



CONTROL

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Macro 4 plc

Interim report for the six months ended 31 December 2006

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OUR BUSINESS

Founded in 1968, Macro 4 comprises two sales divisions, Document Management Solutions (DMS) and Systems Management Products (SMP), both of which provide innovative software solutions for businesses.

The market for our products is growing, and we sell them all over the world; directly to customers and through our strategic business partners.

£14.9m

Revenue (2005 £14.9m)

£2.7m

Underlying Trading Profit* (2005 £2.5m)

£1.3m

Profit before taxation (2005 £1.5m)

DMS

DOCUMENT MANAGEMENT SOLUTIONS

DMS provides a comprehensive set of software solutions that help organisations manage their business-critical, document-centric processes.

These solutions allow users to automatically capture, store, process and deliver documents to a wide range of channels and devices using sophisticated and powerful business rules.

Key results

Recurring revenue – £3.8m (2005 £3.9m)

New revenue – £2.2m (2005 £2.7m)

SMP

SYSTEMS MANAGEMENT PRODUCTS

SMP provides software that improves and maintains the smooth running of mainframe computers and allows users to find, analyse and fix application problems across their infrastructure.

Key results

Recurring revenue – £5.0m (2005 £5.2m)

New revenue – £3.9m (2005 £3.1m)

*Underlying Trading Profit, our adjusted measure of profit before taxation, after adding back amortisation of intangibles, material one-off items (see note 7) and share-based payment charges, then deducting capitalised development costs. The directors believe that this key performance indicator gives a better understanding of the underlying trading position. This is because it removes all the major one-off and non-cash expenses, except depreciation, and recognises product development costs in the year in which they are incurred.

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has had an encouraging six months. Revenue has been maintained at last year's level of £14.9 million, despite adverse foreign exchange conditions. Each of the divisions has made a good contribution.

I am particularly gratified with the performance of the Systems Management Products (SMP) division in which new revenue has increased by 26% to £3.9 million, reinforcing our opinion that there is strong growth potential in this area of the business.

The Document Management Solutions (DMS) business, (formerly Business Information Logistics or BILL) is beginning to show the positive effects of the market refocusing activities we started last year. The global partnership agreement signed with Xerox in December 2006 has already started to deliver additional opportunities which have begun to come through in the second half of the year.

I take this opportunity to welcome Laurent Berns to the Board. He has headed up the DMS division since July 2006 where he is already making a motivational impact. Laurent was appointed to the Board in December 2006 and has, I am satisfied, the capability to capitalise on the potential the DMS division offers.

The Board has agreed that the interim dividend be increased from last year's level of 2.25 pence to 2.50 pence which will be paid on 11 May 2007 to all shareholders on the register on 23 March 2007.

We continue to make satisfactory progress in delivering our overall goals. Market conditions are still challenging but I remain optimistic.



BERT MORRIS
Chairman

27 February 2007

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

During the first six months of this financial year both our Systems Management Products (SMP) and Document Management Solutions (DMS) divisions have performed satisfactorily.

I am delighted with the impressive results from the SMP division which is delivering strong growth. As well as winning a notable number of new large customers, we made excellent progress, in line with our plans, in launching new software. This new development is most exciting and opens up a new and potentially large additional source of revenue, which we expect to start to see coming through in the second half.

The DMS division, previously known as the BIL division, has made acceptable progress over the last six months, although this is not yet reflected in the figures. A new divisional Chief Executive Officer was appointed in July 2006 under whose leadership we are now seeing the refocusing of activities begin to take effect. It is gratifying to be able to report that in December 2006 we signed a new global partnership agreement with the Xerox Corporation. This new agreement has already started to deliver additional opportunities which have begun to come through in the second half of the year. Good progress has also been made with our other channel partners, such as Logica, Dunka, Steria and Computacenter, with £0.6 million being closed since the half year.

Rebalancing sales and marketing between direct and indirect channels will, we anticipate, improve the profitability of the division. We expect to see further good progress in this division as our sales and marketing plans and activities evolve over the coming months.

Despite significant adverse foreign exchange effects brought about by the strength of Sterling against the US dollar and the euro, the Group's profit before taxation, amortisation, share-based payments and material one-off items, which we refer to as Underlying Trading Profit (UTP), increased 8% to £2.7 million (2005 £2.5 million) whilst profit before taxation was down slightly at £1.3 million (2005 £1.5 million). Underlying operational profit results without foreign exchange effects, calculated at last year's rates, would have shown Underlying Trading Profit increasing 20% to £3.0 million and profit before taxation increasing by 7% to £1.6 million.

FINANCIAL REVIEW

In line with reporting requirements these results have been prepared under International Financial Reporting Standards (IFRS), however, details of how these would have been reported under current UK GAAP, for information only, are shown in note 19 of the notes to the accounts.

