

# Quick Guide:

## sharemark:

### Sophie Douglas

Sharemark  
01296 439 432

### Darryl Ashing

Ashings Chartered Accountants  
0207 336 1052



Sophie Douglas



Darryl Ashing

## Sophie Douglas and Darryl Ashing explain the finer points of small company stock market Sharemark.

### What is Sharemark?

Sharemark is a stock market for smaller companies.

### How is Sharemark different from other stock markets?

Sharemark provides a simple, lightly regulated and low cost service for companies who require liquidity in their shares but aren't prepared to make the resource outlay required to join a more senior market. Additionally Sharemark provides a flexible service, aiming to meet a broad range of client requirements. For example the operation of closed markets for companies wanting to restrict who can trade their shares.

### What type of companies can benefit from Sharemark?

Sharemark is suited to companies who want to:

- provide an exit route for existing shareholders, including employees;
- outsource the running of, or provide an internal market restricting share trading to a pre-defined audience;
- raise their profile to assist with fund raising;
- experience being on a 'public market' before moving to a more senior market;
- introduce a trading facility for warrants, loan stock or equity.

The most recent admission to Sharemark, Young Samuel Chambers, a £15 million turnover company that specialises in business psychology, is using the market to provide a closed market through which their share owning employees can trade shares. Ultimately the company is planning an AIM flotation, but found that Sharemark provided a simple and low cost interim measure.

YSC was advised by Darryl Ashing of Ashings Accountants, who commented: "I first came across Sharemark when it was used by The Share Centre to make a market in its own shares. At the time I had recently read an article about a US company that used an Employee Share Ownership Plan (ESOP) to create a market for their employees and other shareholders. In the article the Chief Financial Officer said the idea was a good one but he was snowed under by the administration. I realised that Sharemark provided an excellent solution to the administration problem.

"Years later when I was asked to look at YSC for purposes of an AIM float I realised that Sharemark offered an ideal way to make a market in the shares which the company had been intending to do for some years. Sharemark was attractive because it required the company to adopt many of the disciplines of a full quote without the onerous overheads of an AIM listing. It was also attractive that Sharemark could operate a 'closed market' with access to trading remaining under the control of the company's directors."

### How does Sharemark operate?

**SD:** All companies that want to join Sharemark have to go through a formal admission process which includes approval by the Sharemark admission committee, although when compared with admission to a more senior market, this should be simple and quick

to complete. Sharemark does not require companies to publish a formal offer document although a brief admission statement is necessary.

**Commenting, Darryl Ashing said:** "The process was easier than I had expected. The major problems were mainly to do with YSC's own Articles of Association which were very strict. In the end we decided to leave them for the first dealing period and then 'carve out' an exemption for Sharemark deals."

Like all stock markets, Sharemark provides a 'price' for shares that are traded on it, however prices are set differently to other markets as Sharemark is auction based. Its website [www.sharemark.com](http://www.sharemark.com) shows bids to buy and offers to sell shares. At the point of each auction, Sharemark strikes a single price at the point where supply for shares meets demand. There are no bid/offer spreads and no market makers, making Sharemark particularly suited to illiquid shares.

### Ashing's tips for a successful admission to Sharemark

- Make sure your statutory records are all up to date and that your share register is accurate.
- Make any changes to the Memorandum and Articles of Association in good time.
- Brief all advisers early on and make sure at least one of them has some experience with internal share markets (you don't need a big firm, indeed they may confuse what you are doing with a listing that requires expensive due diligence, that is not the case).
- Agree a timetable with Sharemark.

### How successful has Sharemark been in attracting companies?

There are 50% more companies using Sharemark today than there were two years ago and trading volumes are up by over 200% compared with last year.

Companies currently trading on Sharemark have market capitalisations of between £650,000 to £60m and include City Lofts an ex AIM property development company, Getmapping a provider of digital aerial photography and Countrywide, the £120m turnover farming and rural supplies business.

### What are the costs involved in using Sharemark?

- £1500 admission fee
- £1,250 administration fee per quarter

If dealing through The Share Centre, investors will pay 1% commission with a minimum charge of £7.50.