



Morson Group plc (“Morson” or “the Group”)
21 January 2010

Pre-Close Trading update & Notice of General Meeting

Morson, the UK's leading provider of technical engineering personnel and project design solutions, supplying over 9,000 highly skilled white collar personnel to the aerospace and defence, nuclear and power, rail and other technical industries provides the following trading update prior to entering its closed period ahead of the publication of its preliminary results for the year ended 31 December 2009. The Group plans to announce its preliminary results during the week commencing 22 March 2010.

In our interim results announcement in September we outlined that trading conditions were challenging and had worsened in the second quarter. This trend continued into the second half of 2009 and the unprecedented economic environment has affected our client base including both government backed contracts and the wider funding of large infrastructure contracts.

However, Morson is confident that the business model that has served us well will continue to do so as it provides greater visibility of revenues than the recruitment sector generally. We are therefore pleased to report that the results for the year are anticipated to be within analyst forecasts albeit at the bottom end of expectations and below consensus market forecasts.

Effective cash management and lower working capital requirements have had a positive impact on Morson's net debt which at the year end stood at £11m which was significantly better than Directors previous estimates.

New clients and contracts do continue to be won and the Board believes that the Group's position in terms of market share has been enhanced through this recent stage of the economic cycle. Opportunities, particularly in the nuclear sector, are likely to present themselves in the medium to long term and the outlook over this timeframe remains positive.

However, in the short term, whilst the level of market activity overall appears to have stabilised, no significant upturn is yet apparent and margin pressures remain.

Accordingly, whilst Morson is able to generate a core stable level of trading from its key clients and framework agreements the Board anticipates that profits in 2010 will be below those achieved in 2009.

The Board has reduced overheads in 2009 and remains focused on managing resources and capability to ensure the business is well positioned to take advantage of any upturn in the market. As part of this process the operating business has moved into a new head office which is expected to improve efficiency.

Details of the General Meeting

The Company also announces that it has today posted a circular to shareholders setting out the details of resolutions to be proposed at General Meeting to seek authority to allow the Company, if the Board are satisfied that circumstances are appropriate to do so, to purchase its own ordinary shares in the market for subsequent cancellation or to be held in treasury.

The resolutions proposed would allow Morson to consider aggregate purchases of up to 10 per cent. of the Company's issued share capital equating to up to 4,534,375 Ordinary Shares (the "Share Purchases").

Given the aggregate percentage of Gerrard Godfrey Mason's ("Gerry Mason") and Gerard Anthony Mason's ("Ged Mason"), Non Executive Chairman and Group Chief Executive respectively (together the "Concert Party"), beneficial shareholding in the Company, any Share Purchase(s) would require them to make an offer under the Code to acquire the balance of the Company's ordinary shares not owned by them. The Share Purchase(s) are therefore subject to a waiver under Rule 9 of the Takeover Code being granted by the Takeover Panel together with approval by independent shareholders at the General Meeting (the "Whitewash Resolution").

The General Meeting is being convened at the offices of Brewin Dolphin, National House, 36 St Ann Street, Manchester M2 7LE at 9:00 a.m. on 15 February 2010, at which shareholders will be asked to consider and, if thought appropriate, approve the resolutions required to implement the authority regarding Share Purchases. Details of the General Meeting are set out in the Notice of General Meeting provided in the circular.

Extracts of the text of the Chairman's letter contained within the circular are set out below. The definitions in this announcement shall bear the same meaning as those in the circular to shareholders.

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Authority to make market purchases of own shares

Approval for waiver of obligations under Rule 9 of the City Code on Takeovers and Mergers

Introduction

The Board announced today that it is seeking authority from Shareholders at a general meeting to allow the Company, if the Board are satisfied that circumstances are appropriate to do so, to purchase Ordinary Shares in the market for subsequent cancellation or to be held in treasury. The Resolutions proposed would allow Morson to consider aggregate purchases of up to 10 per cent of the Company's Issued Share Capital as at the date of the General Meeting. Based on the Issued Share Capital as at 20 January 2010, being the last practicable date prior to the posting of this document, the Resolutions would allow purchases of up to 4,534,375 Ordinary Shares.

