

Macro 4

Corporate Governance Report

Introduction

The Board is committed to ensuring that high standards of corporate governance are maintained throughout the Group and has a formal corporate governance policy (which is subject to periodic review) in place which clarifies the Group's position on all significant matters. The Board believes that maintaining high standards in this area is a fundamental part of discharging its responsibility to provide leadership and control whilst protecting and growing the value of the Group for its shareholders.

This report shows how the Company has applied the governance rules prescribed in the Financial Reporting Council Combined Code on Corporate Governance (June 2006 edition) (the 'Combined Code') which was applicable to the financial year in question. It should be read in conjunction with the Chairman's Statement, the Group Chief Executive Officer's Report, the Business Review, the Group Finance Director's Report, the Financial Review and the Directors' Remuneration Report.

The Board is aware of the requirements of the revised Combined Code, issued in June 2008, applicable to all reporting years beginning on or after 29 June 2008. Compliance or divergence from the revised Code will be disclosed in the 2009 Annual Report.

Governance and policy

The Board

The Board has a formal schedule of responsibilities in place. These include:

- Setting the Group's strategic aims, values and standards;
- Providing strategic and entrepreneurial leadership;
- Ensuring that the obligations of the Group to its shareholders are understood and met; and
- Agreeing and monitoring the control framework in place to assess and manage risk.

The responsibility for carrying out the decisions made by the Board is delegated to the Group Chief Executive Officer who in turn delegates to the other executive directors who delegate day-to-day responsibility to senior management. The Board comprises a group of people with a broad range of commercial and professional experience and is headed by the Non-Executive Chairman, Patrick Gallagher.

The following directors served on the Board during the year:

Executive Directors

Ronnie Wilson	Group Chief Executive Officer
Alan Sloan	Chief Operating Officer
David Smyth	Group Finance Director and Company Secretary Appointed 1 December 2007
Laurent Berns	Director of Field Operations
Graeme Gordon	Group Finance Director and Company Secretary Resigned 14 November 2007

Non-Executive Directors

Patrick Gallagher	Non-Executive Chairman Appointed 10 January 2008
David Cowie	Non-Executive Director
Gerard Murray	Non-Executive Director Appointed 28 May 2008
Bert Morris	Non-Executive Chairman Resigned 9 January 2008
Richard Burns	Non-Executive Director Appointed 6 July 2007 Resigned 19 May 2008

After the end of the financial year, on 18 July 2008, Charles Halle was appointed to the Board as a non-executive director and will offer himself for election by shareholders at the Annual General Meeting on 20 November 2008.

As shown above, during the majority of the financial year, the Board consisted of four executive directors and three non-executive directors. As noted above, following the year end, an additional non-executive director has been appointed which provides an even balance of executive and non-executive directors.

The non-executive directors serving during the year were selected for their relevant experience and professional ability, and, save as set out below, are all considered by the Board to be independent of management and free from any business or other relationship that could interfere with their professional judgement. Richard Burns, who served for the majority of the year but ceased to be a non-executive director on 19 May 2008, had professional connections with Macro 4 and as such could not be considered independent. The Board, however, believe that his particular wealth of experience and expertise were a great benefit to the Company. The non-executive directors are appointed for specific terms and their remuneration is a matter for the Chairman of the Board and the executive directors.

In accordance with the Company's Articles of Association, all directors are required to retire by rotation and will seek re-election at least once every three years. The Annual General Meeting section below sets out those directors retiring at the forthcoming Annual General Meeting and who offer themselves for re-election. In addition, four directors who have been appointed since the last Annual General Meeting and remain directors of the Company offer themselves for election. The experience and qualifications set out in the biographical details demonstrate the continued suitability for their roles for all these individuals. These directors have, over the period of their respective appointments, the Board believes, not only demonstrated their personal commitment to the role, but also have committed time to the Board, to sub-committees and other ad hoc work as required.

Other than the related party transactions set out in note 30 of the notes to the consolidated financial statements and the share purchases within the Directors' Remuneration Report, none of the directors had or has a material interest in any contract of significance to which the Company or a subsidiary was party to during the financial period.

Board process

The Board has the authority, and is accountable to shareholders, for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. In order to discharge these responsibilities the Board has chosen to reserve for itself a formal schedule of matters for its specific attention, and delegates other matters to senior management. The Board has an annual programme of meetings, which includes the approval of overall budgetary planning and business strategy. The Board meets at least eight times a year, and at other times as necessary, to discuss both the formal schedule of matters reserved for its attention and any current issues requiring Board discussion and approval.

