



KPMG Corporate Finance
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Private & confidential

The Department of Health
c/o C Lister Esq
Skipton House, Room 633B
80 London Road
London
SE1 6LH

Our ref mc/kk/

25 March 2002

Dear Sirs

Project Red - Interim Business Case

I write to confirm the basis upon which KPMG Corporate Finance is engaged to act as financial adviser ("Engagement") to the Department of Health ("DoH" or "Client") in relation to the collation of data and preparation of the Interim Business Case ("IBC") for the proposed acquisition ("Transaction") of Life Resources Incorporated and its affiliates (the "Target").

This letter specifies the services we are to deliver as your financial adviser, the Engagement Team we have assigned to you, how you will remunerate us and the other terms and conditions governing our relationship.

We now ask you to read this letter carefully and to confirm your agreement with its terms by signing and returning to me the enclosed duplicate.

1. The services we are to deliver as your financial adviser

The services ("Services") which KPMG Corporate Finance will deliver in relation to the Transaction are as follows:

- we will project manage the compilation of the IBC based upon the draft structure provided to us on 18 March 2002, bringing to the assignment input from our existing knowledge of PFI/PPP business case development work to maximise your ability to obtain approval and comply with relevant business case guidance;
- early in the Engagement, we will meet with you to agree the information currently available, outside of what is already held by other KPMG Corporate Finance teams advising on this Transaction, to enable us to begin the task of incorporating existing information into the IBC document. This is likely to identify areas where additional input is required from you in terms of information gathering and/or drafting such as DoH policy etc;



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KPMG Corporate Finance is a division of KPMG which is authorised by the Institute of Chartered Accountants in

England and Wales to carry on investment business. The principal place of

business is 8 Salisbury Square, London EC4Y 8BB where a list of partners' names is open to inspection

- we will co-ordinate the various parties responsible for providing input into the IBC and agree with them their input into each of the sections. We will inform you promptly of any delays in information being provided or information being unavailable. We will provide you with a draft of the final IBC for your review and subsequently will incorporate your changes and provide an overall sense check on the content;
- we will facilitate a short risk workshop with the key stakeholders to the project and relevant other KPMG Corporate Finance teams working with DoH on this Transaction including, but not limited to, our Strategic and Commercial Intelligence team ("SCI"). The aim of the workshop is to brainstorm the key risk factors inherent in the short listed options (managed centres, acquisition and availability of fractionated products from 3rd parties). The stakeholders will be encouraged to identify those risks which can be quantified and those which are likely to be material but can not be quantified. For the quantifiable material risks the attendees will be required to assign a probability of occurrence and likely impact of these risks if they were to occur. The outcome of this workshop and the work undertaken by SCI will form the basis of the risk assessment in the IBC. We have not included detailed risk modelling in the scope of our work; and
- we will draft the "Executive Summary" of the IBC based upon the information contained in the main body of the document. We envisage that the completed document will be in Word 2000 format and will be provided to you in electronic format in order that the DoH and project stakeholders could amend the document if required.

In arriving at our approach, we have made the following additional assumptions:

- the DoH will take responsibility for the conclusions and recommendations contained in the IBC except for the information originally generated by other KPMG teams working with DoH on this Transaction and covered by their respective engagement letters. KPMG Corporate Finance will provide a sense check on the full document but will not be providing advice in relation to the Transaction within the scope of this Engagement;
- as the majority of the "Strategic Context" section is policy led, we will co-ordinate the compilation of this section based upon information and drafting provided to us by the DoH;
- our drafting of the "Option Appraisal" section will be based on work already carried out by you and your advisers, in particular PA Consulting and SCI. Our role in relation to risk analysis is set out above;
- we would expect to provide significant input into the "Development of the preferred option against the acquisition plan" section. Clearly, certain matters, such as final deal structuring and final terms, may need to be estimated in the IBC. Input will be required from you on areas such as feasibility review, approval process, commentary on affordability and any legal issues which need to be reflected in the IBC. We would, of course, liaise with your lawyers as appropriate;

- we have assumed that you will provide the majority of the information required to draft the "Identification of the preferred post transaction position" section of the IBC. We will produce initial drafts of the purchase price and deal structuring sub-sections;
- you and your other advisers (for example legal advisers and including where appropriate other KPMG teams) will ensure that the information required by us to draft the IBC is made available to us in a timely manner. We will be responsible for ensuring consistency of format and presentation within the IBC;
- pricing / valuation advice is excluded from this Engagement. In addition, we will not be responsible for providing detailed accounting advice. However, should your accounting treatment appear unusual to us we will raise our concerns with you;
- the structure of the Transaction will not change during the drafting period requiring significant amendments to be made to the IBC. If there are significant amendments being proposed to the structure of the transaction we will inform you promptly of any potential delays in the preparation of the IBC. Our capped fee remains in place for the production of the IBC unless (i) the parameters of the transaction change so as to cause a complete or substantial (>10%) re-write of the IBC or (ii) further work results in our role extending beyond 30 April 2002. Our role in relation to any future revisions to the IBC will be agreed as the Transaction develops. We will maintain our hourly rates between IBC and Full Business Case (FBC) but before commencing the FBC phase of work we will quote an appropriate fee structure which may include a cap for the work ; and
- all of the information required to draft the IBC is made available to us in a timely manner.

