

Embargoed for release 7.00am, Friday 8 June 2007

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Morse plc Proposed Demerger of Morse's Mobile Banking and Payments Business

Summary

- Proposed Demerger of the Monitise business
- Monitise to seek admission to AIM
- Morse shareholders to receive one Monitise share for each Morse share held at the Demerger Record Time
- Placing of further Monitise shares to raise circa £20m to fund Monitise's ongoing investment and working capital requirements
- Key dates:
 - EGM to approve Demerger to be held on 25 June 2007 at 10.00am
 - Demerger due to become effective on 28 June 2007
 - Unconditional dealings in Monitise Demerger shares expected commence at 8.00am on 28 June 2007
 - Unconditional dealings in Monitise Placing shares expected to commence at 8.00am on 29 June 2007

Morse plc ('Morse' or 'the Company') announces further details of its proposal to demerge the Company's Monitise business ('Monitise') and seek a separate listing for Monitise on AIM and that today it expects to send a notice to its shareholders that an Extraordinary General Meeting (EGM) will be convened on 25 June 2007 at which Morse shareholders will be asked to vote in favour of the Demerger.

The Board believes that the time is now right to demerge the Monitise business from Morse in order to demonstrate the value of both Morse and Monitise and allow each to pursue its own independent strategy. It believes that the Demerger could crystallise significant additional value and that seeking admission of Monitise to AIM is the most appropriate route to pursue in order to provide choice for and maximise value for all shareholders.

The Board anticipates an increasing level of required investment in the Monitise business over the next 18 months and has determined that this investment will be most appropriately provided by external sources via a placing. The Directors currently expect the placing to raise approximately £20 million.

The Demerger

The Board believes that the Demerger will:

- allow both businesses to pursue their own independent strategies;
- give shareholders, and other market participants, attractive and focused investments in two separate companies, each with its own market determined valuation;
- bring greater transparency to the activities of the core Morse consultancy business, which the Board believes will allow the stock market better to assess the value of the Morse going forward;
- allow the continuing Morse group more flexibility in actively pursuing and funding growth opportunities for the Morse consultancy business;
- create a separate AIM quoted holding company for the Monitise business with a clear and independent strategy and a strong board; and
- allow the Monitise business to respond with more flexibility to changing market conditions and to take advantage of future opportunities for development and growth.

The Demerger will be effected by Morse declaring a special dividend, equal to the book value of its shareholding in Monitise Group Limited, subsidiary which currently operates the Monitise business, which will be satisfied, *in specie*, by the allotment and issue by Monitise of shares, credited as fully paid, to Morse shareholders. Morse shareholders on the register at the close of business on 27 June 2007 will receive **one ordinary share in Monitise plc for each Morse share** held by them.

As at close of business on 6 June, there were 156,551,455 Morse Shares in issue. It is therefore expected that, immediately following completion of the Demerger, there will be 156,551,455 Monitise Shares in issue.

Following the Demerger, Morse will remain the ultimate holding company for its advisory and execution professional services business, and its shares will remain on the Official List and will continue to trade on the London Stock Exchange's market for listed securities. The Monitise business will be owned by a new entity called Monitise plc, and application will be made for this company to be admitted to AIM. Admission of the shares issued by Monitise on demerger to AIM is expected at 8.00 a.m. on 28 June 2007.

The Placing

The Board anticipates that an increasing level of investment in the Monitise business will be required during the next 18 months, amounting to approximately £20 million in total, which should be partially offset by expected revenues from a number of overseas sales opportunities together with revenues beginning to build from the Monitise business's operations. The Board has determined that this investment will be most appropriately provided by external sources and consequently it is anticipated that a placing of further Monitise shares will be undertaken on the Business Day following the Demerger.

Information on Monitise

The Monitise business, which was founded four years ago, has already made significant progress. It has developed a market-leading mobile and banking payments platform in the UK, on which foundation it continues to build. The Monitise business operates in exciting, valuable and growing markets and the Board believes it has the opportunity to establish itself in key geographies as a leading player.

