

Report on directors' remuneration

This report has been prepared by the Remuneration Committee on behalf of the Board for submission to shareholders. In so doing, the provisions of the Combined Code annexed to the Listing Rules of the UK Listing Authority have been followed, where considered to be appropriate.

Remuneration Committee members

The Remuneration Committee consists of Norman Saunders and John Hemingway. The Remuneration Committee meets as required during the year and at least twice a year.

Remuneration Committee responsibilities

The Remuneration Committee provides advice and recommendations to the Board regarding the Company's framework for executive remuneration and its duties include:

- monitoring the remuneration policies applied in the Group having regard to relevant market comparisons and practice;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of executive directors of the Company. Its approach is consistent with the Group's overall philosophy that all staff should be competitively rewarded;
- considering and making recommendations on the remuneration arrangements (including bonuses, pension rights, service contracts and compensation payments) of senior executives of the Group;
- ensuring that the remuneration policy and the Group's practices for executive directors facilitate the employment and motivation of top quality personnel and adequately reward individual contributions made to the Group while at the same time remaining appropriate in terms of the Group's performance; and if considered appropriate;
- monitoring the Group's employee share schemes in relation to legislative and market developments and determining within the overall remuneration policy the level of options or awards under such schemes, and making recommendations for the grant of options.

Policy

The Company has given full consideration to the principles of, and has complied as far as possible with the provisions of, the Combined Code on directors' remuneration.

A strategic aim is to align as closely as possible the interests of employees and shareholders. This is achieved by attracting, training, developing and retaining talented staff at all levels throughout the Group underpinned by the provision of highly competitive salaries and benefits to all employees.

Individual salary, bonus and benefit levels for executive directors and other senior executives are reviewed annually by the Remuneration Committee and are determined by reference to a range of criteria including:

- personal performance;
- level of responsibility;
- the performance of the Group relative to its competitors; and
- the practice of other listed companies, in particular those operating in similar sectors.

Remuneration packages

The remuneration package for executive directors comprises short term and longer term benefits, post retirement benefits and share options. The Remuneration Committee is empowered to take external advice to help ensure the appropriateness of these benefits, where it considers it appropriate to do so.

Short term benefits comprise annual salary, provision of a company car (or car allowance), life assurance, medical expenses insurance and performance bonuses.

Directors' service agreements

Each of the executive directors has a service agreement which requires not more than twelve months notice of termination.

The non-executive directors have contracts with the Company terminable at six months notice.

Pensions

Pension contributions are paid on a money purchase basis to the personal pension schemes of the executive directors. These arrangements are continually reviewed to ensure that they are appropriate. There is no intention to set up an occupational pension scheme.

Non-executive directors

The fees of non-executive directors are set by the Board.

Directors' remuneration

	Salary and fees £	Bonus £	Benefits £	Pension contributions £	Total 31 March 2005 £	Total 31 March 2004 £
Executives						
Martyn Freeman	130,556	52,890	18,155	13,000	214,601	182,041
Christopher Musselle	128,750	52,890	18,146	12,814	212,600	182,041
Non-executives						
Michael Stevens	60,000	–	–	–	60,000	–
Norman Saunders	17,175	–	3,427	–	20,602	19,968
John Hemingway	16,800	–	–	–	16,800	15,350
Total 2005	353,281	105,780	39,728	25,814	524,603	
Total 2004	283,250	53,300	37,850	25,000		399,400

Pension contributions of £12,500 each were paid in the prior year in respect of Martyn Freeman and Christopher Musselle.

The remuneration for Michael Stevens is payable in accordance with an agreement with Limestar Investments Limited for the provision of his services.

The value of benefits received during the year relates principally to the provision of company cars (or car allowances), life assurance and medical expenses cover.

Pension contributions were made in respect of 2 directors (2004: 2).

Share price performance

The closing mid-market price of the Company's shares on 31 March 2005 was 2.63p per share and the high and low prices during the year were 3.5p and 2.5p respectively.

Share options

The Company believes that share ownership by executive directors and senior executives strengthens the links between their personal interest and those of investors.

At 31 March 2005 options were outstanding to directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

	At 31 March 2004	Granted in year	Surrendered in year	At 31 March 2005	Exercise price	Date from which exercisable	Expiry date	Conditions
Approved scheme								
Martyn Freeman	–	500,000	–	500,000	3.00p	1 Apr 2007	1 Apr 2014	(a)
Christopher Musselle	280,000	–	(280,000)	–	7.00p	10 Sep 2003	10 Sep 2009	
	–	500,000	–	500,000	3.00p	1 Apr 2007	1 Apr 2014	(a)
Unapproved scheme								
Martyn Freeman	–	916,666	–	916,666	3.00p	1 Apr 2007	1 Apr 2010	(b)
	–	916,667	–	916,667	3.00p	1 Apr 2007	1 Apr 2010	(c)
	1,500,000	–	–	1,500,000	16.00p	17 May 2004	18 May 2010	
Christopher Musselle	–	916,666	–	916,666	3.00p	1 Apr 2007	1 Apr 2010	(b)
	–	916,667	–	916,667	3.00p	1 Apr 2007	1 Apr 2010	(c)
	1,500,000	–	–	1,500,000	16.00p	17 May 2004	18 May 2010	

No options were exercised during the year.

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Immediately prior to the grant of new options on 1 April 2004, Christopher Musselle surrendered 280,000 existing share options in the Approved Executive Share Option scheme. 200,000 existing share options in the Approved Executive Share Option scheme were also surrendered by a subsidiary company director.

Under the authority allowed in the existing Approved and Unapproved Executive Share Option schemes, share options have been issued to the executive directors of Artisan (UK) plc and other senior management of the trading companies within the Group. The number and terms of the share options were carefully considered by the Remuneration Committee and issued to help ensure that the interests of senior management of the Group are maintained alongside those of the shareholders. The Remuneration Committee believe that a principal interest of the shareholders is share price growth and accordingly the exercise of the shares is conditional upon share price growth in Artisan (UK) plc.

Conditions

- a) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding the threshold price for a consecutive period of 30 days prior to the date of exercise.

The threshold price is:

- until 6 April 2007 4.25p
- until 31 March 2008 4.75p
- until 31 March 2009 5.50p
- after 31 March 2009 the option lapses

These options may be exercised between three and ten years after the options were granted.

- b) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 4.25p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- c) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 4.75p ('the threshold price') for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.

Options recommended since the year end

On 5 July 2005, the Remuneration Committee recommended the grant of 4,666,666 further unapproved share options to the executive directors of Artisan (UK) plc and other senior management. These options will be granted on 18 July 2005, their exercise price being fixed by reference to the average closing share price of the Company in the previous week.

Options to be granted to directors in this regard are as follows:

	Number	Conditions
Martyn Freeman	916,666	(a)
	916,667	(b)
Christopher Musselle	916,666	(a)
	916,667	(b)

Conditions

- a) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 4.75p for a consecutive period of 90 days prior to the third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.
- b) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 5.50p for a consecutive period of 90 days prior to third anniversary of the date of grant. These options may be exercised between three and six years after the options were granted.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 11 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

John Hemingway

11 July 2005