

CANADIAN BLOOD SERVICES  
A REPORT TO CANADIANS 2007/2008

# Transforming Canada's Blood System



Canadian Blood Services  
*it's in you to give*

# 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

The words reflected here represent our 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 own words...in our own voice. We believe in:

**SAFETY**  
**INTEGRITY**  
**QUALITY**  
**RESPECT**  
**EXCELLING**  
**ACCOUNTABILITY**  
**OPENNESS**

# CORPORATE PROFILE

Canadian Blood Services is a national, not-for-profit charitable organization that manages the blood supply in all provinces and territories outside of Quebec and oversees the country's OneMatch Stem Cell and Marrow Network. We operate 40 permanent collection sites, eight OneMatch Stem Cell and Marrow Network field sites and more than 20,000 donor clinics annually.

*(Continued on inside back cover)*

# CONTENTS

<b>At a Glance</b> .....	<b>1</b>
<b>A Message to Canadians</b> .....	<b>4</b>
<b>Transforming Canada's Blood System</b> .....	<b>6</b>
<b>The Year in Review</b> .....	<b>14</b>
Safety .....	<b>15</b>
Operational Excellence.....	<b>18</b>
Prepare for Tomorrow .....	<b>23</b>
<b>Corporate Governance</b> .....	<b>25</b>
<b>Financial Report</b> .....	<b>32</b>
<b>Management's Report</b> .....	<b>52</b>
<b>Auditors' Report</b> .....	<b>53</b>
<b>Consolidated Financial Statements</b> .....	<b>54</b>
<b>Notes to the Consolidated Financial Statements</b> .....	<b>58</b>
<b>Remembering Gord Sanford</b> .....	<b>80</b>

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613-739-2300 or toll free at 1 888 2 DONATE (1 888 236-6283)  
[blood.ca](http://blood.ca)

*Aussi publié en français*

# AT A GLANCE

When Canadian Blood Services was created, trust in Canada's blood system was at an all-time low. In May 1998, only 25 per cent of blood donors were supportive of the blood system and only 56 per cent of Canadians considered receiving a blood transfusion to be safe.

## IN 2008...

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

**75 per cent** believe it is safe to receive blood.

**98 per cent** of donors were satisfied with the donation process.

**99 per cent** of hospitals—our link to blood recipients—were satisfied with our service.

## PERMANENT 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 • Ottawa • Peterborough • Sarnia • St. Catharines • Sudbury • Thunder Bay • Toronto (4) • Windsor

**New Brunswick** » Saint John

**Nova Scotia** » Halifax • Sydney

**Prince Edward Island** » Charlottetown

**Newfoundland and Labrador** » Corner Brook • Grand Falls-Windsor • St. John's

## QUICK FACTS

AS OF MARCH 31, 2008

Number of employees:  
**more than 4,700**

Number of volunteers:  
**more than 17,000**

Number of whole blood  
donations collected: **872,506**

Number of active\* whole blood  
donors: **400,596**

Number of Canadians registered to be  
bone-marrow donors: **234,405**

\* donated in the last 12 months

**“Recommendations alone are not enough to successfully reform a broken system. Most important is the dedication, expertise and commitment of the individuals involved in acting upon the recommendations. The blood system has been particularly well served in this respect.”**

*Kumanan Wilson MD MSc, The Krever Commission – 10 years later*  
CMAJ, November 20, 2007

**It has taken the efforts of a great many people to restore the public's faith in Canada's blood system and rebuild it as a trusted resource. While Canadian Blood Services is responsible for many changes that have produced this transformation, we have certainly not worked alone. Today, thanks to the vision and dedication of too many people to mention, we are proud to operate a national health-care delivery agency that is a model not only in Canada, but also throughout the world.**

**Canadians can thank Justice Horace Krever for his remarkably accurate foresight and for laying a foundation of principles upon which the blood system could be transformed. Similarly, the provincial and territorial ministers of health have ensured that change within the blood system remains a priority, providing the funding our organization needs to meet new challenges. Canadians have benefited greatly from Health Canada's reliable regulatory framework and from patient-advocacy groups for maintaining effective and open dialogue with us. All our key stakeholders—health-care providers, suppliers, unions, academics, donors, volunteers and employees—have helped us build a better blood system for Canadians.**

# A MESSAGE TO CANADIANS

**On November 26, 2007**, 10 years to the day of the release of the Commission of Inquiry on the Blood System in Canada's report, Canadian Blood Services hosted a very special tree-planting ceremony on the grounds of its head office. As part of the Canadian Hemophilia Society's Tree of Life initiative that commemorates the tainted-blood tragedy, the ceremony was a touching reminder of the past and all of those affected by the blood tragedy. The tree stands today as a strong symbol of Canadian Blood Services' commitment to the safety and adequacy of the blood system well into the future.

Nine years ago, Canadian Blood Services was created to be a trustee of blood—something Justice Krever considered a public resource for the benefit of all persons in Canada. For every person involved in the reform and transformation of the system, the safety of patients remains paramount. In part, safety is assured by our commitment to operating in an open and accessible manner. It is also aided by the fact that our Members—the provincial and territorial governments—are at arms-length from us enabling us to make decisions solely in the best interests of the blood system.

Every year we make changes to the system that make it safer and better equipped to serve Canadians. Moreover, thanks in large part to Justice Krever's insight, ours has become a model for other blood-service organizations in the world. Indeed, the World Health Organization requested that Canada host the world on June 14, 2007 for World Blood Donor Day. We proudly participated in festivities near Parliament Hill in Ottawa and across the country that paid tribute to blood donors worldwide for their life-saving contributions.

In addition to this international recognition, Canadian Blood Services was also inducted into "The Balanced Scorecard Hall of Fame for Executing Strategy" by the Palladium Group for achieving breakthrough performance. We feel this is a strong endorsement of the significant effort our employees have made toward building a better blood system.

While we celebrate these milestones and are proud of all we have accomplished to date, our work continues.

This year, we addressed fundamental issues about our culture, values and identity. Guiding and managing our culture is a continual process aimed at challenging the status quo and creating shared behaviours, beliefs and assumptions that make us successful.

At the same time, we remain dedicated to improving cost management. The funding we received in our early years reflected the need to rebuild the blood system. We know our processes can be more cost-effective—our costs are higher than average, and our productivity is lower than average compared to other blood services around the world. We are accountable for the public funds with which we are entrusted, and we must leverage our funding to ensure that Canada's blood system is cost-effective and sustainable over the long term.

It is a testament to how far we have come that the provincial and territorial deputy ministers of health recently requested that Canadian Blood Services provide national services for organ and tissue donation and transplantation. Owing to our expertise in information systems for donor and patient registries, procurement and distribution of blood products, and recruitment, collections and manufacturing of blood and blood products, we believe we are well positioned to take on this new mandate. Creating a new entity for these services would result in an extraordinary duplication of effort and cost. The logical option, therefore, is for Canadian Blood Services to expand the scope of its operations. We have the confidence of our Members and Canadians to go forward.



Ten years ago, Justice Krever gave Canadians the foundation upon which to transform the blood system. His recommendations are a constant reminder of whom we serve and our inherent responsibility to them.

Thanks to the sterling efforts of our funders, patient groups, suppliers, donors, volunteers, regulator and employees, in nine years, we have transformed the blood system to a point where today, more than eight in 10 Canadians trust the blood system to do what is right for all Canadians. We are proud to celebrate this milestone with all of you and thank all participants in the blood system for their contributions.

A handwritten signature in black ink, appearing to read "Graham Sher".

Dr. Graham Sher  
*Chief Executive Officer*

A handwritten signature in black ink, appearing to read "Verna M. Skanes".

Verna M. Skanes PhD  
*Chair, Board of Directors*



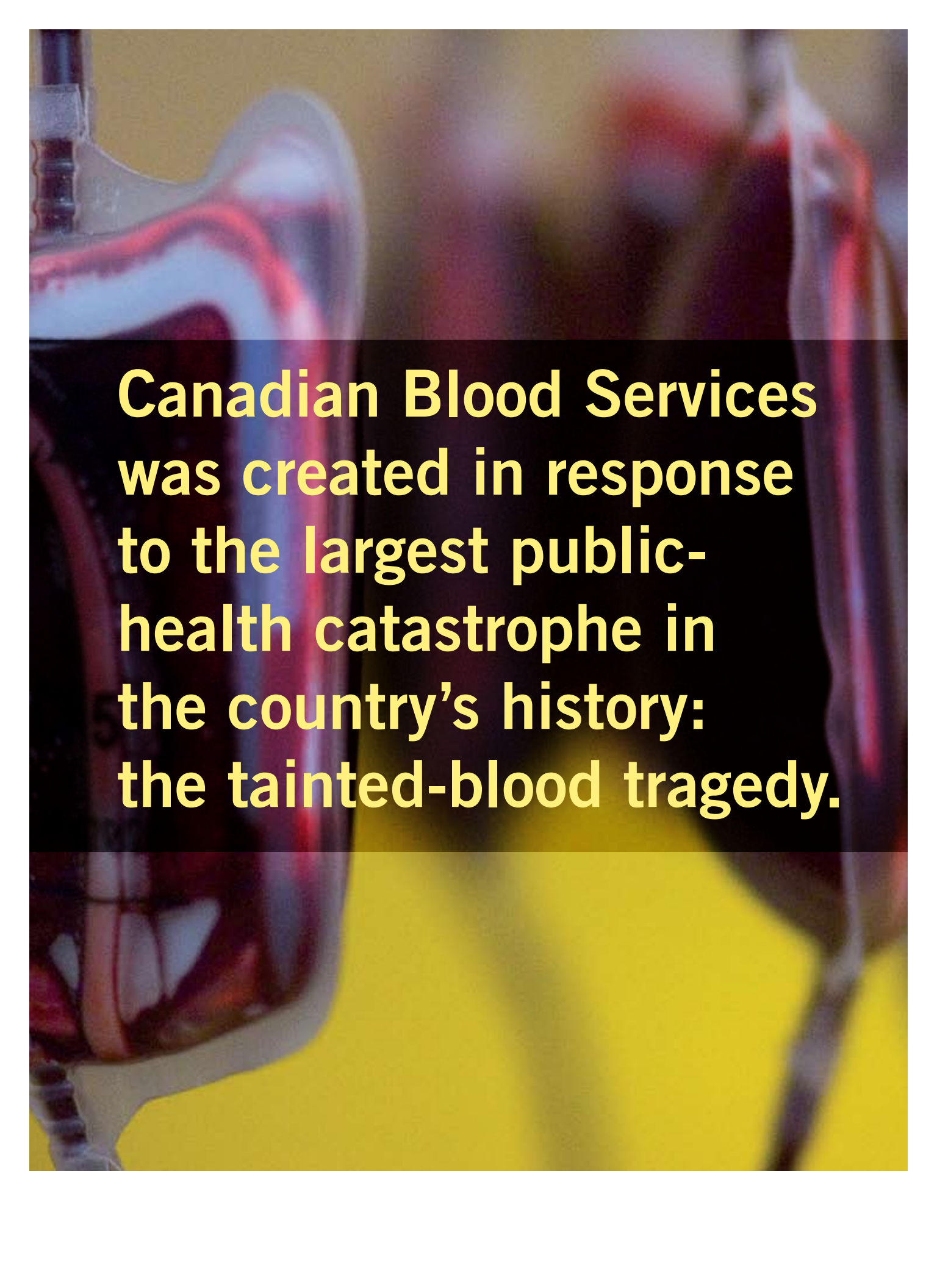
# TRANSFORMING CANADA'S BLOOD SYSTEM

**Born out of tragedy.** In 1998, Canadian Blood Services was created in response to the largest public-health catastrophe in the country's history: the tainted-blood tragedy.

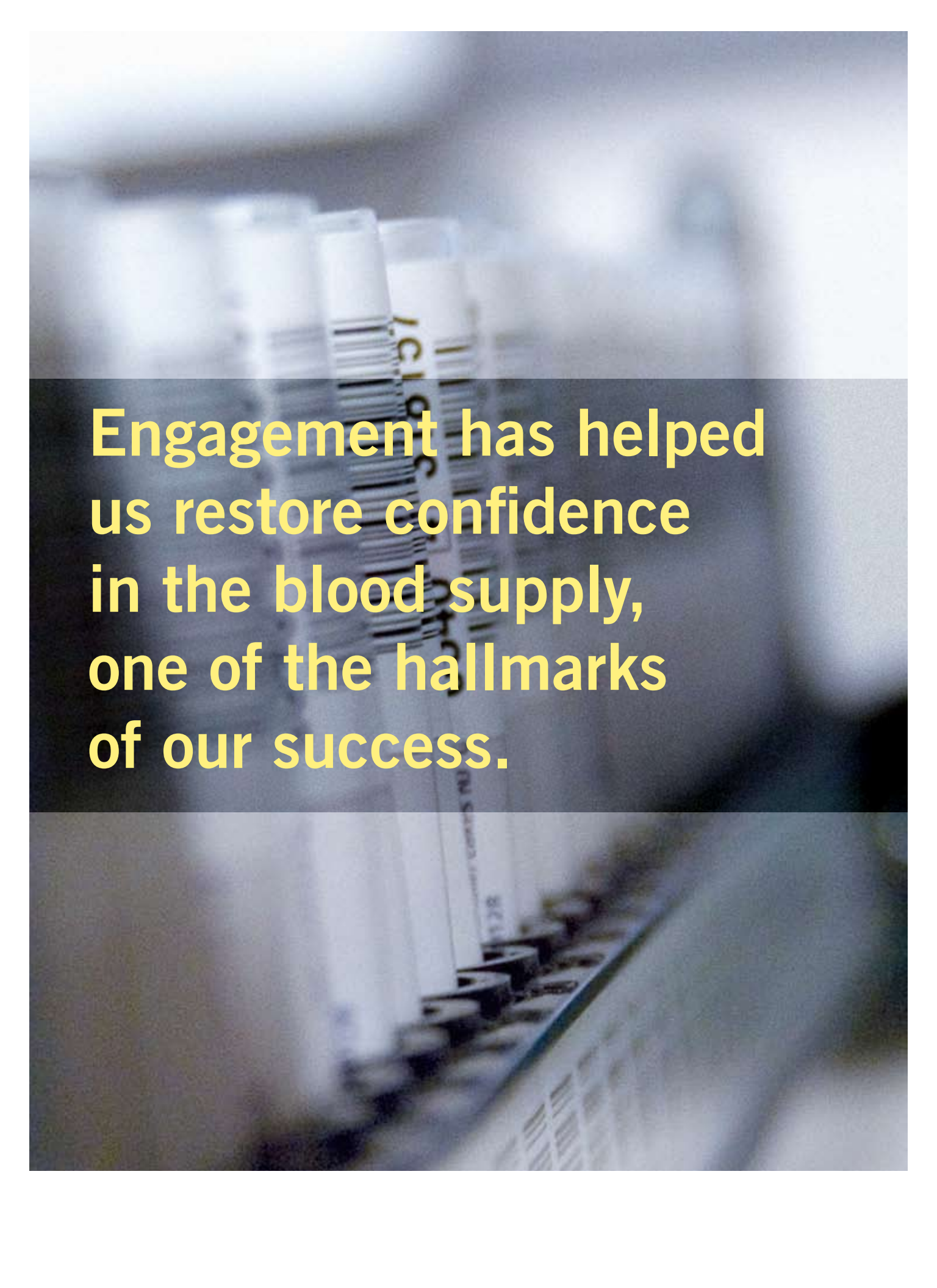
During the late 1970s and 1980s, more than 1,000 Canadians who received blood transfusions were infected with the human immunodeficiency virus, which can cause acquired immune deficiency syndrome (AIDS). Tens of thousands more Canadians contracted the hepatitis C virus, also as a result of contaminated blood products.