Revenue

Total revenue for the six months ended 31 December 2006 was £14.9 million (2005 £14.9 million) of which £6.1 million (2005 £5.8 million) related to new revenue streams and £8.8 million to recurring revenue (2005 £9.1 million). As indicated, the adverse foreign exchange movements mean that had this revenue also been calculated at last year's average exchange rates, new revenue would have been reported at over £0.1 million higher at £6.2 million and recurring revenue by over £0.4 million higher at £9.2 million, which would have delivered a 3% growth on total revenue, 7% growth on new revenue and consistent recurring revenue.

SMP Division

SMP business reported an increase in revenue of 7% to £8.9 million (2005 £8.3 million) with new revenue increasing by 26% to £3.9 million (2005 £3.1 million) and recurring revenue slightly down at £5.0 million (2005 £5.2 million) from this time last year. With adverse effects of foreign exchange removed, the overall numbers would have been more impressive with total revenue up by 12% to £9.3 million, new revenue up 29% to £4.0 million and recurring revenue flat at £5.3 million.

The increase in new revenue is encouraging and is the result of a marked improvement in sales execution and marketing focus in Europe and sustained, solid performance in the USA. We have secured a number of new contracts, in particular, with major banking institutions such as: Caisse d'Erpagne in France; ING Bank in The Netherlands; Alliance and Leicester in the UK; and KeyBank in the USA.

The IBM OEM relationship delivered £0.5 million of revenue, remaining flat on the previous year.

DMS Division

The DMS division reported a decrease in revenue this half year with total revenue of £6.0 million (2005 £6.6 million) of which recurring revenue was £3.8 million (2005 £3.9 million) and new revenue of £2.2 million (2005 £2.7 million). With adverse foreign exchange effects removed, total revenue would have been £6.1 million, with recurring revenue at £3.9 million and new revenue of £2.2 million.

Since the half year ended we have seen a further £0.6 million of new revenue close. Despite the reduction in total revenue as a consequence of new revenue shortfalls of £0.5 million compared to this period last year, we are satisfied that this division is developing well. Slippages on contracts from the first half, which have now been closed, would have presented a stronger picture, reflecting more accurately the progress we have made in this division. We have continued to refocus our sales and marketing efforts on third party sales channels as well as maintaining our direct sales initiatives. The Xerox contract does, we consider, evidence that the demand for our products is strong. The agreement was signed in December 2006 after comprehensive detailed discussions and we are optimistic about the benefits this relationship will produce.

It is also encouraging to see that DMS recurring revenue remained consistent despite the adverse foreign exchange, which we view as an indication of the continued commitment and confidence that our existing customers have in our product offering.

*Divisional Contribution**SMP and DMS*

The divisional contribution from SMP was £5.6 million increasing from the £5.2 million achieved last year and that from DMS was £0.4 million down from the £2.7 million achieved last year. These contributions mainly reflect the changes to the revenue line as operating costs are largely unchanged from last year.

Group Business Services (GBS)

This division, which operates as a central administrative function covering finance, information systems, executive, legal, corporate marketing and human resources continues to hold a tight rein over both its own expenditure and also the costs of the other divisions. The underlying costs of the division were £4.6 million compared with £4.9 million last year.

Earnings Per Share

Underlying Trading Profit basic earnings per share were 9.0 pence per share (2005 8.4 pence per share). Basic earnings per share were 4.6 pence per share (2005 5.0 pence per share). Fully diluted earnings per share were 4.4 pence per share (2005 4.7 pence per share).

Balance Sheet and Cash Flow

The Group has a strong Balance Sheet with no debt, total equity at 31 December 2006 of £21.1 million (2005 £20.4 million) and net cash of £3.7 million (2005 £4.7 million). The cash reduction is due to a number of one-off payments being made in the half year, which included: £1.3 million additional and final consideration of the purchase of Insync Software Inc.; £1.3 million to acquire treasury shares for the future satisfaction of our share option plans; and, £0.5 million of material one-off changes. Underlying trading cash flow remains strong.

Capital Structure

The Company had 23,025,781 shares in issue at 31 December 2006 (31 December 2005 22,341,337; 30 June 2006 22,341,933). The number of shares has increased since the year end date due to the issue of 680,000 new shares to satisfy the provisions of the Executive Deferred Share Incentive Plan and by 3,848 new shares under the scrip dividend scheme in place. At 31 December 2006 the share price of the Company was 212 pence per share (31 December 2005 261.5 pence per share) giving a market capitalisation of £48.8 million (31 December 2005 £58.4 million).

