

Report on directors' remuneration

This report has been prepared by the Remuneration Committee on behalf of the Board for submission to shareholders.

The auditors are required to report to the Company's members on that part of this remuneration report which is subject to audit and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985. This report is therefore presented in two sections: unaudited information and audited information.

Unaudited information

Remuneration Committee members

The Remuneration Committee consists of John Hemingway and Norman Saunders. The Remuneration Committee meets as required during the year but 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
- 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.

Audited information**Directors' remuneration**

Details of the Directors' remuneration in respect of qualifying services are shown below

| | Salary and fees £ | Bonus £ | Benefits £ | Pension contributions £ | Total 2008 £ | Total 2007 £ |
|--------------------------------------|-------------------------|---------------|---------------|-------------------------------|--------------------|--------------------|
| Executives | | | | | | |
| Christopher Musselle | 162,750 | – | 20,336 | 16,666 | 199,752 | 296,905 |
| John Jones | 123,900 | – | 20,429 | – | 144,329 | 186,681 |
| Michael Eyres | 94,863 | 23,017 | 18,506 | 9,479 | 145,865 | – |
| Non-Executives | | | | | | |
| Michael Stevens | 90,000 | – | – | – | 90,000 | 85,000 |
| Norman Saunders | 24,120 | – | 4,118 | – | 28,238 | 32,844 |
| John Hemingway | 24,120 | – | – | – | 24,120 | 27,900 |
| Total year ended 30 June 2008 | 519,753 | 23,017 | 63,389 | 26,145 | 632,304 | |
| Total 15 months ended 30 June 2007 | 474,395 | 90,000 | 46,110 | 18,825 | | 629,330 |

Pension contributions of £18,825 were paid in the prior period in respect of Christopher Musselle.

The remuneration for Michael Stevens is payable in accordance with an agreement with Jermyn Consultancy Services Limited for the provision of his services.

Michael Eyres' remuneration is in respect of the period commencing from the date of his appointment as a director on 20 July 2007.

Pension contributions were made in respect of 2 directors (2007 – 1).

Share price performance

The closing mid-market price of the company's shares on 30 June 2008 was 31.0p per share and the high and low prices during the year were 167.5p and 30.0p 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 30 June 2008 options were outstanding to Directors under the terms of the share option schemes to subscribe for ordinary shares as follows:

| | At 30 June 2007 (or date of appointment if later) and 30 June 2008 | Exercise price | Date from which exercisable | Expiry date | Conditions |
|--------------------------|-----------------------------------------------------------------------------|-------------------|-----------------------------------|--------------|------------|
| Approved scheme | | | | | |
| Christopher Musselle | 12,500 | 120p | 1 April 2007 | 1 April 2014 | (a) |
| John Jones | 12,500 | 120p | 1 April 2007 | 1 April 2014 | (a) |
| Michael Eyres | 12,500 | 120p | 1 April 2007 | 1 April 2014 | (a) |
| Unapproved scheme | | | | | |
| Christopher Musselle | 22,916 | 120p | 1 April 2007 | 1 April 2010 | (b) |
| | 22,917 | 120p | 1 April 2007 | 1 April 2010 | (c) |
| | 22,916 | 152p | 31 July 2008 | 30 July 2011 | (c) |
| | 22,917 | 152p | 31 July 2008 | 30 July 2011 | (d) |
| | 22,916 | 150p | 24 July 2009 | 23 July 2012 | (d) |
| | 22,917 | 150p | 24 July 2009 | 23 July 2012 | (e) |
| | 37,500 | 640p | 17 May 2003 | 18 May 2010 | |
| | 12,500 | 120p | 1 April 2007 | 1 April 2010 | (b) |
| | 12,500 | 120p | 1 April 2007 | 1 April 2010 | (c) |
| | 12,500 | 152p | 31 July 2008 | 30 July 2011 | (c) |
| John Jones | 12,500 | 152p | 31 July 2008 | 30 July 2011 | (d) |
| | 12,500 | 150p | 24 July 2009 | 23 July 2012 | (d) |
| | 12,500 | 150p | 24 July 2009 | 23 July 2012 | (e) |
| | 12,500 | 150p | 24 July 2009 | 23 July 2012 | (e) |

Report on directors' remuneration continued

No options were granted or exercised during the year (2007 – None).

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 170p
- until 31 March 2008 190p
- until 31 March 2009 220p
- 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 170p ('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 190p ('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.
- d) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 220p ('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.
- e) The exercise of the option is conditional on the closing mid-market price of an ordinary share exceeding 260p ('the threshold price') 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.

If the conditions of the unapproved options are not satisfied by the third anniversary of the date of grant, then the options will nonetheless be exercisable if the conditions of any options subsequently issued under the Unapproved scheme are fulfilled.

Directors' interests

The Directors' interests in the ordinary shares of the Company are set out in the Directors' Report on page 12 and details of the options outstanding are set out above.

On behalf of the Remuneration Committee

John Hemingway

15 October 2008