


A REPORT TO
Canadians

CANADIAN BLOOD SERVICES 2008/2009

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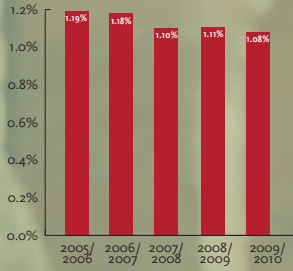
years later: a
new mandate

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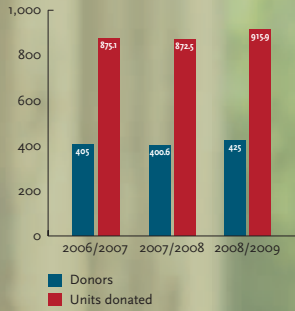


What we do improves the quality of life for people like Miranda and her family.

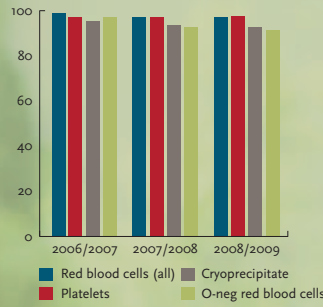
FUNDING AS A PERCENTAGE OF PROVINCIAL HEALTH-CARE SPENDING



WHOLE BLOOD DONORS AND DONATIONS (in thousands)



ORDER FILL RATES Percentage of orders filled by year



CORPORATE PROFILE

Canadian Blood Services is a national, not-for-profit charitable organization that manages the blood supply in all provinces and territories outside Quebec, and oversees the country's OneMatch Stem Cell and Marrow Network. We operate 41 permanent collection sites, eight OneMatch Stem Cell and Marrow Network field sites and more than 20,000 donor clinics annually.



“Volunteering for Canadian Blood Services gives me an opportunity to give back to a system that I know can make an immense difference to the lives of countless Canadians.”

DAVID ECKLAND Bone marrow recipient David Eckland is one of 17,000 volunteers who contribute more than 250,000 hours to Canadian Blood Services each year.

COVER Sophie Bérubé-Poitras' six-year-old daughter Miranda has a potentially fatal and extremely rare blood disorder treated by injections of Fibrogammin. Miranda will receive these injections every four weeks for the rest of her life – or until a cure is found.

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We have come a long way in our mission to provide a safe, secure, cost-effective and efficient blood system for Canadians. Now we have been asked to lead the way to develop a national strategy for organ and tissue donation and transplantation. Ours is a story of safety, integrity, quality, respect, excelling, accountability and openness.

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Strategic snapshot

2008/2009 Priorities

Safety

Canadian Blood Services constantly monitors known and emerging threats from:

- viruses
- pandemic influenza
- HCV and HIV
- bacteria and parasites
- malaria
- variant Creutzfeldt-Jakob disease

Through process and quality controls, Canadian Blood Services also protects the users of the blood system against risks such as transfusion-related acute lung injury (TRALI).

Operational excellence

Fulfilling our mandate demands consistently striving for operating excellence. This includes:

- enabling the optimal use of our products,
- optimizing donor recruitment and retention,
- delivering the right product, at the right place at the right time,
- delivering efficiency and productivity gains to ensure we fulfill our mandate at a reasonable cost.

Prepare for tomorrow

In order to meet the future needs of Canadians, it is imperative that Canadian Blood Services build into its culture and operations the ability for continuous improvement. Preparing for tomorrow also includes:

- understanding and assessing the future,
- planning for the future,
- identifying and introducing innovative ways of doing business.

Strategic actions

- Completed the implementation of the Buffy Coat platelet production method across Canada. Today 100 per cent of platelets derived from whole blood are tested for bacterial contamination.
- Introduced a series of questions into the donor-screening process to identify the risk of Chagas disease prior to collecting blood.
- Began implementation of an automated system to monitor temperature sensitive equipment critical to the manufacturing, testing, and storage of blood and blood products.

- Implemented new apheresis technology that can collect a larger volume of platelets from a single procedure.
- Upgraded key computer hardware components in our mobile clinics to make it easier for staff to establish a mobile clinic and improve the donor experience.
- Implemented procedures to allow American Sign Language interpreters to assist deaf donors during the donor screening process.
- Substantially increased the recruitment of potential stem cell donors by using buccal swabs and web-based registry to make it easier to join the OneMatch registry network.

- Launched our \$121-million facilities-redevelopment program. This represents an investment of \$83 million in southern and central Ontario and \$38 million in Atlantic Canada.
- Continued to play a proactive role in advancing transfusion science through an integrated, focused R&D program using a networked research hub model focused on blood-borne infectious diseases, transfusion immunology, clinical use of blood and plasma products, bone marrow stem cells and nanotechnology, and blood product processing and storage.
- Launched a Living Donor Paired Exchange for kidneys. This is the first of three priority exchanges to be developed as part of our new mandate to provide national services for organ and tissue donation and transplantation.

In the future

Pathogen-reduction technology: In 2009/2010 Canadian Blood Services will conduct a three-phase trial to evaluate the effectiveness of a pathogen-reduction technology that destroys viruses, parasites and bacteria.

Chagas testing: Selective blood testing for donors found to be at higher risk upon answering the Chagas-related questions in our screening questionnaire is scheduled for 2009/2010.

Appointment-management solution: A new system to align donor appointments with demand is under development for launch in 2009/2010.

Clinic redesign: In 2009/2010, we will continue clinic redesign activities that could help improve the donor experience and establish a consistent quality of service across Canada.

TRALI mitigation: In 2009/2010, we will introduce a new question for females in the platelet apheresis program.

eProgesa: We will launch a review of our Progesa blood management computer system implemented in 2004.





eQuestionnaire: In 2009/2010, we are piloting a computer assisted health assessment in Ottawa and Sudbury, Ontario to make it easier for donors to provide information and reduce the potential for error.

Diagnostic services: A new laboratory information system is scheduled for implementation in the coming fiscal year.

IVIG research: We will continue to develop an IVIG replacement to treat autoimmune disease and research IVIG's mechanism of action in order to improve utilization. We will continue to seek a business partnership for the commercialization of this product.

Cord blood bank: In response to the growing demand for cord blood stem cells, we propose to establish and manage a national public cord blood bank for Canada.

At-a-glance

		What we make	What our products treat
What donors give	Whole blood	Red blood cells: Canadian Blood Services strives to increase the proportion of red blood cell units issued from whole blood collected. In 2008/2009 this ratio was 91.0 per cent compared to 91.6 per cent in 2007/2008.	Transfused red blood cells increase the oxygen-carrying capacity of the blood by increasing the circulating red blood cell mass.
		Plasma protein products: These products are produced through a process called fractionation that involves pooling plasma from several donors and processing these pools through a series of biochemical and physical steps. Plasma protein products are made from human (whole blood-derived and apheresis) and synthetic (recombinant) plasma.	Plasma protein products have a variety of functions related to maintaining blood volume and pressure as well as the treatment of hemophilia and immuno-deficiencies.
	Apheresis platelets 	Whole blood & apheresis platelets: Platelets can be collected from whole blood or by apheresis, a process that collects only the desired component during the collection procedure and returns the unused components to the donor. Platelets are one of the components required to make blood clot. They have a shelf-life of five days.	The primary role of transfused platelets is to reduce or stop bleeding and to increase platelet count. Patients with prolonged bleeding associated with some diseases, such as cancer, need large quantities of platelets as part of their treatments.
Apheresis plasma 	Plasma for transfusion: Plasma is the protein-rich liquid that helps blood components circulate through the body, supports the immune system, and controls excessive bleeding. Apheresis plasma is also used to make plasma protein products.	Hospital staff can use plasma donations to help patients with: <ul style="list-style-type: none"> • some bleeding disorders, • liver diseases, • shock, • some operations, • cancer and bone marrow therapy. 	
What we support	Stem cell extraction 	About stem cells Stem cells are immature cells that are capable of developing into any of the cells present in the bloodstream: red blood cells, white blood cells, platelets, and other blood components.	Diseases treated <ul style="list-style-type: none"> • specific forms of cancer, • bone marrow deficiency diseases, • aplastic anemia, • immune system disorders, • metabolic disorders.
	Serology and testing 	Diagnostic Services' primary activity is ABO*, Rh* and antibody testing of expectant and post-partum mothers as well as baby cord samples. It also provides pre-transfusion and crossmatch testing of blood for patients requiring transfusions, and supports hospitals by identifying antibodies and finding compatible blood for patients from the inventory of fresh products or the National Frozen Rare Blood Product Inventory. Most of this testing is done in central and western Canada.	

* (for definition see page 78)

Key performance indicators

Key facts

Units of whole blood collected:

915,858

Hospital demand for red blood cells is forecast to increase by approximately two per cent per year. To meet that demand, Canadian Blood Services must grow its donor base. In 2008/2009, the active donor base increased by six per cent, the first significant annual increase since 2003/2004 due to donor response to media appeals. Increases in collections have also been supported by increases in donation frequency.

Litres of plasma shipped to fractionator:

163,800

Over the past decade, the average annual increase in the use of Intravenous Immune Globulin (IVIG), the largest component of plasma-derived products, has been nine per cent. In 2008/2009, Canadian Blood Services sent 163,800 litres for fractionation, a 10.0 per cent increase over 2007/2008.

Active apheresis platelet donors:

6,972

Average frequency of platelet donations per donor:

5.69 times per year

Platelet collections increased 9.6 per cent in 2008/2009, a significant increase achieved by the implementation of new apheresis technology in 2007/2008 that makes it possible to collect a larger number of platelets from a single donor during one visit. About 40 per cent of donors qualify for large-volume platelet donations. This apheresis technology will result in annual savings of \$4.0 million in labour and supply costs starting in 2009/2010.

Active apheresis plasma donors:

6,504

Average frequency of plasma donations per donor:

8.49 times per year

Collections increased by 40 per cent from 2000/2001 to 2008/2009. Collections of plasma apheresis increased from 51,770 units in 2007/2008 to 55,244 units in 2008/2009.

Approximately 70 per cent of apheresis plasma is used for transfusion purposes with the remaining 30 per cent being sent for fractionation.

Total number of potential donors in registry:

246,624

The OneMatch Stem Cell and Marrow Network maintains a database of tissue typing results for all prospective Canadian donors in order to quickly locate potential matching donors whenever a patient requires a stem cell transplant. In 2008/2009, we added 19,727 new registrants to our database: 16,177 were under age 40, 30 per cent were male, 25 per cent non-caucasian.

Total number of prenatal samples per year:

182,000

Diagnostic Services conducts thousands of tests every year: 182,000 prenatal samples, 46,300 crossmatch samples and 1,900 antibody investigations in 2008/2009 alone. To more effectively manage demand, Diagnostic Services upgraded its prenatal laboratory information platform and selected a vendor to build an integrated information system. Implementation began in April 2009 with completion anticipated during 2010/2011.



Letter to Canadians

When Canadian Blood Services was created in September 1998, we were entrusted with the task of restoring safety and integrity to Canada's blood system. Since then, we have established an excellent reputation based on safety and security of supply, and continue to deliver on our mission to provide Canadians with a blood system that is safe and cost-effective. This is especially important today as the global economic recession places extraordinary pressure on health-care funding.

To put ourselves on the right track, last year we set the goal of stabilizing, within a range, our cost per unit* of product shipped to hospitals at 2007/2008 levels for at least three years. We knew this was an ambitious target, but during 2008/2009 we not only accomplished this goal, we also worked together to establish a culture of efficiency that is shared across our organization.

We will continue to conduct our business in a manner that is consistent with our mission to provide our customers with blood products and services wherever and whenever they are needed. At the same time, it is important to remember that Canadian Blood Services is a large bio-pharmaceutical manufacturing organization with four business lines, a world-class integrated research and development program and revenues that approach \$1 billion – all funded by Canadian taxpayers. For us, applying best business practices is critical to being a trusted health-care partner.

For Canadian Blood Services to achieve its efficiency targets, we must capture every opportunity to be more efficient and productive. We must also incorporate the best principles of quality into every process, from our first phone call to a potential donor to the delivery of a unit of blood to a recipient. In 2008/2009, we achieved \$9.8 million in operational efficiencies. These efficiencies offset unanticipated costs, inflation, reduced interest income and other unforeseen factors.

* (for definition see page 78)

We have strengthened our award-winning strategic decision-making process with initiatives to identify, understand and improve every process in our organization.

DR. GRAHAM SHER AND VERNA M. SKANES PHD

ENHANCING SAFETY AND SECURITY OF SUPPLY

We continue to enhance the safety and security of the blood supply system in Canada. During 2008/2009, we exceeded our collections targets for whole blood, plasma and platelets, collecting more than a million units—a first in our history. We completed the implementation of the Buffy Coat production method. This new platelet-production method brings numerous benefits, including a safer product, longer permissible processing time, a higher platelet yield and an increased volume of recovered plasma. We also implemented measures to reduce the incidence of Transfusion Related Acute Lung Injury (TRALI).

During this same period we introduced new apheresis technology that allows for the collection of larger units of platelets from some donors during a single visit. Canadian Blood Services has qualified and started using a second fractionator of its plasma and added several new plasma protein products to further mitigate supply shortages in the future. Lastly, we not only registered more Canadians than ever before in our history to join the OneMatch Stem Cell and Marrow Network, but those donors came from a broader spectrum of ethnic groups. This trend is particularly important if we are going to meet the needs of all Canadians.

TACKLING A NEW MANDATE

During 2008/2009, Canadian Blood Services was granted \$35 million over five years from the federal and provincial and territorial governments to work with the organ and tissue donation and transplantation communities to develop a strategy for an integrated national system to improve organ and tissue donation and transplantation in Canada. We moved quickly to develop and pilot the Living Donor Paired Exchange

Registry for kidney transplantations in Ontario, Alberta and British Columbia. This is the first of three national registries that are to be built over the next 18 months. Our goal is to increase the total number of transplants in Canada and reduce wait times for organ transplant patients.

Canadian Blood Services takes its new responsibilities seriously. We are very proud that the skills and values that we have developed as the operator of Canada's blood system can be used to help resolve the challenges within this very complex field of health-care. At the same time, it is exciting to leverage our tradition of stakeholder consultation to develop a strategic plan informed by local, regional and global best practices.

RENEWING OUR FACILITIES INFRASTRUCTURE

The facilities-redevelopment program is a long term strategic initiative that will update our facility infrastructure as well as define Canadian Blood Services' new service-delivery model. Phase one of the new service delivery model for Ontario will include a new logistics infrastructure to support the consolidation of production of three sites into one, and a centralized warehouse to support the collection function in the geographical area.

The Atlantic service-delivery model will include consolidation of production from New Brunswick to Nova Scotia and the transfer of donor testing from Halifax to Toronto.

This investment of \$121 million will drive efficiencies into the blood system while improving customer service.

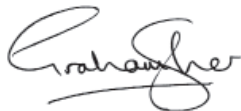
DRIVING BUSINESS EXCELLENCE

Over the past year, we have built upon the efforts that many of us have been so proud to be a part of for the past decade. We addressed the language needs of several donor groups by first providing translation and interpreter services in Mandarin and Cantonese for the OneMatch Stem Cell and Marrow Network, and then implementing procedures to enable American Sign Language interpreters to assist deaf donors during the donor-screening process. We upgraded our prenatal laboratory information platform and completed arrangements for the replacement of our Diagnostic Services' laboratory information system in 2009/2010. We have also enhanced our enterprise risk management framework to help the organization manage multiple, interrelated risks and to build consideration of risk into all decision-making and the deployment of resources.

The work we have done this past year will drive business excellence forward at Canadian Blood Services. Over the next few years, we anticipate continued increases in hospital demand for our products and services, which will require collecting and providing more blood and blood products every year. The significant efforts of our employees have established the strategic and operating excellence that will help us meet the growing needs of Canadians next year and beyond. Their hard work and dedication will be essential as we address the challenges that lie ahead.

IN APPRECIATION

Canadian Blood Services is grateful for its dedicated team of talented and passionate employees who help us serve Canadians in an abundance of ways. We are blessed with a community of donors, volunteers, community advisors and other partners without whom we could not fulfill our mandate. The past year has been one of considerable achievement made possible by these individuals from so many walks of life willing to work together to achieve shared objectives. We are extremely proud of our organization and would like to express our sincere appreciation to everyone who has contributed to the blood system.



DR. GRAHAM SHER
CHIEF EXECUTIVE OFFICER



VERNA M. SKANES PHD
CHAIR, BOARD OF DIRECTORS

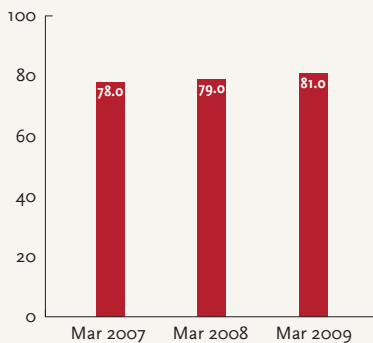
100%
of hospitals
are satisfied
with the service
we provide.

“The Partners for Life program makes it so easy to participate that our office has donated close to 600 units of blood since we became an official Partners for Life member in 2008.”

DAVE CLISCH The Canada Revenue Agency (CRA) is a Partners for Life in 15 cities across Canada. Blood donor and Partners for Life Coordinator Dave Clisch, seen here with Amanda Monette, Phlebotomist and George Arsenijevic, Assistant Commissioner, Assessment and Benefit Services Branch, is a Partners for Life champion with CRA in Ottawa.

GENERAL POPULATION SURVEY:

Overall trust (%)



A March 2009 Ipsos-Reid survey confirms that overall trust in the blood system remains high. More than eight in 10 Canadians trust Canadian Blood Services to do what is right for Canada's blood system.

87%

of Canadians say Canadian Blood Services is doing a good job managing the blood supply.

99%

of hospital customers indicate high levels of satisfaction with the availability of blood products even when we were faced with inventory challenges in 2008/2009.



Collecting what our hospitals – and their patients – need when they need it



Collecting sufficient blood products is one of Canadian Blood Services' core mandates, but our definition of "sufficient" is becoming increasingly sophisticated.

In a voluntary system, this sufficiency – or security of supply – of blood and blood products involves

creating compelling programs to recruit donors, reaching out to a diverse mix of donors, developing a better understanding of hospitals' changing needs and building a more comprehensive inventory management system that will ensure that we meet those needs.