Contracts to implement the Monitise business's UK mobile banking service ("MONILINK™") have already been signed with a number of major UK retail banks, of which HSBC, First Direct and Alliance & Leicester have live services with customers and the Royal Bank of Scotland group is at the testing and implementation stage. These four retail banking groups account for over 33% of the current account cards in the UK market and the management of the Monitise business are confident that they will reach similar agreements with other UK retail banking groups. Vodafone, Orange, T-Mobile, O2, Virgin Mobile, Tesco Mobile and Hutchison 3G have "connected" to the Monitise Platform and can provide their customers with services delivered using Monitise technology.

The Board believes Monitise's key strengths are:

- **Significant barriers to entry**
- **Significant potential**
- **Experienced management team and strong board**

The Monitise Board is as follows:

Chairman	Duncan McIntyre
Chief Executive	Alastair Lukies
Non-Executive Director	David Dey
Non-Executive Director	Peter Radcliffe
Non-Executive Director	Colin Tucker
Company Secretary	Lee Cameron

The Directors believe that the Monitise business is an exciting business providing substantial opportunity based around secure mobile banking applications and that its business is making substantial progress. The market continues to expand rapidly and considerable interest continues to be shown in the services provided by Monitise. The Board is confident about the prospects for the Monitise business.

Information on Morse

The Morse group has transformed itself from a reselling business into an advisory and execution professional services business and the Board believes that it has a significant opportunity to become a leading advisory and execution professional services business in its specialist areas. The Morse consultancy business is cash generative and has been increasing its margins in line with its strategic plan.

The Morse consultancy business, which has operated under a single brand, Morse, since February 2007, will continue to operate as an advisory and execution professional services business following the Demerger.

The Board believes the consultancy business's key strengths are:

- **Focused market positioning and specialisation**
- **Brand recognition**
- **Depth and breadth of client relationships**
- **Track record of profitable organic and acquisition-led growth**
- **The senior operational management of the Continuing Morse Group is highly experienced in business and IT consulting services**

The Directors believe that Morse consultancy business continues to make good progress in its transition to an advisory and professional execution services business. The Directors believe that this business has performed well in the second half of the 2007 financial year and they are confident its prospects for the future, in markets which they believe show good growth characteristics.

The Morse Board, following the Demerger, shall be as follows:

Chairman	Richard Lapthorne
Deputy Chairman	Duncan McIntyre
Chief Executive	Kevin Alcock
Finance Director	Eric Dodd
Non-Executive Director	Derrick Nicholson
Non-Executive Director	Nigel Whitehead
Non-Executive Director	Michael Benson
Company Secretary	Nicholas Sandison

The Morse Board is therefore expected to remain largely in its current form immediately following the Demerger, with three important exceptions:

Kevin Alcock, the current Chief Executive of the Morse consultancy business will become Chief Executive of Morse upon completion of the Demerger. This will allow Kevin to continue his strong leadership of the Morse consultancy business to date, and to drive its strategy forward.

Duncan McIntyre will cease to be Chief Executive of Morse upon completion of the Demerger and will become Deputy Chairman of the Company. This will allow Kevin Alcock to become Chief Executive of Morse. Duncan's new role has been created to ensure a smooth transition from the current Morse group structure to the structure after Demerger when Morse Group will control only the Morse Business.

Colin Tucker will cease to be a Non-Executive Director of Morse but will become a Non-Executive Director of Monitise upon completion of the Demerger.

Commenting on the developments announced today, Morse Chairman, Richard Laphorne, said:

“Morse and Monitise have progressed very successfully as separate operating businesses and the decision to demerge them and seek for the admission of Monitise to AIM is important in providing our existing shareholders with greater investment choice. This is significant at a point when the investment profile of the two businesses is already very different. Our desire to enable investors to make that choice is borne out of our confidence that the demerger and admission will crystallise significant additional value for all Morse plc’s shareholders.”

Morse Executive Deputy Chairman (designate), Duncan McIntyre, added:

“Both Morse and Monitise are highly successful businesses in their own right with experienced, committed management teams and strong leaders in Kevin Alcock and Alastair Lukies, as well as strong positions in the markets in which they operate. However, each has distinct characteristic and funding requirements, and each now stands to benefit from implementing its own strategy for growth and developing as a stand alone, listed entity.”

Kevin Alcock, Chief Executive (designate) of Morse, commented:

“Following the demerger, Morse is a pure play professional services advisory & execution firm with an outstanding blue chip client base and established international reach. Our specialist approach based upon deep industry sector knowledge and proven alignment of business and IT consulting capabilities will help to differentiate us in our chosen markets, where we continue to see good growth opportunities for the business.”