With public trust in the blood system destroyed, a royal commission—the Commission of Inquiry on the Blood System in Canada headed by Justice Horace Krever—was tasked to lead the investigation into the issue. The commission sat for 247 days and heard testimony from 474 individuals.

Justice Krever's final report contained 50 recommendations for the future of Canada's blood system. They focused on safety, accountability, financing, public confidence and research and development. To this day, this set of recommendations is considered a milestone in the history of Canadian public-health reforms and for blood systems around the world.



**Canadian Blood Services  
was created in response  
to the largest public-  
health catastrophe in  
the country's history:  
the tainted-blood tragedy.**



**Engagement has helped  
us restore confidence  
in the blood supply,  
one of the hallmarks  
of our success.**

The primary mission for Canadian Blood Services' new executive team and Board of Directors was clear: stabilize the blood system and restore public confidence.



**Stabilizing the system.** Justice Krever's recommendations prompted the federal and provincial governments to create a new organization that would rebuild Canada's blood system and, above all, guarantee it be reliable and safe.

The primary mission for Canadian Blood Services' new executive team and Board of Directors was clear: stabilize the blood system and restore public confidence.

Two of the organization's initial tasks were to increase blood-inventory levels by improving blood-donor recruitment, and improve the safety of blood and blood products by implementing leukoreduction and nucleic-acid amplification testing. Also critical was the need to improve relationships with various communities such as physicians, blood-product recipients and blood-related associations. This effort gained momentum in 2000 during the worldwide shortage of Factor VIII, a blood component used to treat hemophilia patients—one of the groups most severely affected by the tainted-blood tragedy. Canadian Blood Services was the sole importer of Factor VIII to Canada and for nearly eight months, we communicated weekly with stakeholders to exchange information regarding product supply.

To this day, Canadian Blood Services continues to involve the public and stakeholder groups in decisions affecting blood safety and supply, either regularly through our National and Regional Liaison Committees or as the need arises. Engagement has helped us restore confidence in the blood supply, one of the hallmarks of our success.



As we continued to re-build public confidence in the blood supply, our next task was to re-engineer core operations.

**Transforming the system.** As Canadian Blood Services continued to re-build public confidence in the blood supply, our next task was to re-engineer core operations.

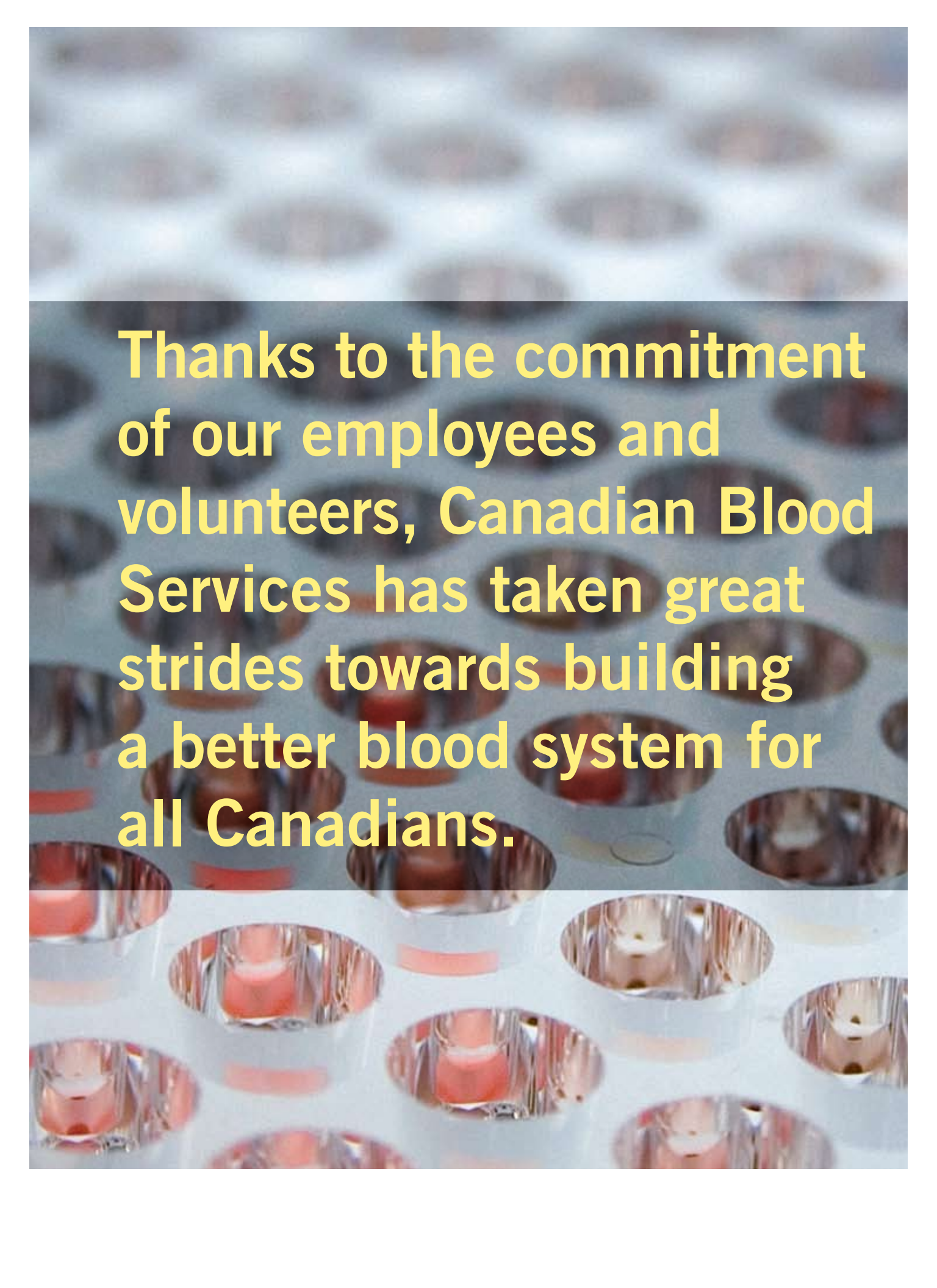
With 16 blood centres located across the country, each operating more or less independently, process standardization for functions such as blood collections, testing, manufacturing and distribution, became a priority. As such, Canadian Blood Services:

- implemented a real-time blood-management system, so that a unit of blood could be moved to wherever it was needed across the country, regardless of where the blood was collected;
- installed an integrated and robust automated system to manage financial, procurement, and inventory procedures nation-wide; and
- introduced measures—such as a new screening test—to mitigate the threat of West Nile Virus once it was discovered that the disease was transmissible by blood.

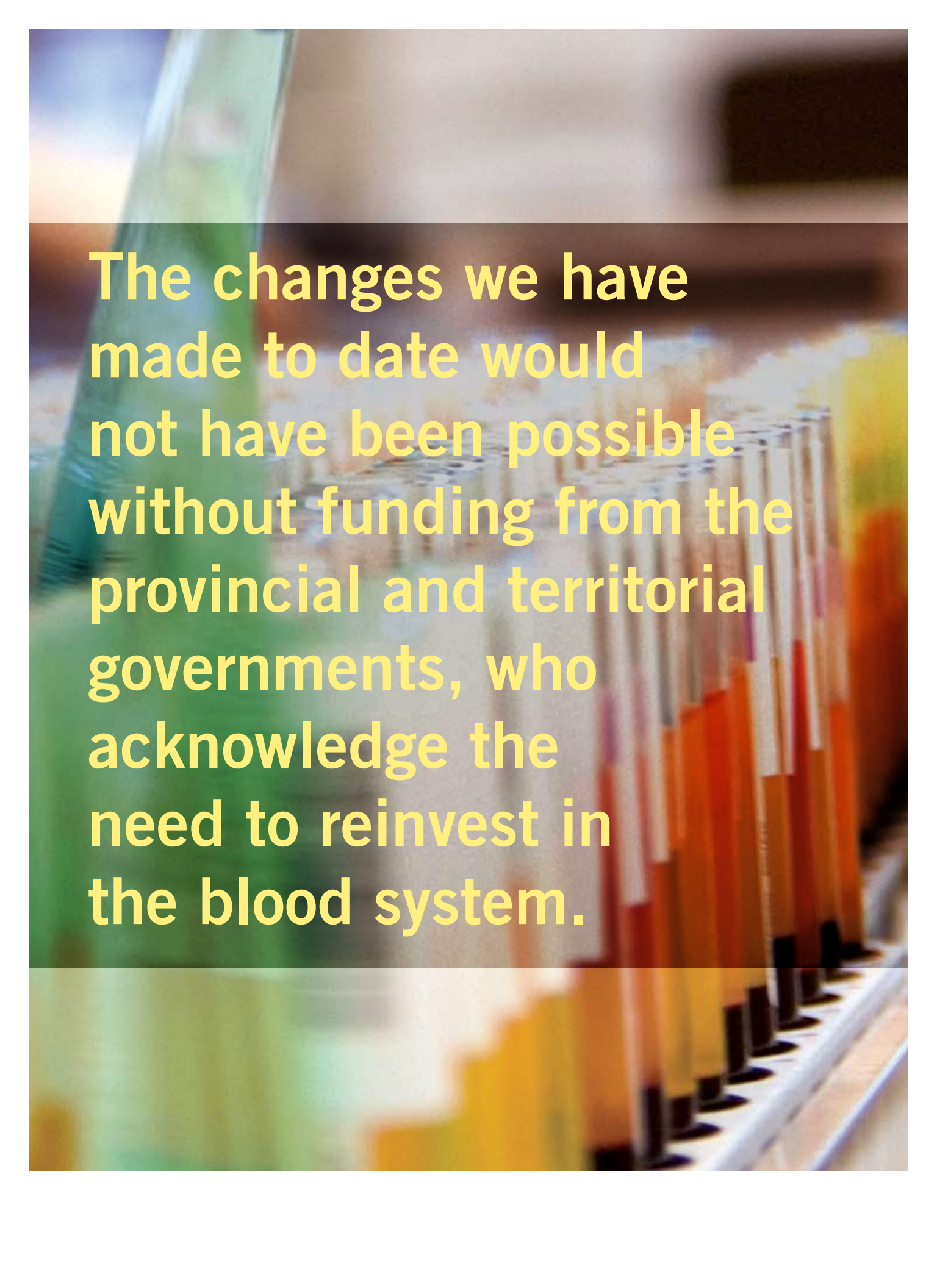
As lofty as these initiatives were, they but skim the surface of Canadian Blood Services' transformation efforts.

**Employee and volunteer commitment.** When Justice Krever delivered his report on the blood tragedy, he made sure to commend employees and volunteers “whose essential services and dedication brought to reality the generous intentions and expectations of blood donors.”

Most of the employees involved in the earlier operation of the blood system—the same people who, day in and day out, had experienced the trauma of the tainted-blood scandal—became employees of Canadian Blood Services. The new executive management team was delighted



**Thanks to the commitment of our employees and volunteers, Canadian Blood Services has taken great strides towards building a better blood system for all Canadians.**

A photograph of a laboratory rack filled with test tubes. The tubes contain liquids of various colors, including green, yellow, orange, and red. The background is blurred, showing a laboratory environment. The text is overlaid on the image in a bold, yellow font.

**The changes we have made to date would not have been possible without funding from the provincial and territorial governments, who acknowledge the need to reinvest in the blood system.**

Canadian Blood Services is now a model that can be applied to other health-care challenges.



to find a group of people with an incredible degree of commitment and willingness to make changes and work tirelessly to rebuild Canada's blood system.

Today, it is thanks to the commitment of our employees and volunteers that Canadian Blood Services has taken great strides towards building a better blood system for all Canadians.

**One operator: clear authority.** The changes we have made to date would not have been possible without funding from the provincial and territorial governments, who acknowledge the need to reinvest in the blood system.

As mandated in Justice Krever's report, Canadian Blood Services has been able to make decisions independently while governed by a board of directors appointed by the provinces and territories, whose ministers of health act as corporate Members.

Operating at arm's length from government enables Canadian Blood Services to make appropriate and timely decisions in the best interest of the blood system. Our organization also maintains a multi-million dollar contingency fund that enables us to fund emergency initiatives, should a safety threat to the blood system suddenly emerge.

**The road ahead.** Delivering service across provincial and territorial jurisdictions, Canadian Blood Services is now a model that can be applied to other health-care challenges. This year, Canadian Blood Services was asked by the provinces and territories to expand its mandate beyond blood, plasma products, patient services and stem cells, and create an integrated national system for organ and tissue donation and transplantation. We believe this speaks to the continued public trust in Canada's blood system—a pivotal achievement.





# THE YEAR IN REVIEW

**Change is never easy but for Canadian Blood Services it has been rewarding. This year we faced a number of challenges while also delivering on a number of strategic directives. The highlights of our performance and efforts follow.**

# SAFETY

**One of the principles** of Justice Krever's recommendations is that blood should be a universal resource. Underlying this notion is the belief that those who need blood should not need to worry about the safety or quality of the blood used to save or treat them. To this end, everything we do is based on the principle that safety is paramount.

Like other years, in 2007/2008 we continued to focus on monitoring known and emerging threats and protecting the blood supply against risks. Over the course of the year, we experienced some challenges, namely a difficult implementation of the Buffy Coat platelet production method in British Columbia and record-numbers of West Nile Virus-positive donors. At the same time, we made changes to reduce the risk of Transfusion- Related Acute Lung Injury and realized significant results in the reduction of components affected by recalls.

## Monitoring known and emerging threats

### West Nile Virus

In 2007/2008, Canadian Blood Services encountered 70 West Nile Virus-positive donors—more than in all previous testing years combined. These positive donations occurred earlier in the season than in previous years.

The majority of single-unit testing for the virus was performed in Calgary, bringing their donor testing responsibilities to near capacity. In response, West Nile Virus samples from Manitoba's collections were redirected to Toronto's donor-testing facilities to help balance the increased workload and allow Calgary's facilities to remain responsive to new triggers that may have appeared.

The management of our West Nile Virus testing activities goes to show that the system that we built over the past few years to protect the safety of the blood supply is working as it was designed to do. Seventy positive donations translate

into something in the order of 200 components that would otherwise have been transfused to patients—and transfusion-transmitted West Nile Virus has a high mortality rate. This is what it means to ensure a safe blood supply for recipients in need.

### Protecting against risks

Process and quality control are important elements of protecting against risks. Below, we highlight two areas in which we have made improvements.

This year Health Canada conducted 21 audits, three more than last year, and deemed all of our 21 locations as compliant and in a state of control. Canadian Blood Services received 143 observations, only four more than last year, despite the increase in audits. The large majority of these observations were classified as minor in nature.

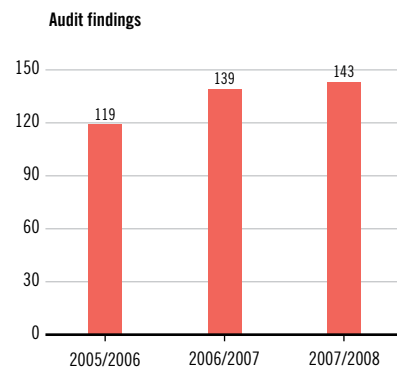
While we did not see a significant change in the number of product recalls, we did see a drastic decline in the number of components affected. Once we had resolved the hemolysis issue resulting from the Buffy Coat platelet production method implementation, recalls due to errors and accidents were reduced by 50 per cent. Thanks to changes to our recall criteria, the number of units affected by recalls due to post-donation information fell by 13 per cent year over year, mostly in the last quarter. In particular, we changed our recall criteria for donation components made by individuals who contacted us post-donation about their travel to malaria-endemic areas. This change was based on better understanding of malaria's incubation period.