In 2008/2009, Canadian Blood Services collected more than one million units of whole blood, plasma and platelets. This represents two significant milestones. Despite having established an excellent record of maintaining a healthy supply of blood products, for the past four years, we have struggled to meet our collections targets in all product areas. Not only did we meet those targets this year, but we also surpassed our own expectations and collected a symbolic one million units—a far cry from the just under 700,000 units a year collected just prior to our creation in 1998.

Despite strong collections this past year, Canadian Blood Services saw a slight decline in our order fill rate to hospitals for all products except platelets. This shortfall was caused by unexpected increases in hospital demand and low inventories early in the year, inconsistent collections in the fall, challenges anticipating hospital demand for certain products and low collections of some blood types—in particular O Negative. Eliminating the gap will require closer liaison with hospitals and medical professionals so that increases in demand are not unexpected, and the development of more consistent—and more targeted—donor collection programs.

Our challenge always begins with attracting new donors. In 2008/2009, we increased our roster of active donors to 424,959 from 400,596 at the end of 2007/2008. This was the first significant annual increase since 2003/2004 and was driven by two factors: Canadians' generous responses to our appeals to replenish depleted inventories and the momentum that is now building in our corporate Partners for Life program.

Our second challenge is retaining donors. In 2008/2009, our new-donor retention rate remained stable at 50.7 per cent. To improve this statistic, we have launched a series of initiatives including the development of an online appointment-management solution. This new tool will enable donors to manage their appointments and profiles online and facilitate communication between donor clinics and donors via email and text messaging. We will continue to address donor satisfaction through realignment of our clinic workflow, as well as by adjusting our staffing models and through testing of an electronic version of the Record of Donation called eQuestionnaire.

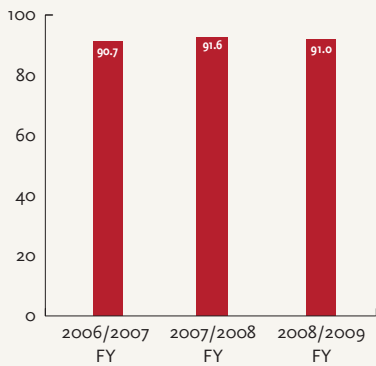
To draw new and returning donors into our clinics, in 2009/2010 we will be exploring new campaign platforms and the use of non-traditional media. During our media campaigns we have also become more specific about our needs, identifying the blood type and products that we need most urgently.

Developing sufficient blood products requires collecting increasingly sophisticated information about our donors. We are developing a testing platform that will replace the cumbersome, labour-intensive process used now to collect genetic information about donor blood types. This information will be gathered into a database that will enable Canadian Blood Services to quickly find donors within rare blood groups or with unique circumstances.

For more information and statistics on blood collections, inventory, whole blood donations, active donors, donor satisfaction, donor retention and plasma shipped for fractionation please see pages 24-34.

87%
of Canadians say
we are doing a
good job managing
the blood supply.

RATIO OF RED BLOOD CELLS SHIPPED
TO WHOLE BLOOD COLLECTED



During the process of collecting blood and manufacturing blood components, a number of units are discarded for a variety of reasons. We continue to look at ways to further reduce discards and increase the proportion of red blood cells shipped to whole blood collected.

“A change in technology makes it possible for me to donate more platelets when I come to the clinic, increasing the value of my visit.”

DANA NYBORG 258-time platelet donor Dana Nyborg in Saint John, New Brunswick, seen here with Registered Nurse Mim Phillips, donates every two weeks.



Establishing a culture of efficiency



When Canadian Blood Services was created just over 10 years ago, our most pressing priority was to ensure the safety and security of the blood supply. For this reason, we built the blood system with this goal in mind but also with a mission to deliver cost-effective, affordable and accessible blood products and their

alternatives. Since our inception, we have been accountable to Canadians. Recognizing that we must provide the system with value for its contributions, Canadian Blood Services makes cost-effectiveness and efficiency priorities.

In July 2007, Canadian Blood Services committed to finding efficiencies of \$36.8 million as a means of keeping the cost per unit constant over three years, starting in 2008/2009. In order to deliver efficiencies of \$36.8 million (\$9.8 million in 2008/2009 and \$13.5 million in 2009/2010 and 2010/2011), we set a target of approximately \$50 million over three years (\$9.8 million in 2008/2009 and \$20 million in 2009/2010 and 2010/2011). The \$13.2-million variance is needed for investing in equipment and systems that will allow us to deliver the net efficiencies of \$36.8 million. It also offsets unanticipated costs resulting from inflation in items such as fuel and utilities, as well as timing differences. We achieved our target of \$9.8 million in 2008/2009 and the continued hard work and dedication of our employees will be essential to achieving our targets in the next two years.

Becoming efficient requires a deep understanding of our daily tasks from the way we greet our donors when they arrive at our clinics, to testing and manufacturing, packing our blood products, even the storage of our products on the trucks and buses that take our precious cargo across the country.

Every step taken within our core processes is being examined to ensure that it is not only necessary, but also that it enhances our operations and our products. Our next step is to refine those activities – where necessary – to achieve optimum efficiency and quality of service.

We are examining our procurement of medical supplies – from blood bags to bandages. Although we have created a diversity of options, enhancing security of supply and improving quality, we have also been able to drive cost efficiencies by renegotiating contracts and streamlining our purchasing processes.

Canadian Blood Services is developing a clinic-infrastructure strategy that involves monitoring clinic performance to identify operating efficiencies and costs. The results of this strategy will enable us to better understand clinic performance and make sound decisions about clinic viability, collections targets and improving clinic efficiency.

The new Buffy Coat platelet production method not only enhances safety, but also enables us to realize efficiencies related to the production of platelets and plasma. Platelets no longer have to be produced within eight hours of collection; production sites now have a 24-hour window of opportunity in which to produce these components, thereby increasing the opportunity to drive greater efficiencies into the production system and increasing the number of platelets that can be made available. And, because this manufacturing method produces a red blood cell product with substantially less plasma, more plasma is available for fractionation.

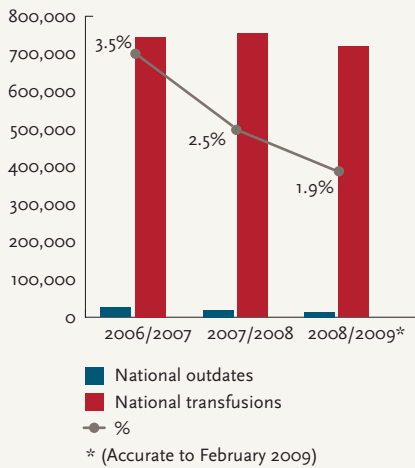
The increase in permissible production times enables production facilities to be located farther away from the collection sites, where critical mass exists, and provides the flexibility to use collections from more rural mobile clinics for whole blood platelet production. This in turn improves the cost efficiency of the mobile clinics within the system. The Buffy Coat method also creates efficiencies at hospitals by reducing the amount of preparation required before our products can be transfused.

92%
of donors are
satisfied with the
donation process.

“By joining OneMatch, you can help it reflect the changing face of Canada and maybe you will be the one match that saves a life.”

BILLY CHEUNG Stem cell donor and Toronto resident Billy Cheung, donated his time to help recruit almost 2,000 Chinese Canadians under 40 into the OneMatch and Bone Marrow Network in 2008/2009.

HOSPITAL OUTDATES



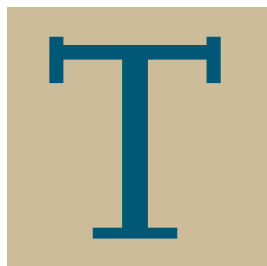
Canadian Blood Services works with hospitals to improve inventory management measures.

19,727
Canadians joined the OneMatch Stem Cell and Marrow Network.

40%
of donors qualify for large-volume platelet donation.



Managing our resources more effectively



The success of the OneMatch Stem Cell and Bone Marrow Network in 2008/2009 was not just about numbers, although the numbers are impressive.

We have enhanced our recruitment and awareness efforts and made it easier for potential donors to join

the OneMatch Stem Cell and Marrow Registry. For example, we increased recruitment – and the diversity of donors – through the implementation of online registration and through community partnerships such as www.onematch.ca and a Facebook page created by the Other Half – Chinese Stem Cell Initiative.

Last year, our goal was to recruit 12,000 new donors for the OneMatch Stem Cell and Marrow Network. Through focused marketing and grassroots recruitment, OneMatch closed the year with 19,727 new registrants. Just as important, 20 per cent were non-Caucasian and younger than age 40.

This increase in volume and diversity could not have been achieved without the collaboration of One Match's strategic community partners such as the Other Half – Chinese Stem Cell Initiative and the Elizabeth Lue Bone Marrow Foundation. Relationships such as these have brought in thousands of donors from diverse ethnic groups to build a stem cell and marrow registry with a broader and deeper capability to meet the needs of all Canadians.

Optimizing donor recruitment and retention has always been a priority for Canadian Blood Services. Donors contribute to both immediate requirements and future blood needs. But today we are moving toward a more selective model of donor recruitment as well as a more targeted approach to the products we receive from each donor. In this way, we will improve our ability to collect the products hospitals need when they need them, and derive the maximum benefit from every donor's gift.

The blood of each individual who walks into a clinic has characteristics that make it more useful for some products than others. As we register donors, we will need to consider what the blood system needs at that time and decide which donors should give whole blood and which should be admitted to the apheresis program. And if the apheresis program makes most sense, we will need to determine if individual donors are candidates for large-volume platelet donations.

Large-volume platelet donation has been made possible by our implementation of apheresis technology that allows for the collection of more than a single unit of platelets from a donor during a single visit. About 40 per cent of donors qualify for large-volume donations. The significant increase in volume of platelets collected through fewer collection events is expected to result in annual savings of approximately \$4.0 million in labour and supply costs starting in 2009/2010. Potentially, the equipment could be used to collect large-volume red blood cell and plasma donations as well.

We have also refined the scope of our engagement with hospitals, moving beyond simply providing the products that they request to working with them to improve the utilization of our products that they receive. Canadian Blood Services does not have direct control over many of the components of the broader blood system, but it is our responsibility to ensure the entire system works as effectively and efficiently as possible. For instance, by working with hospitals to ensure that we consistently meet their needs, and improving inventory management measures, hospital red blood cell outdates declined to 930 units per month by the end of 2008/2009 from 2,700 units per month at the end of April 2006.

We provide national leadership in transfusion science and research supporting physicians in the use of our products and providing advice and counsel on matters related to our products and services.

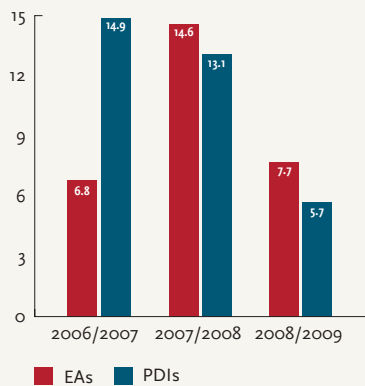
75%
believe it is safe to
receive blood.

“The safety of our blood system is secured by living the values of Canadian Blood Services – by being consistent, respectful, accountable and open.”

COLLEEN GUAY Colleen Guay, Manager of Clinic Services New Brunswick, was awarded the 2008 National Award of Distinction as the employee who best exemplifies excellence.

RECALLS DUE TO ERRORS AND ACCIDENTS AND POST-DONATION INFORMATION

(per 10,000 units collected)



Owing to a reduction in non-conformances and improvements to the screening process, Canadian Blood Services saw a decline in errors and accidents and the number of post-donation information reports.

1 in 7.8 million donations

The risk of HIV occurring in one of our blood products.

1 in 2.3 million donations

The risk of hepatitis C occurring in one of our blood products.



Enhancing safety, quality and effectiveness



After a decade of implementing numerous safety procedures and tests, we have established an excellent safety record. The residual risk of HIV, hepatitis or any of the other agents for which we test occurring in one of our blood products has become increasingly small.

Through constant vigilance, we continue to seek out new ways to protect the blood system. We have recently turned our attention to risks such as Chagas disease and reducing rare complications that can arise from transfusion, such as bacterial contamination and Transfusion Related Acute Lung Injury (TRALI).

During 2008/2009, we introduced a series of questions designed to identify the risk of Chagas disease into the donor-screening process. Chagas disease is spread by the triatomine bug and occurs in Central America, South America, and Mexico, where an estimated 8 million to 11 million people are infected. Transmission occurs predominantly through bug bites, but can be passed from person to person—from mother to baby in utero, from transfusion of contaminated blood products or from an organ transplant from an infected donor.

While Canadian Blood Services can use the red blood cells collected from individuals who are at risk of Chagas disease, these donations are not used to manufacture plasma and platelets. Although the incidence of Chagas disease is rare in Canada, work is underway to introduce selective blood testing for donors who are found to be at higher risk upon answering the Chagas-related questions of our screening questionnaire. This is anticipated for late 2009/2010.

In 2008/2009, as a result of completing the implementation of the Buffy Coat production method across our network of 12 manufacturing sites, we now test 100 per cent of our platelets for bacterial contamination by culture methods. In doing so, we expect to significantly reduce the risk of transfusion-transmitted bacterial infection.

In 2009/2010, Canadian Blood Services will conduct a three-phase trial to evaluate the effectiveness of pathogen reduction technology that destroys viruses, parasites and bacteria through a chemical-treatment process that binds to the nucleic acids inside cells. If effective and cost appropriate, this process could replace certain complex and expensive manipulations of blood products and expand the potential donor base.

TRALI is an uncommon but potentially fatal complication that can be triggered by the antibodies present in the blood, plasma and platelets of women. The risk of these antibodies appears to be highest in women with a history of pregnancy but may also occur in men and women with a history of blood transfusion. Canadian Blood Services implemented changes over the past two years to address this risk including the use of predominantly male plasma in the preparation of products that contain large amounts of plasma wherever possible. In 2008/2009, with the implementation of Buffy Coat manufacturing, we began to suspend platelets in male plasma and produce a red blood cell product that contains substantially less plasma and, therefore, fewer potential antibodies.

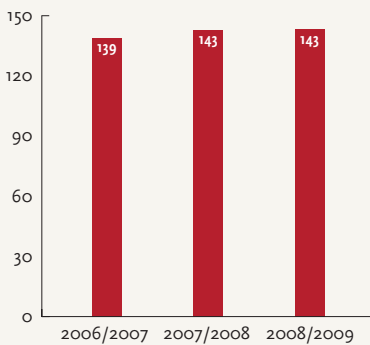
In 2009/2010, we will continue to mitigate the TRALI risk by focusing our plateletphereses program on male donors and female donors without histories of pregnancy.

To meet the needs of patients for whom compatible blood is not available, Canadian Blood Services' research and development program continues to develop the "stealth" red cell, invented in our laboratories and now in pre-clinical development. The "stealth" red cell is coated in a plastic sheath that protects it from destruction by the antibodies of the patient, yet remains capable of fulfilling the functions of a red cell.

To ensure the ongoing advancement of transfusion medicine, the organization participates with transfusion medicine residency programs with Royal College of Physicians and Surgeons-accredited Canadian Universities. We also provide hospitals with a web resource to assist them in using our products in the safest and most effective way.

NUMBER OF AUDIT FINDINGS

by Health Canada



Audits: During 2008/2009, Health Canada conducted 25 audit inspections, four more than the previous year. All 25 sites were deemed compliant and in a state of control. Canadian Blood Services received 143 observations which was consistent with 2007/2008. The majority of these observations were classified as minor in nature.

PROTECTING AGAINST RISK

During the process of collecting blood and manufacturing blood components, a number of units are discarded for a variety of reasons that we divide into two categories: errors and accidents, and recall events related to post-donation information.

Errors and accidents are due to non-conformance in our daily activities. In 2008/2009, the number of error and accidents decreased to 10.5 per 10,000 units collected compared to 28 in 2007/2008. This represents a return to levels seen prior to the hemolysis issue resulting from the implementation of the Buffy Coat production method last year.

A recall related to post-donation information occurs when information is received from a donor suggesting the donation should not have been accepted. In 2008/2009, the number of post-donation information reports declined to 5.7 per 10,000 collections compared to 13.1 in 2007/2008. This improvement can be attributed to improvements made to the screening process for malaria-risk.

Canadian Blood Services continues to develop processes to further reduce the number of discards in its clinics.

“Resolving the challenges in organ and tissue donation and transplantation demands the skills, values and experience in stakeholder consultation that reside at Canadian Blood Services.”

SAM SHEMIE AND PETER NICKERSON Sam Shemie, a pediatric critical care physician at the Montreal Children’s Hospital and Peter Nickerson, a transplant nephrologist and professor of internal medicine at the University of Manitoba, are members of the Canadian Blood Services Organ and Tissues team.



Developing a strategy to establish an effective national tissue and organ donation and transplantation system

In 2007, 2,187 organ transplants were performed in Canada while more than 4,000 individuals remained on waiting lists for organs. Sadly, 193 people died before matching organs could be found. If nothing changes, too many will continue to wait in vain.

The demand for tissues and organs continues to grow as our population ages and various conditions that could necessitate transplantation as the only viable therapy become increasingly widespread.

In August 2008, Canadian Blood Services was granted funding to provide an integrated national system to significantly improve organ and tissue donation in Canada – \$35 million over five years. Provinces and territories, except Quebec, have combined resources on a per-population basis to match Health Canada’s contribution of \$3.58 million per year for five years. Our first step was hosting a broad-based consultation of stakeholders to learn and understand the concerns of the community. More than 130 people participated in this first step.

As we design this system, we continue to build on the work accomplished in previous years including the development, evaluation and dissemination of leading practice recommendations, knowledge transfer to health practitioners as well as the establishment of hospital accreditation programs.

The first of three priority online national patient registries, the Living Donor Paired Exchange (LDPE) registry* for kidney donations, was launched in December 2008 in Ontario, Alberta and British Columbia.

Following the successful pilot launch and early identification of several potential matches, including four transplants scheduled for June 2009, Canadian Blood Services is working with the kidney transplant community to introduce automated domino*, or chain exchanges to the LDPE registry.

We have also begun planning for the development of registries for highly sensitized kidney patients and urgent status non-renal transplant candidates.