Given the aggregate percentage of Gerrard Godfrey Mason's ("Gerry Mason") and Gerard Anthony Mason's ("Ged Mason"), Non Executive Chairman and Group Chief Executive respectively (together the "Concert Party"), beneficial shareholding in the Company, any Share Purchase(s) by the Company for cancellation or to be held in treasury would require them to make an offer under the Code to acquire the balance of the Ordinary Shares not owned by them. The Share Purchase(s) are therefore subject to a waiver under Rule 9 of the Code being granted by the Panel together with approval by Independent Shareholders at the General Meeting. Further details of the Code issues are set out further in this Part 1 and your attention is drawn to the further Information in relation to the Whitewash Resolution set out in Part 2 of this document.

The General Meeting is being convened for 9 a.m. on 15 February 2010, at which Shareholders will be asked to consider and, if thought fit, approve the Resolutions required to implement the authority regarding the Share Purchase(s). Details of the General Meeting are set out in the Notice of General Meeting provided at the end of this Circular.

The purpose of this document is to explain the background to and reasons for the Proposals and to explain why the Independent Directors consider that they are in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolutions.

Background to and reasons for the authority to make Share Purchase(s)

The Board has been concerned that Morson, like other companies within the human capital sector, has suffered from a volatile share price in the current recession. Its share price since flotation has fallen from a high of 258.5p to a low of 50.0p and has risen again to its current price of 114.5p.

The Board has determined that it would be in the interests of the Company and its Shareholders for the Company to have the power to purchase its own shares in the market from its Shareholders from time to time if they become available at an attractive price. The Company is therefore seeking authority to have the power to make market purchases of up to 10 per cent. in aggregate of the Company's current issued share capital.

Shareholders should note that should the Company receive authority from its Shareholders, the Directors of the Company will only proceed with a purchase of own shares when:

- Ordinary Shares become available at a price your Board considers attractive;
- the Company's earnings per share would be enhanced by such a purchase of own shares; and
- the Board is satisfied that in its opinion the Company has, at the time such purchase is contemplated, sufficient working capital resources.

In accordance with ABI guidelines, the Company will not pay more than 105 per cent. of the average middle market price of an Ordinary Share for the five days preceding the purchase and will not pay less than 5p per Ordinary Share, being the nominal value of each Ordinary Share, for purchases of Ordinary Shares pursuant to the Share Purchase(s) resolution. Following the Share Purchase(s) the Company will either cancel the shares or hold them as treasury shares. No shares are currently held in treasury by the Company.

Waiver of the requirements of Code

The terms of the Proposals give rise to certain considerations under the Code. Brief details of the Panel, the Code and the protection they afford are given below.

The Code is issued and administered by the Panel. The Company is a company to which the Code applies and as such, its shareholders are entitled to the protections afforded by the Code. The Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework in which takeovers are conducted. In addition it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Under Rule 37 of the Code, when a company purchases its own voting shares (whether or not such shares are bought back into treasury) any resulting increase in the percentage of such shares held by a person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9 of the Code.

Under Rule 9 of the Code ("the Code"), any person who acquires an interest (as defined in the Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

For the purposes of the Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Control means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests give de facto control.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