Alastair Lukies, Chief Executive of Monitise Group, commented:

“With live services across some of the UK’s largest banking groups and arrangements to launch our service in the United States and in other key markets, we have a unique opportunity to commercialise our business on a mass-market, international scale. The proposed admission to AIM and subsequent placing will provide the appropriate financial structure to exploit the unique position we hold in this high growth, global market and to retain our leading position as the market evolves.”

Ends

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of Morse plc. You can identify forward-looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might” the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. We do not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment and market change in our industries, and other factors specifically related to Morse plc and its operations.

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Morse plc
Proposed Demerger of Morse's Mobile Banking and Payments Business

Introduction

On 24 April 2007, the Board announced that it was proposing to demerge the Company's Monitise business and apply for it to be admitted to AIM. The Board has today confirmed the proposed Demerger and proposed admission of Monitise to AIM.

It is proposed that, following the Demerger, Morse will remain the ultimate holding company for the Morse consultancy business, with the Monitise business being demerged to a new entity called Monitise plc. Following completion of the Demerger, Morse Shares will remain on the Official List and will continue to trade on the London Stock Exchange's market for listed securities. An application will be made for the Monitise shares to be admitted to AIM.

Due to the size of the transaction, the Demerger is conditional on, *inter alia*, the approval of Shareholders, which is to be sought at the EGM. Subject to, *inter alia*, this approval, the Demerger is expected to become effective and the Monitise shares being issued on the Demerger are expected to be admitted to AIM at 8.00 a.m. on 28 June 2007.

Background to and reasons for the Demerger

The Board stated in Morse's interim results announcement on 28 February 2007 that it was considering the possible separation of the Morse and Monitise businesses. The Board subsequently undertook an assessment of the options for more effectively exploiting the potential of these businesses and announced on 24 April 2007 its intention to demerge the Monitise business and apply for it to be admitted to AIM.

The Monitise business has been structured as a stand-alone business alongside the Morse consultancy business since August 2006 and the two businesses have continued to develop as separate entities within the Morse group, operating separately and having distinct characteristics.

The Morse group has transformed itself from a reselling business into an advisory and execution professional services business and the Board believes that it has a significant opportunity to become a leading advisory and execution professional services business in its specialist areas. The Morse consultancy business is cash generative and has been increasing its margins in line with its strategic plan.

The Monitise business, which was founded four years ago, has already made significant progress. It has developed a market-leading mobile and banking payments platform in the UK, on which foundation it continues to build. The Monitise business operates in exciting, valuable and growing markets and the Board believes it has the opportunity to establish itself in key geographies as a leading service provider.

The Board believes that the time is now right to demerge the Monitise business from Morse in order to demonstrate the value of both Morse and the Monitise business and allow each to pursue its own independent strategy. It believes that the Demerger could crystallise significant additional value and that seeking admission of the Monitise business to AIM is the most appropriate route to pursue in order to maximise value for shareholders.

The Board has decided to propose the separation of the Monitise business from the rest of the Morse group by way of the Demerger for the following reasons:

- it believes that the current stock market valuation of Morse does not accurately reflect the value of the Morse group's component parts;
- the business and activities of the Monitise business are fundamentally different to those of the Morse consultancy business; and
- the capital requirements and investment propositions of the Monitise business differ from those of the rest of the Morse group.

The Board believes that the Demerger will:

- allow both businesses to pursue their own independent strategies;
- give shareholders, and other market participants, attractive and focused investments in two separate companies, each with its own market determined valuation;
- bring greater transparency to the activities of the Morse consultancy business, which the Board believes will allow the stock market better to assess its value;
- allow Morse more flexibility in actively pursuing and funding growth opportunities for the Morse consultancy business;
- create a separate AIM-quoted holding company for the Monitise business with a clear and independent strategy and a strong board; and
- allow the Monitise business to respond with more flexibility to changing market conditions and to take advantage of future opportunities for development and growth.

The Board will continue to review opportunities for organic or acquisitive growth for the Morse consultancy business and will consider both debt and equity funding in determining how best to finance specific acquisition opportunities in the future.