* (for definition see page 78)

2,187

The number of organ transplants performed in 2007.

4,000

The number of individuals on an organ waiting list in 2007.

“Canadian Blood Services is governed and managed to meet the needs of Canadians, but we know we can’t do it alone. All our stakeholders help build a better blood system.”

JOHN DAWSON Board member John Dawson at a regional Honouring Our Lifeblood event in Vancouver on May 28, 2009.



Governance

Canadian Blood Services is unique in Canada’s health-care system. We supply products and services across all provincial and territorial jurisdictions. We were created in 1998 and operate under a memorandum of understanding between the federal, provincial (except Quebec) and territorial ministers of health. We are mandated to function as an independent, not-for-profit organization that operates at arm’s length from government.

Governance at Canadian Blood Services is guided by the principles of accountability, engagement and transparency. Our governance structure is multi-layered. It balances ministerial responsibility and accountability with the autonomy necessary to ensure a safe, secure and effective blood supply. Supporting this structure are comprehensive practices and procedures that include engagement with scientific, medical and community stakeholders to ensure that we meet – if not exceed – the expectations of our regulators, members, and the communities that we serve.

Provincial and territorial ministers of health: The provincial and territorial ministers of health provide the operational budgets for Canadian Blood Services and act as the organization’s corporate members. The ministers have the authority to elect members to the organization’s board of directors and approve Canadian Blood Services’ three-year corporate plan.

Provincial and territorial blood liaison committee: This committee provides support and advice to the ministers of health and, in some regions, the deputy minister of health, on issues affecting the blood system. It consists of a representative from

each funding province and territory. The lead province in 2008/2009 and 2009/2010 is Alberta.

Board of directors: Composed of individuals appointed by the provincial and territorial ministers of health, the board is responsible for ensuring the overall direction of Canadian Blood Services’ operations. It is composed of 13 directors including medical, scientific, technical, business, public health, regional and consumer interest representatives. The board meets six times each fiscal year: twice a year those meetings are open to the public.

National liaison committee: This advisory committee reports directly to the Canadian Blood Services’ board of directors. It consists of at least 10 representatives from consumer groups, patient/recipient groups, health-care professionals, hospitals, and organizations that plan or promote blood-donor clinics on behalf of Canadian Blood Services. It meets at least three times a year to identify issues, offer ideas, opinions and concerns from across Canada, and provide input on the blood system and/or on issues coming before the board of directors.

Regional liaison committees: Seven regional liaison committees advise their respective Canadian Blood Services’ director of donor and clinic services. Each committee consists of 13 to 25 members representing donors, recipients of blood products, volunteers, hospital partners, patient groups, or blood donor clinic organizers and sponsors. Members identify issues and offer ideas, opinions and concerns and contribute to decision-making on issues affecting the blood system.



BOARD OF DIRECTORS (AS OF MARCH 31, 2009)

From left to right:

JOHN DAWSON
Vancouver, BC

LYNN GORDON MASON
Halifax, NS

KENNETH WAYNE
EZEARD
Rustico, PEI

DR. BERNADETTE
GARVEY
Toronto, ON

WINNIE LEUNG
Toronto, ON

FRANK D. JONES
Edmonton, AB

LEAH HOLLINS
Victoria, BC

VERNA M. SKANES, PHD
St. John's, NL

GARY GLAVIN, PHD
Headingley, MB

MARILYN ROBINSON
Winnipeg, MB

MICHAEL MEHTA, PHD
Winnipeg, MB

THOMAS WARNER
Toronto, ON

Not in photo:

JAMES KREPPNER
Toronto, ON
deceased

Scientific and research advisory committee: This committee is composed of 14 members from the national and international scientific and medical communities. It provides advice and recommendations to the Chief Executive Officer of Canadian Blood Services on matters concerning the safety of the blood system in Canada.

For more details on the responsibilities, activities and individuals that comprise corporate governance at Canadian Blood Services please go to About Us at www.blood.ca.

RECOGNIZED FOR GOVERNANCE EXCELLENCE Canadian Blood Services was co-named the winner of The Conference Board of Canada/Spencer Stuart 2009 National Award in Governance. Canadian Blood Services also won the public-sector award for governance excellence. We were lauded for our ability to rebuild public trust following the blood tragedy of the 1980s and early 1990s.



REMEMBERING JAMES KREPPNER

Canadian Blood Services mourns the loss of James Kreppner, a member of our board of directors, who died in May 2009 from complications related to HIV and hepatitis C.

Serving on our board since September 2002, James was a consumer representative and the co-chair of our national liaison committee. He was infected with HIV and hepatitis C in 1985 after receiving blood products; he brought an invaluable perspective to our organization.

An outspoken advocate of those affected by the blood tragedy, James was also vice-president and director of the Canadian Hemophilia Society.

Those of us who had the honour and pleasure to work closely with him will certainly miss his candour and integrity. James leaves behind a legacy of good work that has helped shape our organization and the blood system as a whole.



EXECUTIVE MANAGEMENT TEAM (AS OF MARCH 31, 2009)

From left to right:

PAULINE PORT
Vice-President, Corporate Services
and Chief Financial Officer

IAN MUMFORD
Chief Operating Officer

JEAN-PAUL BÉDARD
Vice-President, Public Affairs

WATSON GALE
Vice-President, General Counsel
and Corporate Secretary

DR. GRAHAM SHER
Chief Executive Officer

CHRISTIAN CHOQUET, PHD
Vice-President, Quality and
Regulatory Affairs

SOPHIE DE VILLERS
Vice-President, Strategy Management

ROD BRANDVOLD, PHD
Vice-President, Talent Management

DANA DEVINE, PHD
Vice-President, Medical,
Scientific and Research Affairs

FINANCIAL REPORT

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This financial report includes forward-looking statements. By their nature, forward-looking statements require the organization to make assumptions, and are subject to important known and unknown risks and uncertainties, that may cause the organization's actual results in future periods to differ from those disclosed. While the organization considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate.

Financial Report

I. CORE BUSINESSES

Canadian Blood Services is a national not-for-profit charitable organization that operates four lines of business – Transfusable Products, Plasma Protein Products, Diagnostic Services and Stem Cells – a research and development program and two captive insurance subsidiaries.

Fulfilling our mandate involves a broad range of activities. We:

- manage Canada's blood supply,
- arrange for the purchase of plasma protein products manufactured from commercial plasma sources and the manufacture of select products from plasma collected in Canada,
- oversee scientific investigations to make sure Canada is at the forefront of and contributes to blood-safety research,
- help to educate health professionals to ensure our blood products are used wisely,
- oversee Canada's OneMatch Stem Cell and Marrow Network in all provinces and territories outside Quebec, and
- provide diagnostic services in some provinces.

The organization has also been asked to develop a strategy for establishing an integrated national system to improve organ and tissue donation and transplantation in Canada and to develop several registries to support this vital health-care service.

MISSION / VALUES

Our mission: Canadian Blood Services operates Canada's blood supply in a manner that gains the trust, commitment and confidence of all Canadians by providing a safe, secure, cost-effective, affordable and accessible supply of quality blood, blood products and their alternatives.

Our values: Our values comprise safety, integrity, quality, respect, excelling, accountability and openness. These characteristics are more than shared values. They are a call to action that asks each of us to recommit to a common set of beliefs about how we work. They are our words in our own voice.

2. FACTORS DRIVING COSTS

In addition to inflation there are three major factors that drive costs at Canadian Blood Services:

1) Safety measures. The cost of operating a safe blood system increased significantly between 1999 and 2005 with the introduction of many new safety measures. Although the rate at which costs have increased has declined in the recent past, as new technologies evolve to increase blood safety or new risks emerge, it may be necessary to increase the investment in safety in the future.

2) Product demand. Demand for red blood cells is expected to increase by 2% annually while the Canadian population increases at less than half that rate. This disproportionate increase in demand may be attributable to the aging of the Canadian population (demand for blood products increases

I.
core businesses

2.
factors driving
costs

3.
operational and
financial resources

Financial Report

with age) and the focus on reducing hospital wait times (more procedures requiring blood products). Demand for certain plasma protein products, such as IVIG and Recombinant FVIII also continues to grow at rates higher than general population increases. And, the significant increase in the number of search requests we continue to receive year over year reflects the rising demand for stem cells in Canada and around the world.

3) People and processes required to meet the system's needs.

Canadian Blood Services is actively pursuing an agenda to optimize the use of resources. We will focus on meeting hospital demand, maintaining donor satisfaction and containing costs. To achieve this objective, there is an ongoing focus on all aspects of the supply chain, from donor recruitment to product shipment. We are developing the capability to communicate electronically with donors in order to understand their preferences and allow online appointment booking. All collection events are being reviewed on an ongoing basis to ensure they are productive. In production, there are opportunities to optimize the process efficiencies already achieved with the implementation of the Buffy Coat production method. These efforts in the supply chain are supported by ongoing enhancement in our facilities infrastructure, quality-management programs and information-systems capabilities.

3. OPERATIONAL AND FINANCIAL RESOURCES

Canadian Blood Services is funded by the provincial and territorial ministries of health (outside of Quebec), our corporate members, under the terms of a memorandum of understanding. The corporate members approve business plans submitted by the board of directors. Each year, a three-year business plan is submitted and funding is approved for the first year of the plan. Canadian Blood Services also prepares contingency and business-continuity plans to ensure that it can respond to health and safety emergencies in a timely manner.

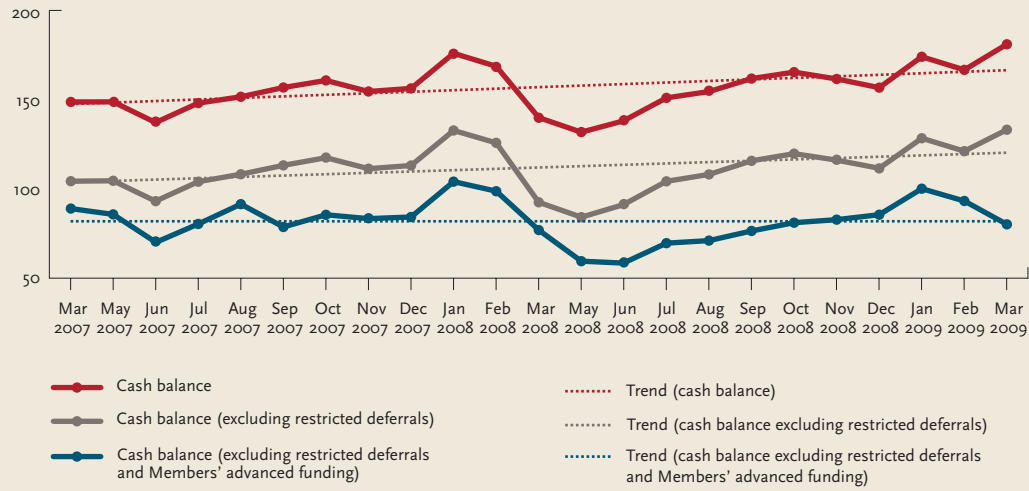
OPERATIONAL RESOURCES

Collection sites: Canadian Blood Services operates 41 permanent collections sites, eight OneMatch Stem Cell and Marrow Network field sites and more than 20,000 donor clinics annually.

Manufacturing and testing facilities: We operate blood testing facilities in Halifax, Toronto and Calgary and 12 manufacturing facilities across Canada in St. John's, Saint John, Halifax, Ottawa, Toronto, Hamilton, London, Winnipeg, Regina, Edmonton, Calgary, and Vancouver.

Facilities redevelopment: Canadian Blood Services has developed a 10-year facilities strategic plan. Many of the buildings assumed by the organization in 1998 were not designed for collecting, testing and processing blood. Over time, these facilities have become obsolete and crowded, which impedes our ability to maintain good manufacturing practice standards.

CASH BALANCE VS. UNRESTRICTED CASH BALANCE TREND (in millions)



Financial Report

The first phase of our 10-year plan is an \$83-million investment in southern and central Ontario. We will build a new production and distribution facility for blood and blood products in Brampton, renovate donor-testing facilities in Toronto and establish a new donor collection site in London.

On March 31, 2009, Canadian Blood Services announced a \$38-million investment in its Atlantic Canada facilities to build a production and distribution facility in the Halifax Regional Municipality, and new permanent blood-donor clinics in both Halifax and Saint John. As a result of these improvements, we will transfer donor-testing activity from Halifax to Toronto by late 2011. At that time, all infectious-disease testing for blood collected in Atlantic Canada will be performed in Toronto, where testing for the West Nile virus has taken place for the past four years.

As the redevelopment of our facilities in southern and central Ontario and Atlantic Canada progresses, Canadian Blood Services will develop a plan to upgrade its facilities in western Canada.

LIQUIDITY AND CAPITAL RESOURCES

The organization's cash and cash equivalents have declined to \$162.7 million as of March 31, 2009, compared to \$184.2 million at the end of 2007/2008, with a large portion of these cash reserves deferred for specific use or activity.

Amounts in cash reserves, deferred for specific use or activity, include:

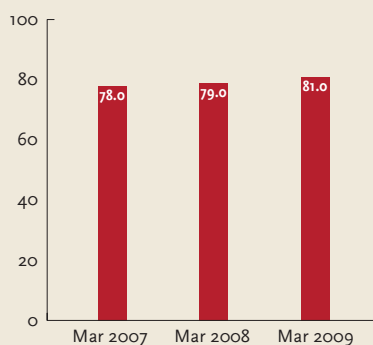
- \$36.9 million of provincial and territorial funding received in advance related to the facilities-redevelopment program,
- \$29.0 million restricted for specific projects or programs,
- \$20.0 million restricted for contingency purposes, and
- \$17.0 million of provincial and territorial funding received in advance.

After excluding these restricted amounts, the non-restricted cash balance was \$59.8 million compared to \$82.2 million at the end of 2007/2008, a \$22.4-million decrease.

The largest contributor to this year-over-year cash decrease was related to inventory held, which grew to \$149.2 million, a \$50.2-million increase from the prior year. It is important to note that \$18.2 million of this increase is related to the implementation of a new inventory accounting standard (see note 2(b) and note 5 of the consolidated financial statements), which transferred an appropriate portion of direct costs and overhead incurred in the collection, production and testing to inventory. If the effects of this new accounting standard are removed, inventories grew by \$32.0 million, representing the true cash impact. This marked increase is related to increases in our plasma protein products inventories which grew by \$35.9 million. Many of these plasma products are purchased in US dollars. A weaker Canadian dollar increased the cost of products held, contributing to this increase. Our medical supplies inventory however, decreased by \$3.9 million to \$8.7 million, largely related to the completion of the transition to the Buffy Coat production method and favourable contract

OVERALL TRUST IN THE
GENERAL POPULATION

Percentage of respondents
answering 7 or higher on a scale
of one to 10



Financial Report

negotiations, which helped offset the rise in our inventory levels. Inventories of medical supplies were higher in the previous year because we were carrying inventory to support the old production process as well as Buffy Coat in anticipation of the implementation. The organization continues to monitor inventories held to ensure their impact on liquidity is minimized.

4. PERFORMANCE

CONSOLIDATED RESULTS

The consolidated results cover the operations of Canadian Blood Services' various business lines and captive insurance subsidiaries. For the year ending March 31, 2009, the business lines had a combined surplus of \$2.8 million compared to a surplus of \$4.7 million in 2007/2008. The captive insurance subsidiaries had a consolidated surplus of \$1.1 million compared to a deficit of \$8.9 million in 2007/2008.

A. TRANSFUSABLE PRODUCTS

Transfusable Products refers to all activities related to the supply of fresh blood products to hospitals including donor recruitment, collection of whole blood, plasma and platelets, and processing, testing and distribution of products to hospitals as well as various support services. The financial performance of the transfusable product line of business is linked to supply and demand of our products.

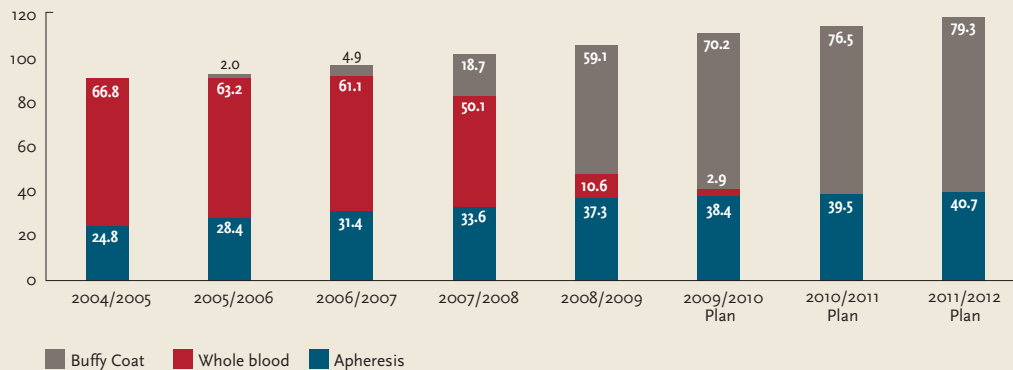
Whole blood/Red blood cells (RBCs)

Demand: Shipments of RBCs increased 4.2% to 833,020 units in 2008/2009 (from 799,556 units in 2007/2008), due to increased hospital demand in every quarter, particularly during the summer of 2008. Demand trends vary across regions and blood groups, which add to the complexity of ensuring the right products are available when needed. Canadian Blood Services is pursuing ongoing efforts to work with hospitals to better understand the nature of demand for blood products and to improve inventory-management methods to minimize product losses due to outdates.

Collections: In 2008/2009, whole blood collection increased by 5.0% to 915,858 units compared to 872,506 units in 2007/2008. The increase was due to significant recruitment and collections efforts supplemented by an appeal to donors in late October to replenish inventories depleted by the spike in demand during the summer. The outcome of these efforts caused inventories to increase to 22,982 units by the end of the fiscal year compared to 19,404 units at the end of fiscal 2007/2008.

Since 2005/2006, annual growth in demand for RBCs has stabilized at about 2%. To meet this demand, Canadian Blood Services will develop programs to increase whole blood collections. Canada's active whole blood donor base has been stable at about 400,000 since 2006, or 3.4% of the population that we estimate is eligible to donate.