#### Buffy Coat

After a difficult implementation of the Buffy Coat platelet production method in British Columbia, implementation continued in Toronto and Hamilton, Ontario, meaning that 100 per cent of the platelets derived from whole blood that we supply to hospitals are now tested for bacterial contamination. Implementation to the rest of the country will continue in 2008 but this represents a significant improvement on patient safety given the fact that bacterial contamination of platelets is a leading cause of transfusion-transmitted infection.

### Number of audit findings

by Health Canada



In 2007/2008, Health Canada performed 21 audits, three more than the previous year. Canadian Blood Services received 143 observations, only four more than last year. The large majority of these were classified as minor in nature. Given the increase in the number of audits, this reflects a modest improvement year over year.

## What is Buffy Coat?

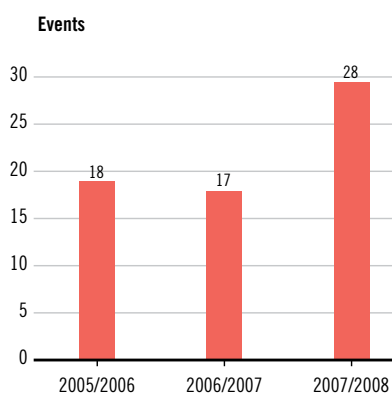
The term “buffy” coat comes from the nearly colourless (buff) colour of the cell mixture produced from spinning the whole blood using a “hard spin” instead of the current “soft spin.” The Buffy

Coat platelet production method has a number of benefits, including a longer permissible processing time, and a greater yield of platelets recovered from each unit. It also helps to increase the volume of

recovered plasma for fractionation, helping us to become more sufficient in plasma products.

## Errors/accidents

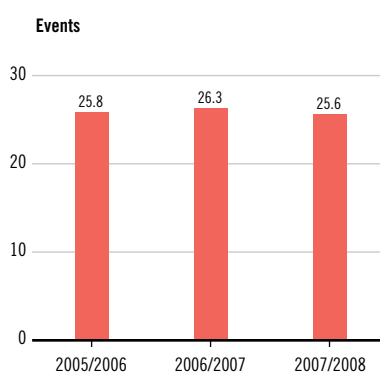
per 10,000 units collected



In 2007/2008, we saw an increase in the number of errors and accidents over the previous year but a significant drop in the number of components affected once we resolved the hemolysis issue resulting from the implementation of the Buffy Coat production method.

## Post-donation information

per 10,000 units collected



In 2007/2008, post-donation information remained consistent year over year. The number of components affected by these recalls fell by 13 per cent and reflects changes in Canadian Blood Services' recall criteria for malaria related post-donation information.

## Transfusion-Related Acute Lung Injury

This year we also took measures to reduce the risk of Transfusion-Related Acute Lung Injury (TRALI), an uncommon but potentially fatal complication related to transfusion. We instituted the use of predominantly male plasma for the preparation of products that contain relatively large amounts of plasma, including cryosupernatant plasma, fresh-frozen plasma, frozen plasma, apheresis plasma and Buffy Coat platelets.

Many cases of TRALI are caused by transfusion of blood components containing antibodies to leukocytes. Females who have had previous pregnancies or persons (male or female) who have received multiple transfusions may develop these antibodies. The risk of TRALI appears to be higher following the transfusion of products that contain large amounts of plasma.

In taking these precautions, we continue to make use of every donor's gift. Plasma collected from female donors is still used for manufacturing plasma protein products such as intravenous immunoglobulins (IVIG) and albumin, both of which will help Canadian Blood Services become sufficient in plasma products.

# OPERATIONAL EXCELLENCE

**At the time of the** Commission of Inquiry on the Blood System in Canada, trust in the blood system was at an all-time low. Since that time, we have worked deliberately to prove our integrity and earn the respect of Canadians by excelling at change, being open and accountable and consistently delivering quality products and services. Today more than eight in 10 Canadians trust us to do what is right for the blood system. We are proud of this statistic, but we know our job is not done. We continue to work hard to keep up with our own expectations, as well as those of our funders and Canadians at large.

While 2007/2008 was another rewarding year for us, it was not without challenges. We struggled with collections, donor recruitment and order-fill rates to hospitals, but successfully implemented a number of key initiatives, strengthened our focus on cost management and saw a slower increase in demand for plasma protein products.

## Optimizing donor recruitment and retention

Change is not always about projects and initiatives. Sometimes it is about being tested and having the ability to make decisions swiftly and effectively. Over the summer months last year, we saw an unprecedented number of blood donations test positive for West Nile Virus. At the same time, we faced the challenge of having low blood inventory levels. We saw a convergence of what has always been a challenging collections season with unit losses associated with the implementation of the Buffy Coat method and a clinic closure in Toronto. Despite these challenges, we mobilized to replenish inventories quickly and ensured that the shortage did not pose any risk to patients.

## Delivering the right product, at the right place, at the right time

### Apheresis Technology Replacement

This year Canadian Blood Services deployed new apheresis equipment that comes with several benefits for apheresis donors, including greater efficiencies and shorter collection times.

Other benefits of the new machines include higher yields of bacteria-tested platelets, fewer platelet recipient exposures, less operator intervention and the ability to optimize the amount of plasma that can be recovered from the existing donor base. These apheresis devices can allow for the collection of more than one unit per donor or more than one component at a time and will replace current aging technology in preparation for future multi-component collections.

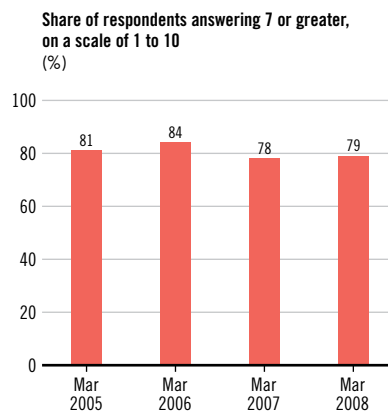
This is an example of the true transformation of the system and where our journey broadens from collecting what we can, to collecting what hospitals—and by extension, patients—need.

### Plasma Protein Products

Plasma Protein products are used to treat particular illnesses including hemophilia and immunodeficiencies. Canadian Blood Services is responsible for forecasting the demand for plasma-derived and recombinant therapeutic products, the procurement of those products from international suppliers and for their distribution to hospitals.

#### General population survey:

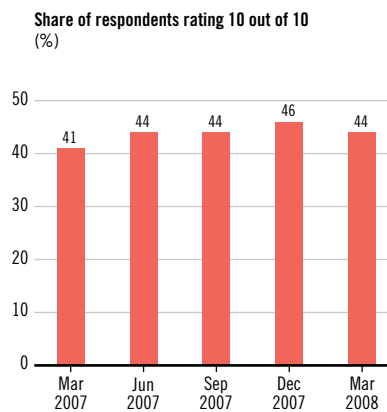
Overall trust



A March 2008 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.

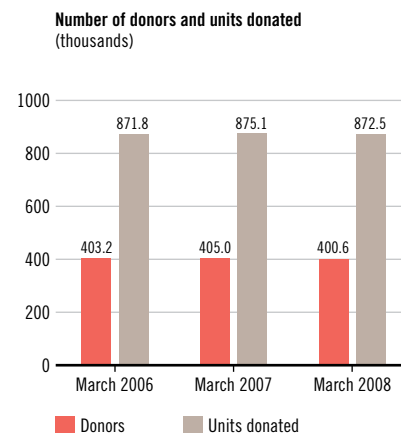
#### Donor survey:

Donor satisfaction



Donor satisfaction scores remain strong year over year. This reflects the positive effects of our efforts to improve the donor clinic experience.

#### Whole blood donors and donations



In 2007/2008, Canadian Blood Services experienced a 1.1 per cent drop in the number of active donors year over year and a 0.3 per cent drop in whole blood donations. The forecast over the next three years suggests that whole blood collections must increase two per cent a year to meet a similar increase in hospital demand.

We took a significant leap forward this year with our Plasma Proteins Product business. A request for proposal process resulted in the expansion of our product supplier base, with new contracts negotiated, that ensures a secure and cost-effective supply of plasma protein products. The demand for these products increases each year, for which Canadian Blood Services is the sole provider to hospitals across Canada except Quebec. Having extra suppliers provides a buffer against supply disruptions that have the potential to affect recipients.

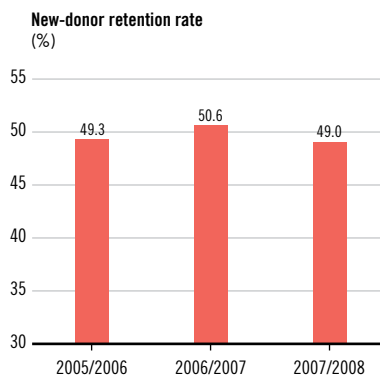
This year, we also re-introduced the collection of source plasma at our existing plasmapheresis sites across the country, laying the foundation for Canadian Blood Services to improve our plasma sufficiency—one of the basic principles of the blood supply as outlined in Justice Krever’s report.

### Delivering efficiency and productivity gains

Canadian Blood Services is committed to improving cost-management over the next three fiscal years in an attempt to improve its cost efficiency and productivity.

To date, we have looked inward, assessing our processes regionally and nationally. We are considering consolidating and renegotiating hardware and software maintenance contracts, renegotiating courier services fees for movement of donor samples, consolidating and centrally managing the movement of empty blood boxes, and reducing third-party biomedical-waste handling costs. As a

### New-donor retention



In 2007/2008, new-donor recruitment dropped six per cent from the previous year and new-donor retention declined from 50.6 per cent in 2006/2007 to 49 per cent. Canadian Blood Services is aware that it must grow its donor base in order to meet forecasted blood collection targets in the future. Going forward, we will require significant donor recruitment and retention efforts.

## Emergency Preparedness Planning

In 2006/2007, Canadian Blood Services conducted planning to prepare for any emergency, and this year, we had the opportunity to test the emergency-preparedness plans we developed.

A labour disruption with a third-party transport provider in the spring of 2007 gave us the opportunity to test our plans to manage an interruption in delivery of blood and blood products. Our pandemic plan document enabled us to make proper preparations and

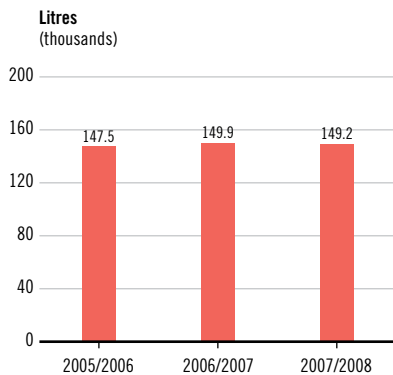
ensure delivery continued throughout the strike and that the hospitals were adequately supplied.

A few months later, we were given a second opportunity to implement our emergency plans when inventory levels fell significantly over the summer months. For the first time, we activated our National Emergency Response Team to monitor the situation and implement the necessary processes to ensure supply. Communication with our hospital partners and Héma-Québec helped

us prepare for the shortage, and added clinic capacities and increased targeted messaging to donors helped boost collections.

Our contingency plans have been tried and tested this past year, showing us that we can prepare and plan for a variety of emergencies. We relied on a number of partners to manage these situations, proving our support system is strong and our action plans can be carried out quickly. This has reassured us that we are prepared to manage a pandemic.

### Plasma shipped to fractionator



The volume of plasma shipped for fractionation decreased slightly to 149,221 litres in 2007/2008. This drop is related to lower than expected collections and the impact of the implementation (high discard rates due to hemolysis) of the Buffy Coat platelet production method.

whole, Canadian Blood Services will look to minimize meeting expenses, travel costs and professional fees.

### OneMatch Stem Cell and Marrow Network

At times, change can be subtle. This year, for example, we rebranded our bone marrow business line, re-naming it the OneMatch Stem Cell and Marrow Network. The change was made in an effort to create awareness and make the network more appealing to potential donors.

Because fewer than 30 per cent of patients who require bone-marrow, stem-cell or cord-blood donations will find matches with family members, we continue to create greater awareness and appeal to potential donors. In particular, we have targeted younger Canadians of diverse backgrounds, in an effort to encourage them to join our registry as potential stem-cell donors. This year, we enhanced our recruitment efforts by replacing the blood test with a simple buccal swab kit mailed to registrants' homes.

OneMatch saw a 12.5 per cent increase in registrations over last year. We recorded 15,221 new potential donors.

## Malaria

While travelling usually comes with its own list of concerns, for Canadian Blood Services, its concern is the risk of malaria for donors who travel to more than one hundred countries, including many popular tourist destinations. This is especially a concern because malaria can be transmitted through transfusion.

Canadian Blood Services has always kept an eye on donors who are at risk for malaria, with a former deferral policy of six months that applied to anyone who had been to a malaria-risk zone, in addition to anyone who had had malaria. Even after the deferral

period, only the plasma from these donors was used for an additional period of time that varied depending on the donor's level of risk for malaria. Whole blood could never be used from any donor who had had malaria.

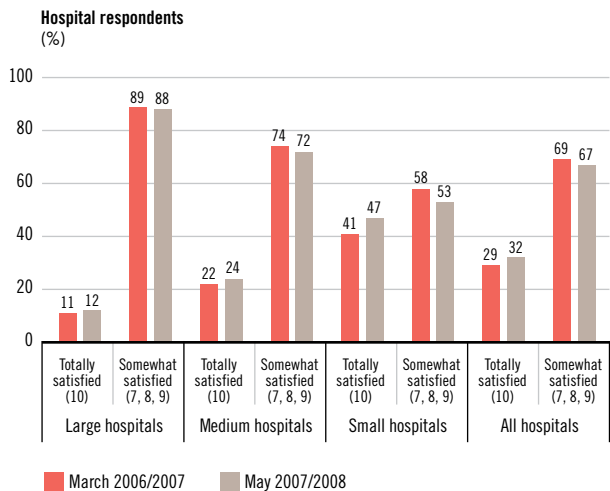
Unfortunately, this policy resulted in thousands of discards of platelets and red blood cells. More than 40,000 Canadians have received temporary malaria deferrals, and prior to implementing this change this past year, malaria travel accounted for 27 per cent of all discards. This is why Canadian Blood Services changed its malaria deferral policy as of April 2007.

Now, donors who have been in a malaria-risk zone for six months or less will have to wait a year after returning to donate whole blood. At this point, all components of their blood will be usable. Those who have been in malaria-risk zones for more than six months will be deferred for three years and anyone who has had malaria will no longer be able to donate blood.

These changes are expected to save the organization \$3 million annually. This marks the first time changes to a deferral policy have been made to improve efficiency rather than safety.

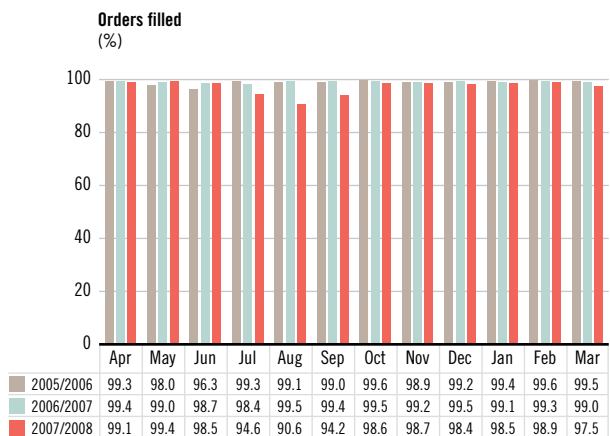
### Hospital satisfaction

with Canadian Blood Services



Hospital satisfaction remains very high with 32 per cent of hospitals rating Canadian Blood Services 10 out of 10. Despite inventory challenges during the summer months, Canadian Blood Services kept lines of communication open with its hospital customers and worked quickly and effectively to minimize the impact to hospitals and patients.

