

sharemark:

a guide to buying and selling shares



Important notes for investors

If you are considering using Sharemark you should be aware that many of the companies using it are smaller companies which means that they will tend to be a riskier investment than larger, more established companies. Whilst Sharemark does try to make all procedures as simple as possible, you may find it hard to buy and sell on Sharemark because there is a comparatively small audience of investors which can lead to a lack of liquidity.

Shares traded on Sharemark may not be suitable for every investor. Prices of shares traded on Sharemark may fluctuate and could be subject to sudden and large falls in value against your interests. As a result you may, as with all shares, get back less than your initial investment. Before investing in any company, you should satisfy yourself that you can afford to do so, and ensure the investment is right for you. If you are in any doubt about whether to buy or sell, you should speak to a financial adviser. Neither The Share Centre nor Sharemark can give you advice on shares traded on Sharemark.

Sharemark constitutes a Multilateral Trading Facility and is not a recognised investment exchange, clearing house or regulated market within the meaning of the Markets in Financial Instruments Directive. However The Share Centre Limited, of which Sharemark is a trading division, is authorised and regulated by the Financial Services Authority under reference 146768. The FSA's address is 25 The North Colonnade, Canary Wharf, London, E14 5HS.

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Introduction

Established in 2000, Sharemark is a stock market designed for trading smaller companies' shares. Whilst large companies may use the London Stock Exchange, Sharemark provides a similar facility for smaller companies, allowing shareholders and investors to buy and sell shares in those companies. Unlike other markets, Sharemark auctions shares, weekly, monthly or quarterly. Sharemark is owned and operated by The Share Centre, one of the UK's largest independent providers of share dealing services.

This guide tells you more about Sharemark and explains how to buy and sell shares that are trading on the market, through The Share Centre. First of all we cover the basics, like how to buy and sell and then for those who want to get a more detailed understanding of the market, we explain how share prices are set and provide a 'tour' of the website.

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Key facts

- Sharemark is a stock market.
- Through Sharemark you can buy and sell shares in the companies using the market, monitor their value and keep up to date with company news.
- Unlike other stock markets, Sharemark auctions shares.
- You can get price information for Sharemark traded shares by visiting www.sharemark.com or calling 01296 41 42 43.
- Like all stock markets, shares on Sharemark can only be traded through a stockbroker. If you don't have a stockbroker, don't worry The Share Centre provides a low cost service.
- If you already have a broker, they may trade on Sharemark on your behalf. Please contact your broker to see if they offer this service.
- If using The Share Centre, selling £100 of shares will cost you £7.50.
- Before trading shares you may be asked to provide 2 forms of ID for anti-money laundering purposes.
- If you want to buy shares, you will have to put money into an account with a stockbroker first.
- If you want to sell shares you will have to send in your share certificate, unless you hold your shares with a broker in their nominee name.
- There are some important tax reliefs available for shares in qualifying unquoted trading companies, such as some of the companies on Sharemark.
- Sharemark is a trading division of The Share Centre Limited. The Share Centre is authorised and regulated by the Financial Services Authority and is a Member Firm of the London Stock Exchange.

What can Sharemark do for me?

Through Sharemark you can buy and sell shares in the companies using the market, monitor their value and keep up to date with company announcements.

Where does The Share Centre fit in?

The Share Centre owns and operates Sharemark. Like all markets, Sharemark requires you to deal through a stockbroker, so if you don't already have one, you can use The Share Centre.

How do I find out about the companies on Sharemark?

The Traded Company Info section of the Sharemark website, www.sharemark.com tells you all about the companies using Sharemark. It includes access to a range of information including prices, announcements, report and accounts and details of company directors. The

website is free to use and you don't need to register to use it. Alternatively you can call The Share Centre Dealing Team on 01296 41 42 43, 08:00 to 18:00, Monday to Friday.

If you would like to keep up to date with the latest news on Sharemark companies, you can sign up for the monthly newsletter via the Sharemark website.

How much will it cost to trade shares traded on Sharemark through The Share Centre?