PLATELET SHIPMENTS
BY COLLECTION METHOD
Number of doses in thousands



Financial Report

Ratio of red blood cells shipped to whole blood collected: The ratio of RBCs shipped to whole blood collected was 91.0% in 2008/2009 compared to 91.6% in 2007/2008. During the process of collecting blood and manufacturing blood components, a number of units are discarded for a variety of reasons. Canadian Blood Services continues to develop processes to further reduce the number of discards and, therefore, increase the proportion of red blood cell units issued from the whole blood units collected. The decrease in the ratio is explained in part by the increase in the year-end inventory of RBCs (see chart on page 12).

Platelets

Demand: Total platelet shipments include platelets collected by apheresis and those derived from whole blood collections using either Platelet Rich Plasma (PRP) or the Buffy Coat production method. A dose is considered equivalent to one apheresis platelet, one Buffy Coat platelet or five PRP platelets. Shipments of platelets increased 4.5% to 106,985 doses compared to 102,383 doses in 2007/2008. Apheresis doses represented 35.0% of the shipments compared to 32.8% in 2007/2008 with the remaining doses derived from whole blood collections. Because they are sourced from a single donor, apheresis platelets are often preferred during the treatment of sensitized patients by enabling more precise matching and avoiding multiple donor exposures, which could lead to further sensitization.

Collections: Platelet apheresis collections increased 12.9% to 40,847 doses compared to 36,179 doses in 2007/2008. The significant increase was achieved by increasing the platelet

apheresis donor base by 3.8 % year over year, increasing donor frequency to 5.15 from 4.89 in 2007/2008, and implementing new apheresis technology during the last quarter of 2008/2009. This new technology enables the collection of a larger volume of platelets from a donor during one visit, which enables us to maintain the volume of platelets collected each year while performing fewer collection events and reducing the number of collection kits required. About 40% of donors qualify for large-volume donations. In 2008/2009, we completed 38,427 single procedures and 1,210 large-volume procedures. The significant increase in volume of platelets collected through fewer collection events is expected to result in annual savings of approximately \$4.0 million in labour and supply costs starting in 2009/2010. Potentially, the equipment could be used to collect large-volume RBC and plasma donations as well.

Plasma

Demand: Plasma shipments for transfusion comprise apheresis and whole-blood derived plasma in the form of Apheresis Fresh Frozen Plasma (AFFF), Fresh Frozen Plasma (FFP), and Frozen Plasma (FP). In 2008/2009, Canadian Blood Services met the 5.7%-increase in demand for plasma for transfusion.

Collections: Collections of plasma apheresis increased 6.7% to 55,244 units in 2008/2009 from 51,770 units in 2007/2008. Future plasma apheresis collection volumes are linked to the demand for plasma for transfusion as well as the plasma sufficiency objectives in the Plasma Protein Products program.

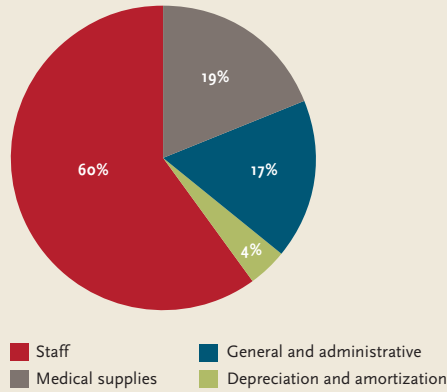
Financial Report

FINANCIAL PERFORMANCE

Transfusable Products

			2009	2008	% Change
	Total	Facilities redevelopment	Adjusted Total		
Revenue:					
Members' contributions	\$ 481,921	\$ 37,230	\$ 444,691	\$ 427,484	\$ 4.0%
Less deferred amounts	(57,188)	(37,230)	(19,958)	(14,446)	38.2%
	424,733	-	424,733	413,038	2.8%
Amortization of previously deferred contributions:					
Relating to property, plant and equipment	18,364	-	18,364	17,756	3.4%
Relating to operations	9,817	212	9,605	8,801	9.1%
Total contributions recognized as revenue	452,914	212	452,702	439,595	3.0%
Investment income	4,002	534	3,468	6,422	-46.0%
Other income	417	-	417	951	-56.2%
Total revenue	457,333	746	456,587	446,968	2.2%
Expenses:					
Staff costs	272,294	438	271,856	259,223	4.9%
General and administrative	85,608	303	85,305	85,201	0.1%
Medical supplies	78,821	5	78,816	80,720	-2.4%
Depreciation and amortization	17,061	-	17,061	17,389	-1.9%
Total expenses	453,784	746	453,038	442,533	2.4%
Excess (deficiency) of revenue over expenses	\$ 3,549	\$ -	\$ 3,549	\$ 4,435	\$ -20.0%

BLOOD PROGRAM
EXPENSES BY CLASS
2008/2009



Financial Report

Revenue

The core driver of activity in Transfusable Products is demand for red blood cells, platelets and plasma. Based on our demand forecasts for the year, Canadian Blood Services' goal for 2008/2009 was to grow whole blood, plasma and platelet collections to match demand. As of March 31, 2009, we had met or exceeded our targets for all three products—something we have not done in more than four years.

Revenue for the Transfusable Products business line includes funding related to facilities redevelopment plans in southern and central Ontario and Atlantic Canada. The provincial and territorial ministers of health have elected to fund this redevelopment program over three different time horizons. In order to depict relevant year-over-year comparisons, the results of the facilities redevelopment program have been removed from the table on the previous page resulting in a net year-over-year increase in member funding of 4%. Other revenues were affected by falling interest rates. In 2008/2009, interest rates averaged 2.4% compared to 4.3% in 2007/2008. As a result, investment income declined to \$4.0 million from \$6.4 million in 2007/2008 reducing the overall increase in year-over-year revenue to 2.2%.

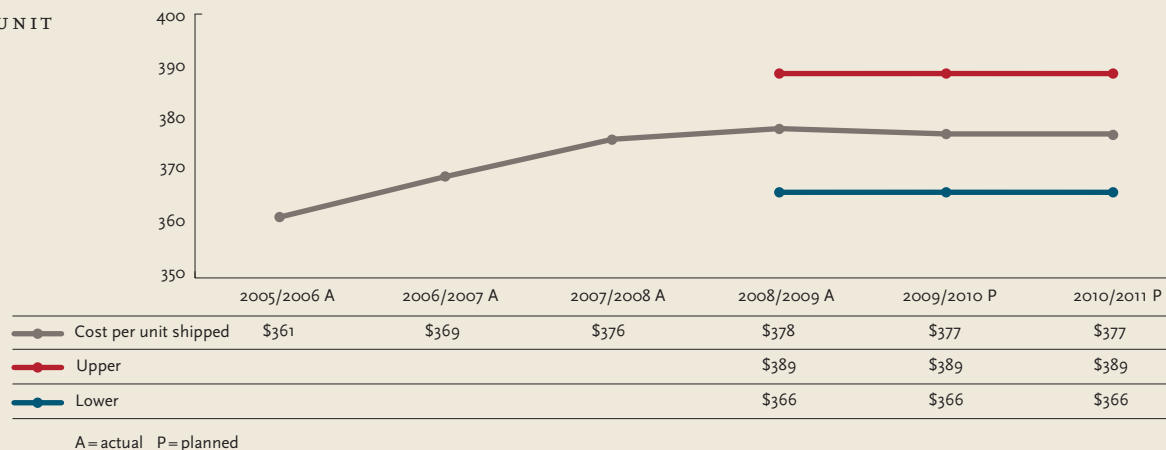
Expenses

Expenses incurred by the Transfusable Products program include staff, medical supplies, general and administrative costs, as well as depreciation and amortization. In 2008/2009 total expenses increased 2.4% to \$453.8 from \$442.5 million in 2007/2008 for the following reasons:

Staff costs: Staff costs make up approximately 60% of total Transfusable Products expenses and are influenced by product demand and collective agreement obligations. The overall increase of \$12.6 million, a difference of 4.9% over the previous year, after removing the expenses related to facilities redevelopment, is explained by the following variances (see previous page):

- **Rate variance:** The variances related to rate increases was \$14.3 million. Rate increases are largely prescribed by provincial contract negotiations in the health-care sector and are not controlled by management. The rate increase includes economic adjustments and progression within the salary ranges.
- **Volume variance:** Staff costs within Transfusable Products are largely driven by collection activities, thus actual expenses correlate to increases or decreases in collections. Although the organization plans for annual increases in demand, the level at which demand increases is not controlled by management. The increase in total collections was 50,104 units over the prior year, and 14,461 over plan, which resulted in a \$6.6-million increase in staff costs related to volume.
- **Efficiency variance:** Many of the collection, production and testing activities have measurable staff metrics, such as labour hours per unit. When analyzing changes in staff costs, one must also consider how efficient we are in our various processes. As mentioned previously, in order to contain our costs, we have focused heavily on the efficiency of our core processes. These efficiencies have reduced costs by \$8.3 million, which has helped contain largely uncontrollable rate and volume increases.

COST PER UNIT
(in dollars)



Financial Report

General and administrative: These expenses include those other than staff, medical supplies and depreciation and amortization, and a significant portion of energy-related costs for freight, transportation, and utilities. Although there were significant energy-related inflationary pressures within the fiscal year, a focus on general efficiencies held the year-over-year increase to only \$0.1 million after removing the expenses related to the facilities redevelopment.

Medical supplies: Medical supply expenses decreased by \$1.9 million in 2008/2009. Medical supplies are materials used in the collection, production and testing processes and, as with staffing costs, are affected by the volume of collections. The 4.7% increase in collection activity in 2008/2009 caused medical supplies expenses to increase \$4.1 million. This unfavourable variance was offset by a \$6.0-million price reduction created by the completion of the Buffy Coat production method implementation and an associated change in blood bag suppliers as well as a series of proactive contract negotiations that reduced the price of medical supplies.

Cost per unit

Cost per unit (CPU) is a ratio of total expenses to shipments of all products and represents an integral measure of our performance. Costs include all expenses related to the blood operations functions, strategic projects and research and development, but exclude those expenses related to facilities redevelopment because they are temporary in nature. Our shipments of fresh blood products are categorized into five broad groups: red blood cells, plasma for fractionation, plasma for transfusion, other plasma derived products, and platelets.

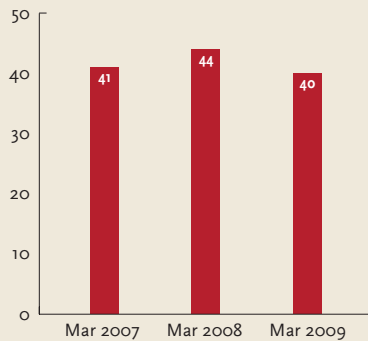
CALCULATING COST PER UNIT SHIPPED

	2008/2009	2007/2008
Total Transfusable Products expenses (excluding facilities redevelopment)	453,038,000	442,533,000
Plus inventory adjustment	7,766,000	
Adjusted transfusable products expenses	460,804,000	442,533,000
Total units shipped	1,221,918	1,177,543
Cost per unit shipped	377.11	375.81
Total red blood cells	833,020	799,556
Total plasma for fractionation	163,840	148,883
Total plasma for transfusion	59,360	56,163
Total other plasma derived products	58,713	70,558
Total platelets	106,985	102,383
Total units shipped	1,221,918	1,177,543

During the 2008/2009 fiscal year, a change in our accounting policy (see note 2(b) and note 5 of the consolidated financial statements) required a movement of direct costs and associated overheads related to the collection of fresh blood products to inventory. In order to facilitate a year-over-year comparison, this amount has been included in the CPU calculation.

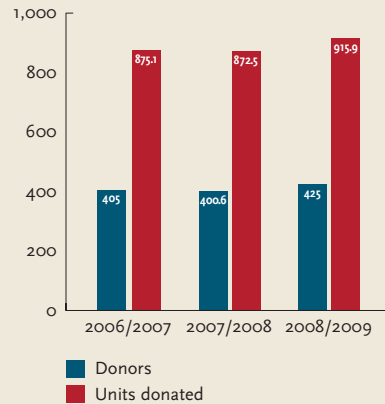
DONOR SURVEY:
Donor satisfaction

Percentage of respondents answering 10 out of 10 in a survey of 1,375 donors



WHOLE BLOOD DONORS AND DONATIONS

Number of active donors and units donated (in thousands) in 2008/2009



Financial Report

The consolidated CPU for the year ending March 31, 2009 increased 0.3% to \$377.11 compared to \$375.81 in 2007/2008. The variance from 2007/2008 was driven by:

- **Volumes shipped:** Shipments of all transfusable products increased in 2008/2009 over 2007/2008 to meet continued increases in demand. Shipments of RBCs increased 4.2%, shipments of platelets increased 4.5% and, shipments of plasma-related products increased 2.3%.
- **Variances in expenses:** Adjusted Transfusable Products expenses increased by 4.1% to \$460.8 million from \$442.5 million in 2007/2008.

Canadian Blood Services is committed to maintaining the CPU constant for 2009/2010 and 2010/2011. It also assumes:

- no new major safety measures will be introduced,
- no sudden or sustained increase in demand beyond 2.0% per year for RBCs and 2.8% per year for platelets,
- the renewal of facilities will proceed as planned,
- no major change in economic conditions that could cause significantly higher than forecast price increases in specific sectors, such as oil and gas or utilities,
- no extraordinary settlements, and
- no events requiring the need to implement contingency measures, such as disasters or pandemics.

Donor satisfaction and base

Donor satisfaction declined in 2008/2009, a trend reflecting the increase in waiting times at our clinics that occurred because of the overwhelming response to the donor appeals during the latter part of the year. Going forward, we are committed to improving donor experiences by redesigning clinics, developing a national quality-of-service standard and realigning collections and donor-recruitment responsibilities.

Canadian Blood Services' total active whole blood donor base reached 424,959 on March 31, 2009, an increase of 6.0% over the previous year. This increase, which was partly attributable to the donor appeal in the third quarter, represents unprecedented annual growth in the active donor base. This was driven by the recruitment of 83,035 new donors compared to 73,647 in 2007/2008 and the success of our reinstatement program, which brought 86,136 previous donors who had not donated for at least 18 months back to our clinics compared to 75,907 reinstated donors in 2007/2008.

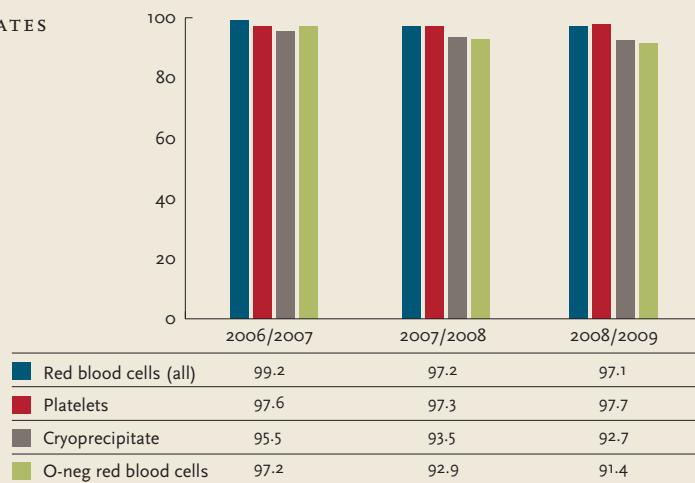
O Negative: The active O Negative donor base grew 7.5% to 43,558 donors from 40,516 in 2007/2008. O Negative recruitment continues to be a priority, supported by advertising and recruitment tactics.

Plasma: The active plasma donor base grew 8.9% to 6,504 donors from 5,971 in 2007/2008, a reflection of the sustained attention and recruitment efforts.

Platelets: The active platelet donor base declined 0.7% to 6,972 donors from 7,020 in 2007/2008. Higher donation frequencies and the introduction of large-unit volume platelets more than offset this decline.

ORDER FILL RATES

Percentage of orders filled by year



Financial Report

Hospital satisfaction

Order fill rates refer to the percentage of hospital orders we are able to fill. We measure the fill rates for all red blood cells, platelets and cryoprecipitate.

In 2008/2009, Canadian Blood Services saw a small decline in its order fill rate to hospitals for all products except platelets. Captured in the shortfall are unexpected increases in hospital demand early in the year coupled with low collections in the summer and fall; low collections of some blood types—in particular O Negative. Order fill rate for cryoprecipitate was negatively impacted by the implementation of Buffy Coat as well as TRALI reduction measures. The strong order fill rate for platelets was a result of completing the implementation of the Buffy Coat production method and an overall increase in apheresis platelet collection.

Research and development

During 2008/2009, funding for Canadian Blood Services' research and development program remained stable. The provincial and territorial governments contributed \$5.0 million to the program, as did the federal government. Expenses related to this program were \$10.7 million with future-year commitments of approximately \$8.0 million. Because the research and development program has federal funding that is deferred, expenses may not reflect actual funds received.

The research and development program supports every line of business at Canadian Blood Services by providing strong, in-house scientific support and driving innovation. In 2008/2009, research scientists continued to focus on enhanced blood and blood product safety and quality, the use of genotyping to

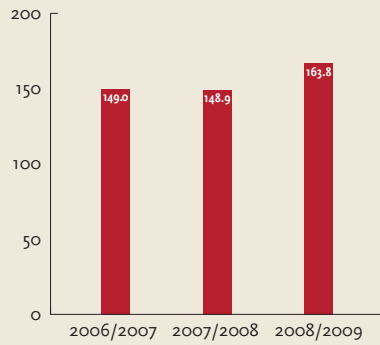
identify donors with rare blood types, solutions to problems related to blood conservation and utilization, and minimizing blood system risks. Our scientists also work with management to address the challenges to our business posed by an aging population, emerging pathogens, changing technologies and the need to operate a cost-effective business.

Canadian Blood Services' research and development is based in five centres, each focused on a specific theme:

- **Vancouver:** Blood product processing and storage, modified cellular blood products and blood substitutes. Vancouver is also the site of the NetCAD development laboratory, which provides an authentic environment for process validation and development that is unique in the public blood industry.
- **Edmonton:** Frozen blood program, bone marrow stem cells, and nanotechnology.
- **Toronto:** Transfusion immunology, Intravenous Immune Globulin (IVIG) and adverse events.
- **Hamilton:** Clinical use of blood products and plasma products.
- **Ottawa:** Blood-borne infectious diseases and quality monitoring.