The members of the Concert Party are deemed to be acting in concert for the purpose of the Code. Following the completion of the Share Purchase(s) by the Company and based on the assumptions set out below the Concert Party will, between them, be interested in 19,968,430 shares, representing approximately 48.93 per cent. of the company's post Share Purchase(s) issued voting share capital. The assumptions are that (i) pursuant to the Share Purchase(s), the Company purchases the maximum number of Ordinary Shares possible, which for these purposes is assumed to be 4,534,375 Ordinary Shares (10 per cent of the Issued Share Capital), for cancellation or to be held by the Company in treasury (ii) no option holders exercise their options over Ordinary Shares, (iii) that in each case neither Gerrard Godfrey Mason nor Gerard Anthony Mason sells any of their Ordinary Shares pursuant to the Share Purchase(s) or otherwise and (iv) that there is no change in the current Issued Share Capital of the Company between 20 January 2010 and the date of the General Meeting. A table showing the respective individual interests in shares of the members of the Concert Party both on completion of and before the Share Purchase(s), on the basis set out above, is below.

The Panel has agreed, however, to waive the obligation on the Concert Party to make a general offer that would otherwise arise as a result of the Share Purchases, subject to the approval of Independent Shareholders. Accordingly, resolution 1 is being proposed at the General Meeting, and will be taken on a poll. The Concert Party will be disenfranchised from voting on this resolution.

Following completion of the Share Purchase(s), the members of the Concert Party will between them be interested in shares carrying 30 per cent. or more, of the Company's voting share capital but will not hold shares carrying more than 50 per cent. of such voting rights and (for so long as they continue to be treated as acting in concert) any further increase in that aggregate interest in shares will be subject to the provisions of Rule 9.

Further details concerning the members of the Concert Party and their respective interests in the Company are set out below and in Part 2 of this circular to Shareholders.

At the General Meeting convened for 15 February 2010, it will be proposed that the Company be authorised pursuant to section 701 of the 2006 Act to have the power to make market purchases of up to 10 per cent. of its current Issued Share Capital at a price per share of not less than 5p and not more than 105 per cent. of the average of the middle market quotations for such Ordinary Shares as derived from the Daily Official List for the five business days immediately preceding the day of purchase. This authority will expire on 15 February 2011 (except in relation to the purchase of Ordinary Shares pursuant to any contract made by the Company before the expiry of that authority). The Company will only purchase Ordinary Shares pursuant to this authority if it considers such purchases to be in the best interests of Shareholders.

The Concert Party

Due to their family connection, Gerard Anthony Mason being the adult son of Gerrard Godfrey Mason, Gerrard Godfrey Mason and Gerard Anthony Mason are deemed to be acting in concert for the purposes of

the Code. The respective interests of Gerrard Godfrey Mason and Gerard Anthony Mason in the Company as at 20 January 2010, being the latest practicable date prior to the posting of this document, are set out in the table below together with the details of the maximum percentage of the Ordinary Shares carrying voting rights in which they would each be interested assuming that (i) pursuant to the Share Purchase(s), the Company purchases the maximum number of Ordinary Shares possible, which for these purposes is assumed to be 4,534,375 Ordinary Shares (10 per cent of the Issued Share Capital), for cancellation or to be held by the Company in treasury (ii) no option holders exercise their options over Ordinary Shares, (iii) that in each case neither Gerrard Godfrey Mason nor Gerard Anthony Mason sells any of their Ordinary Shares pursuant to the Share Purchase(s) or otherwise and (iv) that there is no change in the current Issued Share Capital of the Company between 20 January 2010 and the date of the General Meeting.

	<i>Pre-Share Purchase</i>		<i>Maximum holding after Share Purchase(s)</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Gerrard Godfrey Mason	9,984,215 ⁽¹⁾	22.02	9,984,215 ⁽¹⁾	24.47
Gerard Anthony Mason	9,984,215	22.02	9,984,215	24.47
Total (Concert Party)	19,968,430	44.04	19,968,430	48.93

(1) Includes 921,875 shares held by the trustees of a discretionary family trust, in which certain members of Gerard Anthony Mason's family (but not Gerard Anthony Mason) have a beneficial interest, of which Gerrard Godfrey Mason is a trustee