Information regarding the Monitise business

Background

The Monitise business was formed in 2003 as a business unit within the Morse group to invest in building a mobile banking platform which could leverage the existing banking infrastructure for the rapidly emerging mobile banking and payments market.

The key product of the Monitise business at the present time is MobileATM™, a mass market, mobile phone banking platform, with bank-grade security which provides consumers with a fast, convenient, secure and straightforward means by which to conduct their banking enquiries (currently mini-statements and balance enquiries) and transact (currently top-up of prepay mobile phones) via their mobile phone. In the UK, it mobilises the secure ATM platform operated by LINK to access its partner banks' live services (currently three major UK retail banks) and is connected to all UK mobile networks.

Group structure

The Monitise Group comprises Monilink Limited (a 50:50 joint venture with LINK Group Holdings Limited which markets the Monitise business in the UK and the Republic of Ireland) and Monitise International Limited (which is held 85% by Monitise Holdco and 15% by LINK Group Holdings Limited and which holds the intellectual property in Monitise's technology and markets the Monitise business globally, other than in the UK and the Republic of Ireland). Monitise will also, immediately following the Demerger, include a new joint venture in the US, Monitise LLC, which will be 51% owned by Metavante (the US financial services group), and 49% owned by Monitise Inc., a wholly owned subsidiary of Monitise International, which will market the Monitise Platform in the US.

Market opportunity

Banks around the world are progressively migrating banking services from branch networks to more cost effective channels such as ATMs, internet banking and telephone banking. Customer acceptance of self service channels has been significant and there are now estimated to be 1.5 million¹ ATMs operating in more than 140 countries worldwide². The ATM has become the global de-facto standard for electronically accessing banking services on the high street. In a similar way, the Board considers that a mobile banking solution can become the de-facto standard for accessing secure banking services in the mobile and digital world.

The Board believes mobile banking services are becoming increasingly attractive to banks and mobile operators as they attract new customers, provide choice and improved satisfaction to existing customers, deliver new income streams, reduce costs and the incidence of fraud, require minimal IT effort to integrate, respond to increasing regulatory pressure for transparency, provide cross-selling and up-selling opportunities and protect against disintermediation. Industry analysts anticipate that mobile

¹ <http://www.researchandmarkets.com/reports/34759/35759.htm>

² RBR Global ATM Report 2007

devices could become the fifth and most heavily utilised banking channel by consumers, following branch, ATMs, call centres and the internet.

Since its inception, the Monitise group has developed the Monitise platform and implemented it in the UK with the appropriate infrastructure so that it can deliver a range of information and banking transaction services to consumers through their mobile phones whilst being easy to use and employing bank-grade security.

The Board estimates that the global opportunity for all participants in this fast-emerging market could amount to over £5 billion over the next five years. Statistics show that 86% of North American adults now have a mobile phone, and mobile penetration is still growing slowly³. The Board believes that mobile banking growth will eventually surpass global internet banking growth and that there is already an increasing acceptance of data usage through mobile devices. 51% of the UK's frequent internet users have expressed a general interest in mobile banking⁴, up from 10% in 2001 and 33% in 2004⁵. In addition, 39% of 25-44 year olds would like to deal with finances on the way to and from work and 50% of 18-24 year olds would like a bank balance or credit notification on their mobile phone⁶. Mintel International Group estimates that 25% of online banking customers would switch bank to gain access to mobile banking⁷.

The Monitise business currently employs 72 people, approximately 90% of whom hold tertiary qualifications.

The UK business

MONILINK™, the Monitise business's UK mobile banking service has been successfully implemented and operates in the UK, which the management of the Monitise business believe to be one of the world's more conservative, security-conscious and heavily regulated financial markets.

In the UK, the Monitise business operates primarily through Monilink Limited, the 50:50 joint venture with LINK Group Holdings Limited (which owns the MONILINK™ trademark and licenses it to Monilink). LINK operates the LINK ATM network, which connects the UK retail banks to over 59,000 ATMs (cash machines) and carries, or switches, approximately 5.5 million transactions per day. The Monitise business's partner banks, being members of the LINK ATM network, have also themselves been subject to stringent tests and have received the certification required by LINK prior to passing any Monitise transactions through the LINK ATM switch.