OPERATIONAL REVIEW

Systems Management Products

The SMP division has had a successful six months, achieving a number of key strategic objectives namely:

- The expansion of the product offering through the launch of our Application Performance Portal (A.P.P.). Internally developed, this solution offers users a new level of functionality to enable customers to deal with the additional challenges created by the Java programming environment. With more and more large companies deciding to design and build their core applications in a Java environment, A.P.P. provides them with the vital information they need to know how and where their applications are using resources, and thus enables them to ensure maximum efficiency.
- The broadening of the reach and capability of our performance management solutions through the acquisition of ExpeTune. ExpeTune provides a rules-based tool that analyses the diagnostic data provided by our existing systems management products and provides users with a 'what to do next' solution if a problem occurs in their application environment. Although this product was only launched in November 2006 we have already effected our first two sales.
- The ability to provide high level application and systems management performance consultancy and services delivery designed specifically for mainframe environments through a partnership agreement with CPT Global Ltd. As this partnership develops and grows it will add significant weight to our application and systems performance measurement and management offering.

These advances will, I consider, strengthen the future of the division.

Document Management Solutions

We have changed the name of our Business Information Logistics (BIL) division to Document Management Solutions (DMS). 'Document Management' is a widely recognised industry term which more accurately reflects what we actually do. It is easier for customers, market analysts and partners to understand the markets we are involved in and the types of problems our products solve.

There have been two significant operational developments within the DMS division over the first six months of the financial year:

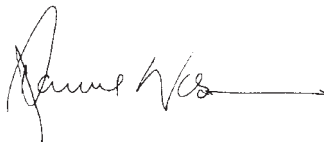
- New sales and marketing partnership agreement signed with Xerox in December 2006. Under the agreement Xerox will sell and market Macro 4's range of Columbus document and content management products and services to Europe and North America. This is a key development for the DMS business as we will have access to Xerox's substantial customer base for this product set not only in Europe, but importantly it opens the door into the American market.
- The appointment of Laurent Berns to head up the division in July 2006. Laurent has undertaken a major review of the market and product offering of the DMS business and subsequent to this has made, and is making, a number of changes designed to improve our performance. This has resulted in a move from a customer specific driven business model to a market driven model and complements the process we started over a year ago to rebalance the sales channel from direct to indirect as we introduce a more packaged solution. We can see the first positive effects of these changes but it will be another six to twelve months before we see the full benefit.

OUTLOOK

Over the last six months the progress we have made in achieving our objectives for the year has been satisfying and we have had a good first half result. The SMP business has passed a number of milestones and metrics the Group set for its progress and this looks set to be maintained.

The DMS division has also performed well and we are satisfied there is good potential in this area of our business.

We consider that we can maintain and build on the achievements of the first half of our fiscal year. We have made a good start and I am optimistic that we can sustain progress.



RONNIE WILSON
Group Chief Executive Officer

27 February 2007

CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED)

for the six months ended 31 December 2006

	Note	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Revenue				
License sales		4,610	3,866	10,045
License rentals		1,744	2,113	4,047
Maintenance		6,984	7,016	14,087
Agents' royalties		690	864	1,458
Professional services and other revenue		905	1,081	2,105
Total revenue	5	14,933	14,940	31,742
Operating expenses before amortisation and material one-off items	6	(11,689)	(11,898)	(24,766)
Amortisation of intangible assets	6	(1,535)	(1,595)	(3,112)
Compensation for loss of office for former director and redundancy costs (including legal and professional fees)	7	(534)	–	–
Total operating expenses	6	(13,758)	(13,493)	(27,878)
Other operating income		82	–	21
Operating profit		1,257	1,447	3,885
Interest receivable		95	158	300
Interest payable		(16)	(123)	(180)
Profit before taxation		1,336	1,482	4,005
Taxation	9	(309)	(395)	(1,028)
Profit for the period		1,027	1,087	2,977
Earnings per share				
Basic	11	4.6p	5.0p	13.6p
Diluted	11	4.4p	4.7p	12.8p
Dividend per share	10	2.5p	2.25p	7.0p

UNDERLYING TRADING PROFIT

	Note	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Profit before taxation		1,336	1,482	4,005
Add: Amortisation of intangible assets	6	1,535	1,595	3,112
Add: Material one-off items	7	534	–	–
Profit before taxation, amortisation and material one-off items		3,405	3,077	7,117
Add: IFRS2 share-based payments		679	694	1,377
Less: Capitalised product development costs		(1,361)	(1,224)	(2,350)
Underlying Trading Profit		2,723	2,547	6,144

CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED)

as at 31 December 2006

Note	At 31 December 2006 £000	At 31 December 2005 £000	At 30 June 2006 £000
Assets			
Non-current assets			
Property, plant and equipment	6,844	7,237	6,997
Intangible assets	12 18,015	16,413	17,540
Deferred tax assets	1,420	1,975	1,662
Trade and other receivables	14 51	200	191
Total non-current assets	26,330	25,825	26,390
Current assets			
Trade and other receivables	14 7,937	6,773	6,429
Current income tax assets	734	193	725
Cash and cash equivalents	13 3,679	7,188	9,452
Total current assets	12,350	14,154	16,606
Total assets	38,680	39,979	42,996
Liabilities			
Non-current liabilities			
Trade and other payables	15 (253)	(239)	(247)
Deferred tax liabilities	(1,721)	(1,669)	(1,709)
Total non-current liabilities	(1,974)	(1,908)	(1,956)
Current liabilities			
Trade and other payables	15 (5,825)	(8,205)	(8,217)
Deferred income	16 (9,304)	(8,855)	(9,976)
Current income tax liabilities	(467)	(618)	(772)
Total current liabilities	(15,596)	(17,678)	(18,965)
Total liabilities	(17,570)	(19,586)	(20,921)
Net assets	21,110	20,393	22,075
Equity			
Called up share capital	1,151	1,117	1,117
Share premium account	2,453	2,483	2,457
Merger reserve	6,948	6,948	6,948
Capital redemption reserve	162	162	162
Own shares	(2,042)	(740)	(740)
Translation reserve	(216)	11	(101)
Retained earnings	12,654	10,412	12,232
Total equity	21,110	20,393	22,075

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

for the six months ended 31 December 2006

	Share capital £000	Own shares £000	Translation reserve £000	Retained earnings £000	Other reserves £000	Total equity £000
Balance at 1 July 2005	1,086	(437)	(58)	9,526	9,575	19,692
Profit for the period	–	–	–	1,087	–	1,087
Foreign exchange adjustment	–	–	69	–	–	69
Total recognised income for the period	–	–	69	1,087	–	1,156
IFRS2 credit in respect of share options	–	–	–	101	–	101
IFRS2 credit in respect of EDSIP	–	–	–	591	–	591
EDSIP share capital	31	–	–	(31)	–	–
EDSIP deferred taxation	–	–	–	191	–	191
Purchase of own shares	–	(303)	–	–	–	(303)
Scrip dividend – share premium account	–	–	–	–	18	18
Dividend paid	–	–	–	(1,053)	–	(1,053)
Balance at 31 December 2005	1,117	(740)	11	10,412	9,593	20,393
Profit for the period	–	–	–	1,890	–	1,890
Foreign exchange adjustment	–	–	(112)	–	–	(112)
Total recognised income for the period	–	–	(112)	1,890	–	1,778
IFRS2 credit in respect of share options	–	–	–	92	–	92
IFRS2 credit in respect of EDSIP	–	–	–	593	–	593
EDSIP deferred taxation	–	–	–	(191)	–	(191)
Cash paid for unapproved share option schemes	–	–	–	(67)	–	(67)
Scrip dividend – share premium account	–	–	–	–	(26)	(26)
Dividend paid	–	–	–	(497)	–	(497)
Balance at 30 June 2006	1,117	(740)	(101)	12,232	9,567	22,075
Profit for the period	–	–	–	1,027	–	1,027
Foreign exchange adjustment	–	–	(115)	–	–	(115)
Total recognised income for the period	–	–	(115)	1,027	–	912
IFRS2 credit in respect of share options	–	–	–	(14)	–	(14)
IFRS2 credit in respect of EDSIP	–	–	–	678	–	678
EDSIP share capital	34	–	–	(34)	–	–
Purchase of own shares	–	(1,328)	–	–	–	(1,328)
Cash paid for unapproved share option schemes	–	–	–	(111)	–	(111)
Share option cash received	–	12	–	–	–	12
Transfer from own shares on exercise of share options	–	14	–	(14)	–	–
Scrip dividend – share premium account	–	–	–	–	(4)	(4)
Dividend paid	–	–	–	(1,110)	–	(1,110)
Balance at 31 December 2006	1,151	(2,042)	(216)	12,654	9,563	21,110

CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 31 December 2006

	Note	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Cash flows from operating activities				
Profit after taxation		1,027	1,087	2,977
Adjustments for:				
Depreciation of property, plant and equipment	6	460	485	951
Amortisation of intangible assets		315	275	595
Amortisation of product development		1,220	1,320	2,517
Share option (credit)/charge		(14)	101	193
EDSIP charge		678	591	1,184
Foreign exchange adjustment		6	97	(84)
Loss on sale of fixed assets		-	6	17
Interest receivable		(95)	(158)	(300)
Interest payable		16	123	180
Taxation charge		309	395	1,028
Cash generated from operations before changes in working capital		3,922	4,322	9,258
(Increase)/decrease in trade and other receivables		(1,670)	1,201	1,408
Decrease in deferred income		(440)	(1,542)	(193)
(Decrease)/increase in trade and other payables		(945)	(1,430)	79
Cash generated from operations		867	2,551	10,552
Income tax paid		(275)	(382)	(1,231)
Net cash generated from operating activities		592	2,169	9,321
Cash flows from investing activities				
Purchase of property, plant and equipment		(324)	(213)	(466)
Proceeds from sale of property, plant and equipment		-	1	2
Purchase of intangible assets		(637)	(874)	(1,279)
Payment of deferred consideration on intangible assets		(1,314)	(14)	-
Capitalised product development costs		(1,361)	(1,224)	(2,350)
Interest received		95	158	300
Net cash used in investing activities		(3,541)	(2,166)	(3,793)
Cash flows from financing activities				
Dividends paid		(1,188)	(972)	(1,437)
Purchase of own shares		(1,328)	(304)	(370)
Interest paid		(16)	(128)	(329)
Scrip dividend legal costs written off share premium account		(13)	-	-
Cash paid for unapproved share option schemes		(111)	-	-
Share option cash received		12	-	-
Repayment of term loan		-	(1,500)	(4,000)
Capital element of finance lease payment		-	(12)	(26)
Net cash used in financing activities		(2,644)	(2,916)	(6,162)
Net decrease in cash and cash equivalents		(5,593)	(2,913)	(634)
Cash and cash equivalents at the beginning of period		9,452	10,067	10,067
Effect of exchange rate fluctuations in cash held		(180)	34	19
Cash and cash equivalents at end of period	13	3,679	7,188	9,452

NOTES TO THE GROUP RESULTS (UNAUDITED)

for the six months ended 31 December 2006

1 BASIS OF PREPARATION

Macro 4 plc (the 'Company') is a company incorporated in England and Wales. The financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

The unaudited consolidated accounts of the Company for the six months ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the 'Group'). There are no associates or joint ventures to be consolidated.

In accordance with Section 240(3) of the Companies Act 1985, such unaudited results do not constitute statutory financial statements of the Company or the Group.

The six months' results for both years are unaudited. The results for the year ended 30 June 2006 are an abridged version of the financial statements for that year. These accounts are not the Company's statutory accounts for that financial year. The statutory financial statements for that year have been delivered to the Register of Companies; the report of the Auditors was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

2 STATEMENT OF COMPLIANCE

These consolidated interim financial statements have been prepared in accordance with IAS34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2006.

The consolidated interim financial statements were approved by the Board on 26 February 2007.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2006. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (adopted IFRS). The policies have been consistently applied to all the periods presented.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied to the consolidated financial statements for the year ended 30 June 2006.

5 REVENUE AND SEGMENTAL ANALYSIS

Segment information is presented in respect of the Group's geographical and divisional segments. The primary format, geographical segments, is based on the Group's corporate and internal reporting structure.

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Revenue by geographical area by origin			
North and South America	4,079	4,704	8,613
United Kingdom	4,042	3,991	9,991
Rest of Europe <i>excluding Germany and France</i>	2,537	2,028	4,290
Germany	1,954	2,106	4,317
France	1,797	1,427	3,329
Rest of World	524	684	1,202
	14,933	14,940	31,742

5 REVENUE AND SEGMENTAL ANALYSIS (CONTINUED)

Segmental analysis by geography

6 months ended 31 December 2006	UK £000	USA £000	Germany £000	France £000	Other £000	Consolidation Adjustment £000	Total £000
Segment revenue	4,566	4,079	1,954	1,797	2,537	–	14,933
Segment result	(356)	2,252	578	951	1,215	–	4,640
Product development amortised							(1,535)
General business costs							(1,235)
Material one-off items (see note 7)							(534)
Profit before taxation							1,336
Segment assets	25,965	3,820	1,457	2,011	2,597	2,830	38,680
Segment liabilities	(9,997)	(3,026)	(1,285)	(1,142)	(2,066)	(54)	(17,570)

6 months ended 31 December 2005	UK £000	USA £000	Germany £000	France £000	Other £000	Consolidation Adjustment £000	Total £000
Segment revenue	4,675	4,704	2,106	1,427	2,028	–	14,940
Segment result	(471)	2,633	626	679	714	–	4,181
Product development amortised							(1,595)
General business costs							(1,104)
Profit before taxation							1,482
Segment assets	28,581	3,944	1,593	1,071	1,903	2,887	39,979
Segment liabilities	(11,423)	(3,876)	(1,450)	(1,059)	(1,667)	(111)	(19,586)