Those matters reserved for the Board are shown in the box below. The Board is supplied with regular and appropriate management information to enable them to make their decisions objectively and in the best interests of the Company. All new Board appointees are provided with appropriate training following their appointment, and all directors are offered further training, as necessary.

Matters reserved for the Board

- To determine the corporate objectives and formulate corporate strategy through which those objectives are to be pursued over the medium and longer term.
- To ensure policies on all significant issues are established and, where appropriate, devolve responsibility to the sub-committees of the Board.
- To approve business plans for an appropriate, foreseeable timeframe.
- To consider and, where appropriate, endorse the operational plan and budget that the Group Chief Executive Officer will present annually.
- To consider and, where appropriate, approve all material corporate acquisitions, joint ventures and investments and disposals of same.
- To consider and, where appropriate, approve all major capital expenditure, together with the methods of financing such expenditure.
- To review the risk management and internal controls, including financial controls put in place by the Group Chief Executive Officer and his team and to confirm that these are operating satisfactorily.
- To regularly monitor Group performance against business plans and the budget, and to ensure the Group Chief Executive Officer takes appropriate action (whether by way of managerial intervention or other acceptable means), to correct significant variances from the plan, where appropriate.
- To ensure that proper standards of corporate governance, public accountability and personal and corporate conduct are maintained throughout the Group.
- To set in place appropriate arrangements for appointing, appraising and remunerating the executive and nonexecutive directors.
- To create sub-committees of the Board as required and approve their composition, powers, modes of operation, terms of reference and reporting structures. The sub-committees will include an Audit Committee, a Remuneration Committee and a Nominations Committee.
- To approve the Group's annual report and accounts.
- To consider and, where appropriate, propose dividends to shareholders.

The following table shows the attendance of the current directors at Board meetings during the year ended 30 June 2008:

Name	Number of meetings held whilst a Board member	Number of meetings attended
Ronnie Wilson	12	12
Alan Sloan	12	12
David Smyth	8	8
Laurent Berns	12	10
Patrick Gallagher	7	7
David Cowie	12	11
Gerard Murray	2	2

Independent advice

The Board recognises that there may be occasions when one or more of the directors feel it is necessary to take independent legal and/or financial advice at the Group's expense.

Indemnification of directors

The Group has purchased insurance to cover its directors and officers against costs they may incur in defending themselves in any legal proceedings instigated against them as a direct result of duties carried out on behalf of the Group.

Company Secretary

David Smyth (appointed with effect from 1 December 2007) serves as Company Secretary, and as such is responsible for ensuring that Board procedures are complied with and that all issues and concerns raised at Board Meetings are properly minuted. All directors are responsible for ensuring that their own concerns raised at Board Meetings are recorded in these board minutes.

All directors are able to consult the Company Secretary for advice and he is responsible for providing them with any additional information and services as required in order for them to be able to discharge their duties.

Board Committees

To meet best governance practice, the Audit Committee, the Remuneration Committee and the Nominations Committee have long been an established part of the Company's system of governance and the Board provides sufficient resources to enable them to undertake their duties. Executive directors are not members of the Remuneration or Audit Committee, although they may be invited to attend meetings.

Membership of these Committees as at 30 June 2008 is shown in the table below:

Name	Audit Committee	Remuneration Committee	Nominations Committee
Ronnie Wilson	-	-	M
Alan Sloan	-	-	-
David Smyth	-	-	-
Laurent Berns	-	-	-
Patrick Gallagher	M	M	C
David Cowie	M	C	M
Gerard Murray	C	M	-

Key: C = Chairman M = Member

After the end of the financial year, on 18 July 2008, Charles Halle was appointed a member of the Nomination, Remuneration and Audit Committees. Gerard Murray was also appointed as a member of the Nominations Committee with effect from 22 July 2008.

The following table shows the attendance of the directors at committee meetings during the year ended 30 June 2008:

Name	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held:	3	7	3
Actual number of meetings attended (maximum possible meetings attended)			
Ronnie Wilson	n/a	n/a	3 (3)
Patrick Gallagher	2 (2)	2 (2)	1 (1)
David Cowie	2 (3)	7 (7)	3 (3)
Gerard Murray	1 (1)	1 (1)	n/a

The sub-committees of the Board have the following responsibilities:

Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing the remuneration and terms of service of the executive directors and the Chairman of the Company. It is chaired by David Cowie.

Further details of the work of the Remuneration Committee is laid out in the Directors' Remuneration Report.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of the Company's internal controls and risk management systems and ensuring that both external and internal auditing requirements are properly carried out. It is chaired by Gerard Murray who was appointed during the financial year to this role and who, as a chartered accountant with several years of experience as a Finance Director, has the requisite skills for this role. David Cowie chaired the Committee temporarily during the year whilst the Board was actively seeking someone with recent and relevant financial experience to fill this role.