Contracts to implement MONILINK™ have so far been signed with a number of major UK retail banks, of which HSBC, First Direct and Alliance & Leicester have live services with customers and the Royal Bank of Scotland group is at the testing and implementation stage. These four retail banking entities account for over 33% of the current account cards in the UK market and the management of the Monitise business are confident that it will reach similar agreements with other UK retail banking groups. Vodafone, Orange, T-Mobile, O2, Virgin Mobile, Tesco Mobile and Hutchison 3G have "connected" to the Monitise platform and can provide their customers with services delivered using the Monitise platform.

As every major retail bank and building society in the UK is a member of the LINK ATM network and each of these banks has LINK IT systems embedded in its core processing infrastructure, the Monitise business's services are capable of being delivered for any UK retail bank, through any partner mobile operator network and to nearly any mobile handset, irrespective of region and with a minimum of additional IT hardware required.

Global potential

The Monitise Platform, already deployed in the UK, can be replicated in other countries with minimal localisation. The Monitise business, through Monitise International, has selected and is building

³ Forrester Research Inc. "Forrester's Consumer Technology Adoption Study, 2000 to 2005", page 6

⁴ (Source: Wi-Fi Technology Forum "Publications and Resources: 51% of UK's Frequent Internet Users Interested in Mobile Banking" page 1, December 16 2005); <http://www.wi-fitechnology.com/displayarticle2501.html>

⁵ (Source: Forrester Research "What Europeans want from mobile banking", page 1, 17 March 2005)

⁶ (Source: BT Media Centre "UK banks risk losing sight of customers as automated services take off" page 1, 14 December 2005); <http://www.btplc.com/News/Articles/Showarticle.cfm?ArticleD=b6099dc2-0e2c-4417-bea2-df3dba7beee0>

⁷ (Source: Mintel International Group Limited Report "Current Accounts" June 2007); <http://oxygen.mintel.com/sinatra/display/id=171906>

relationships with a number of partners around the world, such as Metavante in the US⁸ which the management of the Monitise business believes to have the credibility and relationships to be able to roll out the Monitise Platform in the relevant territories and on Demerger will have established a joint venture to target the US market. This strategy reduces the time to market, investment and execution risk.

Significant steps have also been taken towards furthering the Monitise business's first direct licensing opportunity. A preferred supplier agreement has been signed with T-Systems in Germany, with commitment to a payment to the Monitise business for a period of exclusivity. This is a significant step towards the final licensing and integration of a full overseas service provider. Management of the Monitise business has confirmed that interest has also been received regarding the Monitise Platform in a variety of other overseas territories.

The Monitise Platform

The Monitise platform is capable of supporting three service categories, not all of which have been launched commercially as at the date of this announcement:

- Information services
 - balance enquiries and mini-statements, enquiries (live)
 - credit card balance and mini-statement enquiries
 - stored value card balance and mini-statement enquiries
 - set and manage alerts (e.g. impending overdraft alert)
 - sales prompts (e.g. insurance quotes)
 - bill presentation
- Transactional services
 - mobile phone top-up services for prepay customers (including family & friends)
 - stored value card top-up (including transport (transit cards, road pricing, parking meters), gaming and lottery for family and friends)
 - phone resident contactless stored value top-ups
 - transfers between own accounts
 - bill services: presentment, payment, meter reading
 - peer-to-peer payments/third party remittances (including international remittances)
- Security and identity
 - The Monitise platform provides both secure authentication codes and transaction confirmation and thus negates the need to provide card readers or passcode-generating tokens to every internet banking customer. The Monitise platform also delivers two factor authentication of telephone banking, and "cardholder not present" transactions. When used for "cardholder not present" transactions the Monitise platform can confirm the transaction details providing "chip and pin" equivalent authentication for "cardholder not present" transactions similar to those carried out for internet banking.

Independent review

A large number of third parties have undertaken due diligence on the Monitise business and the Monitise platform, including several independent experts and several major UK retail banks and mobile network operators that have signed agreements with the Monitise business. In addition, the Monitise business complies with ISO8583, the international standard for payment processing, and is subject to ongoing independent reviews.

The combined level of due diligence undertaken by these parties has been extensive and has included, *inter alia*, detailed reviews of security, cryptography, development standards, service level agreements, business continuity plans, penetration testing and external risk assessments.