Our research and development teams collaborate with select partners in the development and marketing of innovations. We also provide the infrastructure in which these strategic partnerships can develop and emerging technologies and therapeutics can be tested. Our scientists also support programs to recruit and train scientists and physicians, either independently or in partnership with the Canadian Institutes of Health Research.

PLASMA SHIPPED
TO FRACTIONATOR
(Litres in thousands)



Financial Report

Canadian Blood Services filed five new patent applications for inventions related to processing and delivery of blood products used today as well as alternatives. And, in 2008/2009 Canadian Blood Services signed an option to license a patent with a Canadian biotech firm for an instrument that measures platelet quality in the blood bank.

B. PLASMA PROTEIN PRODUCTS

Plasma protein products are used to treat particular illnesses including hemophilia and immunodeficiencies. Canadian Blood Services is responsible for contracting with third-party suppliers for the purchase of plasma protein products manufactured from commercial plasma sources and for the manufacture of select products (albumin and Intravenous Immune Globulin (IVIG)) from plasma collected from Canadian donors.

Demand for plasma protein products has grown steadily since our inception, particularly for IVIG, the largest component of the Plasma Protein Products annual budget. However, the increased cost due to the growth in actual units shipped to hospitals was masked by the strength of the Canadian dollar, since many of the products are purchased in US dollars. In 2008/2009, growth in IVIG demand slowed to its lowest rate in the past decade, with demand growth in Ontario and the Atlantic provinces slowing considerably. The publication by the National Advisory Committee on Blood and Blood Products of new Canadian guidelines for the use of IVIG may have influenced the use of IVIG, as has closer monitoring of the usage in some provinces.

Another factor affecting the change in the Plasma Protein Products business line relates to the transfer of the Synagis program out of the Canadian Blood Services portfolio. Synagis is a non-plasma derived antibody used to treat premature infants at risk for respiratory syncytial virus. This product is not purchased, warehoused or distributed by Canadian Blood Services and therefore our involvement is being discontinued. All provinces have completed this transfer of Synagis to their own jurisdictions, with the exception of Alberta and Manitoba, which are expected to complete the transfer by early 2009/2010.

Our target for sufficiency for Canadian plasma is 40%. Since 1998/1999, we have seen a decline in sufficiency from 39.0% to 28.4% in 2008/2009. This trend has reversed with the implementation of the Buffy Coat production method, which extracts more plasma from each unit of whole blood collected, and the introduction of a new IVIG purification technology by the plasma fractionator that improved the recovery of IVIG from plasma. These factors have increased the amount of plasma shipped for fractionation, and the yield of IVIG from each litre shipped.

The Plasma Protein Products business line is subject to fluctuations in costs due to variances in exchange rates. This is true for products made of Canadian plasma but is more significant for the balance of plasma protein products Canadian Blood Services procures from international suppliers to meet hospital needs. To manage costs more effectively, we continue to hedge a portion of our currency requirements. We also established a more secure supply of products by negotiating

Financial Report

contracts in 2007/2008 with additional suppliers of IVIG, albumin, Recombinant fVIII and for fractionation of Canadian plasma. These new five-year agreements came into effect during 2008/2009.

Shipments and costs

Total Plasma Protein Product program expenses increased 5.2% to \$426.5 million in 2008/2009 (compared to \$404.3 million in 2007/2008). These expenses include both the cost of product shipped as well as the administrative overheads of the program,

which include gains or losses on foreign exchange related to the purchase of inventory.

Members are charged for the actual cost of Plasma Protein Products used by the hospitals in their jurisdictions. Administration costs are allocated to provinces based on the dollar value of the product used.

The following table provides a comparison of product costs between 2007/2008 and 2008/2009.

PLASMA PROTEIN PRODUCT COST

\$ in millions

	Actual 08/09	Actual 07/08	Price Variance	Volume Variance	Total Variance
IVIG	168.6	137.4	(24.9)	(6.3)	(31.2)
Recombinant fVIII	116.3	114.6	14.8	(16.5)	(1.7)
Recombinant fVIIa	34.4	33.6	(0.7)	(0.1)	(0.8)
Synagis	33.6	26.6	(0.8)	(6.2)	(7.0)
Albumin/Starches	29.5	27.4	(1.2)	(0.9)	(2.1)
Other coagulation	26.4	21.4	(1.1)	(3.9)	(5.0)
Recombinant fIX	20.2	18.3	(0.7)	(1.2)	(1.9)
Other immune globulins	11.8	10.9	(3.4)	2.5	(0.9)
Other	0.5	0.2	(0.3)	-	(0.3)
Cash discounts	(2.3)	-	2.3	-	2.3
Product costs	439.0	390.4	(16.0)	(32.6)	(48.6)

Note: cash discounts of \$0.7 million were included in general and administrative in 2007/2008

Financial Report

A significant proportion of Plasma Protein Product costs are paid in US dollars. The value of the Canadian dollar inventory purchased in US dollars averaged approximately \$1.12 during 2008/2009 compared to an average rate of \$1.03 in 2007/2008, an increase of approximately 8.7%. The fiscal-year budget for Plasma Protein Products in 2008/2009 was set using a foreign exchange rate of \$1.06. Since the average foreign exchange rate exceeded our budgeted rate, the cost of our products rose, resulting in a higher cost of goods sold. Management mitigated this foreign exchange risk through a hedging program that generated gains of \$20.3 million (disclosed as part of general and administrative expenses). These gains more than offset the increase in product cost.

Working capital

The total value of Plasma Protein Product inventories on March 31, 2009 was \$118.8 million compared to \$82.9 million in 2007/2008, which represents approximately 80% of total inventories. Members provide \$5.0 million in working capital annually to fund the Plasma Protein Product inventory. As of March 31, 2009, total working capital received for the Plasma Protein Product inventory was \$57.7 million, leaving a working capital shortfall of \$61.1 million. In order to address any future working capital issues, an operating line of credit of up to \$50.0 million is in place specifically for inventories. A risk management-based review of target inventory levels is also being conducted to ensure we are carrying appropriate levels.

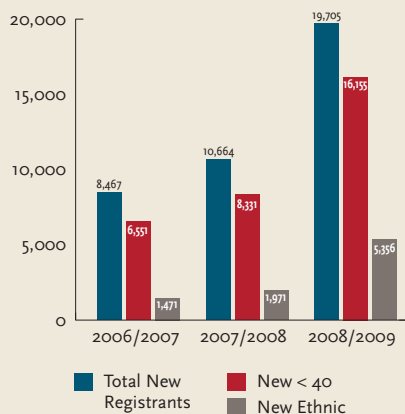
C. DIAGNOSTIC SERVICES

Diagnostic Services includes programs such as prenatal testing, human leukocyte antigen matching, phenotyping, therapeutic apheresis, autologous collections and stem cell transplants. Most of this testing is done in central and western Canada with a small volume of referral work and autologous activities completed for other provinces and territories, excluding Prince Edward Island.

DIAGNOSTIC SERVICES PROCEDURES

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
Red cell serology	65,194	88,269	19,082	155,880	
Platelet immunology				1,574	
Platelet serology					759
Immunoematology					871
Stem cell		169			218
Therapeutic apheresis					850
Autologous	47	156	140	96	2,703
	65,241	88,594	19,222	157,550	5,401

Funding by members matches the cost of diagnostic services received. For the year ending March 31, 2009, Diagnostic Services' revenues and costs were \$15.0 million, compared to \$13.7 million in 2007/2008. Expenses include staff, general and administrative charges and medical supplies required to complete patient laboratory and patient therapeutic services. All expenses are charged on a per-procedure basis and include direct costs as well as overhead.



Financial Report

During 2008/2009, Canadian Blood Services selected a vendor to build an integrated information system for Manitoba, Saskatchewan, Alberta and British Columbia at an anticipated cost of \$5.5 million. Implementation began in April 2009; completion is anticipated during 2010/2011.

Not only will the new system integrate information management, but it will also establish electronic links between the laboratories and the provincial health-record systems. It will also enable the implementation of a common international standard of prenatal testing across the western provinces.

D. STEM CELLS

Canadian Blood Services operates the OneMatch Stem Cell and Marrow Network to find and match volunteer donors for patients who require unrelated stem cell transplants. Through Bone Marrow Donors Worldwide, Canadian Blood Services also shares its registry with more than 60 stem cell registries worldwide.

The program is funded by the provinces and territories as well as revenues generated from services, including search activations, and products provided to international registries. Revenue increased to \$17.3 million in 2008/2009 from \$15.1 million in 2007/2008 while expenses increased to \$18.0 million from \$14.8 million, generating a deficit of \$0.7 million for the year compared to the \$0.2 million surplus in 2007/2008.

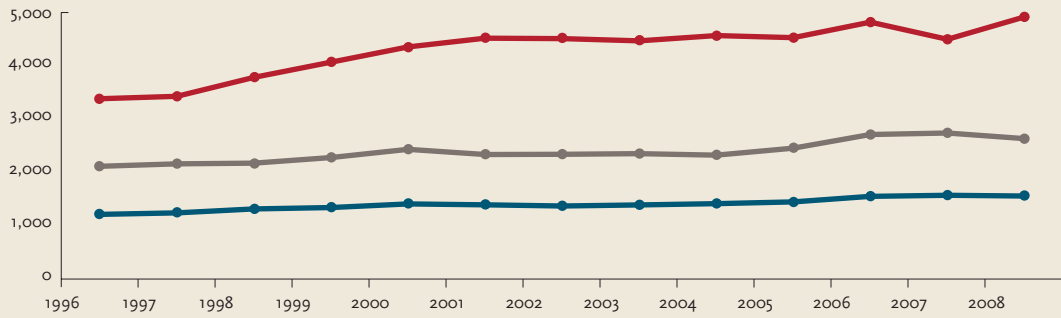
Many of the expenses charged by international registries for products are “rebilled” to the transplant centre requesting the services and are recorded as revenue, thus there is often a correlation between increased revenues and expenses. Expenses not recovered include international search activations, human

leukocyte antigen (HLA) laboratory expenses and various administrative expenses. Because of the various facets of this line of business, the financial performance was affected by several variances from previous years and plan. We activated 625 searches for Canadian donors on behalf of international registries compared to 702 in 2007/2008. This total was a significant shortfall from the 1,403 activations we budgeted, reflecting the lack of a real-time search capability at Canadian Blood Services. On the other hand, we activated 10,488 searches for Canadian patients using international registries compared to 6,424 in 2007/2008. Despite cost-savings resulting from fewer Canadian searches for Canadian patients, a sharp increase in expenses was driven by the impact of the weaker Canadian dollar on the cost of securing international matches for Canadian patients and the success of our recruitment efforts. We recruited and HLA typed 19,705 potential new donors, a substantial increase over the 10,664 typed in 2007/2008.

The increase was partially achieved through the implementation of buccal swabs to collect tissue samples for human leukocyte antigen testing in 2007/2008. The use of buccal swabs has reduced the cost to collect a single sample from \$20 to \$5. The total annual savings will depend upon the number of registrants each year but is expected to approach \$250,000 in 2009/2010.

The OneMatch Stem Cell and Marrow Network further enhanced its reach and efficiency by implementing online registration in June 2007 and assigning the initial screening and contact with new registrants to the National Contact Centre. These initiatives enabled OneMatch to increase its recruitment goals with very little impact on staffing.

FIVE YEAR TREND IN
TRANSPLANTS / WAITING
LIST / DONORS / GAP



* Canadian Organ Replacement Register, Canadian Institute for Health Information (2009)

—●— Waiting lists
—●— Transplants
—●— Donors

Financial Report

The OneMatch Stem Cell and Marrow Network continues to work to attain the World Marrow Donor Association benchmarks and, where required, will establish further process improvements.

Recognizing that the landscape is changing, the network is re-examining its role and responsibilities to ensure patients and families are fully supported. During 2008/2009, we established a patient and transplant liaison specialist position to improve alignment with transplant programs, including patient searches. We anticipate this change will result in fewer unnecessary donor activations through improved education within the transplant centres.

The OneMatch Stem Cell and Marrow Network led Canadian Blood Services in providing services in languages other than English and French with an initiative to provide translation and interpreter services in Mandarin and Cantonese to better serve the needs of our ethnically diverse community. As we gain experience, we expect to expand into other languages representative of the Canadian ethnic mosaic.

E. ORGAN AND TISSUE DONATION AND TRANSPLANTATION

In April 2008, Canadian Blood Services assumed the mandate and operations of the Canadian Council for Donation and Transplantation, a body created by the federal government in 2001 to develop a body of knowledge, standards, guidelines and educational resources around organ and tissue donation and transplantation services.

In August 2008, we assumed responsibility for developing a strategy to design and implement a national organ and tissue

donation and transplantation system at the request of the federal, provincial and territorial governments. Total revenues were \$4.5 million – \$3.3 million from the federal government and \$3.6 million received from the provincial and territorial ministries of health of which \$2.4 million was deferred for future years. *For more information about organ and tissue registries, please see page 19.*

5. FUNDRAISING

Canadian Blood Services' National Fundraising Office raises money in support of new blood donor clinics, bloodmobiles, an elementary school program and enhancing the experience of our valued blood donors. The work of the National Fundraising Office also supports the work of the OneMatch Stem Cell and Marrow Network.

Total donations received for the year ending March 31, 2009 were \$234,000 compared to \$321,000 in 2007/2008. The decline reflects the impact of a weak economy as well as a focus in 2008/2009 on supporting select events, building key partnerships, reviewing existing initiatives and developing new programs that will strengthen our fundraising programs in the future.

During 2008/2009:

- Canadian Blood Services opened a new donor clinic in the heart of Toronto's financial district. The opening of this clinic was made possible, in part, by financial contributions from thousands of individual donors, service clubs, companies and associations across the country. David Lehberg, active fundraiser and CEO of Knightstone Capital Management Inc., was

5. fundraising

6. captive insurance program

Financial Report

a major champion of this effort. Other Partners for Life at the new facility include Manulife Financial (Queen Street), the Royal Bank of Canada (RBC), Deloitte & Touche LLP, Borden Ladner Gervais LLP, Fogler Rubinoff LLP and Sapient Corporation.

- The 221 Other Half Stem Cell Drive was held February 21, 2009 at First Markham Place in Toronto. The Sing Tao Foundation donated \$10,000 to support the development of a more diversified OneMatch Stem Cell and Marrow Network in Canada.
- Canadian Blood Services marked 55 years of saving lives by employees of Manulife Financial at a celebration held in the Manulife employee blood donor clinic at their global head office on February 5, 2009. Manulife employees at this office donate 600 units of blood per year. Manulife also donates \$35,000 yearly to pay the rent for the permanent clinic held in the Manulife Centre in Toronto.

Cornerstone Monthly Financial Giving Program

During 2008/2009, the National Fundraising Office launched several new programs. The Cornerstone Monthly Financial Giving Program enables Canadians to make monthly donations to Canadian Blood Services. All monthly donations are issued a single tax receipt at the end of the calendar year.

Legacy Giving Program

For 2009/2010, the National Fundraising Office will launch the Legacy Giving Program, through which supporters may donate securities, life-insurance policies or bequests to Canadian Blood Services.

6. CAPTIVE INSURANCE PROGRAM

Canadian Blood Services' Captive Insurance Program is comprised of two wholly owned insurance corporations: CBSI Insurance Company Limited (CBSI) and the Canadian Blood Services Captive Insurance Company Limited (CBSE). CBSI provides comprehensive liability coverage up to \$250 million for risks associated with the operation of the blood system. CBSE provides coverage in excess of \$250 million to a limit of \$750 million. This provides Canadian Blood Services with \$1.0 billion in liability coverage. CBSI also provides stock throughput coverage in the amount of \$6.0 million, which covers transportation of high valued inventories.

As wholly owned subsidiaries, the financial results of the Captive Insurance Program are consolidated. During 2008/2009, revenue of \$10.9 million was recognized with expenses of \$9.8 million resulting in a net gain of \$1.1 million compared to a loss of \$8.9 million in 2007/2008. Owing to an actuarial evaluation in 2008/2009 that concluded that provisions for future insurance claims are growing at a slower than anticipated rate, we ended the year with the net increase noted above.

CBSI's core asset is an investment portfolio managed by an investment manager according to the Board-approved investment policy. Generally the portfolio comprises 75% fixed-income securities and 25% domestic and global equity securities. Despite this conservative structure, the market value of the portfolio declined to \$273.2 million from \$281.6 million at the end of fiscal 2007/2008.

7. risk management

8. pension plan obligations

Financial Report

The administrative costs of the Captive Insurance Program on a consolidated basis were \$0.9 million, up from \$0.4 million in 2007/2008, and increased largely due to professional fees related to a comprehensive risk analysis and exposure modeling exercise undertaken this fiscal year. There have also been no claims of any significance since the inception of the Captive Insurance Program.

7. RISK MANAGEMENT

FOREIGN-EXCHANGE RISK

Approximately one-half of Canadian Blood Services' payables are in US dollars. Foreign currency hedges and spot purchases are used to mitigate the risks inherent in fluctuating currency exchange rates. During 2008/2009, the US/Canadian dollar exchange rate fluctuated between 0.9844 and 1.3000 compared to an average 1.1264 in 2007/2008. A weak Canadian dollar places significant financial pressures on Canadian Blood Services by increasing the cost of items, such as plasma products, even if sound foreign exchange risk mitigation strategies are employed. The unprecedented volatility in the foreign currency markets was followed and mitigated through an active hedging program. The budgeted exchange rate for the fiscal year was set at 1.0600 and through our foreign-exchange risk management strategies we were able to attain this budgeted rate, despite extremely volatile foreign-exchange markets. For 2009/2010 the budgeted exchange rate is 1.2200 and in December 2008, management hedged US \$106 million with a minimum exchange rate of 1.2043 and a maximum exchange rate of 1.2200 in an effort to mitigate 2009/2010 foreign-exchange risk.

INTEREST-RATE RISK

On March 31, 2009, Canadian Blood Services had outstanding debt obligations of \$15.0 million an interest-rate swap arrangement maturing April 2014, related to the financing of the Winnipeg Blood Transfusion Service Centre. The interest rate risk related to this debt has been mitigated through an interest-rate swap that fixes the interest rate at 5.645% until the maturity of the debt.