Year ended 30 June 2006	UK £000	USA £000	Germany £000	France £000	Other £000	Consolidation Adjustment £000	Total £000
Segment revenue	11,193	8,613	4,317	3,329	4,290	–	31,742
Segment result	95	4,421	1,426	1,518	1,766	–	9,226
Product development amortised							(3,112)
General business costs							(2,109)
Profit before taxation							4,005
Segment assets	27,993	5,367	2,029	1,895	2,795	2,917	42,996
Segment liabilities	(10,529)	(4,497)	(2,051)	(1,489)	(2,215)	(140)	(20,921)

5 REVENUE AND SEGMENTAL ANALYSIS (CONTINUED)

Segmental analysis by division

	6 months ended 31 December 2006			6 months ended 31 December 2005			Year ended 30 June 2006		
	DMS £000	SMP £000	Total £000	DMS £000	SMP £000	Total £000	DMS £000	SMP £000	Total £000
Revenue									
License sales	1,366	3,244	4,610	1,772	2,094	3,866	5,510	4,535	10,045
License rentals	493	1,251	1,744	569	1,544	2,113	1,089	2,958	4,047
Maintenance	3,272	3,712	6,984	3,305	3,711	7,016	6,606	7,481	14,087
Agents' royalties	168	522	690	142	722	864	243	1,215	1,458
Professional services and other revenue	726	179	905	785	296	1,081	1,698	407	2,105
Gross revenue	6,025	8,908	14,933	6,573	8,367	14,940	15,146	16,596	31,742
Direct third party costs	(260)	(458)	(718)	(332)	(408)	(740)	(655)	(724)	(1,379)
Gross margin	5,765	8,450	14,215	6,241	7,959	14,200	14,491	15,872	30,363
Sales related commissions	(140)	(259)	(399)	(143)	(205)	(348)	(476)	(460)	(936)
Net revenue	5,625	8,191	13,816	6,098	7,754	13,852	14,015	15,412	29,427
Other direct operating expenses excluding amortisation and material one-off items	(3,325)	(2,584)	(5,909)	(3,401)	(2,545)	(5,946)	(7,156)	(5,320)	(12,476)
Gross contribution	2,300	5,607	7,907	2,697	5,209	7,906	6,859	10,092	16,951
Indirect operating expenses excluding amortisation and material one-off items			(3,346)			(3,760)			(7,845)
Net contribution			4,561			4,146			9,106
General business costs			(1,235)			(1,104)			(2,109)
Net interest receivable			79			35			120
Profit before taxation, amortisation and material one-off items			3,405			3,077			7,117
Amortisation			(1,535)			(1,595)			(3,112)
Profit before taxation and material one-off items			1,870			1,482			4,005
Material one-off items (see note 7)			(534)			–			–
Profit before taxation			1,336			1,482			4,005

Due to the Group's corporate and internal reporting structure, segment assets and liabilities for divisional segments cannot be reported.

6 OPERATING EXPENSES BEFORE MATERIAL ONE-OFF ITEMS

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Staff costs			
Sales, Marketing and Professional Services			
Sales related commissions	399	348	936
Fixed staff costs	2,678	2,584	5,409
Total Sales, Marketing and Professional Services	3,077	2,932	6,345
Development	475	354	1,247
Support	1,161	1,181	2,530
General and Administration	2,928	3,153	6,316
Total staff costs	7,641	7,620	16,438
Depreciation of tangible assets	460	485	951
Direct third party costs	718	740	1,379
Other operating charges	2,870	3,053	5,998
Operating expenses before amortisation and material one-off items	11,689	11,898	24,766
Amortisation of intangible assets	1,535	1,595	3,112
Material one-off items	534	–	–
Total operating expenses	13,758	13,493	27,878

7 MATERIAL ONE-OFF ITEMS

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Compensation for loss of office for former director and redundancy costs (including legal and professional fees)	534	–	–

Unusual items that are material in size and infrequent in nature are presented as material one-off items in the income statement. The directors are of the opinion that the separate recording of material one-off items provides helpful information about the Group's underlying business performance.

8 SHARE-BASED PAYMENTS

A description of each type of share-based payment can be obtained from the 2006 Annual Report.

All share incentives are over ordinary shares of the Company. The Group grants share incentives to employees in the form of share options and share bonuses. The fair value of all share options granted since 7 November 2002 and not vested at 31 December 2006 is recognised as a staff cost with a corresponding increase in equity. The employee expense is recognised equally over the time from grant until vesting of the incentive. The employee expense in the period to 31 December 2006 was a credit of £14,000 partly arising from the revision of the lapse rate assumption on those options that were able to be exercised on or before the Balance Sheet date (31 December 2005 £101,000 expense; 30 June 2006 £193,000 expense). The fair values have been measured using the binomial model. The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility.