Shareholders should therefore be aware that as illustrated above, Gerrard Godfrey Mason's (Including the 921,875 shares in a discretionary family trust of which Gerrard Godfrey Mason is a trustee) and Gerard Anthony Mason's individual holdings of voting shares in the Company may increase from 22.02 per cent. and 22.02 per cent to a maximum of 24.47 per cent. and 24.47 per cent. respectively and therefore the Concert Party may hold a maximum of 48.93 per cent. of the Issued Share Capital, thereby falling within the provisions of Rule 9 of the Code thus obliging Gerrard Godfrey Mason and Gerard Anthony Mason to make a general offer to all Shareholders. As mentioned on page 6 in the section titled "Waiver of requirements of Code' The Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the Share Purchase(s), subject to the approval of Independent Shareholders. Accordingly, resolution 1, the Whitewash Resolution, is being proposed at the General Meeting, and will be taken on a poll. The Concert Party will be disenfranchised from voting on this resolution.

At present, Gerrard Godfrey Mason and Gerard Anthony Mason are interested in Ordinary Shares carrying more than 30 per cent. but hold Ordinary Shares carrying less than 50 per cent. of the voting rights of the Company. Assuming that the Whitewash Resolution set out in the Notice of General Meeting is passed by the Independent Shareholders neither Gerrard Godfrey Mason nor Gerard Anthony Mason will be able to increase their interest in the Ordinary Shares other than pursuant to a purchase by the Company of Ordinary Shares without incurring an obligation under Rule 9 of the Code to make a general offer to Shareholders.

Further information on the Concert Party is set out on Page 10, paragraph 2 of Part 2.

Management and employees and continuation of the business

The Directors intend to continue to conduct the business of the Group in the same manner as it is currently conducted and there are no plans to redeploy its fixed assets or to introduce any substantial changes in the business, the management, the continued employment of its employees or their terms of employment.

General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at the offices of Brewin Dolphin, National House, 36 St Ann Street, Manchester M2 7LE at 9:00 am on 15 February 2010 at which it will be proposed to:

- approve the waiver by the Panel of any obligations on the Concert Party which may otherwise arise under Rule 9 of the Code for a mandatory offer to be made as a result of the Share

Purchase(s) of up to 10 per cent. of the Company's Issued Share Capital, on which a poll will be taken; and

- authorise the Directors to make market purchases of up to 10 per cent. of the Company's Issued Share Capital.

Action to be taken

A Form of Proxy for use by Shareholders in connection with the General Meeting accompanies this document. Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it to the Company's Registrars, either in person or by post to Capita Registrars, The Registry, Proxy Department, 34 Beckenham Road, Beckenham, Kent. BR3 4TU so as to be received no later than 9:00 am on 13 February 2010.

Unless the Form of Proxy is received by the date and time mentioned in the instructions, it will be invalid. The completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person if you so wish.

Further information

Your attention is drawn to the further information set out in Part 2 of this document.

Recommendation

Your Directors unanimously recommend that Shareholders vote in favour of the Resolution to approve the authority to allow Morson to make, if the Board deem it appropriate, Share Purchase(s) as they intend to do in respect of their own shareholdings of 21,268,750 Ordinary Shares representing approximately 46.91 per cent of the issued share capital as at 20 January 2010, the last practicable date prior to the posting of this document.

The Independent Directors, who have been so advised by Brewin Dolphin, consider the Whitewash Resolution to be in the best interests of the Independent Shareholders and the Company as a whole. In providing advice to the Independent Directors, Brewin Dolphin has taken into account the Independent Directors' commercial assessments.

Accordingly, your Independent Directors unanimously recommend that Shareholders vote in favour of the Whitewash Resolution as they intend to do in respect of their own shareholdings of 1,300,320 Ordinary Shares representing approximately 2.91 per cent of the Ordinary Shares as at 20 January 2010, the last practicable date prior to the posting of this document. Due to their interests, Gerrard Godfrey and Gerard Anthony Mason will abstain from voting in respect of their own holdings.