ENTERPRISE RISK MANAGEMENT (ERM)

Canadian Blood Services is exposed to a wide range of risks that could threaten the achievement of our strategic objectives. During 2007/2008, these risks were identified in a corporate risk profile, from which we developed mitigating strategies. During 2008/2009, the monitoring and reporting of these risks were integrated into the enterprise-wide scorecards used to report performance across the organization. The goal of our ERM strategy is to prevent these risks from occurring and to reduce the operational and financial impact on the organization in the event the risks do materialize.

8. PENSION PLAN OBLIGATIONS

Canadian Blood Services sponsors one defined-contribution and two defined-benefit pension plans. Each plan has its own governance structure with advisors including employees, board members, union representatives and external parties. The plans use the external services of custodians, actuaries, administrative service providers, investment consultants, investment managers and legal advisors where appropriate. There are approximately 4,280 members in the various plans. Accounting results of the plans are presented in Note 12 to the Consolidated Financial Statements.

9. international financial reporting standards

Financial Report

DEFINED-BENEFIT PENSION PLANS

The pension benefit is defined by a formula that reflects the pension member's earnings and pensionable service. Contributions are determined by actuarial calculations and are dependent on employee demographics, rate of turnover, mortality, investment return and other actuarial assumptions. The contributions made by Canadian Blood Services and employees are pooled, invested and professionally managed in accordance with the investment policies of the plans. The plan assets are available to meet estimated future benefit obligations.

There are two valuations prepared for the plan, one for accounting purposes (see note 12 of the Consolidated Financial Statements) and one for funding purposes used for regulatory purposes and the management of the plan.

The impact of the economic recession on the domestic and global debt and equity markets had a significant impact on the plan's funding valuation. Based on accounting standards prescribed by the Canadian Institute of Chartered Accountants, on March 31, 2009, the plan reported a deficit of \$1.2 million, the same as in 2007/2008. On a funding basis, the plan had a deficit of \$17.6 million on December 31, 2008, compared to a \$7.8-million surplus in 2007/2008. The valuations for accounting and funding purposes are prepared at different times and use different assumptions. The Board of Trustees, which governs the defined benefit pension plan, continues to monitor the economic environment and will continue to assess the need for changes to the contribution rates as required.

DEFINED-CONTRIBUTION PENSION PLAN

The defined contribution plan is funded by predetermined contributions. There is no pension benefit formula. The benefit depends on the accumulation of contributions and investment earnings in each individual member's account.

9. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Canadian generally accepted accounting principles for publicly accountable enterprises are planned to converge with International Financial Reporting Standards (IFRS).

Canadian Blood Services is not required to follow IFRS. However, it is investigating whether it will prepare its financial statements in accordance with IFRS for its fiscal year commencing April 1, 2011, including comparative balances for the prior year. The impact of transitioning to IFRS has not yet been determined. Both captive insurance subsidiaries will be required to meet IFRS and will do so commencing April 1, 2011.

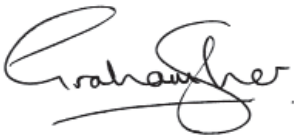
Management's report to the members

The consolidated financial statements contained in this report have been prepared by management in accordance with Canadian generally accepted accounting principles. The integrity and reliability of the data in these financial statements are management's responsibility. Management is also responsible for ensuring that all other information in this report is consistent, where appropriate, with the financial statements.

Management maintains a system of internal control to provide reasonable assurance as to the reliability of the financial information and safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Finance and Audit Committee meets periodically during the year with management and the external auditors.

The external auditors, KPMG LLP, conduct an independent audit, in accordance with Canadian generally accepted auditing standards, and express an opinion on the financial statements. The external auditors, whose report follows, have full and free access to the Finance and Audit Committee of the Board and meet with the committee on a regular basis.



DR. GRAHAM SHER
CHIEF EXECUTIVE OFFICER



PAULINE PORT
VICE-PRESIDENT, CORPORATE SERVICES
AND CHIEF FINANCIAL OFFICER

JUNE 5, 2009

Auditor's report to the members

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, except for the changes in accounting policies adopted in the current year as explained in note 2(b) to the consolidated financial statements, these principles have been applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

OTTAWA, CANADA
JUNE 5, 2009

Consolidated Statement of Financial Position

AS AT MARCH 31, 2009, WITH COMPARATIVE FIGURES FOR 2008
(IN THOUSANDS OF DOLLARS)

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 162,717	\$ 184,154
Members' contributions receivable	12,928	954
Other amounts receivable	15,871	9,928
Inventory (note 5)	149,218	99,030
Prepaid expenses	6,639	6,060
	347,373	300,126
Investments, captive insurance operations (note 4)	273,233	281,620
Property, plant and equipment (note 6):		
Land, buildings, software and equipment	145,331	144,897
Right to the blood supply system	25,963	26,843
	171,294	171,740
	\$ 791,900	\$ 753,486
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 127,668	\$ 102,169
Current portion of long-term debt (note 7)	1,000	1,000
Obligation under capital lease (note 8)	312	-
	128,980	103,169
Provision for future insurance claims (note 15)	232,401	223,454
Long-term debt:		
Long-term debt (note 7)	14,000	15,000
Obligation under capital lease (note 8)	1,317	-
	15,317	15,000
Deferred contributions (note 9):		
Expenses of future periods	194,421	174,328
Property, plant and equipment	145,036	146,098
	339,457	320,426
New assets:		
Invested in property, plant and equipment	9,704	9,704
Restricted for captive insurance purposes	44,021	61,386
Unrestricted net assets	22,020	20,347
	75,745	91,437
Guarantees and contingencies (note 17)		
Commitment (note 18)		
	\$ 791,900	\$ 753,486

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Verna M. Skanes
Director and Chair



W. John Dawson
Director

Consolidated Statements of Operations

YEAR ENDED MARCH 31, 2009, WITH COMPARATIVE FIGURES FOR 2008
(IN THOUSANDS OF DOLLARS)

	Canadian Blood Services (note 13)		Captive Insurance (note 15)		Consolidated	
	2009	2008	2009	2008	2009	2008
Revenue:						
Members' contributions	\$ 940,538	\$ 858,670	\$ -	\$ -	\$ 940,538	\$ 858,670
Federal contributions	3,360	-	-	-	3,360	-
Less amounts deferred	(66,105)	(20,758)	-	-	(66,105)	(20,758)
	877,793	837,912	-	-	877,793	837,912
Amortization of previously deferred contributions:						
Relating to property, plant and equipment	18,364	17,756	-	-	18,364	17,756
Relating to operations	10,070	9,016	-	-	10,070	9,016
Total contributions recognized as revenue	906,227	864,684	-	-	906,227	864,684
Net premiums earned	-	-	-	20	-	20
Stem Cells international revenue	9,472	7,512	-	-	9,472	7,512
Investment income (note 11)	4,002	6,422	10,869	14,774	14,871	21,196
Other income	988	1,458	-	-	988	1,458
Total revenue	920,689	880,076	10,869	14,794	931,558	894,870
Expenses:						
Increase in provision for future insurance claims	-	-	8,947	23,229	8,947	23,229
Cost of plasma protein products	439,038	390,431	-	-	439,038	390,431
Staff costs	290,718	274,300	-	-	290,718	274,300
General and administrative (note 14)	86,636	108,927	859	442	87,495	109,369
Medical supplies	84,427	84,361	-	-	84,427	84,361
Depreciation and amortization	17,061	17,389	-	-	17,061	17,389
Total expenses	917,880	875,408	9,806	23,671	927,686	899,079
Excess (deficiency) of revenue over expenses	\$ 2,809	\$ 4,668	\$ 1,063	\$ (8,877)	\$ 3,872	\$ (4,209)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

YEAR ENDED MARCH 31, 2009, WITH COMPARATIVE FIGURES FOR 2008
(IN THOUSANDS OF DOLLARS)

	Invested in property, plant and equipment	Restricted for captive insurance	Unrestricted	2009	2008
Balance, beginning of year	\$ 9,704	\$ 61,386	\$ 20,347	\$ 91,437	\$ 81,380
Excess (deficiency) of revenue over expenses	-	1,063	2,809	3,872	(4,209)
Assumption of Canadian Council for Donation and Transplantation (note 16)	-	-	37	37	-
Change in unrealized gains/losses on investments held (note 10a)	-	(18,428)	-	(18,428)	15,482
Change in unrealized loss on revaluation of interest rate swap (note 10b)	-	-	(1,173)	(1,173)	(1,216)
Balance, as at March 31, 2009 (note 10)	\$ 9,704	\$ 44,021	\$ 22,020	\$ 75,745	\$ 91,437

See accompanying notes to the consolidated financial statements.

Consolidated Statements Cash Flows

YEAR ENDED MARCH 31, 2009, WITH COMPARATIVE FIGURES FOR 2008
(IN THOUSANDS OF DOLLARS)

	2009	2008
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 3,872	\$ (4,209)
Items not involving cash and cash equivalents:		
Depreciation of property, plant and equipment	17,061	17,389
Amortization of deferred contributions	(28,434)	(26,772)
Loss on sale of property, plant and equipment	368	145
Provision for future insurance claims	8,947	23,229
	1,814	9,782
Decrease (increase) in Members' contributions receivable	(11,974)	872
Decrease (increase) in other amounts receivable	(5,943)	457
Increase in inventory	(50,188)	(8,199)
Decrease (increase) in prepaid expenses	(579)	1,395
Increase (decrease) in accounts payable and accrued liabilities	21,010	(650)
Increase in deferred contributions of future periods	30,164	52,931
Decrease in deferred contributions related to captive insurance	-	(20)
	(15,696)	56,568
Investing activities:		
Increase in investments, net	(10,041)	(15,185)
Assumption of Canadian Council for Donation and Transplantation	37	-
Increase in deferred contributions related to property, plant and equipment	17,231	13,313
Proceeds on sale of property, plant and equipment	935	180
Purchase of property, plant and equipment	(12,787)	(12,499)
Total Investing activities	(4,625)	(14,191)
Financing activities:		
Repayment of obligation under capital lease	(116)	(184)
Repayment of long-term debt	(1,000)	(1,000)
Total Financing activities	(1,116)	(1,184)
Increase (decrease) in cash and cash equivalents	(21,436)	41,193
Cash and cash equivalents, beginning of year	184,154	142,961
Cash and cash equivalents, end of year	\$ 162,717	\$ 184,154
<i>Cash and cash equivalents are comprised of:</i>		
Cash on deposit	161,857	182,812
Butterfield Asset Management Money Market Fund	577	1,067
HSBC Money Market Pooled Fund	283	276
	\$ 162,717	\$ 184,154

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

I. NATURE OF THE ORGANIZATION AND OPERATIONS:

Canadian Blood Services/Société canadienne du sang (the Corporation) owns and operates the national blood supply system for Canada, except Québec, and is responsible for the collection, testing, processing and distribution of blood and blood products as well as the recruitment and management of blood donors. The Corporation also recruits volunteer donors for both Canadian and international patients requiring stem cell transplants and delivers an array of diagnostic services throughout Canada. The Corporation has also been tasked with designing an integrated national system to significantly improve organ and tissue donation in Canada. As part of this mandate, Canadian Blood Services has taken on the work of the former Canadian Council for Donation and Transplantation (CCDT); set up a registry for Living Donor Paired Exchange; will develop business cases for registries for urgent status patients, highly sensitized patients and tissue banking; and is developing the strategy to implement the new system.

The Corporation was incorporated on February 16, 1998 under Part II of the Canada Corporations Act. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Members of the Corporation, the Ministers of Health of the Provinces and Territories of Canada, except Québec, as well as the Federal government provide contributions to fund the operation of the Corporation. The Corporation operates in a regulated environment, pursuant to the requirements of Health Canada.

The Corporation has established two wholly-owned captive insurance corporations; CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI was incorporated under the laws of Bermuda on September 15, 1998 and is licensed as a Class 3 under the Insurance Act, 1978 of Bermuda and related regulations. CBSE was incorporated under the laws of British Columbia on May 4, 2006 and is registered under the Insurance (Captive Company) Act of British Columbia.

Pursuant to an agreement between the Corporation and the CCDT dated January 1, 2008, CCDT became a wholly-owned subsidiary of the Corporation effective April 1, 2008, following the approval from the Federal, Provincial and Territorial Conference of Deputy Minister of Health (CDM). CCDT was incorporated on April 1, 2005 under the Canada Corporations Act and is a registered charity under the Income Tax Act. The mandate of CCDT was to provide advice to the CDM to improve organ and tissue donation and transplantation in Canada. These activities were taken over by the Corporation effective April 1, 2008. CCDT will be wound-up into the Corporation subsequent to March 31, 2009 and will no longer exist as a separate entity (note 16).

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Financial statement presentation:

The consolidated financial statements include the results of the operations of Canadian Blood Services and the accounts of its wholly-owned subsidiaries (hereinafter referred to as the "Corporation"). Significant inter-company transactions have been eliminated.

(b) Changes in accounting policies:

The following new accounting standards were adopted effective April 1, 2008 retrospectively, without restatement of prior periods.

Section 3031, Inventories

Effective April 1, 2008, the Corporation adopted Handbook Section 3031, Inventories, which establishes standards for the measurement and disclosure of inventories. Inventory of the Corporation consists of plasma protein products, fresh blood products and supplies related to the collection, production and testing of fresh blood products. Plasma protein products and collection supplies inventory is recorded at average cost and are charged to the statement of operations upon distribution to hospitals and usage, respectively. Fresh blood products inventory includes an appropriate portion of direct costs and overhead incurred in the collection, production and testing processes. Fresh blood products are charged to the statement of operations upon distribution to hospitals.

As a result of the change in accounting policy, the 2008 opening balance of inventory was increased by \$10,447 with a corresponding increase in amounts of deferred expenses of future periods. There was no change in opening net assets as a result of this change in accounting policy. Disclosures required as a result of the adoption of this standard are included in note 5.

Section 3862, Financial Instruments – Disclosures

Under this standard, required disclosures are established related to the significance of financial instruments on the Corporation's financial position and performance. This standard also describes the nature and extent of the risks arising from financial instruments to which the Corporation is exposed during the year and at the statement of financial position date and how the Corporation manages those risks. The note disclosure required as a result of the adoption of this standard is included in note 14.

Section 1535, Capital Disclosures

This section establishes guidelines for the disclosure of both qualitative and quantitative information regarding an entity's capital and how it is managed. The note disclosure required as a result of the adoption of this standard is included in note 21.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the financial statements. Estimates and assumptions also may affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates. Significant estimates include assumptions used in calculating the current year's expense for pension, other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 12 and 15, respectively.

(d) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions.

Members' and Federal contributions are recorded as revenue in the period to which they relate. Amounts approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property, plant and equipment other than land are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding with the depreciation rate for the related property, plant and equipment. Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in property, plant and equipment.

Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees and contracts is recognized when the services are provided or the goods are sold.

Restricted donations are recognized as revenue in the year in which the related expenses are recognized. Unrestricted donations are recognized as revenue in the year received.

(e) Donated goods and services:

Blood donors are not paid in Canada. Additionally, a substantial number of volunteers contribute a significant amount of time each year in support of the activities of the Corporation. The value of such contributed goods and services is not quantified in the financial statements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) Investments:

Investments have been designated as available-for-sale financial assets. Available-for-sale financial assets are measured on the statement of financial position at fair value with changes in fair value initially recorded directly in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts are recognized in the statement of operations. The fair value of available-for-sale financial assets is based on quoted market prices.

Trade date accounting is used to account for the purchase and sales of investments traded on a public market.

Interest income is recognized on the accrual basis and includes the amortization of premium or discount on fixed interest securities purchased at amounts different from their par value. Dividends are recorded as income when declared.

(g) Property, plant and equipment:

Purchased property, plant and equipment is recorded at cost. Contributed property, plant and equipment is recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When property, plant and equipment no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In this event, recoverability of assets held and used is measured by reviewing the estimated fair market value of the asset. If the carrying amount of an asset exceeds its estimated fair market value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below:

Asset	Useful life
Buildings	40 years
Machinery and equipment	8 years
Furniture and office equipment	5 to 10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Property, plant and equipment (continued):

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives. Assets under construction are not depreciated until they are available for use by the Corporation.

The right to the blood supply system represents the non-amortized excess of the purchase price of the system over the fair value of the tangible net assets acquired in 1998, and is being amortized on a straight-line basis over 40 years.

(h) Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjustment risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

Changes in the obligation due to the passage of time are recognized in operations as an expense using the interest method. Changes in the obligation due to changes in the estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(i) Foreign currency transactions:

Foreign currency transactions of the Corporation are translated using the temporal method. Under this method, transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates in effect at the statement of financial position date. Gains and losses resulting from the adjustment are included in the statement of operations.

(j) Employee future benefits:

The Corporation sponsors two defined benefit plans, a defined contribution pension plan, and provides other retirement and post-employment benefits to most of its employees. The defined benefit pension plans are based on a member's term of service and average earnings over a member's five highest consecutive annualized earnings.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(j) Employee future benefits (continued):

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other retirement and post-employment benefits. The Corporation has adopted the following policies:

- The cost of the accrued benefit obligations for pensions and other retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs. The measurement date of the plan assets and accrued benefit obligation coincides with the Corporation's fiscal year. The most recent actuarial valuations for the two benefit pension plans for funding purposes were as of December 31, 2007 and January 1, 2008. The next required valuations will be as of December 31, 2010 and January 1, 2011 respectively. The most recent actuarial valuation of the other retirement and post-employment benefits was as of April 1, 2006, and the next required valuation will be as of April 1, 2009.
- For the purpose of calculating expected return on plan assets, investments are valued at fair value.
- Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 9 years (2008 – 10 years) and 11 years (2008 – 11 years) for the two defined benefit plans and 8 to 14 years (2008 – 8 to 14 years) for the other retirement and post-employment benefits.
- Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- On April 1, 2000, the Corporation adopted the accounting standard on employee future benefits using the prospective application method. The Corporation is amortizing the transitional pension obligation or asset on a straight-line basis over 10 and 13 years for the two defined benefit plans, and 8 to 15 years for the other retirement and post-employment benefits which represent the average remaining service periods of the active employees expected to receive benefits under the pension, other retirement and post-employment plans as of April 1, 2000.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(j) Employee future benefits (continued):

- When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also has a defined contribution plan providing pension benefits. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

(k) Financial Instruments:

The Corporation classifies all financial instruments in one of the following categories: held-for-trading, held-to-maturity, loans and receivables, other financial liabilities, or available-for-sale financial assets. Upon initial recognition, financial assets or financial liabilities are measured at their fair value. The related accounting treatment for financial instruments subsequent to initial recognition depends on the classification. Financial assets and liabilities categorized as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with changes in fair value initially recorded directly in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts are recognized in the statement of operations. In addition, the derivatives embedded in financial instruments or other contracts may be required to be accounted for separately.

