notification of objections by any one or more of the Target Shareholders shall be deemed to be on behalf of and bind all the Target Shareholders.
- 5.2.9 If, as determined by the Management Accounts with or without adjustment as the case may be, the amount of the Net Assets shall be less than £1,500,000, the amount of such shortfall ("the Shortfall") shall be paid by the Target Shareholders to the Purchaser within 14 days of the agreement or determination (as the case may be) of the Management Accounts with or without adjustments as the case may be and if the Shortfall shall not be so paid the Shortfall shall carry interest at 5 percent above the base lending rate of Barclays Bank PLC from time to time from the date of agreement or determination of the Management Accounts with or without adjustments as the case may be until the date of actual payment.
- 5.2.10 All costs incurred by the Target Shareholders in reviewing and agreeing the Management Accounts and any adjustments thereto shall save as in clause 5.2.6 provided be borne by the Target Shareholders and all such costs incurred by the Purchaser shall be borne by the Purchaser.

IN WITNESS whereof this agreement has been entered into the day and year first before written.

Schedule

(1) Names and Addresses of Target Shareholders	(2) No. of Target Shares	(3) No. of Consideration Shares	
		(i) 12.5 % Cumulative Preference Shares of £1 each	(ii) Non-Voting Ordinary Shares of £0.01 (1p) each
John George Lumsden 21 Russell Street Waterhouses Durham DH7 9AR	143,423 - A Shares	143,423	
	158,685 - C Shares	158,685	
	10,000 - D Shares	<u>984,131</u> 1,286,239	135,000
Maureen Lumsden 21 Russell Street Waterhouses Durham DH7 9AR	143,421 - A Shares	143,421	None
Anthony John Carroll New House Road Esh Winning Co Durham DH7 9LQ	143,423 - A Shares	143,423	
	158,685 - C Shares	158,685	
	10,000 - D Shares	<u>984,131</u> 1,286,239	135,000
Ann Carroll New House Road Esh Winning Co Durham DH7 9LQ	143,421 - A Shares	143,421	None

Brian Manning 18 Bradwell Way Philadelphia Houghton le Spring Tyne & Wear DH4 4XA	42,296 - C Shares	42,296	
	2,000 - E Shares	<u>262,434</u>	36,000
		304,730	
John Stephen Bass 19 Beech Road Darlington Co Durham DL1 3HQ	21,148 - C Shares	21,148	
	1,000 - E Shares	<u>131,218</u>	18,000
		152,366	
Dorothy Elizabeth Hayton 6 Flass Terrace Esh Winning Co Durham DH7 9QA	21,148 - C Shares	21,148	None
Andrew Russell Pickett 63 Roseberry Road Norton Teesside TS20 1JZ	1,000 - E Shares	131,218	18,000
Frederick Charles Gressmann 3 Merlin Court Esh Winning Durham DH7 9JT	1,000 - E Shares	131,218	18,000

SIGNED by a Director for and on behalf of
SANDCO 610 LIMITED
in the presence of:

)
)
)
)



Signed
Name MICHAEL LEATHER
Address RUSSELL HOUSE, MICHAEL LEATHER
.....
Occupation ACCOUNTANT
.....

SIGNED by JOHN GEORGE LUMSDEN)
in the presence of:)

Jy Lumsden

Signed
Name
Address
.....
Occupation

SIGNED by MAUREEN LUMSDEN)
in the presence of:)

Maureen Lumsden
by her attorney
Jy Lumsden

Signed
Name
Address
.....
Occupation

SIGNED by ANTHONY JOHN CARROLL)
in the presence of:)

A J Carroll

Signed
Name
Address
.....
Occupation

SIGNED by ANNE CARROLL
in the presence of:-

Signed W. J. Carroll

Name

Address

Occupation

) ANNE CARROLL
) BY HER ATTORNEY
) W. J. Carroll

SIGNED by BRIAN MANNING
in the presence of:-

Signed W. J. Carroll

Name

Address

Occupation

) B. Manning
)

SIGNED by JOHN STEPHEN BASS
in the presence of:-

Signed W. J. Carroll

Name

Address

Occupation

) J. S. Bass
)

SIGNED by DOROTHY ELIZABETH
HAYTON in the presence of:-

Signed W. J. Carroll

Name

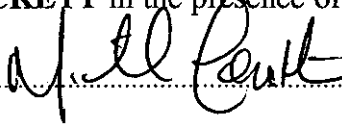
Address

Occupation

) DOROTHY ELIZABETH HAYTON
) AS HER ATTORNEY
) W. J. Carroll

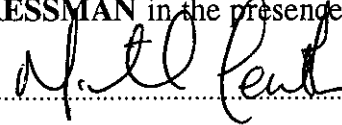
**SIGNED by ANDREW RUSSELL
PICKETT in the presence of:-**

) 

Signed 
Name
Address
.....
Occupation

**SIGNED by FREDERICK CHARLES
GRESSMAN in the presence of:-**

) 

Signed 
Name
Address
.....
Occupation