As a result, the Board believes that the Monitise business has a scaleable and robust platform.

Business model

The Monitise business is investigating a variety of revenue models for each of these services, ranging from a licensing model to revenue per customer and revenue per service usage. It expects that these models will develop as the mobile banking market matures.

The Monitise platform is delivered and conducted as a managed service, which the Board believes has a number of advantages over competing offerings that use SMS, mobile internet or software solutions, and

⁸ For further information, see paragraph 4.2(g) of Part VIII of this document.

do not offer the mass-market characteristics required for mobile banking to become a ubiquitous banking channel.

Having established itself in the UK, a key market for mobile banking, the Board believes that the Monitise business has the opportunity to become a leading player within the fast-growing markets for mobile banking, commerce and payments and it is vital that it continues aggressively to deliver on its strategy of being the platform of choice within the global market. In order to achieve this, the Monitise business needs to continue to develop its product roadmap, pursue international expansion, exploit its intellectual property and core expertise, and attract and retain key personnel.

The Monitise group has established Monitise Business Solutions ('MBS') to apply technology developed by Monitise to non-mobile banking commercial markets. MBS has developed two initial products and services for these markets:

- ACCODE, a mobile dual-factor authentication solution, which offers a secure, reliable, cost-effective and convenient verification solution to solve the security issues surrounding desktop access, remote access and portal security; and
- Mobile Card Manager Service, which offers mobile-based top up and balance and ministatement enquiries for stored value accounts including, among others, lottery and transport applications.

Funding

The Board anticipates requiring an increasing level of investment in the Monitise business, and having reviewed potential working capital requirements over the next 18 months, is expecting an investment of approximately £20 million. This funding requirement should be partially offset by expected revenues from a number of overseas sales opportunities together with revenues beginning to build from both the Monitise business's UK operations and from MBS. The Board has determined that this investment will be most appropriately provided by external sources and consequently it is anticipated that a placing of Monitise shares will be undertaken on the Business Day following the Demerger.

Strategy

The Board believes that the Monitise business has developed a unique blend of services, which enables banks and mobile network operators to capitalise on the mobile phone as a fifth channel to market (in addition to branch, ATM, call centre and the internet channels). As at 31 December 2006, Morse and its partners had invested approximately £10 million in the Monitise business, of which approximately £8 million had been contributed by Morse (gross of tax credits).

The objective of the Monitise business will be to achieve profitability by exploiting its intellectual property, its market position in the UK and pursuing its international opportunities. It expects to achieve this through a continued investment in the development of new products and services, pursuit of geographic expansion through a combination of organic growth, joint ventures and licensing agreements, consultancy and the continued adoption of its services by consumers.

The objective of the Monitise business is that the Monitise platform becomes the global *de facto* standard for mobile banking and payments. Management of the Monitise business believes this will be achieved through:

- being the first credible service to market;
- retail banks and mobile network operators participating in the business model and being advocates;
- offering a comprehensive set of services at a low cost;
- providing the broadest possible consumer coverage;
- expanding internationally in advance of mass consumer uptake, including through the use of joint ventures and licence agreements to reduce investment risk;
- attracting and retaining key personnel;
- delivering the best user experience; and
- building a sustainable network for financial institutions, mobile network operators, merchants and consumers that guarantees and balances the interests of all parties.

Key strengths

- Significant barriers to entry
 - an established joint venture with LINK;
 - Monitise has been first to market in the UK with an industry platform;
 - relationships have been established with switches, banks and mobile network operators in several key countries;

- robust, scalable technology with bank-grade security architecture;
- successful integration with the LINK network, the busiest ATM switch engine in the world;
- the security model is effective in the UK, in one of the world's more conservative, security conscious and heavily regulated financial markets; and
- the Monitise platform leverages the existing infrastructure of banks, mobile network operators and switches.
- Significant potential
 - a high-growth global market provides significant opportunity;
 - could replicate and exceed the impact of ATMs on financial services;
 - could become a global *de facto* standard;
 - foundation is in place for development in parallel areas (such as supporting contactless payments and e-cash platforms); and
 - mobile banking technology and expertise is able to be applied to other sectors through MBS.
- Experienced management team and strong board
 - listed company and growth company accomplishments; and
 - blend of leading industry specialists from banking, mobile and technology backgrounds.

