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Spring 2004 update



Acquisitions

LGV's most recent investment, the secondary buy-out of LGC, is described below. Also featured is Hayley Conference Centres, an investment that has been growing rapidly through new developments:



Setting standards in analytical science

LGC

In April 2004, LGV completed the acquisition of LGC, Europe's leading independent provider of advanced analytical and diagnostic services.

LGC was privatised in 1996, since when the management team has been successful in the development of the business, both organically and through acquisition, increasing its turnover from £15m to £52m and achieving a ten-fold increase in profit.

LGC fulfils the role of the UK's national measurement laboratory for chemical and biochemical analysis. In addition to this, it provides analytical and diagnostic services to a diverse range of end markets with clients in the public and private sectors, together with the distribution of analytical and biological reference standards across Europe.

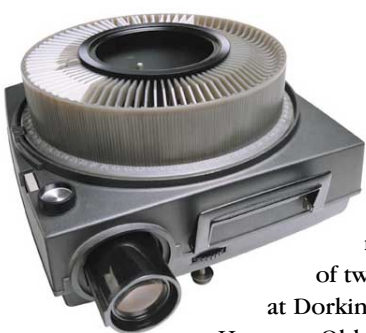
UK
Secondary buy-out
N/D
Services

LGC's laboratories are amongst the most advanced analytical facilities in Europe. They provide a complex range of testing services that include BSE testing, the genotyping of sheep to eradicate scrapie, and food quality analysis. One of the company's fastest growing areas is DNA-based diagnostic services, which includes forensic investigations for police forces. DNA testing is becoming of increasing importance as a source of evidence and is an area in which LGC is gaining market share.

Penetration of core testing technology into new markets together with expansion across Europe typifies LGC's strategy for growth. This will be complemented by the continued expansion of the geographical reach of reference materials, to meet the increasing demand throughout Europe for high quality reference standards and biomaterials.

LGV is looking forward to supporting management in the continued development and growth of the business across Europe both organically and through selective acquisitions.

www.lgc.co.uk



Hayley Conference Centres

Hayley Conference Centres marked 2003 with the opening of two new venues: Wotton House at Dorking in Surrey and Beaumont House at Old Windsor, Berkshire. Hayley now has 1,003 bedrooms across seven venues. The other venues are near Northampton, Milton Keynes, Stratford-upon-Avon, Nottingham and Manchester.

UK
Buy and build
N/A
Services

Hayley was established 11 years ago by an entrepreneurial team which identified a gap in the market for four star hotel-style facilities which were not open to the public. LGV funds invested in Hayley in May 2000 when it had just opened its fifth site, Eastwood Hall near Nottingham. The centres are ideal for business people holding events such as product launches, training and conferences. The average event involves 20 delegates staying for two nights and three days.

Although Hayley is growing rapidly, having almost doubled its number of bedrooms in three years, it still only represents about 0.5% of the £7bn UK market for meetings and conferences and sees significant potential for further growth from its skills at developing new sites.

www.hayley-conf.co.uk

Disposals

We have been busy returning cash to investors with realisations achieved through trade sales, secondary buy-outs and re-financings. Two examples are described in detail below:



Craegmoor Healthcare

In September 2003, Craegmoor Healthcare, the UK's largest independent provider of long-term specialist residential care, completed its third whole business debt securitisation. The issue comprised fixed and floating notes totalling £245m with a weighted average cost of 6.67%. The issue included £157.5m of AAA-rated paper. The net proceeds were used to repay existing group debt including the previous securitisation, the facilities utilised to fund bolt-on acquisitions and the mezzanine loans. The transaction has also provided a surplus to repay some shareholder loans.

The securitisation provides Craegmoor with a secure capital base and a long-term platform to support its future growth, including its acquisition and development strategy as a leader in the specialist care market.

UK
Refinancing
N/A
Health



Craegmoor was acquired by funds managed by LGV in July 2001 and since this time LGV has adopted its usual 'buy and build' approach by supporting Craegmoor's growth organically and through acquisition, having completed 26 of the latter since it was acquired.

It has also broadened the scope of its business to include two further services: Secure Services and Supported Living. The Secure Services business comprises short, medium and long-term rehabilitation units as well as forensic, drug and alcohol detox units. The Supported Living business provides supported accommodation and rehabilitation for people with specialist needs, with a view to integrating them back into the community.

www.craegmoor.co.uk



Accantia

In the summer of 2000, funds managed by LGV acquired approximately 20% of Accantia, a £140m buy-out from Smith & Nephew of its consumer products division in a deal led by ABN AMRO Capital. The

UK
Secondary buy-out
£225m
Personal care

two main businesses within Accantia are feminine hygiene (it owns the Lil-lets brand) and health & beauty (it owns the Simple brand). Since the time of the acquisition it has consistently performed on or ahead of plan, enabling early pre-payments of its entire mezzanine strip and a significant portion of its senior debt.

Following the successful disposal of the non-core Australian business and the rationalisation of the group's UK manufacturing facilities in mid 2003, Accantia received an unsolicited offer to undertake a secondary buy-out at a price of £225m. The sale, which was completed in January 2004, generated a multiple of 2.7 times the original investment for the institutional investors and an IRR of 36% for LGV1.

www.accantia.com



Food for thought

LGV is keen to find new opportunities in consumer products, and has adopted an innovative approach to generate proprietary deal flow in the FMCG sector. In September and October 2003, we ran a series of advertisements on the inside front cover and back cover of *The Grocer*, the leading FMCG trade magazine, seeking buy-out or buy-in teams of businesses with operating profits of £5m to £40m.