The Corporation classifies financial instruments as follows:

Cash and cash equivalents are designated as available-for-sale.

Members' contributions receivable, and other amounts receivable are designated as loans and receivables.

Investments, captive insurance operations have been designated as available-for-sale (note 2(f)).

Accounts payable and accrued liabilities, and long-term debt have been classified as other financial liabilities.

Foreign exchange contracts are used to manage foreign exchange risk and have not been designated as hedges for accounting purposes are classified as held-for-trading. All changes in fair value for these derivative instruments are recognized in the statement of operations.

Interest rate swaps are designated as held for trading and accounted for as cash flow hedges. All changes in the fair value of these financial instruments are recorded directly in the statement of change in net assets.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(k) Financial Instruments (continued):

Non-financial and embedded derivatives

The Corporation reviews contracts in place to identify non-financial derivatives and embedded derivatives. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative at its fair value with subsequent changes in fair value recorded in the statement of operations.

Transaction costs

Transaction costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability. Transaction costs are expensed as incurred.

(l) Future accounting changes:

The Canadian Institute of Chartered Accountants has issued accounting recommendations that will come into effect for the Corporation's fiscal year beginning April 1, 2009, except as otherwise indicated. The Corporation is currently assessing the impact of these standards on its financial statements. The following is an overview of these recommendations:

International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) has announced that accounting standards in Canada, as used by publicly accountable enterprises, will be converged to International Financial Reporting Standards (IFRS) effective for interim and annual financial statements beginning on or after January 1, 2011. In March 2009, the AcSB issued an exposure draft related to IFRS that, if finalized in its current form, would exclude not-for-profit organizations from the definition of a publicly accountable enterprise and permit, but not require, not-for-profit organizations to adopt IFRS.

The AcSB continues to deliberate other appropriate financial reporting models for not-for-profit organizations.

Amendments to Accounting Standards that apply only to not-for-profit organizations

The CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. The Corporation reviewed these amendments and concluded that they do not significantly impact its financial statements' presentation and disclosure requirements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty, units held in money market funds and short-term deposits with an original maturity of 90 days or less.

Cash and cash equivalents include \$1,890 (2008 – \$1,273) that is restricted for captive insurance operations.

4. INVESTMENTS, CAPTIVE INSURANCE OPERATIONS:

All of the investments are restricted for captive insurance operations. The amortized cost and fair market value of marketable securities are as follows:

	2009 Amortized cost	2009 Fair value	2008 Amortized cost	2008 Fair value
Short-term notes	\$ 5,420	\$ 5,421	\$ 5,718	\$ 5,720
Fixed interest securities	213,801	216,124	215,114	219,005
Equity securities	56,958	51,688	45,306	56,895
	\$ 276,179	\$ 273,233	\$ 266,138	\$ 281,620

The fixed interest securities have contractual maturities from less than 1 year to 28 years having effective rates ranging from approximately 0.17% to 9.7% (2008 – 3.4% to 11%).

The Corporation routinely reviews each security to determine whether unrealized losses represent temporary changes in fair value or are as a result of other than temporary impairments. The consideration of whether a security is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer, the length and magnitude of the unrealized loss and specific credit events. The Corporation also considers its intent and ability to hold a security for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of March 31, 2009, unrealized losses are considered to be temporary.

Proceeds from sale of marketable securities were \$249,915 (2008 – \$188,802). Net realized losses of \$835 (2008 – gains of \$3,872) from these sales have been included in net investment income included in the statement of operations. Investment income of \$10,869 (2008 – \$14,756) is net of investment management and custodian fees of \$425 (2008 – \$375).

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

5. INVENTORY:

Inventory consists of raw materials, work in process and finished goods. Raw materials inventory includes medical supplies available for use in the collection, manufacturing and testing of fresh blood products. Work in process inventory consists of plasma for fractionation. Finished goods inventory includes plasma protein products, red blood cells, platelets and plasma for transfusion that are available for distribution to hospitals. Work in process and finished goods inventories include direct costs and overhead incurred in the collection, manufacturing, testing and distribution processes.

Inventory as at March 31, 2009 is comprised as follow:

	2009	2008
Raw material	\$ 9,210	\$ 13,153
Work in process	7,613	-
Finished goods	132,395	85,877
	\$ 149,218	\$ 99,030

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

6. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated depreciation	2009 Net book value
Building	\$ 107,457	\$ 24,376	\$ 83,081
Machinery and equipment	62,924	41,879	21,045
Land	9,704	-	9,704
Furniture and office equipment	17,709	11,031	6,678
Leasehold improvements	15,241	9,498	5,743
Computer equipment	32,460	27,645	4,815
Motor vehicles	11,689	5,787	5,902
Computer software	21,637	19,069	2,568
Furniture and office equipment under capital lease	1,867	250	1,617
Assets under construction	4,178	-	4,178
	284,866	139,535	145,331
Right to the blood supply system	35,203	9,240	25,963
	\$ 320,069	\$ 148,775	\$ 171,294

	Cost	Accumulated depreciation	2008 Net book value
Buildings	\$ 106,630	\$ 21,696	\$ 84,934
Machinery and equipment	60,242	37,044	23,198
Land	9,704	-	9,704
Furniture and office equipment	16,553	9,610	6,943
Leasehold improvements	14,497	8,427	6,070
Computer equipment	30,891	25,594	5,297
Motor vehicles	11,637	5,894	5,743
Computer software	20,090	17,725	2,365
Furniture and office equipment under capital lease	1,461	1,461	-
Assets under construction	643	-	643
	272,348	127,451	144,897
Right to the blood supply system	35,203	8,360	26,843
	\$ 307,551	\$ 135,811	\$ 171,740

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

During the year, property, plant and equipment was acquired at an aggregate cost of \$17,848 (2008 – \$13,024) of which \$1,718 (2008 – \$Nil) was acquired by means of capital lease. Cash payments of \$12,787 (2008 – \$12,499) were made to purchase property, plant and equipment.

7. CREDIT FACILITIES:

(a) Long-term debt:

The purchase of the Winnipeg Blood Transfusion Service Centre (WBTSC) was financed by a collateral mortgage.

	2009	2008
A collateral mortgage agreement bearing interest at BA plus 0.33%, requiring minimum annual principal repayments of \$1,000 with the balance due in 2014, secured by the WBTSC.	\$ 15,000	\$ 16,000
Less current portion	1,000	1,000
	\$ 14,000	\$ 15,000

As at March 31, 2009, as part of the collateral mortgage agreement, the Corporation was party to an interest rate swap contract which has the effect of converting the bankers' acceptance floating rate of interest to a fixed rate of 5.645% for the WBTSC collateral mortgage. The difference between the interest rate swap and the actual rate is recognized as an adjustment to interest expense on long-term debt. The total interest expense incurred as at March 31, 2009 was \$875 (2008 – \$1,112).

(b) Operating line of credit:

Bank lines of credit of \$25,000 and \$50,000 have been arranged. The \$25,000 line of credit was arranged for purposes of public health and safety to cover events not anticipated in the annual budget. The \$50,000 line of credit was arranged to provide working capital for inventory. Pursuant to these line of credit arrangements, the Corporation has provided a general security agreement in favour of the bank over receivables, inventory, equipment and machinery and a floating charge debenture over all present and future assets and property. At March 31, 2009, no amounts had been borrowed under these facilities.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

8. OBLIGATIONS UNDER CAPITAL LEASE:

The following is a schedule of minimum lease payments under fixed rate capital leases expiring between October 1, 2013 and February 1, 2014, together with the balance of the obligations:

Year ended March 31:	2009
2010	\$ 393
2011	393
2012	393
2013	393
2014	278
	1,850
Less amount representing interest (at approximately 5.5%)	221
	1,629
Current portion of obligations under capital lease	312
	\$ 1,317

9. DEFERRED CONTRIBUTIONS:

(a) Expenses of future periods:

Deferred contributions represent externally restricted contributions to fund expenses of future periods.

	2009	2008
Balance, beginning of year	\$ 174,328	\$ 131,322
Adoption of Section 3031, <i>Inventories</i>	10,447	-
Increase in amounts received related to future period	20,169	53,652
Less amounts recognized as revenue in the year	(10,070)	(9,016)
Less property, plant and equipment purchased from deferred contributions	(597)	(1,877)
Add income earned on resources restricted for transition	144	247
	\$ 194,421	\$ 174,328

The property, plant and equipment purchased represent purchases from contributions that were deferred at March 31, 2008, as well as contributions received and deferred in the year ended March 31, 2009.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

9. DEFERRED CONTRIBUTIONS (CONTINUED):

(b) Property, plant and equipment:

Funds received to purchase property, plant and equipment are recorded as deferred contributions – property, plant and equipment on the statement of financial position. They are amortized to revenue in the statement of operations at the same rate as property, plant and equipment is depreciated to expenses.

	2009	2008
Balance, beginning of year	\$ 146,098	\$ 149,632
Capital funding assumed from CCDT	69	-
Property, plant and equipment purchased	17,848	13,024
Capital funding received for repayment of WBTSC loan	1,000	1,000
Capital funding received for leased assets	102	191
Less property, plant and equipment sold	(1,302)	(360)
Less amounts amortized to revenue	(17,061)	(17,389)
Less assets acquired under capital lease	(1,718)	-
	\$ 145,036	\$ 146,098

Included in property, plant and equipment purchased of \$17,848 (2008 – \$13,024) is \$597 (2008 – \$1,877) of property, plant and equipment that was purchased using contributions deferred for expenses of future periods.

10. NET ASSETS:

(a) Cumulative unrealized gain/loss on available-for-sale Captive Insurance investments:

	2009	2008
Balance, beginning of year	\$ 15,482	\$ 22,617
Change in unrealized gains/losses during the year	(19,263)	(3,263)
Reclassification of net realized gains/losses to statement of operations	835	(3,872)
	\$ (2,946)	\$ 15,482

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

IO. NET ASSETS (CONTINUED)

(b) Change in fair value of interest rate swap:

	2009	2008
Balance, beginning of year	\$ (1,216)	\$ (985)
Change in unrealized losses during the year	(1,173)	(231)
	\$ (2,389)	\$ (1,216)

(c) Restricted for captive insurance:

All net assets restricted for captive insurance purposes are subject to externally imposed restrictions stipulating that they be used to provide insurance coverage with respect to risks associated with the operations of the Corporation.

II. INVESTMENT INCOME:

	2009	2008
Income on unrestricted funds	\$ 4,002	\$ 6,422
Interest and realized gains and losses on resources restricted for captive insurance	10,869	14,774
Income on resources restricted for transition	144	247
	15,015	21,443
Less amounts deferred	(144)	(247)
	\$ 14,871	\$ 21,196

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

12. EMPLOYEE BENEFITS:

The Corporation sponsors two defined benefit pension plans, a defined contribution pension plan, and provides other retirement and post-employment benefits to most of its employees.

(a) Defined benefit plans:

Information about the Corporation's defined benefit plans are combined and summarized as follows:

	2009	2008
Accrued benefit obligation	\$ 125,341	\$ 143,622
Fair value of plan assets	125,110	141,985
Funded status - deficit	(231)	(1,637)
Balance of unamortized amounts	(987)	480
Accrued benefit liability	\$ (1,218)	\$ (1,157)

The accrued pension benefit liability is included in accounts payable and accrued liabilities in the Corporation's statement of financial position.

The percentage of the fair value of the two plans assets by major category are as follows: equity securities 50% and 61% (2008 - 60% and 56%); debt securities 40% and 34% (2008 - 40% and 32%); and other 1% and 5% (2008 - 0% and 12%).

The difference between the accrued benefit liability of \$1,218 (2008 - \$1,157) recorded on the Corporation's statement of financial position and the actuarially determined fund deficit of \$231 (2008 - \$1,637) principally comprises experience gains (losses in 2008). These gains represent differences between actual asset and accrued benefit values and expected values determined based on the actuarial assumptions used for accounting purposes.

Experience gains and losses are amortized to pension expense over the average expected remaining service lives of employees when the aggregate gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair value of assets at the beginning of the year. Accordingly, no amortization was recorded in 2009 or 2008 and none will be required in 2010.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

12. EMPLOYEE BENEFITS (CONTINUED):

(a) Defined benefit plans (continued):

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit plans accrued benefit obligation and benefit cost are summarized as follows:

	2009	2008
Accrued benefit obligation:		
Discount rate	8.75%	6.00% - 6.25%
Rate of compensation increase	4.25%	4.25% - 4.50%
Benefit cost:		
Discount rate	6.00% - 6.25%	5.25%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.25% - 4.50%	4.25%

Other information about the Corporation's defined benefit plans are combined and summarized as follows:

	2009	2008
Employer contributions	\$ 8,992	\$ 7,310
Employee contributions	5,925	4,864
Benefits paid	3,701	3,145

(b) Pension plan expense:

The net expense for the Corporation's pension plans are combined and summarized as follows:

	2009	2008
Defined benefit plans	\$ 9,052	\$ 7,600
Defined contribution plan	5,485	4,490
	\$ 14,537	\$ 12,090

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

12. EMPLOYEE BENEFITS (CONTINUED):

(c) Other retirement and post-employment benefits:

Information about the Corporation's other retirement and post-employment benefits is as follows:

	2009	2008
Accrued benefit obligation	\$ 12,312	\$ 15,216
Accrued benefit liability	(17,263)	(15,738)
Benefits paid	730	632
Net expense	2,255	2,277

Included in the above-noted benefit obligation, is \$2,353 (2008 – \$2,822), which represents the unamortized transitional obligation. This amount is being amortized over the average remaining service periods of the active employees expected to receive benefits under the other retirement and post-employment benefit plans as of April 1, 2000.

The significant actuarial assumptions adopted in measuring the Corporation's other retirement and post-employment accrued benefit obligation and benefit cost are as follows:

	2009	2008
Accrued benefit obligation:		
Discount rate	7.75% - 8.75%	6.00%
Rate of compensation increase	4.25%	4.25%
Benefit cost:		
Discount rate	6.00%	5.00% - 5.25%
Rate of compensation increase	4.25%	4.25%

Hospital costs – 6.5% per annum, with ultimate rate of 4.5% reached in 2013, starting in 2008;

Drug costs – 7.23% per annum, with ultimate rate of 5.0% reached in 2013, starting in 2008;

Other health costs – 4.0% per annum.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

13. CANADIAN BLOOD SERVICES REVENUE AND EXPENDITURES DETAIL:

	Transfusable Products		Plasma Protein Products	
	2009	2008	2009	2008
Revenue:				
Members' contributions	\$ 481,921	\$ 427,484	\$ 431,136	\$ 409,013
Federal contributions	-	-	-	-
Less deferred amounts	(57,188)	(14,446)	(5,000)	(5,000)
	424,733	413,038	426,136	404,013
Amortization of previously deferred contributions:				
Relating to property, plant and equipment	18,364	17,756	-	-
Relating to operations	9,817	8,801	-	-
Total contributions recognized as revenue	452,914	439,595	426,136	404,013
Stem Cells international revenue	-	-	-	-
Investment income	4,002	6,422	-	-
Other income	417	951	374	316
Total revenue	457,333	446,968	426,510	404,329
Expenses:				
Cost of plasma protein products	-	-	439,038	390,431
Staff costs	272,294	259,223	1,966	2,158
General and administrative (note 14)	85,608	85,201	(15,573)	11,605
Medical supplies	78,821	80,720	1,079	135
Depreciation and amortization	17,061	17,389	-	-
Total expenses	453,784	442,533	426,510	404,329
Excess (deficiency) of revenue over expenses	\$ 3,549	\$ 4,435	\$ -	\$ -

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

13. CANADIAN BLOOD SERVICES REVENUE AND EXPENDITURES DETAIL (CONTINUED):

Diagnostic Services		Stem Cells		Organs and Tissues		Total	
2009	2008	2009	2008	2009	2008	2009	2008
\$ 16,079	\$ 14,617	\$ 7,822	\$ 7,556	\$ 3,580	\$ -	\$ 940,538	\$ 858,670
-	-	-	-	3,360	-	3,360	-
(1,497)	(1,312)	-	-	(2,420)	-	(66,105)	(20,758)
14,582	13,305	7,822	7,556	4,520	-	877,793	837,912
-	-	-	-	-	-	18,364	17,756
253	215	-	-	-	-	10,070	9,016
14,835	13,520	7,822	7,556	4,520	-	906,227	864,684
-	-	9,472	7,512	-	-	9,472	7,512
-	-	-	-	-	-	4,002	6,422
197	191	-	-	-	-	988	1,458
15,032	13,711	17,294	15,068	4,520	-	920,689	880,076
-	-	-	-	-	-	439,038	390,431
10,965	9,324	3,913	3,595	1,580	-	290,718	274,300
1,755	2,240	11,906	9,881	2,940	-	86,636	108,927
2,312	2,147	2,215	1,359	-	-	84,427	84,361
-	-	-	-	-	-	17,061	17,389
15,032	13,711	18,034	14,835	4,520	-	917,880	875,408
\$ -	\$ -	\$ (740)	\$ 233	\$ -	\$ -	\$ 2,809	\$ 4,668

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS:

(a) Summary of financial instruments:

At March 31, 2009, the classification of the Corporation's financial instruments, as well as their carrying amounts are as follows:

Financial Assets & Liabilities	Classification	2009	2008
Cash and cash equivalents	Available-for-sale	\$ 162,717	\$ 184,154
Members' contributions receivable	Loans and receivables	12,928	954
Other amounts receivable	Loans and receivables	11,298	8,343
Investments, captive insurance operations	Available-for-sale	273,233	281,620
Accounts payable and accrued liabilities	Other financial liabilities	125,299	100,953
Long term debt	Other financial liabilities	14,000	15,000
Interest rate swap	Held for trading	2,389	1,216
Foreign exchange contracts	Held for trading	4,573	1,585

Fair values:

The carrying value of cash and cash equivalents, Members' contributions receivable, other amounts receivable and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to settlement of these financial instruments.