The share bonuses relate to the Executive Deferred Share Incentive Plan (EDSIP). The fair value of the EDSIP is calculated based on the shares awarded at the grant price and recognised as a staff cost with a corresponding increase in equity over the period from the grant date to the date the shares are fully realised.

9 TAXATION

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
United Kingdom corporation tax at 30% (2005 30%)			
Current taxation charge on income for the period	3	553	1,242
Over provision in respect of prior years	–	–	(252)
Less: double taxation relief	–	–	(77)
	3	553	913
Overseas taxation			
Current taxation charge on income for the period	53	111	219
Under provision in respect of prior years	–	–	27
	53	111	246
Total current taxation charge	56	664	1,159
Deferred taxation			
Current year			
– United Kingdom	253	(269)	(501)
– Overseas	–	–	218
	253	(269)	(283)
Under provision in respect of prior years	–	–	152
Total deferred taxation	253	(269)	(131)
Taxation on profit on ordinary activities	309	395	1,028

10 DIVIDENDS

	Per share 2007 pence	Per share 2006 pence	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Ordinary shares of 5 pence each					
Final 2005	–	4.75	–	1,053	1,053
Interim 2006	–	2.25	–	–	497
Final 2006	5.0	–	1,110	–	–
Interim 2007	2.5	–	–	–	–
	7.5	7.00	1,110	1,053	1,550

An interim dividend of 2.50 pence per share (2005 2.25 pence per share) will be paid on 11 May 2007 to shareholders on the register on 23 March 2007. Under adopted IFRS these financial statements do not reflect this dividend payable.

11 EARNINGS PER SHARE

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Profit attributable to ordinary shareholders	1,027	1,087	2,977
Amortisation of intangible assets adjusted for taxation	1,074	1,116	2,188
Capitalised development costs adjusted for taxation	(953)	(857)	(1,645)
EDSIP and share options adjusted for taxation	475	486	944
Material one-off items adjusted for taxation	371	–	–
Underlying Trading Profit attributable to ordinary shareholders	1,994	1,832	4,464
	Number	Number	Number
Weighted average number of shares (net of own shares)	22,158,491	21,920,719	21,920,814
Effect of dilutive share options	1,148,534	1,411,204	1,375,759
Adjusted diluted weighted average	23,307,025	23,331,923	23,296,573
Earnings per share			
Basic	4.6p	5.0p	13.6p
Diluted	4.4p	4.7p	12.8p
Basic – Underlying Trading Profit	9.0p	8.4p	20.4p
Diluted – Underlying Trading Profit	8.6p	7.9p	19.2p

12 INTANGIBLE ASSETS

	Goodwill on purchase of subsidiary undertakings £000	Purchased software £000	Product development £000	Total £000
Cost				
At 1 July 2005	23,865	4,498	10,855	39,218
Foreign exchange adjustment	171	–	–	171
Additions	–	1,273	1,224	2,497
At 31 December 2005	24,036	5,771	12,079	41,886
At 1 January 2006	24,036	5,771	12,079	41,886
Foreign exchange adjustment	(307)	–	–	(307)
Additions	1,162	388	1,126	2,676
At 30 June 2006	24,891	6,159	13,205	44,255
At 1 July 2006	24,891	6,159	13,205	44,255
Foreign exchange adjustment	(295)	–	–	(295)
Additions	–	739	1,361	2,100
At 31 December 2006	24,596	6,898	14,566	46,060
Accumulated amortisation				
At 1 July 2005	13,336	3,258	7,133	23,727
Foreign exchange adjustment	151	–	–	151
Charge for the year	–	275	1,320	1,595
At 31 December 2005	13,487	3,533	8,453	25,473
At 1 January 2006	13,487	3,533	8,453	25,473
Foreign exchange adjustment	(275)	–	–	(275)
Charge for the year	–	320	1,197	1,517
At 30 June 2006	13,212	3,853	9,650	26,715
At 1 July 2006	13,212	3,853	9,650	26,715
Foreign exchange adjustment	(205)	–	–	(205)
Charge for the year	–	315	1,220	1,535
At 31 December 2006	13,007	4,168	10,870	28,045
Net book value				
At 31 December 2006	11,589	2,730	3,696	18,015
At 31 December 2005	10,549	2,238	3,626	16,413
At 30 June 2006	11,679	2,306	3,555	17,540

The net increase of £1.6 million on the same period last year mostly relates to additional consideration being payable for Columbus APO and Admin of £0.5 million and Insync Software Inc. of £1.2 million, ExpeTune of £0.6 million, internally generated product development of £2.5 million less the amortisation charged in the period.

