

# News

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## **Lovell acquires Connaught social housing contracts**

Morgan Sindall Group plc, the construction and regeneration group, today announces that its affordable housing provider, Lovell has reached agreement to acquire the majority of the ongoing contracts and their related assets of the social housing division of Connaught plc, allowing essential maintenance services to continue without interruption. Around 2,500 employees connected with the ongoing contracts will transfer to Lovell as part of the agreement.

A total cash consideration of £28 m has been paid for the assets, which represents a discount to their net book value. The payment has been made from the company's existing cash resources. At 30 June 2010, Morgan Sindall had net cash of £138m and the Group will continue to have a strong financial position following the acquisition.

The acquisition is consistent with Morgan Sindall's long-term strategy to achieve leading positions in its chosen markets. The acquisition will significantly enhance Lovell's market leading position in the affordable housing sector and creates a national, full-service business delivering planned and reactive maintenance as well as new-build social and open market affordable housing. The new contracts are expected to generate approximately £200 million of additional annual revenue, split broadly between response maintenance contracts and Decent Homes, planned maintenance contracts.

In the year to 31 December 2009, Lovell reported an operating profit of £14.9 million on revenue of £374 million.

Earlier this year Lovell extended its housing maintenance capability and geographic reach following the strategic acquisition of Powerminster Gleeson Services. All Powerminster's contracts were transferred to Lovell Respond, the company's national housing maintenance business.

"This is a step change for Lovell. The acquisition significantly increases the scope and scale of our planned and reactive maintenance activities and further develops our market leading position," says John Morgan, executive chairman of Morgan Sindall Group plc.

"Our focus now will be to ensure a smooth handover of the contracts and to minimise disruption to essential maintenance services. We look forward to working with our new and existing clients and to provide them with a high level of service, as well as protecting jobs on the contracts we are acquiring.

"Through the experience built up at Lovell over many years, we are happy with the terms on which we are acquiring these contracts. The Board believes that this acquisition represents excellent value for our shareholders."