Fees may vary according to which company's shares you are trying to buy or sell, but in the majority of cases The Share Centre will charge dealing commission on each trade as follows:

Buy 1% commission, Minimum of £7.50

Selling 1% commission, Minimum of £7.50

For the majority of companies, when purchasing shares, you will pay Stamp Duty at the rate of 0.5% of the value of

the shares. If you are unsure if Stamp Duty applies, please ask a member of the Dealing Team.

For example if you are investing £300 in shares, it will cost you:

Cost of shares £300

Dealing commission £7.50

Stamp duty £1.50

Total £309.00

Before you start the trading process, you should decide at what price you wish to trade. Checking the 'indicative price' or the 'last traded price' online or by calling 01296 41 42 43 will give you an idea of what other people are prepared to buy and sell at. You may also want to look at the latest company announcements and report and accounts, all of which are on the Sharemark website.

How do I trade shares?

Whether you're dealing shares on the London Stock Exchange or Sharemark, you always have to deal via a stockbroker. This guide explains how to deal through The Share Centre, although if you already have a stockbroker, you may be able to deal through them.

There are some differences between trading shares on Sharemark and trading shares on the London Stock Exchange, so even if you are an experienced share trader, reading this guide may prove helpful.



Selling shares

You will either hold a certificate for your shares or you will hold your shares with a broker, in their nominee name. If you have lost your share certificate, please contact the Company Secretary or Registrar (contact details will be on the Sharemark website).

If you've got a certificate for your shares, call The Share Centre on 01296 41 41 41 and tell us the name of the shares you are selling. We will send you a sale form in the post.

The form is simple to complete, we also include clear instructions with it so if you have any problems, you can refer to them or just give us a call. Complete the form and return it to The Share Centre with the following:

- The original Share Certificate(s) which must be in your name and carry your current address. If the details are incorrect, you may not be able to sell your shares. Please contact the Company Secretary or Registrars to request amendments to a certificate.

- Proof of Identity – like all Financial Services providers we have to confirm your identity. This is done for your own protection to prevent criminal activity. Exact details of what we require will be included in your seller's pack.

When completing the sale form you will be asked to state how many shares you wish to sell and the minimum price you are prepared to accept per share (your limit price). If the final auction price is lower than your limit price, you will not sell your shares.

When we receive your form, your order will be entered in the next auction. You can track the share price in the build up to the auction, either on the Sharemark website or by calling us. Remember if the auction price is lower than your limit price, you won't sell your shares. However you can amend your order at anytime in the build up to the auction by calling 01296 41 42 43.

If your order expires without having been executed, you will receive a call and you

will be given the opportunity to re-submit your order. If you choose not to, your certificate will be returned.

If you already have an account with The Share Centre and your shares are held in your Share Account you can deal online or over the phone. To place your order online, you will need to follow the 'Deal Now' links on the Sharemark website. You will require your Customer Reference and Password. To place your order over the phone, please call the Dealing Team on 01296 41 42 43.

When will I receive the sale proceeds?

If your sale has been successful, The Share Centre will send you a Contract Note by the end of the following business day. The price you receive for your shares will be the final auction price, even if your limit price was lower.

If you have sold shares that you were holding in certificate format, you will be sent a cheque for the sale proceeds on the settlement date, usually 3 working days after the auction. If you have elected to sell only a proportion of your shares, or in circumstances where we have been unable to sell all your shares, you will receive a new Share Certificate approximately 10 working days after the auction.

If you were holding your shares in an account with The Share Centre, then the proceeds of the sale will be paid to your Share Account.

Buying shares

If you don't already have an account with a broker, you will need to open a Share Account with The Share Centre, or with a broker of your choice. A Share Account is like a bank account, but it's designed to hold shares. You pay money into it when you want to buy and then your shares are held in your account. With a Share Centre Share Account, you will receive regular valuations and you can view your account online at anytime.

You can open an account online or offline. The online route can be completed quickly and simply by visiting www.share.com. If you prefer to do things offline, please call 01296 41 41 41 and request an account opening pack. Opening an account offline may take a few days.