Financial Record

Monitise business	Unaudited			
	12 months ended 30 June 2004 £'000	12 months ended 30 June 2005 £'000	12 months ended 30 June 2006 £'000	12 months ended 31 December 2006 £'000
Loss before taxation	-	(551)	(3,279)	(2,890)
Operating loss	-	(551)	(3,279)	(2,890)
Gross assets	335	401	894	1,645
Net liabilities	-	(551)	(2,967)	(5,054)

Information regarding the continuing Morse group

Background

The continuing Morse group, which has operated under a single brand, Morse, since February 2007, will continue to operate as an advisory and execution professional services business following the Demerger.

For the year ended 30 June 2006, Morse reported turnover of £367.1 million and a profit before tax and exceptional items of £6.7 million (including discontinued turnover of £70.2 million). As at 30 June 2006, Morse had net assets of £64.5 million, including net cash of £27.3 million⁹.

For the six months ended 31 December 2006, Morse reported unaudited turnover of £132.2 million and an unaudited profit before tax and exceptional items of £2.9 million. As at 31 December 2006, Morse had unaudited net assets of £62.8 million, including net cash of £18.1 million¹⁰.

The Morse consultancy business offers the services detailed below. The figures estimated below are based on Morse unaudited interim financial statements for the six month period to 31 December 2006, which were announced on 28 February 2007:

⁹ These financial results include the Monitise business. Please refer to paragraph (b) below and to Part VI of this document for information about pro forma financial statements in respect of Morse.

¹⁰ These financial results include the Monitise business. Please refer to paragraph (b) below and to Part VI of this document for information about pro forma financial statements in respect of Morse.

Management consultancy

Morse's management consultancy business comprises the provision of strategy and business improvement services to help clients identify and address business opportunities, enabling the delivery of change to improve business performance and reduce risk.

Morse's management consultancy operations continue to grow outside their traditional UK client base of investment organisations to include new clients in the life and pensions and capital markets segments, as well as internationally with an expanding presence in Australia, Singapore, South Africa and France.

Applications consultancy

The Morse consultancy business provides applications consultancy which spans the spectrum of critical competencies from business case development, process innovation and implementation through to benefits realisation. It has the capability and experience of successfully implementing and supporting a wide variety of business solutions, including Oracle, Microsoft, SAP and Enterprise Content Management. It also provides independent and objective advice about selecting the right solution for an organisation. It operates in three main territories: the UK, Asia Pacific and the US.

UK infrastructure consultancy

Morse's UK infrastructure consultancy business provides technology and integration solutions to clients who wish to make their IT more flexible and better aligned to their business goals. It offers services that include the efficient and effective provisioning of technology, mission critical technology environments that deliver project return on investment, flexible resources and architecture strategy and design.

Morse's four key industry verticals

The Morse consultancy business specialises in four key industry verticals: Financial Services, Media and Communications, Commercial and Public Sector. As stated in the Morse results announcement dated 28 February 2007, as the Morse consultancy business develops, the Board believes that it will continue to move from its historic solutions-based structure to a vertical industry-aligned operating model.

Strategy

Following the Demerger, the continuing Morse group's strategy will be to maintain its focus on operating as an advisory and execution professional services company to certain chosen business areas and industry verticals.

Specifically, the Morse consultancy business strategy will be to:

- develop further its chosen business areas and industry verticals;
- expand the range of services delivered to its clients; and
- continue to improve operational performance and productivity.

Key strengths

- strong market positioning;
- brand recognition;
- depth and breadth of strong client relationships;
- track record of profitable organic and acquisition-led growth; and
- the senior management of the continuing Morse group is highly experienced in business and IT and consultancy services.

Terms of the Demerger

The Demerger will be effected by Morse declaring a special dividend, equal to the book value of its shareholding in Monitise Group Limited, subsidiary which currently operates the Monitise business, which will be satisfied, *in specie*, by the allotment and issue by Monitise of shares, credited as fully paid, to Morse shareholders. Morse shareholders on the register at the close of business on 27 June 2007 will receive **one ordinary share in Monitise plc for each Morse share** held by them.