The Audit Committee meets at least three times a year and other directors, members of staff and the external auditors are invited to attend committee meetings as necessary.

The Audit Committee reports to the Board on the Group's full and half year results, having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards. In addition, it reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors, and keeps the provision of non-audit services under review. In addition to reviewing the work of the external auditors, the Audit Committee considers the plans and findings of the internal audit function whose work is also reviewed by the Board and to review the Group's arrangements for staff to raise concerns about possible improprieties.

Each year, the Audit Committee reviews the limited non-audit services provided by the auditors. It obtains assurance from them of their independence, and makes investigations of its own to satisfy its members that the auditors remain independent and objective.

Details of audit fees and non-audit fees are shown in note 5 of the notes to the consolidated financial statements.

Nominations Committee

The Nominations Committee is responsible for making recommendations to the Board on all new Board appointments and regularly reviewing the size and structure of the Board paying particular consideration to the need for succession planning to ensure that the requisite skills and expertise required to run the Company are in place. It meets as and when the need arises but at least once a year and is chaired by Patrick Gallagher.

The Committee met during the year to discuss the appointments of David Smyth, Patrick Gallagher and Gerard Murray to the Board, having consulted an external agency in each case to identify those individuals best suited for the positions in question.

The Committee also met after the year end to discuss and agree the appointment of Charles Halle to the Board as a non-executive director and member of all three subcommittees of the Board. On 22 July 2008 Gerard Murray was appointed a member of the Nominations Committee.

The terms of reference for each of the sub-committees of the Board are included on the Group's website at: www.macro4.com/investors.

Performance evaluation of the Board

In line with the requirements of the Combined Code, the Board has carried out, through a questionnaire and discussion with the directors, an evaluation of the Board and Committee performance and effectiveness. The individual performance of directors was also evaluated at one-to-one sessions with the Chairman. Separate questionnaires about Audit Committee effectiveness were also completed.

In the absence of a Senior Independent Director, Mr Cowie conducted a performance evaluation of the Chairman in consultation with other members of the Board. The results of these evaluations are being reviewed.

Relations with shareholders

The Board considers good communication with shareholders a high priority as demonstrated by the following:

- Every Board meeting includes an investor relations discussion in the agenda where the Chairman, Group Chief Executive Officer and Group Finance Director report to the full Board on shareholder issues.
- A dialogue is maintained with institutional shareholders, and meetings are held with investors and other interested organisations on an ad hoc basis, and also following the announcement of the half and full year results.
- The Chairman discusses governance and strategy with major institutional shareholders and ensures that their views are communicated to the Board as a whole.
- Financial results are announced half yearly.
- The Annual General Meeting is used as a further opportunity for communication with both institutional and private shareholders, and at this meeting, where possible, all directors are available to answer questions both in their capacity as Chairmen of the subcommittees of the Board and as executive and non-executive members of the Board.
- All shareholders are welcome to visit the Group's website, where financial results and details of the Group's products, services and activities are published.
- During the year, the Company began producing, and emailing to shareholders, a regular newsletter giving an update on recent progress and developments.

Annual General Meeting

This year's Annual General Meeting of the Company will take place at The Orangery, Turners Hill Road, Worth, Crawley, West Sussex RH10 4SS at 10:30am on 20 November 2008. The business to be transacted at the meeting will include:

Annual Report

Receiving and adopting Macro 4's 2008 Annual Report.

Final dividend

To declare a final dividend of 5.25 pence per ordinary 5 pence share.

Retirement and re-election of directors

Mr Sloan will retire and offers himself for re-election to the Board.

Messrs Smyth, Gallagher, Murray and Halle, having been appointed since the last Annual General Meeting and, being eligible, offer themselves for election to the Board. Between them they bring experience and independent judgement gained at senior levels of international business operations, strategy, finance, marketing and technology. Further details on each of them is contained in the biographies.

Auditors

KPMG Audit Plc, as auditors to the Company, have expressed their willingness to continue in office and, in accordance with Section 385 of the Companies Act 1985, a resolution will be proposed for their reappointment and to authorise the directors to determine their remuneration.