### Order fill rates of red blood cells



Order fill rate refers to the percentage of hospital orders we are able to meet. In 2007/2008 with the exception of platelets, we experienced lower than expected fill rates in large part due to collections and inventory issues experienced last year.

### Patient Services

Because change sometimes takes time, we continued to evaluate and explore how best to deliver our Patient Services offerings, while addressing the systems most at risk. Patient Services includes a variety of specific diagnostic tests like prenatal testing, and patient therapeutic services that include services like autologous blood collections.

Canadian Blood Services continually evaluates these services to ensure they meet specific criteria:

- they have a clear connection to transfusion medicine;
- they support our mission;
- that we are the appropriate organization to deliver the service; and,
- that they enhance our leadership position in transfusion medicine nationally and internationally.

The Patient Services program continued to identify opportunities for standardizing and consolidating services over the past year. As part of our focus on performance in the coming years, the Patient Services program will continue to seek operating efficiencies.

# PREPARE FOR TOMORROW

**Everyone who has** championed our efforts to transform the blood system and everyone who has made it possible understands that the key is not just to change but to build in the ability for continuous improvement in order to meet future needs.

On the knowledge and innovation front, our research and development program continues to play a proactive role in advancing transfusion science and helping us prepare for future challenges and opportunities. Moreover, the future is looking brighter, what with Canadian Blood Services establishing a new Organs and Tissues business line and announcing a long-term facilities renewal commitment.

## Plan for the future

### Facilities renewal

After nine years of operation, Canadian Blood Services has developed a 10-year facilities strategic plan with the intent of introducing a new business model to address long-standing issues with its facilities. Many of the buildings assumed by the organization back in 1998, some still in use today, were not designed for collecting, testing, and processing blood and continue to be outdated, obsolete, and overcrowded—impeding our ability to maintain Good Manufacturing Practice standards.

The vision for the future is a facilities model designed to enhance operational efficiency, align with future business needs, and ensure a viable, safe, and cost-effective facilities infrastructure. For more details on this initiative, including funding, please refer to page 50 of the Financial Report.

## Identify and introduce innovative ways of doing business

### Research and Development

Intrinsic to the safety, security, and efficiency of the blood system, the research and development group has been productive this year, authoring 95 scientific publications. This group continues to provide strong, in-house scientific support and is driving innovation within our supply chain, as was done during implementation of the Buffy Coat production method and in spearheading the use of genotyping to identify donors with rare blood types. Considerable effort is also being expended to address the shortage of skilled personnel in transfusion science and medicine. Our NetCAD laboratory in Vancouver also provides a “real” blood centre laboratory for process validation and development that is unique in the public blood industry.

### Organs and Tissues

Recognizing that there is a gap in the delivery of national services for organs and tissues, the provincial and territorial deputy ministers of health have requested that Canadian Blood Services assume the mandate of the Canadian Council for Donation and Transplantation (CCDT). The ministers also asked us to deliver national services focused initially on patient registries, as well as a business plan for a national network of comprehensive tissue banks. Through our activities in blood, plasma products and stem cells, we have expertise in areas that directly translate to the organs and tissues environment. As well, we can leverage our existing infrastructure in areas such as information systems for donor and patient registries, procurement and distribution of plasma protein products, manufacturing of blood products and collections and recruitment towards this new mandate.

For more information including funding, please refer to page 51 of the Financial Report.

## Fundraising activities

Canadian Blood Services' National Fundraising Office was established to raise funds to support our efforts in building a better blood system in Canada. It also supports the efforts of blood donors through initiatives such as the latest technology and improving donor clinics across the country, and enhancing programs to recruit and retain blood, stem cell and marrow donors.

Canadian Blood Services is grateful to all our financial supporters. Notable mentions this year include:

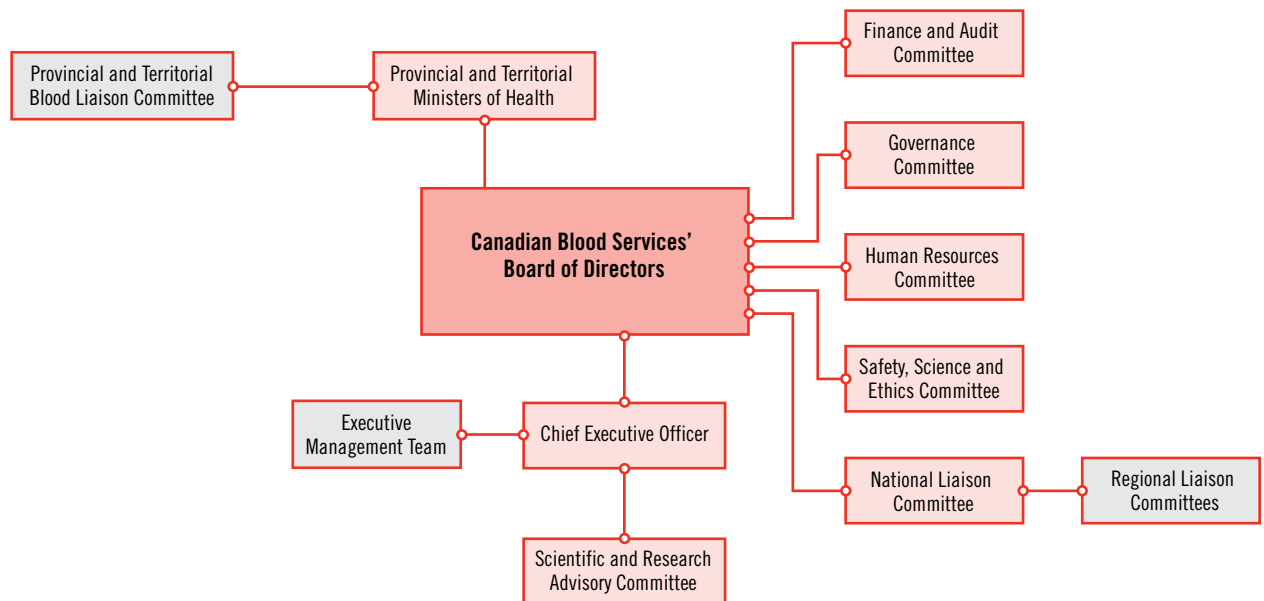
- A corporate donor-clinic sponsor for 55 years, Manulife Financial Inc., donated \$35,000 towards funding a permanent blood donor clinic at the Manulife Centre, in Toronto. We greatly appreciate this strong and long-standing relationship and look forward to working with Manulife in the future.
- James Ho, after hearing that he was to receive the “Man of the Year Award” from the Brotherhood Inter-Faith Society of British Columbia, was inspired to give back to his community and pledged to donate \$10,000 a year for life to Canadian Blood Services. Mr. Ho also established a life insurance policy for \$250,000 and bestowed it upon Canadian Blood Services. Mr. Ho, a true leader in his community, will help save lives today and tomorrow. He has left a legacy gift for all Canadians.
- The King Street donor clinic in Toronto, which opened in the spring of 2008, was partially funded by numerous small donations received in the last four years. Canadian Blood Services collected nearly \$200,000 from individual donors, service clubs, companies and associations across the country. We sincerely thank all the supporters whose generosity helped make the opening of the new clinic possible.

For more information about the National Fundraising Office, including revenue, please see page 47 of the Financial Report. To learn how to support Canadian Blood Services, please visit our website at [blood.ca](http://blood.ca) and click on the ‘Financial Gifts’ tab.

# CORPORATE GOVERNANCE

## Governance Structure

Canadian Blood Services was incorporated on February 9, 1998 pursuant to Part II of the *Canada Corporations Act*. Its structure balances the need for ministerial responsibility and accountability, with the requirement that the organization have the necessary autonomy to ensure a safe, secure and effective blood-supply service.



## Provincial and Territorial Ministers of Health

(as of March 31, 2008)

The provincial and territorial health ministers are the Corporate Members of the organization, a role similar to shareholders. They are responsible for the overall expenditure of public funds by Canadian Blood Services in delivering the blood program and for selecting the Board of Directors. They retain responsibility for the effectiveness of the blood supply system and approve Canadian Blood Services' funding requirements.

**The Honourable George Abbott, MLA**  
Minister of Health  
Government of British Columbia

**The Honourable Leona Aglukkaq, MLA**  
Minister of Health and Social Services  
Government of Nunavut

**The Honourable Brad Cathers, MLA**  
Minister of Health and Social Services  
Government of the Yukon

**The Honourable Doug W. Currie, MLA**  
Minister of Health  
Government of Prince Edward Island

**The Honourable Chris A. d'Entremont, MLA**  
Minister of Health  
Government of Nova Scotia

**The Honourable Ronald Liepert, MLA**  
Minister of Health and Wellness  
Government of Alberta

**The Honourable Sandy Lee, MLA**  
Minister of Health and Social Services  
Government of the Northwest Territories

**The Honourable Michael Murphy, MLA**  
Minister of Health  
Government of New Brunswick

**The Honourable Theresa Oswald, MLA**  
Minister of Health  
Government of Manitoba

**The Honourable George Smitherman, MPP**  
Minister of Health and Long-Term Care  
Government of Ontario

**The Honourable Don McMorris, MLA**  
Minister of Health  
Government of Saskatchewan

**The Honourable Ross Wiseman, MHA**  
Minister of Health and Community Services  
Government of Newfoundland and Labrador

The Provincial/Territorial Blood Liaison Committee provides advice and support to the provincial and territorial ministers of health on issues affecting the blood system (excluding Quebec). This may also include support to the respective deputy ministers of health. Membership includes a representative from each province and territory. One province is designated as the lead province for a two-year term and the representative of that province serves as committee chair.

**Aaron Campbell**  
Prince Edward Island

**Kevin Compton**  
Nunavut

**Katherine Fraser**  
Nova Scotia  
*Lead Province*

**Robin Greig**  
Northwest Territories

**Carol Renner**  
Manitoba

**Madelaine Swaters**  
Alberta

**Lori Clarke**  
New Brunswick

**Jane Crickmore**  
British Columbia

**Thomas A. Smith**  
Ontario

**Patrick O'Byrne**  
Saskatchewan

**John Rumboldt**  
Newfoundland and  
Labrador

**Violet van Hees**  
Yukon

## Board of Directors

(as of March 31, 2008)

The Board of Directors is responsible for the overall direction of Canadian Blood Services' affairs, including the alignment of blood-system operations with the organization's business corporate plan, and oversight of corporate/operational policies consistent with legal industry standards and regulatory legal requirements.

Appointed by the provincial and territorial ministers of health, the Board of Directors is comprised as follows:

### Chairperson:



**Verna M. Skanes, PhD**  
St. John's, Newfoundland and Labrador

### Medical, scientific, technical, business, and public health representatives:



**John Dawson**  
Vancouver,  
British Columbia



**Dr. M. Bernadette Garvey**  
Toronto, Ontario



**Gary Glavin, PhD**  
Headingley, Manitoba



**Frank D. Jones**  
Edmonton, Alberta



**Lynn Gordon Mason**  
Halifax, Nova Scotia



**Michael Mehta, PhD**  
Edmonton, Alberta

### Regional representatives:



**Atlantic**  
**Kenneth Wayne Ezeard**  
Rustico,  
Prince Edward Island



**British Columbia & Yukon**  
**Leah Hollins**  
Victoria, British Columbia  
*Vice-Chair*



**Alberta, Saskatchewan,  
Manitoba, Northwest  
Territories & Nunavut**  
**Marilyn Robinson**  
Winnipeg, Manitoba



**Ontario**  
**Thomas Warner**  
Toronto, Ontario

### Consumer interest representatives:



**James Kreppner**  
Toronto, Ontario



**Gord Sanford**  
Richmond Hill, Ontario  
*deceased*  
*(In Memoriam on p. 80)*

### Ex Officio:



**Dr. Graham Sher**  
Chief Executive Officer

## Board Committees

The **Financial and Audit Committee** is a mandatory committee of the Board that reviews and advises the Board with respect to the financial affairs of the organization. A key function of the committee is to oversee the integrity of the organization's financial affairs and financial disclosure observations. The committee also provides oversight with respect to Canadian Blood Services' program of insurance, engages directly with the External Auditor to discuss their audit plan, audit findings and fees, and oversees the internal audit program including approval of the audit plan and results of all internal audits.

**Chair: John Dawson**

The **Governance Committee** assists the Board in fulfilling its responsibilities with respect to the operations of the Board and its committees. This committee monitors the corporate strategy process, advises the Board with respect to its Balanced Scorecard activities, monitors a process to assess Board effectiveness, and oversees the Board's corporate governance processes and principles.

**Chair: Lynn Gordon Mason**

The **Human Resources Committee** advises the Board with respect to the fulfillment of board fiduciary responsibilities in the area of human resources management. The committee ensures that the appropriate processes are in place for occupational health and safety, employee compensation and benefits, pension plan matters and employee ethics and code of conduct. The committee also oversees the performance management program for the Executive Management Team.

**Chair: Gary Glavin PhD**

The **Safety, Science and Ethics Committee** oversees the organization's safety, security and ethical obligations, together with scientific activities, and advises the Board on any issue arising and on the need for policy development in the area of safety and science. This committee ensures, through the Board, that regular independent safety audits are effected, and oversees the functioning of Canadian Blood Services' Research and Ethics Board.

**Chair: Kenneth Wayne Ezeard**

## CBS Insurance Company Limited

Board of Directors (as of March 31, 2008)

**Fred Hyndman (Chair)**  
Charlottetown, Prince Edward Island

**John Dawson**  
Vancouver, British Columbia

**David Lines**  
Hamilton, Bermuda

**Dr. Graham Sher**  
Ottawa, Ontario

**Philip A. Barnes**  
Hamilton, Bermuda

**Frank Jones**  
Edmonton, Alberta

**Michael Raggett**  
Brechin, Ontario

**Jack Zacharias**  
Winnipeg, Manitoba

## Canadian Blood Services Captive Insurance Company Limited

Board of Directors (as of March 31, 2008)

**Fred Hyndman (Chair)**  
Charlottetown, Prince Edward Island

**Frank Jones**  
Edmonton, Alberta

**Dr. Graham Sher**  
Ottawa, Ontario

**John Dawson**  
Vancouver, British Columbia

**Michael Raggett**  
Brechin, Ontario

**Jack Zacharias**  
Winnipeg, Manitoba

## National Liaison Committee

(as of March 31, 2008)

The National Liaison Committee is an advisory committee that reports to Canadian Blood Services' Board of Directors. The Committee meets three times each year and 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. Members 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.