Assuming that our appointment is confirmed without delay, we will endeavour to carry out our work in line with the following timetable:

- commence work - 25 March 2002
- initial draft of the IBC submitted for structural review - 5 April 2002;
- review undertaken by the DoH and other appropriate stakeholders - 9 April 2002;
- revised draft issued for structure and content review - 12 April 2002;
- changes incorporated and final document issued - 19 April 2002.

2. The Engagement Team we have assigned to you

We have selected a team of professionals, whose details appear below, to undertake this Engagement on your behalf:

Marc Cramsie - Engagement Partner. My role is to lead the Engagement through to a satisfactory conclusion. This role includes responsibility for co-ordinating all of KPMG's advisory services. My role also includes responsibility for relationship issues, final decisions on engagement strategy and the quality of our service delivery.

Timothy Stone - Consultation Partner. Timothy's roles include acting as internal counsel for me and our Engagement Team and, as appropriate, as an additional point of contact at partner level for you during my absence on leave or other business.

Ruth Davies - Engagement Manager. Ruth, an Associate Director in our Leeds office, will be your principal point of contact within KPMG Corporate Finance for matters relating to the production of the IBC document. She will be responsible for the co-ordination of input from the various parties.

Guy Wilkinson - Guy, a Manager also based in our Leeds office, will provide additional support to Ruth in the completion of this assignment.

As circumstances require, and at our option, we may bring additional professional and support staff on to the team or substitute or remove individuals. We will, of course, liaise with our other colleagues who are performing other work for you.

3. How you will remunerate us

During the course of the Engagement, DoH will pay KPMG Corporate Finance an advisory fee calculated by reference to the time devoted to the Engagement by KPMG Corporate Finance personnel according to the hourly rates set out below:

Partner	£470
Director	£420
Associate Director	£395
Manager	£315
Associate	£235
Support staff	£100

Based on the Services and assumptions set out above, we agree to cap our fee at £40,000 excluding VAT and outlays.

In addition, DoH will also be responsible for: (a) promptly reimbursing expenses properly incurred by KPMG Corporate Finance in undertaking the Engagement (specific expenses - for

example, travel, subsistence, accommodation and couriers - being reimbursed at cost; general expenses - for example, copying, telephone, fax and project stationery - being reimbursed at the rate of 3.5% of KPMG Corporate Finance's time costs incurred); and (b) paying all applicable VAT in connection with our invoices.

Our fees and expenses are due and payable 30 days after we tender the relevant invoices. We will invoice the Client on a monthly basis.

4. Other terms and conditions governing our relationship

The additional terms and conditions set out in the two Appendices (General Terms of Business and Additional Terms: Corporate Finance Services) will govern the relationship between KPMG Corporate Finance and the Client as regards this Engagement.

On the basis of the scope of our services as detailed in 1 above, we do not consider that we will be performing mainstream "regulated activities" under the Financial Services and Markets Act 2000 and rules and regulations made under that Act ("Rules").

If work that does not amount to "regulated activities" has already been performed in connection with this Engagement before the date of this letter, that work will also be governed by the terms and conditions of this letter.

We draw your attention to the following clauses:

Clause 4: We set out here the obligations imposed on us in respect of your Confidential Information. For our marketing or publicity purposes we are permitted to make general references to our relationship with you and to work performed for you.

Clauses 18 to 24: These set out our position where your interests may conflict with our other clients' interests and clarify our responsibilities in relation to Confidential Information (as defined in clause 4) in the circumstances identified.

Clauses 31 to 35: We set out here the principal exclusions and limitations on our liability to you. We exclude liability for indirect or consequential losses. Our liability to you in connection with this Engagement for direct losses shall be limited, on the basis set out in our General Terms, to a maximum aggregate of £1,000,000. If you wish to bring a claim against us, you must do so within 4 years.

Clause 44: As we will not be performing mainstream "regulated activities" for you under this Engagement Letter, this clause will not apply to you.

If we contract to transfer all or a substantial part of our business to a limited liability partnership or other body corporate (a "Successor") then, notwithstanding clause 29 and subject to the Successor entering into a deed pursuant to which it agrees to be bound by this letter as if it had

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signed it originally, this letter and its attachments shall thereafter be construed as if references to us (including those in our General Terms of Business) were references to the Successor and the Successor shall be entitled to all our rights and bound by all our obligations accordingly.

Yours faithfully

GRO-C

Marc Crimsie
Partner

We, the Client, have read this letter carefully and confirm our agreement with its terms.

Signature

GRO-C

Name

CHARLES LISTER

Title/position

HEAD OF BLOOD POLICY

duly authorised for and on behalf of the Department of Health.