Whichever way you choose to open your account, you will receive a Customer Reference and Account Number and you will need both of these to trade shares offline. If you have applied for your account online and you choose to deal online, you will also need a password.

How do I put money into my account?

When you're ready to buy shares you will need to ensure that there's enough money in your account to cover the purchase price, dealing commission and stamp duty. You can credit your account by debit card, cheque or bank transfer. If you have an online account, you can credit your account online. Further information on how to credit your account will be included in your welcome pack.

Credits of up to £10,000 can be used for share purchases on the day of receipt; credits of more than £10,000 are available for use once cleared which will take 3 working days.

How do I place a buy order?

Whichever way you choose to deal, you will require your Customer Reference and Account Numbers and, if dealing online, your password.

To place your order online, you will need to follow the 'Deal Now' links on the Sharemark website.

To place your order over the phone, please call the Dealing Team on 01296 41 42 43. You will be asked to state how many shares you wish to buy and the maximum price you are prepared to pay per share (your limit price).

Once you have placed your order, you may want to check the share price on a regular basis to ensure that the price you are willing to pay is high enough. Your purchase only has the potential to be successful if the price you are willing to pay for shares is the same as or higher than the indicative price. If it is not, then you may want to cancel your original order and re-submit it at a higher price. To do this, please call the Dealing Team or amend your order online.

The price you pay for shares will be the auction price, even if your limit price was higher.

When will I receive my new shares?

If your order is successful, The Share Centre will send you a Contract Note detailing your transaction by the end of the next business day. Approximately 3 working days later, your new shares will be added to your Share Account, or in some cases you will be sent your new share certificate through the post.

If your new shares are held in your Share Account, you will be able to monitor their value via www.share.com. You will also receive six-monthly valuations, in April and October, showing the value of your shares.

If your order is unsuccessful it will automatically be rolled over to the following auction. If you wish to remove it, please contact the Dealing Team on 01296 41 42 43.

Why will I not receive a Share Certificate?

As a customer of The Share Centre, your shares, will in the majority of cases, be held in the name of Share Nominees.

This is a safe and secure way of holding shares and means that if and when you choose to sell, you can do so straight away, without having to wait for your share certificate to reach us via the post. It also ensures that your share certificates don't get mislaid – replacing them can be a lengthy and expensive process.

If at any time you wish to transfer your shares out of Share Nominees into certificate format, then you can do so, although there will be a charge. Please refer to our current tariff for further information.

Can I trade shares on Sharemark through my existing broker?

Yes, please ask your broker to contact Sharemark on 01296 43 94 32.

Tax reliefs

There are some important tax reliefs available for shares in qualifying unquoted trading companies, such as some of the companies on Sharemark which are classified as unquoted. These include certain reliefs granted under the Enterprise Investment Scheme, and relief from Inheritance Tax and Capital Gains Tax. For further information contact your financial adviser and ask about the tax reliefs available to those who invest in unquoted securities.



Sharemark auctions

How are share prices set on Sharemark?

Sharemark operates like an auction. The frequency of auctions will vary from company to company and they may be weekly, monthly or quarterly. Auction dates for companies are shown on the Sharemark website, or can be obtained by calling the Dealing Team.

In the build up to each auction people enter buy orders (bids) and sell orders (offers). These bids and offers can be viewed on the Sharemark website. Each order will have the potential to impact the final auction price and you can add, amend or cancel orders at any point up to auction time.

The share price is set at each auction by calculating the single price where supply for shares meets demand. Sharemark believes this is a fair and transparent way to price shares.

As well as forming the final auction price, buy and sell orders received in between each auction give rise to an 'indicative

price'. This is the price at which the shares would be dealt if the auction were to take place at that moment, rather than at the actual auction time. You can use this 'indicative price' to value your shares in between auctions and to help you decide at what price to buy or sell shares in the next auction.

What happens if there are not enough shares available to fill demand?