### James Kreppner

Co-Chair; Canadian Blood Services'  
Board of Directors  
*Toronto, Ontario*

### Gord Sanford

Co-Chair; Canadian Blood Services'  
Board of Directors  
*deceased*  
*Richmond Hill, Ontario*

### Dr. David Allan

Canadian Blood and Marrow Transplant Group  
*Ottawa, Ontario*

### Vikram Bhatija

Thalassemia Foundation of Canada  
*Markham, Ontario*

### Sgt. Wendy Chaulk

Candlelighters Childhood Cancer Foundation  
*Mount Pearl, Newfoundland and Labrador*

### Ed Ferre

Canadian Association of Transplantation  
*Vancouver, British Columbia*

### Janene Flath

Alberta Regional Liaison Committee  
*Calgary, Alberta*

### Kate Gagliardi

Canadian Society for Transfusion Medicine  
*Ancaster, Ontario*

### Mary Kim

Arthritis Society of Canada  
*Scarborough, Ontario*

### Dr. Sam Krikler

British Columbia and Yukon Regional  
Liaison Committee  
*Vancouver, British Columbia*

### Carole Ann LaGrange

Canadian Society for Transfusion Medicine  
*Red Deer, Alberta*

### Bill Mindell

Canadian Hemophilia Society  
*Toronto, Ontario*

### Heather Mingo

Physicians and Nurses for Blood Conservation  
*Halifax, Nova Scotia*

### S/Sgt. Larry Misner

Bruce Denniston Bone Marrow Society  
*Powell River, British Columbia*

### Dr. Robin Moore-Orr

Anemia Institute for Research & Education  
*Ottawa, Ontario*

### Heather Muir

Central Ontario Regional Liaison Committee  
*Walkerton, Ontario*

### Amalia Pempengco

Prairies Regional Liaison Committee  
*Winnipeg, Manitoba*

### François Perron, Annie Bédard

Canadian Society of Clinic Perfusion  
*North Vancouver, British Columbia*

### Margaret Rogers

Atlantic Regional Liaison Committee  
*Fredericton, New Brunswick*

### Lorna Stevens

Neutropenia Support Association Inc.  
*Winnipeg, Manitoba*

### Guy Venne

North Eastern Ontario and Nunavut  
Regional Liaison Committee  
*Sudbury, Ontario*

### Howard Waldner

Canadian Healthcare Association  
*Victoria, British Columbia*

### Michael Whelan

Canadian Immunodeficiencies Patient Organization  
*Vancouver, British Columbia*

### Pam Wishart

Aplastic Anemia and Myelodysplasia  
Association of Canada  
*Rosemere, Quebec*

### John Wittkamp

Southern Ontario Regional Liaison Committee  
*London, Ontario*

There are seven Regional Liaison Committees, which serve as advisory committees reporting to their respective Canadian Blood Services' Director, Donor and Clinic Services and Office of Public Involvement. Each committee consists of 13 to 25 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 from across Canadian Blood Services' operational regions and contribute to decision making on issues affecting the blood system.



**From left to right:** Pauline Port, Ian Mumford, Dr. Graham Sher, Sophie de Villers, Watson Gale, Christian Choquet, PhD, Rod Brandvold, PhD, and Dana Devine, PhD.

## Executive Management Team

(as of March 31, 2008)

**Dr. Graham Sher**  
Chief Executive Officer

**Ian Mumford**  
Chief Operating Officer

**Christian Choquet, PhD**  
Vice-President, Quality Assurance  
and Regulatory Affairs

**Watson Gale**  
Vice-President, General Counsel  
and Corporate Secretary

**Pauline Port**  
Vice-President, Corporate Services  
and Chief Financial Officer

**Sophie de Villers**  
Vice-President, Strategy Management

**Dana Devine, PhD**  
Vice-President of Medical,  
Scientific & Research Affairs

**Rod Brandvold, PhD**  
Vice-President, Talent Management

## Scientific and Research Advisory Committee

(as of March 31, 2008)

The Scientific and Research Advisory Committee provides advice and recommendations to the Chief Executive Officer of Canadian Blood Services on matters concerning the safety of the blood system in Canada. These matters include such issues as the safety and efficacy of blood, blood products and their alternatives, emerging risks and issues, and the research and development effort being, or to be, undertaken by Canadian Blood Services.

### Chair

**Dr. Celso Bianco**  
Executive Vice President  
America's Blood Centers  
*Washington, DC*

### Members

**John Barbara, PhD**  
Microbiology Consultant  
National Blood Authority  
and National Blood Service  
*London, United Kingdom*

**Dr. Michael P. Busch**  
Vice President of Research and Scientific Affairs  
Blood Centers of the Pacific/Blood Systems, Inc.  
*San Francisco, California*

**Roger Dodd, PhD**  
Head T.D. Laboratory  
American Red Cross Society,  
Jerome H. Holland Laboratory  
*Rockville, Maryland*

**Dr. Mel Krajden**  
Associate Professor of Medical Microbiology  
Department of Pathology and Laboratory Medicine,  
University of British Columbia  
*Vancouver, British Columbia*

**Dr. David Lillicrap**  
Professor, Department of Pathology,  
Medicine and Pediatrics  
Richardson Laboratory, Queen's University  
*Kingston, Ontario*

**Dr. Jeffrey McCullough**  
Professor, Department of Laboratory Medicine  
and Pathology  
University of Minnesota  
*Minneapolis, Minnesota*

**Alan Mortimer, PhD**  
Director  
Centre for Biologics Research  
Health Canada  
*Ottawa, Ontario*

**Mohandas Naria**  
Vice-President and Director  
Lindsley F. Kimball Research Institute,  
New York Blood Center  
*New York, New York*

**Dr. Sherrill J. Slichter**  
Executive Vice-President of Research  
Puget Sound Blood Center and Program  
*Seattle, Washington*

**Dr. Jeremy Sugarman**  
Phoebe R. Berman Bioethics Institute  
Johns Hopkins University  
*Baltimore, Maryland*

**Dr. David M.C. Sutton**  
Retired Director of Transfusion Medicine  
Toronto General Hospital  
*Picton, Ontario*

**Dr. Cees van der Poel**  
Secretary Medical Affairs  
Sanquin Blood Supply Foundation  
*Amsterdam, The Netherlands*

**Dr. Lorna Williamson**  
Lecturer and Consultant  
University of Cambridge,  
Division of Transfusion Medicine,  
National Blood Service  
*Cambridge, United Kingdom*

# FINANCIAL REPORT

**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, which 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.

## **Funding provided to Canadian Blood Services from the Members**

The provincial and territorial ministers of health (the Members) provide operational funding to Canadian Blood Services. The Federal/Provincial/Territorial Memorandum of Understanding provides that the Members are responsible for the approval of business plans submitted by the Board of Directors. Each year a three-year business plan is submitted to the Members and funding is approved for the first year of the plan. In addition, the organization prepares annual budgets that include measures to ensure that appropriate financial arrangements exist to maintain the capacity to respond in a timely manner to health and safety emergencies.

## **Consolidated financial performance**

The Consolidated Statement of Operations presents information for the operational lines of business and the two captive insurance subsidiaries. The business lines are the Plasma Protein Products (PPP) program, the Blood Program, Patient Services and the OneMatch Stem Cell and Marrow Network. Details by program are presented in Note 11 of the Consolidated Statements. For the year ending March 31, 2008 the operational lines of business had a surplus of \$4.7 million (\$5.4 million – 2007) and the captive insurance subsidiaries had a consolidated deficit of \$8.9 million (surplus of \$10.7 million – 2007).

## Performance by business lines

### Plasma Protein Products Program

Plasma Protein Products (PPP) have a variety of functions related to maintaining blood volume and pressure, the treatment of hemophilia and the body's immune response to foreign materials. The products are manufactured through a process called fractionation, which involves pooling plasma from several donors and processing these pools through a series of biochemical and physical steps. In addition, some clotting factors are synthesized in a laboratory environment using recombinant biotechnological techniques that do not require plasma as a starting material.

The key functions of the PPP Program include the negotiation of contracts with third-party suppliers for commercial products and fractionation capacity and the ongoing management of the distribution network and inventory levels. One of the significant accomplishments this year was the completion of a multi-year request for proposals (RFP) process. Some of the key results that were achieved from the RFP were the establishment of a secondary fractionator for Canadian plasma and expanding the supplier base by encouraging more companies to provide products to the Canadian market.

Members are charged for the actual costs of the products used by the hospitals in their jurisdictions. Administration costs are allocated to provinces based on the dollar value of their total product use. The following table provides a comparison of product costs between 2006/2007 and 2007/2008 including price and volume variances.

### 2007/2008 vs. 2006/2007 PPP Product Cost

\$ in millions

	Actual 07/08	Actual 06/07	Total Variance	Price Variance	Volume Variance
IVIG	137.4	135.4	(2.0)	9.0	(11.0)
Recombinant FVIII	114.6	118.7	4.1	2.1	2.0
Recombinant FVIIa	33.6	27.3	(6.3)	(0.6)	(5.7)
Albumin/Starches	27.4	28.3	0.9	1.2	(0.3)
Synagis	26.6	34.6	8.0	-	8.0
Other Coagulation	21.4	21.3	(0.1)	1.4	(1.5)
Recombinant FIX	18.3	19.6	1.3	1.3	-
Other Immune Globulins	10.8	10.0	(0.8)	(3.5)	2.7
Other	0.3	0.3	-	-	-
Product Costs	390.4	395.5	5.1	10.9	(5.8)

The utilization of PPP has been increasing at high rates for the past several years. For example, between 1999/2000 and 2007/2008 the annual growth in the utilization of Intravenous Immune Globulin (IVIG) and Recombinant FVIII which represent a large proportion of total product costs has been, on average, nine per cent and four per cent respectively. IVIG is used as replacement therapy for immunodeficient patients, as well as for a variety of hematological and neurological conditions. Recombinant FVIII is used in the treatment of hemophilia.

The total PPP cost decreased \$5.1 million (1.3%) in 2007/2008. This amount includes a price decrease of \$10.9 million (2.7%), which is largely the result of favourable exchange rate movements and overall volume increases of \$5.8 million. One significant volume variance relates to the transitioning of the Synagis program to some of the provinces and territories. During 2007/2008, five of 12 provinces and territories started administering the program. This transition is expected to continue in 2008/2009, and conclude in 2009/2010. If the impact of Synagis is excluded, then the volume increase is \$13.8 million as opposed to the \$5.8 million decrease as indicated in the chart on page 33.

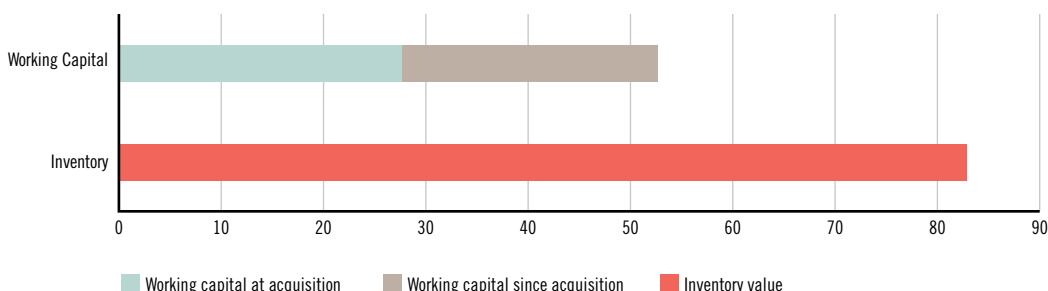
A significant proportion of PPP costs are paid in US dollars. The exchange rate from Canadian dollars to US dollars was 1.5994 on April 1, 2002 and 1.0265 on March 31, 2008 a difference of almost 58 per cent. The appreciation of the Canadian dollar is masking the impact of product utilization increases on the overall cost of the program.

Future movements in exchange rates are difficult to predict but will continue to have a significant impact on the program. If rates continue to move favourably (Canadian dollar appreciates against the US dollar), product use increases may continue to be partially offset by favourable price movements. If rates start to move in an unfavourable direction, then the impact of utilization increases on the cost of the program will be compounded. This situation highlights the importance of product utilization initiatives as a way of managing the cost of the program.

The PPP Program also has a significant impact on working capital due to the high value of inventories carried by the organization. The total value of inventories on March 31, 2008 was \$99.0 million (\$90.8 million – 2007), of which \$82.9 million (\$75.3 million – 2007) was related to PPP. Members provide working capital in the amount of \$5.0 million annually to fund PPP inventory. As of March 31, 2008, total working capital received for the PPP inventory was \$52.7 million, which leaves a working capital shortfall of \$30.2 million. The topic of working capital is further discussed in the ‘Risks to Performance’ section of this financial report.

**PPP Inventory vs. Working Capital**

(in millions)



The PPP Program faces an issue of plasma sufficiency because shipments of Canadian plasma have been increasing at a lower rate than the utilization of IVIG, the largest component of plasma-derived products. The proportion of IVIG manufactured from Canadian plasma has decreased from 39 per cent in 1998/1999 to 26.5 per cent in 2007/2008. A working group on plasma sufficiency chaired by the Chief Operating Officer has been established to assess all of the options available to increase plasma sufficiency.

In the current financial model, the cost of collecting plasma shipped for fractionation is included in the Blood Program costs. Therefore, initiatives to increase plasma collections to address plasma sufficiency will result in increased costs in the Blood Program. These incremental costs will be at least partially offset by savings in the PPP Program because the mix of IVIG will shift from commercial product to product manufactured from Canadian plasma, which has a lower cost. Management is exploring options to define a “transfer price” per litre of plasma charged by the Blood Program to more accurately reflect the cost of the PPP Program.

### Blood Program

The Blood Program refers to all activities related to the distribution of fresh blood products to hospitals. These activities include donor recruitment, collection of whole blood and apheresis units, and processing, testing and shipping of products to hospitals. The Blood Program also includes the costs of the Research and Development Program and various strategic project activities. Members’ contributions for the Blood Program are set at the beginning of the year and allocated to members based on respective Red Blood Cell utilization. The three main drivers of activities in the Blood Program relate to demand for Red Blood Cells, platelets and plasma.

When planning the collection strategy for these products, the organization first forecasts demand from hospitals and then sets the collection targets based on this demand incorporating production yield, which is the ratio of collections to shipments.

### *Red Blood Cell shipments*

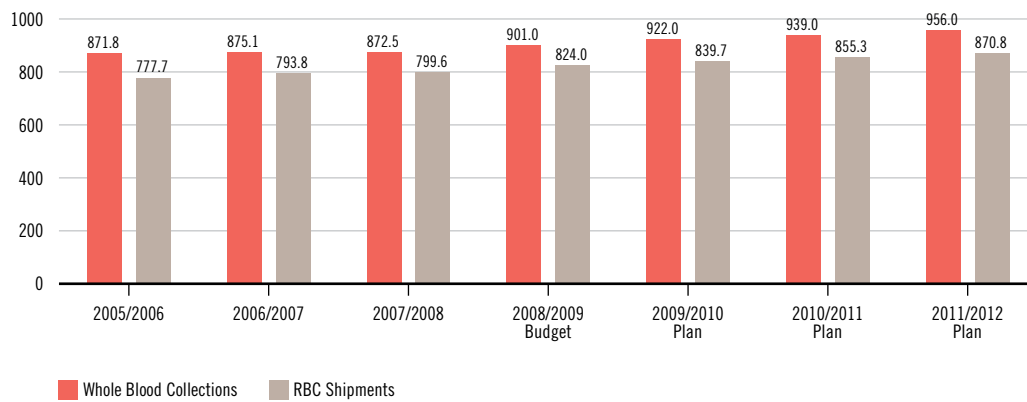
#### **Demand**

Since 2005/2006, the Red Blood Cell (RBCs) shipments’ growth rate has stabilized at about two per cent annually. It is important to note that shipment growth is not identical across regions and across blood groups, adding to the complexity of ensuring the right products are available where and when they are needed.

In 2007/2008 shipments totalled 799,556 units, 5,802 units higher than in 2006/2007. This growth of 0.7 per cent is below the longer term trend of two per cent. Difficulties meeting demand in the second quarter (July to September 2007) contributed to the lower growth as did soft demand in the fourth quarter (January to March 2008). Ongoing efforts continue to reduce the number of RBCs outdated by hospitals, which improved by 7,200 units from the prior fiscal year. Without this improvement, demand during 2007/2008 would have reached 806,756 units, or a 1.6 per cent annual growth rate. In the first quarter of 2008/2009, shipments have increased and are in line with the longer term trend of two per cent.

### Whole Blood Collections / RBC Shipments

Number of units  
(in thousands)



### Red Blood Cell Shipments & Whole Blood Collections

From 2000/2001 to 2007/2008, whole blood collections have increased 17.8 per cent. Actual 2007/2008 collection levels decreased 2,633 units (0.3%) from those collected in 2006/2007. Even with rising demand and decreased collections, the organization continued to increase its inventory stocks to 16,557 units (14,895 units – 2007) as of March 31, 2008. This was accomplished by reducing the number of products discarded during production by adjusting its malaria-deferral criteria (a change in donor eligibility for those who have spent time in malaria-risk zones) and reducing the number of product outdates held by hospitals. These adjustments not only ensured adequate inventory stocks, but also generated cost savings as the number of discarded units has decreased.