The carrying value of obligations under capital lease approximates its fair value as the current rate of interest available to the Corporation for a similar debt instrument has not changed significantly.

The carrying value of the Corporation's variable-rate long-term debt approximates its fair value since the variable interest rate is market based.

Investments, captive insurance operations are carried at fair value based on quoted market prices.

Foreign exchange contracts are used to manage foreign exchange risk and have not been designated as hedges for accounting purposes. The fair value of foreign exchange contracts is disclosed at amounts quoted by a financial institution to realize favorable contracts or settle unfavorable contracts. All changes in fair value for these derivative instruments are recognized in the statement of operations.

Interest rate swaps are used to manage interest rate risk and have been designated as held-for-trading and accounted for as cash flow hedges. The fair value of the interest rate swap on the long-term debt, as calculated by a financial institution is unfavorable by \$2,389 (2008 – \$1,216) and is reported on the statement of financial position in accounts payable and accrued liabilities.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS (CONTINUED):

(a) Summary of financial instruments (continued):

The fair value of the provision for future insurance claims is not provided since it is not practicable to determine fair value with appropriate reliability.

There has been no change in classification of financial instruments since March 31, 2008.

(b) Risk management:

The Board of Directors has responsibility for the review and oversight of the Corporation's risk management framework and general corporate risk profile. Through its committees, the Board oversees analysis on various risks facing the organization and as such evolve in response to economic conditions and industry circumstances.

The Corporation is exposed to risks as a result of holding financial instruments. The Corporation does not enter into transactions involving financial instruments, including derivative financial instruments, for speculative purposes. The following is a description of those risks and how they are managed.

(i) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. These risks are discussed below:

(ii) Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the fair value or future cash flows related to the Corporation's existing financial assets and liabilities. To reduce its exposure to fluctuations in interest expense, the Corporation has entered into an interest rate swap (Note 7) that has the effect of converting a floating rate of interest to a fixed rate on its long-term debt.

The fair value of the interest rate swap will vary based on prevailing market interest rates and the remaining term to maturity. However, the effect of a 10% increase or decrease in rates at March 31, 2009 is not significant. The fair value of the swap will reduce to nil value in the event that the swap is held to maturity, as is currently intended.

The Corporation is exposed to interest rate risk on its cash and cash equivalents. At March 31, 2009 this exposure was minimal due to low prevailing rates of return. The Corporation is also exposed to interest rate risk on investments in debt securities included in investments, captive insurance operations. If interest rates at March 31, 2009 had increased by 25 basis points or decreased by 10 basis points, then net assets would have decreased approximately \$3,400 or increased by approximately \$1,400, largely related to captive insurance operations.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS (CONTINUED):

(b) Risk management (continued):

(iii) Foreign exchange risk:

Foreign exchange risk is the risk that the value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk on purchases that are denominated in currencies other than the functional currency of the Corporation. To mitigate this risk, the Corporation has a formal foreign exchange policy in place. The objective of this policy is to monitor the marketplace and take advantage of opportunities to secure exchange rates to reduce the risk exposures related to purchases made in foreign currencies.

At March 31, 2009 the Corporation had the following instruments denominated in \$US dollars as follows:

	\$ CDN
Accounts receivable	\$ 514
Accounts payable and accrued liabilities	30,928
Forward contracts	4,573

During the year, the Corporation entered into foreign exchange contracts to hedge its foreign currency exposure on a substantial portion of its foreign purchases of medical supplies and plasma protein products. The contracts are matched with anticipated future purchases in these foreign currencies. The Corporation did not designate the foreign exchange contracts as hedges of firm commitments or anticipated transactions in accordance with Handbook Section 3865-Hedges and accordingly, did not use hedge accounting. As a result of this, the foreign exchange contracts are recorded in the statement of financial position at fair value and changes in fair value of these contracts are recognized as gains or losses in the statement of operations.

The net impact of foreign exchange gains and losses on the statement of operations for the year ended March 31, 2009 were gains of \$21,997 (2008 – \$8,658 loss) and are reported in general and administrative expenses. At March 31, 2009, the Corporation had purchased various foreign exchange contracts to buy US \$106 million over the next twelve months with a minimum Canadian to US dollar exchange rate of \$1.2043, and a maximum exchange rate of \$1.2200. The favorable fair value of the foreign exchange contracts of \$4,573 (2008 – \$1,585) is reported on the statement of financial position in other amounts receivable and is part of the foreign exchange gains and losses, included in general and administrative in the statement of operations.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS (CONTINUED):

(b) Risk management (continued):

(iii) Foreign exchange risk (continued):

As at March 31, 2009, if the Canadian dollar had increased or decreased by 10% in relation to the US dollar, with all other variables held constant, cash, other amounts receivable and accounts payable would have increased or decreased by approximately \$9,250 with a corresponding change of \$8,600 in revenues and expenses of Plasma Protein Products and \$650 in the excess of revenues over expenses of Transfusable Products.

(iv) Other price risk:

As it relates to the Corporation, other price risk is the exposure to changes in the value of equity securities in its investment portfolio as a result of market conditions. Other price risk comprises general price risk which refers to fluctuations in value of the equity securities due to changes in general economic or stock market conditions, and specific price risk which refers to equity price volatility that is determined by entity specific characteristics. These risks affect the carrying value of these securities and the level and timing of recognition of gains and losses on securities held, causing changes in realized and unrealized gains and losses. The Corporation mitigates price risk by holding a diversified portfolio. The equity portfolio is managed through the use of third party investment managers and their performance is monitored by management and the Board of Directors of the Captive Insurance operations.

At March 31, 2009, if equity prices had increased or decreased by 10%, with all other variables held constant, investments, captive insurance operations would have increased or decreased by \$5,100 with a corresponding change in net assets.

(v) Credit risk:

The Corporation is exposed to the risk of financial loss resulting from the potential inability of a counterparty to a financial instrument to meet its contractual obligations. The carrying amount of cash and cash equivalents, Members' contributions receivable, accounts receivable, prepaid expenses, investments, captive insurance operations, and favorable values of interest rate swap and foreign exchange derivative contracts represent the maximum exposure of the Corporation to credit risk.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS (CONTINUED):

(b) Risk management (continued):

(v) Credit risk (continued):

Cash and cash equivalents, foreign exchange contracts and the interest rate swap are held with Canadian financial institutions rated by Standard and Poor's credit rating as A+ credit watch with negative implications and AA- stable. All foreign exchange contracts must be transacted with Schedule I or Schedule II financial institutions in accordance with the Corporation's foreign exchange policy.

The Corporation is also exposed to credit risk on fixed income securities investments. The investment policy requires an average credit rating of 'A' on the credit quality of the whole of its fixed income portfolio related to captive insurance operations.

Vendors with whom the Corporation enters into prepayment arrangements with are subject to review.

Members' receivable are current in nature and management considers there to be minimal exposure to credit risk from Members due to funding agreements in place and third party Member credit ratings. Standard and Poor's available credit ratings for Members range from A credit watch with positive implications to AAA credit watch stable.

Credit risk associated with other amounts receivable is minimal based on the Corporation's experience of bad debts as these accounts represent a small portion of the amounts receivable by the Corporation. The carrying amount of amounts receivable for these parties represents the Corporation's maximum exposure.

(vi) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents. In addition, the Corporation has credit facilities described in note 7(b) that it can draw on as required.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

14. FINANCIAL INSTRUMENTS (CONTINUED):

(b) Risk management (continued):

(vi) Liquidity risk (continued):

The following presents the contractual terms to maturity of the financial liabilities owed by the Corporation as at March 31, 2009:

	Total	2010	2011	2012	2013	2014
Accounts payable and accrued liabilities	\$ 127,668	\$ 127,668	\$ -	\$ -	\$ -	\$ -
Long-term debt (including current portion)	18,213	1,755	1,699	1,643	1,586	11,530
Capital lease obligations	1,850	393	393	393	393	278
Foreign exchange contract						
Outflows	129,125	129,125	-	-	-	-
Inflows	(133,698)	(133,698)	-	-	-	-
	\$ 143,158	\$ 125,243	\$ 2,092	\$ 2,036	\$ 1,979	\$ 11,808

15. INSURANCE:

The Corporation has established two wholly-owned captive insurance Corporations, CBSI and CBSE. CBSI provides insurance coverage up to \$250,000 with respect to risks associated with the operation of the blood system by the Corporation. CBSE has entered into an arrangement whereby there is a guarantee and indemnification by the Members of the Corporation in the amount of \$750,000 in excess of the \$250,000 provided by the insurance coverage from CBSI. No payment shall be made until the primary policy in CBSI, in the amount of \$250,000, has been exhausted.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

15. INSURANCE (CONTINUED):

Insurance income includes the results of operations of two subsidiaries.

	CBSI		CBSE		Total	
	2009	2008	2009	2008	2009	2008
Gross premium written and earned	\$ 642	\$ 590	\$ 40	\$ 20	\$ 682	\$ 610
Change in unearned premium	-	-	-	20	-	20
Net premiums earned	642	590	40	40	682	630
Investment income	10,856	14,757	13	17	10,869	14,774
Expenses:	11,498	15,347	53	57	11,551	15,404
Increase in provision for future claims	8,947	23,229	-	-	8,947	23,229
General and administrative	823	560	36	49	859	609
	9,770	23,789	36	49	9,806	23,838
Net insurance income (loss)	\$ 1,728	\$ (8,442)	\$ 17	\$ 8	\$ 1,745	\$ (8,434)

Included in insurance income (loss) above is \$682 (2008 – \$610) of gross premiums earned and \$682 (2008 – \$167) of general and administrative expenses that have been eliminated upon consolidation. These amounts are not reflected in the consolidated statement of operations.

The increase in provision for future claims expense is an actuarially based estimate of the cost of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2009.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability at March 31, 2009 of \$232,401 (2008 – \$223,454) covers the manifestation of blood diseases, which is inherently difficult to assess and quantify. There is a variance between these recorded amounts and other reasonably possible estimates. It is reasonably possible that changes in future conditions in the near term could require a change in the amount estimated.

16. CANADIAN COUNCIL FOR DONATION AND TRANSPLANTATION

Effective April 1, 2008 and pursuant to a service agreement between the Corporation and CCDT, CCDT became a wholly-owned subsidiary of the Corporation. The activities previously assumed by CCDT were transferred to the Corporation.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

16. CANADIAN COUNCIL FOR DONATION AND TRANSPLANTATION (CONTINUED):

Included in the consolidated statement of operations are the results of the Corporation's wholly-owned subsidiary, CCDT since acquisition on April 1, 2008. It is the intention of the Corporation to wind up the operations of CCDT in the fiscal year ending March 31, 2010.

	2009
Other income	\$ 10
Amortization of deferred contributions:	
Relating to property, plant and equipment	70
Total revenues	80
Expenses:	
General and administrative	22
Depreciation	61
Total expenses	83
Deficiency of revenues over expenses	\$ (3)

17. GUARANTEES AND CONTINGENCIES:

(a) Guarantees:

In the normal course of business, the Corporation enters into lease agreements for facilities and assets acquired under capital leases. In the Corporation's standard commercial lease for facilities the Corporation as the lessee agrees to indemnify the lessor and other related third parties for liabilities that may arise from the use of the leased premises where the event triggering liability results from a breach of a covenant, any wrongful act, neglect or default on the part of the tenant or related third parties. However, this clause may be altered through negotiation. In the Corporation's property, plant and equipment acquired under capital leases both the lessee and the lessor agree to indemnify each other for death or injury to the employees or agents of either party, where the event triggering liability results from negligent acts, omissions or willful misconduct.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

17. GUARANTEES AND CONTINGENCIES (CONTINUED):

(a) Guarantees (continued):

The maximum amount potentially payable under any such indemnities cannot be reasonably estimated. The Corporation has liability insurance that relates to the indemnifications described above. Historically, the Corporation has not made significant payments related to the above-noted indemnities and accordingly, no liabilities have been accrued in the financial statements.

(b) Contingencies:

The Corporation is party to legal proceedings in the ordinary course of its operations. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the Corporation's financial statements or its activities. Claims and obligations related to the operation of the blood supply system prior to September 28, 1998 are not the responsibility of the Corporation.

Pursuant to the CCDT service agreement (note 1), the Corporation has acquired Directors indemnity insurance to cover any claims against Directors for the period since April 1, 2008. Claims prior to this time are not the responsibility of the Corporation.

18. COMMITMENTS:

At March 31, 2009, the Corporation had the following contractual commitments:

(a) Future minimum payments under operating leases of approximately \$16,695 with payments in each of the next five years of: 2010 – \$4,587; 2011 – \$2,781; 2012 – \$2,187; 2013 – \$1,651; 2014 – \$1,513 and thereafter \$3,976.

(b) Research and development project grants of approximately \$7,980 to be funded from the contributions deferred for future expenses.

(c) Capital commitments of approximately \$11,750 with payment in 2010 funded from the Members' contributions.

19. RESEARCH AND DEVELOPMENT:

For the year ended March 31, 2009, the Corporation incurred \$10,697 of expenses related to research and development (2008 – \$10,851), these costs are included within transfusable products in the statement of operations. As at March 31, 2009, the research and development portion of contributions deferred for future expenses totaled \$15,471 (2008 – \$15,280).

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2009 (IN THOUSANDS OF DOLLARS)

20. RELATED PARTY TRANSACTIONS:

Members of the Corporation are the Ministers of Health within the provincial and territorial governments of Canada, except Québec. The Members provide funding for the operating budgets of the Corporation. The Corporation enters into other transactions with these related parties in the normal course of business.

21. CAPITAL DISCLOSURES:

The Corporation is a non-share capital corporation and plans its operations to essentially result in an annual financial breakeven position. The Corporation views capital as the sum of its net assets. This definition is used by management and may not be comparable to measures presented by other entities. The Corporation manages capital through a formal and approved budgetary process where funds are allocated following the underlying objectives below:

- (a) to ensure the funding of working capital requirements;
- (b) to provide a safe, secure, cost-effective and accessible blood supply to all Canadians;
- (c) to meet regulatory and statutory capital requirements related to captive insurance operations; and
- (d) to support the Corporation's ability to continue as a going concern.

The Corporation evaluates its accomplishment against its objectives annually. The Corporation has complied with all externally imposed capital requirements and there were no changes in the approach to capital management during the period.

The Corporation's captive insurance operations are required to maintain statutory capital and surplus greater than a minimum amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At March 31, 2009 the Corporation's captive insurance operations are required to maintain a minimum statutory capital and surplus of \$35,160. Actual statutory capital and surplus is \$45,005 and the minimum margin of solvency was therefore met. The Corporation's captive insurance operations are also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. At March 31, 2009, the Corporation's captive insurance operations were required to maintain relevant assets of at least \$174,571. At that date relevant assets were \$277,466 and the minimum liquidity ratio was therefore met.

22. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform to the presentation adopted for 2009.



PERMANENT WHOLE BLOOD AND APHERESIS COLLECTION SITES

BRITISH COLUMBIA

Kelowna
 Prince George
 Surrey
 Vancouver (2)
 Victoria

ALBERTA

Calgary
 Edmonton
 Lethbridge
 Red Deer

SASKATCHEWAN

Regina
 Saskatoon

MANITOBA

Brandon
 Winnipeg

ONTARIO

Ancaster
 Barrie
 Burlington
 Guelph
 Kingston
 Kitchener-Waterloo
 London
 Mississauga
 Oshawa
 Ottawa
 Peterborough
 Sarnia
 St. Catharines
 Sudbury
 Thunder Bay
 Toronto (4)
 Windsor

NEW BRUNSWICK

Saint John

NOVA SCOTIA

Halifax
 Sydney

PRINCE EDWARD ISLAND

Charlottetown

NEWFOUNDLAND & LABRADOR

Corner Brook
 Grand Falls-Windsor
 St. John's

DEFINITIONS

ABO and Rh (Rhesus) are used to classify blood groups. There are four major blood groups – A, O, B and AB – which are divided into Rh Positive and Negative types.

Cost per unit is a ratio of total expenses to shipments of all products and represents an integral measure of our performance.

A living donor paired exchange may be possible when two separate but willing donors are each unable to donate to their intended recipients due to blood group or antibody incompatibility. In a paired exchange, the willing donors are matched with the other's respective recipient so that each recipient can receive a compatible living kidney transplant.

A domino exchange is initiated by a non-directed or altruistic donor who, if compatible with a single recipient, can generate a domino effect of exchanges involving many pairs of donors and recipients.

QUICK FACTS ABOUT CANADIAN BLOOD SERVICES

Employees:

4,700

Volunteers:

17,000

Whole blood donations
collected: 915,858

Active* whole
blood donors: 424,959

Canadians registered to
be bone-marrow donors:
246,624

* donated in the last 12 months.

CANADIAN BLOOD SERVICES EXTENDS its sincere appreciation to the following individuals and organizations for their participation in this year's annual report: the Turcotte/Bérubé-Poitras family, David Ecklund, the Canada Revenue Agency in Ottawa, Dave Clisch, George Arsenijevic, Dana Nyborg and Billy Cheung. A special thank you to Canadian Blood Services employees Amanda Monette, Mim Phillips, Colleen Guay, Dr. Peter Nickerson, Dr. Sam Shemie and Nisha Parsad.

A Report to Canadians 2008/2009 covers the period between April 1, 2008 and March 31, 2009. This report is published in accordance with the provisions of the Canadian Blood Services By-Law No. 1, Section 6, Annual Meetings and Section 57, Reports.

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The Office of Strategy Management
1800 Alta Vista Drive
Ottawa, ON K1G 4J5
Phone: 613 739-2300 or
1 888 2 DONATE (1 888 236-6283)
www.blood.ca
Aussi publié en français

“In 1998, Canadian Blood Services was entrusted with the task of establishing a safe and secure blood system for Canadians. It is a responsibility that every one of my colleagues fulfills with privilege.”

NISHA PARSAD Program Clerk Nisha Parsad joined Canadian Blood Services on September 28, 1998. She is one of the many employees who has worked here more than 10 years.