When there are more sellers than buyers at the auction price, the lowest priced offers will take priority over the higher priced offers. For example, someone who has placed an order to sell shares at 18p will take priority over someone who wants to sell at 20p.

On the buy side of the deal, the highest priced bids will take priority over the lower priced bids.

If two people have placed an order to buy/sell shares at exactly the same price

then priority is determined by the time at which orders were received; earliest orders are filled first.

For example if two people have placed an order to buy at 20p – one a fortnight before the auction and one a week before the auction – then the person who placed the order a fortnight before will take priority. It is therefore important to note that amending a previously submitted order may result in that order losing its place in the priority queue.

The Sharemark Website

Information on companies using Sharemark is in the 'Traded Company Info' section.

The first page shows all the companies traded on Sharemark: to see information about a specific company, simply click on the company name.

From here you can access various screens including:

Company overview

This page lists all the key information on the Company including a brief explanation of what they do, their Directors and their sales and pre-tax profit for the preceding year.

Price pages

Including a list of the orders entered for the next auction under 'view orders' and historic price information under 'view historic filled orders'. If you need help understanding the pricing pages, then you can refer to the price screen help guide on our website or use the following diagram:

Example 1

This is the indicative price line. It shows what would happen if the auction took place now. In this example 54562 shares would change hands at 31p

In this particular example, there are more shares required at 31p (72038) than there are available for (54562), so Sharemark has to work out which orders are filled. Those who've put in the most aggressive buy orders will be successful i.e. the person who has entered the order for 100 shares at 33p will take priority over someone who is only willing to pay 31p.

In this example, there are lots of orders in at 31p, so how does Sharemark allocate shares? The earliest orders entered will be filled first, so if an order is entered on 28 November, it will take priority over an order entered on 30 November.

Example 2

In this example, at 30.5p the cumulative price volume is 72155. The figure is

Purchase Order Received	Purchase Volume	Cummulative Purchase	Price in Pence Volume	Cummulative Sale Volume	Sale Volume	Sales Orders Received
0	0	75410	28.5	2876	0	0
2	1511	75279	29	3320	444	3
0	0	73636	29.5	3320	0	0
2	1232	73506	30	23778	20458	7
0	0	72155	30.5	37629	13851	1
21	61938	72038	31	54562	16933	8
0	0	10100	31.5	54562	0	0
0	0	10100	32	54772	210	4
0	0	10100	32.5	54772	0	0
1	100	10100	33	55171	399	2
0	0	10000	33.5	58171	3000	1
0	0	10000	34	78439	20268	14
0	0	10000	34.5	78712	273	3

Shows the number of purchase orders received at each price.

Example 2

Shows the number of sale orders received at each price.

Example 1

Shows the number of shares required at each price.

The price, this is always quoted in pence.

Shows the number of shares for sale at each price.

calculated by working out how many shares those willing to pay 30.5p or more would get if the auction went through at 30.5p and then adding it to the number of shares required at 30.5p. When viewing this figure, you need to remember that if someone is willing to buy 1000 shares at 30p (giving a total order value of £300.00) they would get more shares if the price was 28p (1071 shares).

You must also remember that people sometimes only require a specific number of shares. In this example, you'll note that the Cumulative Purchase Volume column remains at 10100 between 33p and 31.5p. This is because the person who's put the order in for 100 shares at 33p only wishes to buy 100 shares.

Market Data

This page lists key market information including auction timing and frequency, market capitalisations and the number of shares in issue.

Report and accounts

You can access the Annual Report and Accounts and also Interim Results from this page. You may choose to use this information to help you decide on the price at which you buy or sell shares.

Announcements

This page lists any announcements that a company has made. Clicking on an individual announcement will show you the full details. Some announcements may have an impact on the share price so you may choose to use this information to help you decide on the price at which you buy or sell shares.

Contacts

This page lists all the key contacts at the Company, as well as their professional advisers for example lawyers and accountants.

Charts

This graph shows past prices at which shares were dealt, and the number of shares dealt on each occasion.

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