The forecast over the next three years shows whole blood collections increasing at a rate of approximately two per cent per year to meet a forecasted two per cent increase in hospital demand.

In order to meet whole blood collection targets, Canadian Blood Services has identified the need to grow the donor base. The active whole blood donor base has been maintained at a level of approximately 400,000 over the last few years. Increases in collections have been supported not only with the addition of new donors but also with increases to the frequency of donation per donor. When comparing ourselves to other blood systems, our donor frequency is at a relatively high level.

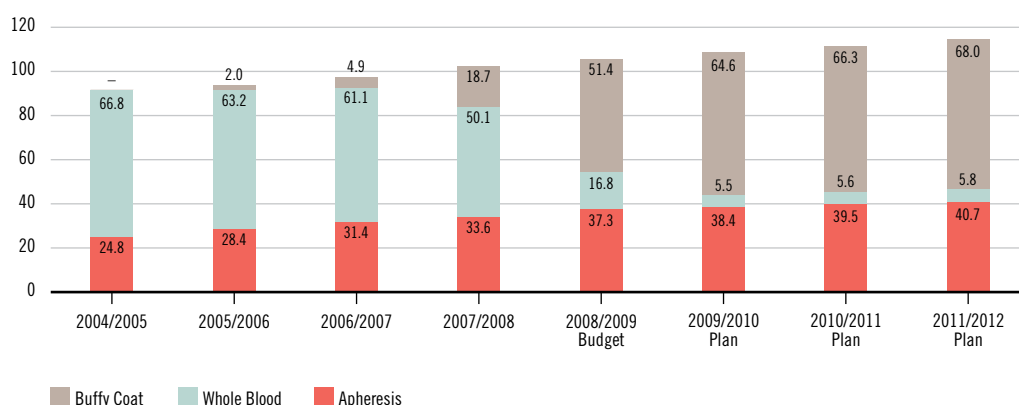
### Ratio of Red Blood Cells Shipped to Whole Blood Collected

As discussed above, Canadian Blood Services strives to increase the proportion of red blood cell units issued from the whole blood units collected. During the process of collecting blood and manufacturing blood components, a number of units are discarded for a variety of reasons such as positive test results, post-donation information (e.g., a donor subsequently informs the organization of something requiring a deferral), equipment problems, and process irregularities. Currently, the ratio of Red Blood Cells Shipped to Whole Blood Collected is 91.6 per cent, a 0.9 per cent improvement from 2006/2007.

## Platelet Shipments by Collection Method

Number of doses

(in thousands)



This improvement is largely due to the change in the malaria-deferral criteria (see page 21 of the Year in Review) which resulted in fewer discards, enabling the organization to ship an incremental 5,802 RBCs despite collecting 2,633 fewer whole blood units. Canadian Blood Services continues to examine certain types of discards with the objective of developing appropriate initiatives to further reduce the number of discards.

### Platelets

#### Demand

Total platelet shipments include platelets collected by apheresis and those derived from whole blood collections using either the Platelet Rich Plasma (PRP) or Buffy Coat production method. A dose is considered equivalent to one apheresis platelet, one Buffy Coat platelet or five PRP platelets. Actual 2007/2008 shipments were 102,383 doses, which was 4,931 higher (5.1%) than in 2006/2007.

For certain situations, apheresis platelets are often preferred as they are sourced from one donor. This enables more precise matching of the product for sensitized patients as well as avoiding multiple donor exposures which could lead to further sensitization. In response to this, the organization has enhanced the mix of apheresis to whole-blood derived platelets by increasing the apheresis doses from 27 per cent in 2004/2005 to 32.8 per cent in 2007/2008.

#### Collections

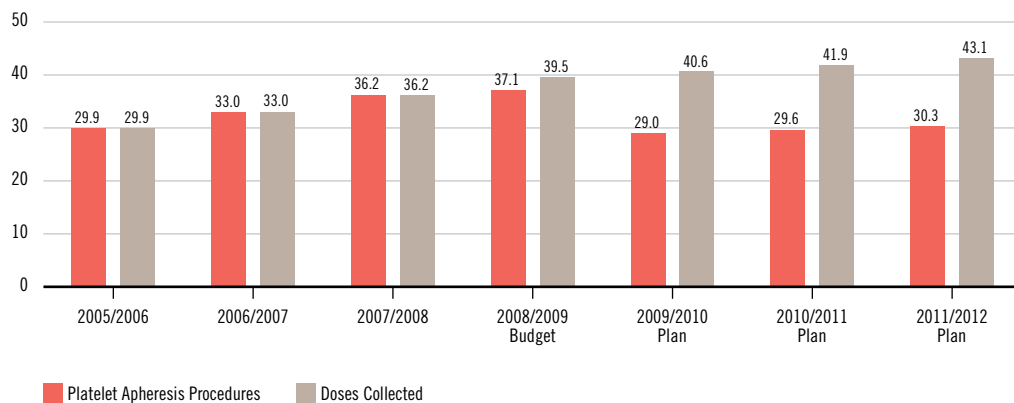
Since 2000/2001, platelet apheresis collections have increased steadily in response to increasing hospital demand. Actual 2007/2008 collections levels were 3,133 doses higher (9.4%) than in 2006/2007.

There are 37,051 procedures budgeted in 2008/2009 while the number of doses collected from those procedures will be 39,471. The expected increase in number of doses collected in 2008/2009

### Platelet Apheresis Procedures and Doses Collected

Number of doses/procedures

(in Thousands)



will be achieved by the replacement of apheresis technology equipment that is more efficient than existing equipment and enables the collection of more than one unit per procedure for some donors (see page 18 of The Year in Review). As the new practices are implemented, more units will be collected with fewer procedures.

In the fourth quarter of 2008/2009, Canadian Blood Services will start to collect ‘doubles’ (two apheresis platelet doses per procedure) from qualified donors at all platelet apheresis sites. Recruiting for apheresis platelets will become more targeted emphasizing candidates for double collections per procedure. Any new platelet apheresis donors transferred from the whole blood program will need to be replaced by new donors recruited for the whole blood program.

The introduction of double platelets reduces the number of required collection events and is expected to result in annual savings of approximately \$4.0 million in labour and supply costs starting in 2009/2010. In addition, the equipment will provide opportunities to improve the efficiency of collection activities, such as double RBCs and plasma.

### Plasma

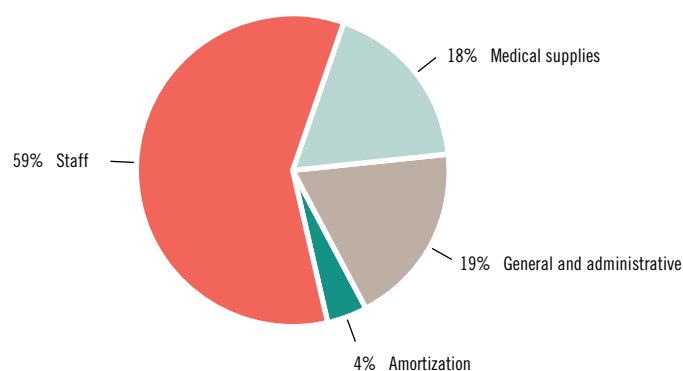
#### Demand

Plasma shipments for transfusion are comprised of apheresis and whole-blood derived plasma. Plasma shipments for transfusion include Apheresis Fresh Frozen Plasma (AFFP), Fresh Frozen Plasma (FFP), and Frozen Plasma (FP).

#### Collections

From 2000/2001 to 2007/2008, plasma apheresis collections have increased by 40 per cent. Actual 2007/2008 collections levels were 64 units lower than in 2006/2007. For 2008/2009, plasma apheresis

### 2007/2008 Blood Program Expenses by Class



collections are forecasted to hold constant at 55,000 units. Future plasma apheresis collection volumes are linked to the plasma sufficiency objectives in the PPP program.

#### *Financial results*

For the year ending on March 31, 2008, the Blood Program had a surplus of \$4.4 million (\$4.2 million – 2007) or less than one per cent of total Blood Program revenues. Members' contributions were \$427.5 million (\$421.2 – 2007) or a 1.5 per cent increase. Total revenues were \$447.0 million (\$435.0 – 2007) for a 2.8 per cent increase. The difference in percentage increase between Members' contributions and total revenue is related to deferrals and investment income. In each fiscal year, the components of Members' contributions used to purchase capital assets or restricted for specific projects or purposes are deferred (a reduction in total revenue). In future years, these deferred amounts are recognized as revenues to offset the amortization expenses related to capital assets or the operating expenses arising from the projects for which the amounts were deferred (an increase in total revenue).

Investment income is dependent on interest rates and cash balances. The interest rate earned on cash balances decreased 0.7 per cent between the beginning of 2006/2007 and the end of 2007/2008, however, the cash balance increased throughout the year largely as a result of advance funding received from the provinces and territories. This increase is due to savings in the Plasma Protein Products Program, since a large proportion of these products are purchased in US dollars. The combination of these impacts left interest earned relatively unchanged.

Total expenses for the Blood Program were \$442.5 million (\$430.8 million – 2007) a 2.7 per cent increase which included expenses related to staff, medical supplies, general and administrative expenses as well as amortization.

The following are the reasons for the year-over-year changes:

#### **Staff Costs**

The increase of \$17.8 million (7.4%) relates to a \$4.0 million volume increase as well as a \$13.8 million rate increase that is largely prescribed by provincial contract negotiations in the health-care sector. The rate increase includes economic adjustments and progression within the salary ranges.

#### **General and Administrative**

General and administrative expenses include those other than staff, medical supplies and amortization.

Compared to last year general and administrative expenses have decreased by \$5.6 million (6.2%) primarily due to reduced spending on professional services, offset by increased spending on operational expenses.

#### **Medical Supplies**

Medical supplies include collection bags, donor testing supplies and other supplies such as collection labels and other consumables. Compared to last fiscal year, medical supplies expenses have remained stable, which was largely due to favourable exchange rates related to the purchase of collection bags offset by price increases in donor testing, production and apheresis collection supplies.

#### *Cost per Unit*

The cost per unit (CPU) productivity metric links the inputs and outputs of the Blood Program. The inputs are staff costs, medical supplies, general and administrative costs, and the amortization of capital assets. These costs include all expenses related to the blood operations functions, strategic projects and research and development regardless of sources of funding. The outputs are the shipments of fresh blood products which are categorized into five broad groups: RBC, plasma for fractionation, plasma for transfusion, other plasma derived products, and platelets.

The CPU is not a perfect measure nor does it represent the true cost of a product. The most notable limitation of this measure is that all of the components are treated equally even if the resources required to produce an apheresis platelet are different from the resources required to produce a unit of recovered plasma. One approach to deal with this issue is to develop resource intensity weights for each product and the organization is considering the use of such weights.

A second limitation is that the denominator is the number of units shipped and not the number of units produced in the year. The numerator is the actual dollars spent in the year producing finished products. In years where there is large build up in inventory a portion of the expenses is related to the increased inventory. The reverse applies for years when there is a decrease in inventory. These movements in inventory levels can have an impact on the CPU. Despite these two limitations, the CPU measure has the following advantages:

- it is easy to compute using published materials such as financial statements and shipment data;
- it can be updated quarterly and annually;
- it provides a good link between inputs and outputs; and
- it provides a good indicator of “value added” by demonstrating whether the costs of outputs is growing at the same rate as the price pressures on inputs.

The consolidated CPU for the year ending March 31, 2008 was \$375.81, a 1.9 per cent increase from the prior year. The year over year movements are affected by both increases and decreases in volume of shipments and total Blood Program expenses.

	Actual 2004/2005	Actual 2005/2006	Actual 2006/2007	Actual 2007/2008
Total Blood Program Expenses	\$ 394,889,000	\$ 409,365,000	\$ 430,756,000	\$ 442,533,000
Total Units Shipped	1,115,090	1,134,860	1,167,831	1,177,543
Cost per Unit Shipped	\$ 354.13	\$ 360.72	\$ 368.85	\$ 375.81
Total Red Blood Cells	763,600	777,720	793,754	799,556
Total Plasma for Fractionation	142,088	141,375	148,999	148,883
Total Plasma for Transfusion	50,005	51,241	54,498	56,163
Total Other Plasma Derived Products	67,777	70,908	73,128	70,558
Total Platelets	91,620	93,616	97,452	102,383
Total Units Shipped	1,115,090	1,134,860	1,167,831	1,177,543

The organization is committed to maintaining the CPU within a reasonable corridor over the next three years and is determined to find efficiencies to do so. The organization's ability to achieve this objective is predicated on the following assumptions:

- no new major safety measures will be introduced;
- no sudden or sustained increase in demand beyond two per cent per year for RBCs and 2.8 per cent per year for platelets;
- renewal of facilities will proceed as planned;
- no major change in economic conditions (e.g., high inflation or significantly higher than forecasted price increases in specific sectors, such as oil and gas or utilities);
- no extraordinary pay equity settlements; and
- no events requiring the need to implement contingency measures (e.g., disasters, flu pandemic).

Considering the organization's specific cost environment, management expects an annual 3.9 per cent weighted inflation factor when volumes are held constant. The organization is committed to keep its annual growth in CPU below this inflationary level for the next three years. The CPU measure will become an important higher-level tool to track progress toward this goal.

### *Research and Development*

The Research and Development group provides in-house scientific support to business operations in an effort to maximize blood and blood product safety, quality, and innovation, and to provide a means to address the national shortage of skilled personnel in transfusion science and medicine.

Some of the challenges faced by Canadian Blood Services include an aging population, emerging pathogens, ever-changing technologies, and the need to operate a cost-effective business. To meet these demands, our scientists strive to develop new tools, technologies, products and services and introduce demonstrable improvements across the following three areas: novel products, knowledge dissemination, and service delivery. We also support programs to recruit and train scientists and physicians, either independently or in partnership with the Canadian Institutes of Health Research, to meet Canada’s needs for a vibrant and effective blood system.

A networked hub model is applied to the group’s organization, in which research themes are linked to teams of researchers with applicable expertise, as follows:

<b>Vancouver</b>	Blood product processing and storage; modified cellular blood products; blood substitutes; site of the NetCAD development laboratory
<b>Edmonton</b>	Frozen blood program; bone marrow stem cells; nanotechnology
<b>Toronto</b>	Transfusion immunology, IVIG, and adverse events
<b>Hamilton</b>	Clinical use of blood products; plasma products
<b>Ottawa</b>	Blood-borne infectious diseases; quality monitoring program headquarters

The organization is committed to leveraging the resources provided to it by its Members. To that end, we collaborate with selected partners in the development and marketing of leading-edge innovations. We also provide an excellent infrastructure in which these strategic partnerships can develop and in which to test emerging technologies and therapeutics.

By fostering research that improves clinical care, supports the development of new products, and improves transfusion-medicine learning networks, Canada’s blood system will remain one of the safest in the world. The Research and Development Program receives funding from both the provinces and territories (\$5 million – 2007) and the federal government (\$5 million – 2007). The program supports not just the Blood Program but also all lines of business by finding solutions to business problems such as blood conservation and utilization, transfusion-related acute lung injury, and blood-system risks. In addition, Research and Development has taken a national leadership role in transfusion medicine and related education in Canada. In the future, the organization is looking at presenting Research and Education as a separate business line that will emphasize its crucial importance to the Canadian Blood System.

**Patient Services Program**

The Patient Services Program includes programs such as prenatal testing, HLA matching, phenotyping, therapeutic apheresis, autologous collections and stem cell transplants.