Special business

The Company will seek authority to:

- Approve the Directors' Remuneration Report and related matters to the shareholders for the year ended 30 June 2008.
- Allot ordinary shares in the Company up to an aggregate nominal amount of £346,985 for a period expiring on the earlier of 22 December 2009 and the conclusion of the next Annual General Meeting.
- Give the directors authority (to expire on the earlier of 22 December 2009 and the conclusion of the next Annual General Meeting) to disapply pre-emption rights when allotting new shares in connection with rights issues or otherwise up to a maximum of £57,651 (being approximately 5% of the current issued share capital of the Company).
- Give the Company the authority (to expire on the date of the next Annual General Meeting) to make market purchases of its own shares up to 2,306,029 ordinary shares of 5 pence each (being approximately 10% of the issued share capital of the Company). The Company may either cancel any shares it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). The directors do not currently have any intention of exercising the authority granted by this resolution. On 17 September 2008 the total number of options to subscribe for ordinary shares of 5 pence each in the Company amounted to 822,459. This represented 3.71% of the Company's issued ordinary share capital (excluding treasury shares) on that date. If this authority to purchase shares was exercised in full the options would represent 4.14% of the issued ordinary share capital (excluding treasury shares) as at 17 September 2008.

The service agreements which include details of the terms and conditions of both the executive and non-executive directors will be made available for inspection by any shareholder at the Group's registered office during normal business hours and at the Annual General Meeting for 15 minutes prior to, and during the meeting.

Internal control

The Group has an internal control system in place, in line with the Turnbull guidance, which is designed to protect shareholders' investments by safeguarding the assets of the Group and facilitating its efficient operation. It should be recognised that all controls are designed to reduce risks to an acceptable level rather than eliminate risk, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, being responsible for the Group's system of internal control, has conducted an annual review of the effectiveness of the internal control system of the Group, which covers financial controls, key operational and compliance controls and risk management which are imbedded within the operations of the business. The key elements of the Group's internal control system, which have been in operation during the whole of this financial year and up to the date of the approval of the Annual Report and financial statements, are as follows:

Control environment

The Board is responsible for ensuring a satisfactory control environment exists within the Group and for reviewing its effectiveness. There is a clear organisation structure in place and levels of authority are well defined and responsibility for operational control of the overseas subsidiaries is delegated to local general managers. Whilst management guidelines and a comprehensive management reporting package are in place for all subsidiaries, the Group also monitors these controls by a number of means including regular internal audits.

Identification and evaluation of risks and control objectives

The Board has the primary responsibility for identifying and evaluating the major risks facing the Group and developing appropriate policies and procedures to manage them. It identifies the key risks faced by the Group, and delegates responsibility for managing those risks to senior management. The effectiveness of the risk control procedures in place are reported on at least annually to the Board.

Major corporate information systems

The Group operates a comprehensive budgeting, financial reporting and forecasting system. Each subsidiary is required to complete divisionalised management accounts on a monthly basis which compare actual results with budget and with prior year results, these are reviewed at both executive and board level meetings to ensure that variances and discrepancies are identified on a timely basis. The Group reports to its shareholders at the half year and full year ends.

Main control procedures

There are a number of key control procedures in place which are reviewed on an annual basis by the Board. These cover the key risks faced by the Group and are predominantly of an operational and financial nature.

Monitoring systems used by the Board

The Group finance department consolidates and monitors the Group information monthly, and a full financial review is presented at each Board meeting, accompanied by relevant divisional and Group accounts and appropriate Key Performance Indicators for each subsidiary. Each Group company compiles forecasts of profits and cash flows reflecting their current expectations and these are also monitored by the Board. The cash balances held around the Group are reported on and reviewed by the Group Finance Director on a weekly basis.

Internal audit

There is an internal audit function in place and its findings are reviewed by both the Audit Committee and the Board on a regular basis. During the year in question no material issues were raised. The Audit Committee not only monitors required issues and obtains additional information where relevant, but also discusses reports at its meetings to determine whether follow-up action is required.

Compliance with the Combined Code

Throughout the year ended 30 June 2008 the Company has been in compliance with the provisions set out in Section 1 of the Combined Code except for the following matters which are explained in detail below:

A.1.2, A.1.3 and

A.3.3 The Company did not have a Senior Independent Director in place throughout the year as it has been a year of change for the Board with three of the four non-executive directors being appointed since the beginning of 2008. The Board intends to appoint a Senior Independent Director during the course of the new financial year.

B.2.1 The Remuneration Committee is currently made up entirely of independent non-executive directors but during the period July 2007–May 2008 one of the members of the Committee, Richard Burns, could not be considered independent. Although he had past professional connections with the Company, the Board considered that his wealth of experience and expertise was of great benefit to the Company.

B.2.2 The Remuneration Committee did not monitor the level and structure of remuneration for senior management below Board level during the year as the Board believed this to be impractical given the size and nature of the Group. However, with effect from 1 July 2008 the Remuneration Committee has been delegated this responsibility.

C.3.1 The Company did not have, until the end of the financial year, one member on the Audit Committee with recent and relevant financial experience. Gerard Murray was appointed to fill this role on 28 May 2008.