As at the close of business on 6 June, there were 156,551,455 Morse shares in issue. It is therefore expected that, immediately following completion of the Demerger, there will be 156,551,455 Monitise shares in issue.

Neither Morse nor Monitise will have a shareholding in the other following the Demerger. Duncan McIntyre will be the only director common to Morse and Monitise. Application will be made for the

Monitise Shares to be admitted to AIM. Immediately after the completion of the Demerger, each Morse shareholder will own the same percentage of Monitise shares as it currently owns of Morse shares.

The Demerger is conditional, inter alia, upon shareholders approving the Demerger at the EGM.

Monitise Placing

Monitise intends to implement a placing of Monitise shares with certain Qualified Investors, and other institutional investors and directors of Morse and Monitise, on the Business Day following the Demerger, in order to provide working capital for the Monitise business to support its continuing growth. The placing will be carried out on a non-pre-emptive basis, and application will be made for these placing shares to be admitted to AIM on the Business Day following the admission of the Monitise shares issued pursuant to the Demerger to AIM. As a result of the placing, Shareholders' percentage holdings in Monitise may be diluted.

The number and price of Monitise shares offered as part of the placing will be determined on completion of a competitive book-build process. The Directors currently expect the placing to raise approximately £20 million Monitise will bear the costs of the placing.

To the extent that the placing raises less than £20 million (after expenses), the Company has agreed to provide an unsecured working capital facility to Monitise Holdco for the benefit of the Monitise Group.

Current trading and prospects

Continuing Morse group

The Directors believe that the continuing Morse group continues to make good progress in its transition to an advisory and professional execution services business. The Directors believe that the continuing Morse group has performed well in the second half of the 2007 financial year and they are confident about the continuing Morse group's prospects for the future, in markets with good growth characteristics.

Monitise business

The Directors believe that the Monitise business is an exciting business providing substantial opportunity based around secure mobile banking applications and that its business is making substantial progress. The market continues rapidly to expand and considerable interest continues to be shown in the services provided by the Monitise business. The Board is confident about the prospects for the Monitise business.

Dividend policies

In setting the level of future dividends of Morse, the Board will have regard to the progress made by the Morse Business, the cash flows generated by the business and the Company's future prospects. The Board intends to maintain a consistent dividend policy following the Demerger.

The future dividend policy of Monitise is a matter for the board of Monitise to decide following the Demerger. However, it is not expected that any dividends will be paid until Monitise becomes profitable. In any event, declaration and payment of dividends by Monitise will be dependent upon its financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Monitise board as relevant at the time.

Board structure

Following the Demerger, Morse and Monitise will be separately listed companies. The boards of the two companies following the Demerger are anticipated to be as follows:

	Morse	Monitise
Chairman	Richard Laphorne	Duncan McIntyre
Deputy Chairman	Duncan McIntyre	N/A
Chief Executive	Kevin Alcock	Alastair Lukies
Finance Director	Eric Dodd	Not appointed (see below)
Non-Executive Director	Derrick Nicholson	David Dey
Non-Executive Director	Nigel Whitehead	Peter Radcliffe
Non-Executive Director	Michael Benson	Colin Tucker
Company Secretary	Nicholas Sandison	Lee Cameron

The Board is therefore expected to remain largely in its current form immediately following the Demerger, with three important exceptions:

Duncan McIntyre will cease to be Chief Executive of Morse upon the Demerger becoming effective, and will become Deputy Chairman of the Company. This will allow Kevin Alcock to become Chief Executive of Morse at that time. Duncan's new role has been created to ensure a smooth transition from the current Morse Group structure to that after Demerger, when Morse will control only the Morse Business. Duncan will work two days a week in this new role.

Kevin Alcock the current chief executive of the Morse consultancy business, will become Chief Executive of Morse. This will allow Kevin to continue his strong leadership of the Morse Business to date, and to drive forward the outlined business strategy;

Colin Tucker will cease to be a Non-Executive Director of Morse and will become a Non- Executive Director of Monitise.

No finance director will have been appointed to the Board of Monitise at the time of the Demerger. Duncan McIntyre will provide the financial experience required at Monitise board level.

Ends

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of Morse plc. You can identify forward-looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. We do not intend to or undertake any obligation to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment and market change in our industries, and other factors specifically related to Morse plc and its operations.

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