The type and volume of testing vary from location to location. Below are the volumes of activities in western and central provinces for the 2007/2008 fiscal year. Small volumes of referral work and or autologous activities are also billed to all other provinces and territories excluding Prince Edward Island.

**2007/2008 Number of Patient Services Procedures**

(Western and Central Provinces)

	BC	AB	SK	MB	ON
Red Cell Serology	62,587	83,408	18,446	162,200	-
Platelet Immunology	-	-	-	1,352	-
Platelet Serology	91	-	-	-	1,111
Immunoematology	-	-	-	-	664
Stem Cell	-	110	-	-	229
Therapeutic Apheresis	-	-	-	-	745
Autologous	65	417	207	148	3,670
	62,743	83,935	18,653	163,700	6,419

Members pay for the actual cost of Patient Services they receive. For the year ending March 31, 2008, Patient Services revenues and costs were \$13.7 million, which is unchanged from the prior year. Since the funding for the Program is on a cost recovery basis, its expenses match its revenues. Total 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.

Effective April 1, 2007, a formal Operating and Funding Agreement was finalized between Canadian Blood Services and the Government of Manitoba (Manitoba Health) which provides a more definitive agreement setting out respective roles and obligations in regards to the provisions of patient services in the province of Manitoba and the funding thereof by Manitoba Health.

Canadian Blood Services also initiated a project to upgrade the Laboratory Information Systems used for Patient Services in Saskatchewan and Alberta. The objective of this project was to address immediate requirements to prevent system failure. This was unplanned, but was necessary to stabilize the Laboratory Information Systems.

In March 2008, a feasibility study to investigate options for implementing a single new Laboratory Information System to replace five end of life information systems currently in use in British Columbia, Alberta, Saskatchewan and Manitoba was completed. While there will be discussions with the four affected western provinces about moving ahead with the Laboratory Information System replacement, it has been decided to begin the investigation to seek an integrated solution. It is expected that this integrated solution will cost approximately \$7.5 million and will be implemented in 2009/2010 and 2010/2011.

**OneMatch Stem Cell and Marrow Network**

Canadian Blood Services is responsible for finding and matching volunteer donors for patients who require stem cell transplants. The OneMatch Stem Cell and Marrow Network maintains a database of tissue typing results for all prospective Canadian donors that provides potential matching donors whenever a patient requires a stem cell transplant. As an accredited member of the World Marrow Donor Association, Canadian Blood Services is able to access an international network of more than

50 stem cell registries if a suitable match is not found within its own database. The program is funded by the provinces and territories as well as by revenues generated through services provided to international registries.

Within the fiscal year, the OneMatch Stem Cell and Marrow Network provided the following procedures as well as searches for Canadian patients:

### 2007/2008 OneMatch Stem Cell and Marrow Network

#### Procedures for Canadian Patients

	2004/2005	2005/2006	2006/2007	2007/2008
Bone Marrow	100	75	62	49
Peripheral Blood Stem Cells	90	108	117	138
Cord	29	43	54	70
Canadian Searches	3,664	3,171	2,251	2,262
International Searches	7,272	8,142	9,027	6,424

For the year ending March 31, 2008, the OneMatch Stem Cell and Marrow Network had a surplus of \$0.2 million (\$1.2 million – 2007). Total revenue including those from international registries was \$15.1 million (\$15.0 million – 2007) and expenses totalled \$14.8 million (\$13.8 million – 2007). Revenues and expenses related to the OneMatch Stem Cell and Marrow Network can be further broken down into one of three scenarios:

- Canadian Donor/International Patient: Under this scenario, revenues are generated by providing services, including search activations and products, to international registries. Expenses relate to payments made to Canadian transplant centres to harvest the product as well as donor insurance and travel.
- Canadian Donor/Canadian Patient: Under this scenario, expenses for donor insurance and travel are billed to the Canadian transplant centres. This program is on a cost recovery basis. The cost of search activations are born by the organization, however the collection and transplant costs are funded outside the scope of the organization.
- International Donor/Canadian Patient: Under this scenario, there are two distinct activities, the international search and the transplantation. International registries bill the organization for both the international search and the transplantation and the organization re-bills the cost of the transplantation to the transplantation centre. The organization does not re-bill the costs associated with international searches, thus this cost is funded by the organization. In instances where the patient is affiliated with Héma-Québec, the international search costs are re-billed to Héma- Québec.

The OneMatch Stem Cell and Marrow Network also includes the HLA Laboratory used for blood typing and administrative costs to run the Program, which totalled \$6.4 million.

#### Captive Insurance subsidiaries

The Captive Insurance Program has evolved over time and has resulted in the establishment of two wholly owned captive insurance corporations: CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited (CBSE).

Both CBSI and CBSE provide comprehensive liability insurance coverage. CBSI provides coverage up to \$250 million and CBSE provides coverage in excess of \$250 million to a limit of \$750 million with respect to risks associated with the operation of the blood system. CBSE has entered into an arrangement whereby there is a guarantee and indemnification by the Members in the amount of \$750 million in excess of the \$250 million provided by the insurance coverage from CBSI. As a result, Canadian Blood Services has \$1.0 billion in overall 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 of the organization, the financial results of the Captive Insurance Program are consolidated. During the fiscal year, revenue in the amount of \$14.8 million was recognized with expenses of \$23.7 million resulting in a net loss of \$8.9 million. This loss was anticipated and is largely attributable to accounting changes in the recording of the actuarially determined provision for future insurance reserves.

The most significant areas of note are CBSI's investment portfolio and the actuarially determined provision for future insurance reserves.

The CBSI investment portfolio is the core asset of the program and is managed by an investment manager in accordance with the CBSI Board-approved investment policy. In general, the portfolio is comprised of approximately 75 per cent fixed income securities and 25 per cent Canadian and global equity securities. The portfolio has been structured to be conservative with some modest exposure to growth and risk. In accordance with the investment policy, the portfolio does not contain asset-backed commercial paper, which is the basis of the current negative global financial liquidity environment. The investment portfolio balance at the end of the fiscal year was \$281.6 million, an increase of \$30.7 million from the prior fiscal year. Included in this increase are the effects related to the implementation of a new accounting standard mandated by the Canadian Institute of Chartered Accountants, which requires investments to be recorded at market value as opposed to cost. Throughout the year, the investment portfolio generated returns of \$14.8 million or a weighted return of 3.81 per cent.

Another important factor affecting the results of the Captive Insurance Program is the actuarially determined provision for future insurance claims. This is a reserve based on an externally estimated actuarial analysis and represents an allocation, for accounting and regulatory purposes for potential losses incurred but not reported. The reserve is currently \$223.5 million, a \$23.2 million increase from the prior year. It is anticipated that this reserve will grow by an additional \$23.5 million over the next fiscal year.

The administrative costs of the captive program totalled \$0.4 million, which represents a decrease from the prior year, which is largely attributable to the elimination of the line-of-credit stand-by-charge required to support the capital requirements of the Captive Insurance Program. In addition, administrative efficiencies and reduced management and professional fees have contributed to this decrease. There have also been no claims of any significance since the inception of the Captive Insurance Program.

The net results of the captive insurance subsidiaries are primarily dependant on the difference between investment income and annual increases in the provision for future claims in CBSI. In 2008/2009, a deficit of \$9.4 million is anticipated in CBSI. This deficit will be followed by projected surpluses of

\$12.2 million in 2009/2010, \$15.5 million in 2010/2011 and \$16.2 million in 2011/2012. These estimates are based on investment yield assumptions in the range of five per cent and a provision for future claims rising to a maximum of \$250 million in 2009/2010.

CBSI has begun preparations for a comprehensive blood system risk assessment for the purpose of exercising due diligence in the alignment of the policy limit with the potential risk. This type of review has been completed twice before, once upon the inception of CBSI and once leading up to the five-year renewal in 2003. This assessment is guided by the work of a medical panel, comprised of independent international medical experts, who will establish the assumptions related to a possible catastrophe, as well as health economics advisers, who will assist in the costing of such event. There is also a legal panel to provide advice on the legal environment for both process (such as class actions) and the magnitude of damage awards. An economist is also part of this panel for the purpose of costing. This assessment process is essential for determining the prudent basis on which coverage is offered and for providing the organization, and its Members, appropriate due diligence on the risk profile for the blood system and the ability of the captive insurance program to mitigate risk. The outcome of this comprehensive risk assessment may result in recommendations related to the desired loss reserve, which would have an impact on the financial projections. Also included in this review will be activities related to the Organs and Tissues program whose mandate will begin in 2008/2009 and will be reported as a separate line of business. More information on the Organs and Tissues program can be found in the Future Outlook section on page 50.

## Pension plans

The organization sponsors a 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 4,100 members in the various plans. Accounting results of the plans are presented in note 10 of the Consolidated Statements.

### Defined-benefit pension plans

As a matter of plan design, the pension benefit is defined based on a formula relating to 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 employer's and employees' share of contributions 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 plans, one for accounting purposes (see note 10 of the Consolidated Statements) and one for funding purposes used for regulatory purposes and in the management of the plan.

The Consolidated Financial Statements disclose a liability of \$1.2 million (\$0.9 million – 2007) for the defined-benefit pension plans that is based on accounting standards prescribed by the Canadian Institute of Chartered Accountants. The plans are also evaluated for funding purposes, and, on that

basis, currently have a surplus of \$7.4 million (\$11.1 million – 2007). The valuations for accounting and funding purposes are prepared at different points in time and use different assumptions.

#### Defined-contribution pension plan

As a matter of plan design, contribution rates are predetermined. There is no pension benefit formula. The benefit depends on the accumulation of contributions and investment earnings in each individual member's account.

#### National Fundraising Office

Total donation revenues for the year ending March 31, 2008 were \$0.3 million of which \$0.2 million were deferred for specific purposes. The top funding priorities for the National Fundraising Office in 2007/2008 were:

- adding and improving donor clinics across the country, such as \$200,000 in funding towards the opening of the King Street Blood Donor Clinic in Toronto;
- enhancing programs to recruit and retain blood, stem cell and marrow donors, such as the Bloodstock Student Bursary Program in the Northeast Ontario and Nunavut region and the Assignment Saving Lives: Student Bursary Program in the Prairie Region; and
- enhancing the donation experience, through the purchase of entertainment centres, which included DVDs, Plasma TVs, movie libraries and furniture at many blood-donation clinics across the country.

#### Financial liquidity

The organization's cash reserves have grown to \$184.2 million (\$143.0 million – 2007), however, a large portion of this cash is deferred for specific use or activities. Included in these deferred amounts are the following:

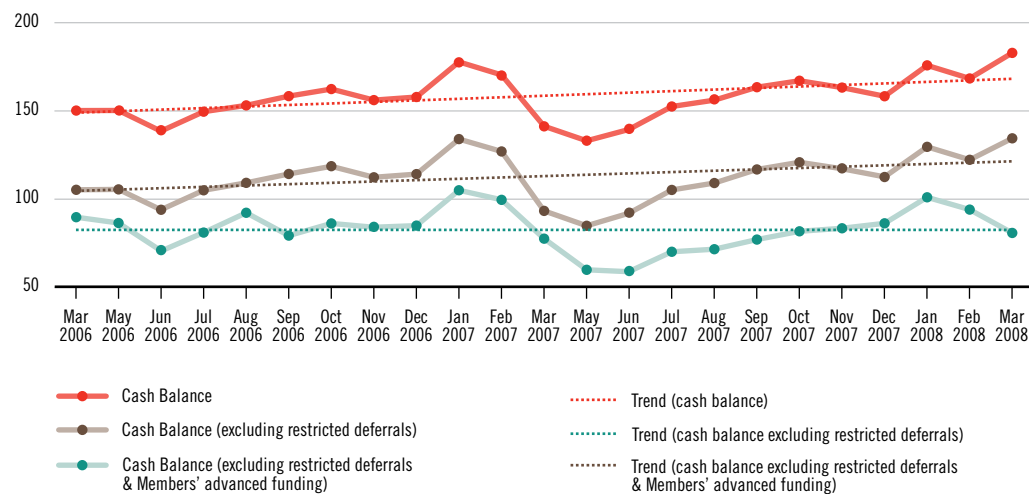
- \$34.6 million of provincial and territorial funding received in advance;
- \$19.0 million of provincial and territorial funding received in advance related to the Facilities Redevelopment Project;
- \$28.4 million restricted for specific projects or programs; and
- \$20.0 million restricted for contingency purposes.

After excluding these amounts the non-restricted cash balance is \$82.2 million (\$77.6 million – 2007) or a \$4.6 million increase.

Another important measure of liquidity is working capital, which represents the funds the organization uses to operate. One measure of the adequacy of working capital is the quick ratio, which represents the ratio of current assets less prepaid expenses and inventory over current liabilities on the Statement of Financial Position. The organization targets this ratio at one.

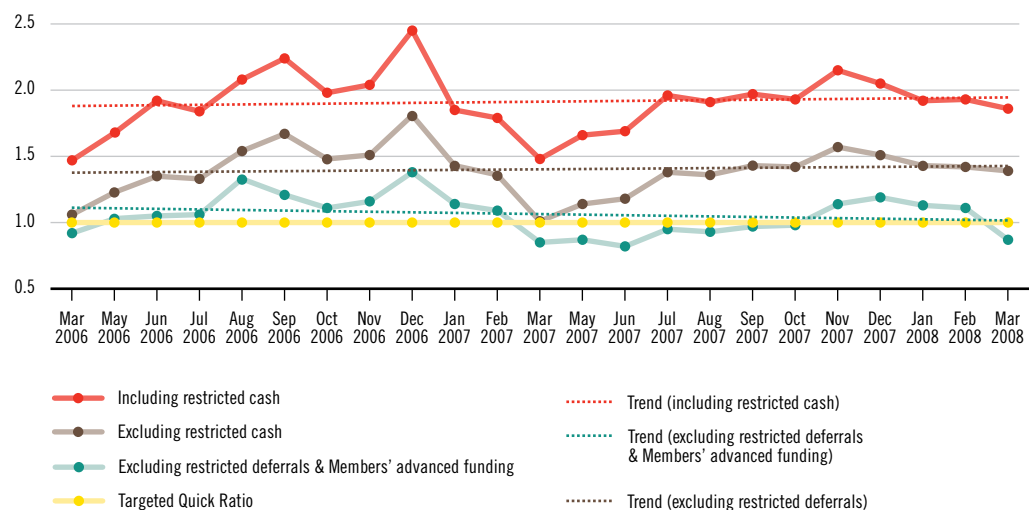
### Cash Balance vs. Unrestricted Cash Balance Trend

(in thousands)



The Cash Balance vs. Unrestricted Cash Balance Trend chart is prepared on a non-consolidated basis and does not include the impact of the captive insurance subsidiaries

### Quick Ratio



The quick ratio chart is prepared on a non-consolidated basis and does not include the impact of the captive insurance subsidiaries.

Although the ratio fluctuates throughout the fiscal year, the longer-term trend, excluding restricted funding and Members' funding received in advance, has held stable around the target of one. The fact that this ratio is one indicates a stable working-capital environment. The organization is however exposed to significant working capital pressure related to the cost and funding of inventories as a large proportion is purchased from US-dollar vendors and is exposed to foreign currency risk.

## Risks to performance

### Foreign-exchange risk

Approximately one-half of the organization's payables are in US dollars. The organization uses risk-mitigation strategies to reduce this risk through the use of foreign-currency hedges and spot purchases. It is important to note that the organization has benefited from a strengthening Canadian dollar over the last several years which has not only reduced the cost of US-dollar payables, but has also reduced the value of inventory held. A weakening Canadian dollar would put significant financial pressures on the organization by increasing the cost of inventories even if sound foreign-exchange risk-mitigation strategies are employed.