13 ANALYSIS OF NET CASH

	At 31 December 2006 £000	At 31 December 2005 £000	At 30 June 2006 £000
Cash	3,679	7,188	9,452
Debt			
Finance leases:			
Less than one year	–	(13)	–
More than one year	–	–	–
Secured term loan:			
Less than one year	–	(2,500)	–
More than one year	–	–	–
	–	(2,513)	–
Net cash	3,679	4,675	9,452

14 ANALYSIS OF TRADE AND OTHER RECEIVABLES

	At 31 December 2006 £000	At 31 December 2005 £000	At 30 June 2006 £000
Non-current assets			
Trade receivables	–	11	–
Other receivables	51	189	191
	51	200	191
Current assets			
Trade receivables	7,089	5,831	5,600
Prepayments	755	685	677
Other receivables	93	257	152
	7,937	6,773	6,429
Total receivables	7,988	6,973	6,620
Trade and other receivables analysis			
Instalment sale receivables			
Falling due within one year	9	536	76
Falling due after more than one year	–	11	–
	9	547	76
Normal trade receivables			
Falling due within one year	7,080	5,295	5,524
Days sales outstanding	29 days	37 days	30 days
Total trade receivables	7,089	5,842	5,600
Total other receivables	899	1,131	1,020
Total receivables	7,988	6,973	6,620

15 ANALYSIS OF TRADE AND OTHER PAYABLES

	At 31 December 2006 £000	At 31 December 2005 £000	At 30 June 2006 £000
Non-current liabilities			
Staff severance pay	242	223	232
Other payables	11	16	15
	253	239	247
Current liabilities			
Accruals	2,790	2,689	3,555
Term loan	–	2,500	–
Other taxation and social security	1,598	1,638	1,688
Deferred consideration	330	–	1,542
Trade and other payables	1,107	1,378	1,432
	5,825	8,205	8,217
Total trade and other payables	6,078	8,444	8,464

16 DEFERRED INCOME

	At 31 December 2006 £000	At 31 December 2005 £000	At 30 June 2006 £000
Deferred income			
Amounts falling due within one year	8,174	8,351	8,689
Amounts falling due after more than one year	1,130	504	1,287
	9,304	8,855	9,976

17 FOREIGN EXCHANGE RATES

	At 31 December 2006	At 31 December 2005	At 30 June 2006
The following exchange rates have been used for translation of period end balances into Sterling:			
US dollars	1.96	1.72	1.85
Euro	1.48	1.46	1.45
Swiss francs	2.39	2.26	2.27
The following exchange rates have been used for translation of period Income Statement into Sterling:			
US dollars	1.91	1.76	1.78
Euro	1.48	1.47	1.46
Swiss francs	2.36	2.27	2.27

18 FINANCIAL CALENDAR

Interim dividend 2007 – ex-dividend date	21 March 2007
– record date	23 March 2007
– scrip date	26 April 2007
– payment date	11 May 2007
Financial year end	30 June 2007

19 RECONCILING INFORMATION

Internally, management focuses on increasing market-share and improving operating efficiencies through tight cost control. An important measure is profit before taxation, amortisation and material one-off items, if applicable (PBTae). The directors believe that recording costs under IFRS and UK GAAP's FRS20 *Share-based Payment*, can obscure the underlying trading of the business, especially development costs and hence are only used for statutory reporting purposes.

The following table reconciles the Group's Underlying Trading Profit reported on the basis that is used internally for evaluating performance with the results under UK GAAP and IFRS:

	6 months ended 31 December 2006 £000	6 months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Underlying Trading Profit (UTP)			
PBTae for the period per management accounts	2,028	1,839	5,180
FRS20 adjustment in respect of share-based payments	(126)	(179)	(451)
Other	–	–	1
PBTae for the period reported under UK GAAP	1,902	1,660	4,730
Holiday pay – expensed to Income Statement	142	193	37
IFRS2 share-based payments	679	694	1,377
IFRS movement	821	887	1,414
Management accounts total movement	695	708	964
UTP for the period reported under IFRS	2,723	2,547	6,144

SHAREHOLDER INFORMATION

Registered office The Orangery, Turners Hill Road, Worth, Crawley, West Sussex RH10 4SS
Registered number 927588, England

SHARE INFORMATION

Ordinary shares As at 31 December 2006, there were 23,025,781 ordinary shares of 5 pence each in issue (31 December 2005 22,341,337 shares; 30 June 2006 22,341,933 shares)
Listing London Stock Exchange since 24 January 1986
ISIN Number GB0005541106
SEDOL Number 0554110

SHARE PRICE

	At 31 December 2006 pence	At 31 December 2005 pence	At 30 June 2006 pence
Closing share price	212.0	261.5	212.0

CORPORATE ADVISERS

Registrars

For shareholder administration enquiries, including change of address, please contact:
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PO Box 82, The Pavillions, Bridgwater Road Bristol BS99 7NH

The registrars provide a range of shareholder services on-line at www.computershare.co.uk

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