### Interest-rate risk

The organization's debt levels are low in relation to its total assets. It is, however, exposed to interest-rate risks related to the debt financing related to the Winnipeg Blood Transfusion Service Centre. The organization has mitigated this risk through the use of an interest-rate swap to fix the interest rate until maturity of the debt. Effective April 15, 2008, the collateral mortgage agreement was extended to 2014 to take advantage of lower interest rates and will save approximately \$150,000 in each of the following four years.

### Enterprise risk management

Over the past year, the organization has embarked upon the development of enterprise risk-management in an effort to understand cross-functional risks across the organization.

Within 2007/2008, Canadian Blood Services has taken a focused look at the enterprise-wide risks, which potentially threaten the organization's mission and achievement of our strategic objectives. The result of this analysis has been captured in a Corporate Risk Profile, which has been beneficial in providing a snapshot of the organization from a risk perspective and providing guidance to management in working to prevent these risks from occurring or reducing the operational and financial effects on the organization in the event such risks materialize.

Looking ahead, the organization will focus on integrating the monitoring and reporting of enterprise-wide risks together with other reporting mechanisms at the organization. As well, Canadian Blood Services will continue efforts to design the optimal integration of risk management processes across the organization.

## 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) over a transition period that is expected to be complete by 2011. The April 2008 IFRS exposure draft issued by the AcSB stated that not-for-profit organizations are excluded from the scope of IFRS. The AcSB continues to deliberate the appropriate financial reporting models for not-for-profit organizations, and later in 2008 expects to be in a position to indicate the direction its discussions are taking. Canadian Blood Services is examining the standards for applicability to its reporting.

## Corporate Governance

The Finance and Audit Committee is a mandatory committee of the Board of Directors that advises the Board with respect to financial affairs of the organization. The following are some of the functions included in the committee's Terms of Reference.

- oversee the integrity of the organization's financial affairs, financial disclosure obligations and financial systems, policies and procedures;
- oversee the development and review of an appropriate budget and three-year business plan, and ensure its submission to the Board for approval;
- review regular financial statements to ensure compliance with established budgets and operating objectives;
- receive reports from and meet with the External Auditor; and
- approve audit plan, receive and review reports from the Internal Audit function.

All members of the committee are financially literate and at least one member, John Dawson, is a chartered accountant with years of audit experience as a partner in an international accounting firm. The Chairperson of the Board is an ex-officio voting member of the committee.

## Future outlook

### Facilities redevelopment project

When the organization assumed responsibility of the national blood system in 1998, it also assumed either the leases or ownership of all buildings, which the former operator had been using for blood operations. Most of the buildings had not been designed for collecting, processing and testing blood and were in disrepair. Some of our buildings continue to be outdated, obsolete, and overcrowded – operational processes have been fitted into existing space, often creating cramped workplaces with inefficient process flow and, in some locations, have impeded our ability to maintain Good Manufacturing Practice standards.

The organization has been diligently working toward a new business model to enhance operational efficiency, align with future business needs, and ensure a viable and cost-effective facilities infrastructure.

A business case was developed for the first part of the plan, which addresses facilities located in southern and central Ontario and includes a new production/distribution facility in the Toronto/Hamilton area and a new dedicated site for blood collections in London. This part of the plan has been approved and funding secured which is projected to cost \$83 million over a three-year period. This is the most significant facilities investment in the organization's 10-year history.

Once this part is well under way, the organization will address the facility located in Halifax, for which it has already secured funding in the amount of \$38 million. The third part of the plan will address facilities located in western Canada. A business case for this plan is yet to be developed and funding has not been secured.

These investments will help the organization be more productive, drive efficiencies, and provide our employees with a better work environment. New facilities will be designed purposely for the blood business and will drive efficiencies into the system through process change. For hospitals, our new business model will mean access to a more extensive inventory of different blood group components, continuing our commitment to improve our ability to meet patient needs for specific blood group components.

### Organs and Tissues Program

On April 1, 2008, the organization assumed the mandate, operations and initiatives of the Canadian Council for Donation and Transplantation (CCDT), and thereby expanded its mandate and responsibilities into organ and tissue donation and transplantation. The new endeavour builds on the important advisory and collaborative work that the CCDT has done to date, and translates it into action to help save Canadian lives through transplantation. The financial results of the Organs and Tissues program will be reported as a new line of business in the 2008/2009 fiscal year.

Canada is unable to keep pace with the demand for organs. On December 31, 2007, more than 4,000 Canadians were on wait-lists for organ transplants across the country. In the same year, 193 Canadians died while waiting for organ transplants. Recognizing the need for national services and improvements in this area, Health Canada and the Members have agreed on a complementary funding arrangement for the organization to develop specific organ and tissue donation and transplantation (OTDT) services. As a result, beginning April 1, 2008, the organization will be provided \$3.6 million per year over five years to develop programs consistent with federal interests and the Members will also provide \$3.6 million per year for complementary OTDT programs.

Canadian Blood Services will take a phased approach in establishing nationally integrated services that will begin with the development of a strategic plan, based on stakeholder consultations and risk assessment. Continuing the work of the CCDT, the organization will support the development and implementation of leading practices by conducting consensus conferences for development of standards for organ allocation, provide training and implementation support to organ procurement organizations and transplant programs for leading practice recommendations, and facilitate system performance improvement through the development of metrics and benchmarks.

# MANAGEMENT'S REPORT

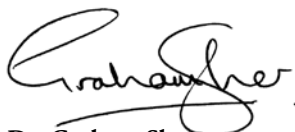
## TO THE MEMBERS OF CANADIAN BLOOD SERVICES

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*

May 30, 2008

# AUDITORS' REPORT

## TO THE MEMBERS

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2008 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, 2008 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 change in the method of accounting for financial instruments as explained in note 2(b) to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.



**Chartered Accountants, Licensed Public Accountants**

Ottawa, Canada  
May 30, 2008

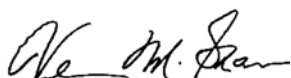
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2008 with comparative figures for 2007

(In thousands of dollars)

	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 184,154	\$ 142,961
Members' contributions receivable	954	1,826
Other amounts receivable	9,928	10,385
Inventory	99,030	90,831
Prepaid expenses	6,060	7,455
	<b>300,126</b>	253,458
Investments, captive insurance operations (note 4)	281,620	250,953
Capital assets (note 5):		
Land, buildings, software and equipment	144,897	148,787
Right to the blood supply system	26,843	27,723
	<b>171,740</b>	176,510
	<b>\$ 753,486</b>	\$ 680,921
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 102,169	\$ 101,158
Obligation under capital lease	-	184
Current portion of long-term debt (note 6)	1,000	1,000
	<b>103,169</b>	102,342
Provision for future insurance claims (note 12)	223,454	200,225
Long-term debt (note 6)	15,000	16,000
Deferred contributions (note 7):		
Expenses of future periods	174,328	131,322
Capital assets	146,098	149,632
Captive insurance	-	20
	<b>320,426</b>	280,974
Net assets:		
Invested in capital assets	9,704	9,704
Restricted for captive insurance purposes	61,386	54,781
Unrestricted net assets	20,347	16,895
	<b>91,437</b>	81,380
Guarantees and contingencies (note 14)		
Commitments (note 15)		
	<b>\$ 753,486</b>	\$ 680,921

See accompanying notes to consolidated financial statements.



On behalf of the Board: Verna M. Skanes  
Director and Chair



W. John Dawson  
Director

# CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	Canadian Blood Services (note 11)		Captive Insurance (note 12)		Consolidated	
	2008	2007	2008	2007	2008	2007
<b>Revenue:</b>						
Members' contributions	\$ 858,670	\$ 851,989	\$ -	\$ -	\$ 858,670	\$ 851,989
Less amounts deferred	(20,758)	(28,015)	-	-	(20,758)	(28,015)
	<b>837,912</b>	823,974	-	-	<b>837,912</b>	823,974
Amortization of previously deferred contributions:						
Relating to capital assets	17,756	18,870	-	-	17,756	18,870
Relating to operations	9,016	8,559	-	-	9,016	8,559
Total contributions recognized as revenue	<b>864,684</b>	851,403	-	-	<b>864,684</b>	851,403
Net premiums earned	-	-	20	1,951	20	1,951
One Match Stem Cell and Marrow Network international revenue	7,512	7,700	-	-	7,512	7,700
Investment income (note 9)	6,422	6,569	14,774	11,328	21,196	17,897
Other income	1,458	2,093	-	197	1,458	2,290
<b>Total revenue</b>	<b>880,076</b>	867,765	<b>14,794</b>	13,476	<b>894,870</b>	881,241
<b>Expenses:</b>						
Increase in provision for future insurance claims	-	-	23,229	2,011	23,229	2,011
Cost of plasma protein products	390,431	395,502	-	-	390,431	395,502
Staff costs	274,300	256,565	-	-	274,300	256,565
General and administrative	108,927	107,504	442	809	109,369	108,313
Medical supplies	84,361	84,548	-	-	84,361	84,548
Amortization	17,389	18,244	-	-	17,389	18,244
<b>Total expenses</b>	<b>875,408</b>	862,363	<b>23,671</b>	2,820	<b>899,079</b>	865,183
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 4,668</b>	\$ 5,402	<b>\$ (8,877)</b>	\$ 10,656	<b>\$ (4,209)</b>	\$ 16,058

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	Invested in capital assets	Restricted for captive insurance (note 8c)	Unrestricted	March 2008	March 2007
Balance, beginning of year	\$ 9,704	\$ 54,781	\$ 16,895	\$ 81,380	\$ 64,929
Adjustment to opening balance, Section 3855 (note 8a and 8b)	-	22,617	(985)	21,632	-
Excess (deficiency) of revenue over expenses	-	(8,877)	4,668	(4,209)	16,058
Restricted capital contributions	-	-	-	-	393
Change in unrealized gains on investments held (note 8a)	-	(7,135)	-	(7,135)	-
Change in unrealized loss on revaluation of interest rate swap (note 8b)	-	-	(231)	(231)	-
Balance, as at March 31, 2008	\$ 9,704	\$ 61,386	\$ 20,347	\$ 91,437	\$ 81,380

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2008, with comparative figures for 2007

(In thousands of dollars)

	2008	2007
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (4,209)	\$ 16,058
Items not involving cash and cash equivalents:		
Amortization of capital assets	17,389	18,244
Amortization of deferred contributions	(26,772)	(27,429)
Loss on sale of capital assets	145	404
Provision for future insurance claims	23,229	2,011
	9,782	9,288
Decrease in Members' contributions receivable	872	1,165
Decrease in other amounts receivable	457	1,874
Increase in inventory	(8,199)	(19,063)
Decrease in prepaid expenses	1,395	5,160
Decrease in accounts payable and accrued liabilities	(205)	(8,232)
Increase in deferred contributions of future periods	52,931	20,172
Decrease in deferred contributions related to captive insurance	(20)	(7,377)
	57,013	2,987
Investing activities:		
Increase in investments, net	(15,185)	(11,560)
Insurance captive capital contributions	-	393
Increase in deferred contributions related to capital assets	13,313	15,226
Proceeds on sale of capital assets	180	125
Purchase of capital assets	(12,944)	(13,992)
Total Investing activities	(14,636)	(9,808)
Financing activities:		
Repayment of obligation under capital lease	(184)	(350)
Repayment of long-term debt	(1,000)	(1,000)
Total Financing activities	(1,184)	(1,350)
Increase (decrease) in cash and cash equivalents	41,193	(8,171)
Cash and cash equivalents, beginning of year	142,961	151,132
Cash and cash equivalents, end of year	\$ 184,154	\$ 142,961
Cash and cash equivalents are comprised of:		
Cash on deposit	182,812	141,720
Butterfield Asset Management Money Market Fund	1,067	1,241
HSBC Money Market Pooled Fund	275	-
	\$ 184,154	\$ 142,961

See accompanying notes to consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 1. Nature of the organization and operations

Canadian Blood Services/Société canadienne du sang (Canadian Blood Services) 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. Canadian Blood Services is also responsible for securing volunteer donors for both Canadian and international patients requiring stem cell transplants. In addition, Canadian Blood Services delivers an array of patient services throughout Canada.

Canadian Blood Services 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 paragraph 149(1)(f) of the *Income Tax Act* (Canada). The Members of Canadian Blood Services, the Ministers of Health of the Provinces and Territories of Canada, except Québec, provide contributions to fund operations. Canadian Blood Services operates in a regulated environment, pursuant to the requirements of the *Federal Food and Drugs Act*, with licensing required from the Biologics and Genetic Therapies Directorate of Health Canada.

Canadian Blood Services 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 reinsurer 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*.

### 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 insurance 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, 2007 retrospectively, without restatement of prior periods.

#### **Section 3855, *Financial Instruments – Recognition and Measurement***

Under this standard, all financial instruments are classified as one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, other financial liabilities, or available-for-sale financial assets. Upon initial recognition, financial assets or financial liabilities are required to be measured at their fair value. The related accounting treatment for financial instruments subsequent to initial recognition depends on the classification.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (b) Changes in accounting policies (continued)

##### Section 3855, *Financial Instruments – Recognition and Measurement* (continued)

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 recognized in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts would be recorded 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 has implemented the following classifications:

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

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

Captive Insurance investments have been designated as available-for-sale. For comparative periods, investments in marketable fixed interest securities are carried at amortized cost and investments in marketable equity securities are carried at cost.

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

Foreign exchange contracts held by the Corporation that are used to manage foreign exchange risk and that 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.

The effect of adopting this standard was an increase of \$22,617 to Captive Insurance investments and opening net assets restricted for captive insurance purposes.

#### *Non-financial and embedded derivatives*

The Corporation reviewed 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. The Corporation has chosen April 1, 2003 as its transition date for identifying embedded derivatives, as permitted by the standard. This standard, as it relates to non-financial and embedded derivatives, had no impact on the financial statements of the Corporation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (b) Changes in accounting policies (continued)

##### *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. This standard had no impact on the financial statements of the Corporation.

##### **Section 3865, Hedges**

This section describes when and how hedge accounting can be applied, as well as the disclosure requirements. This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in the statement of changes in net assets. The ineffective portion will be recognized in the statement of operations. The amounts recognized in the statement of changes in net assets will be reclassified to the statement of operations in the periods in which the net income is affected by the variability in the cash flows of the hedged item.

The Corporation is party to derivative financial instruments to manage the exposure to market risks from changing interest and foreign exchange rates. The Corporation's policy is not to utilize derivative financial instruments for speculative purposes.

When the Corporation utilizes derivatives in hedge accounting relationships, such as for its interest rate swap contract (note 6), the Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the statement of financial position. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date with changes in fair value included in the statement of operations.

The Corporation's interest rate swap contract, which is a cash flow hedge that has the effect of converting the floating rates of interest to a fixed rate on its long-term debt, is recorded at fair value with changes in fair value initially recorded directly in the statement of changes in net assets. Upon adoption of the new accounting standards, the interest rate swap derivative contract was recorded at fair value, resulting in an increase of \$985 to current liabilities and a corresponding decrease to opening unrestricted net assets.

As at March 31, 2008, all outstanding foreign exchange contracts were reported on a mark-to-market basis, with changes in fair value included in the statement of operations.

##### **Section 3861, Financial Instruments – Disclosure and Presentation**

This section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the disclosure information required. This implementation of this section did not have an effect on the Corporation's financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

## 2. Significant accounting policies (continued)

### (b) Changes in accounting policies (continued)

#### **Section 1506, Accounting Changes**

This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure required when there is a change in accounting policies, estimates and correction of errors. The adoption of this section had no impact on the financial statements.

### (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 estimating 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 10 and 12, respectively.

### (d) Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Members' 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 capital assets other than land are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in capital assets.

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.

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (e) Donated goods and services

Donors are not paid for the blood or plasma collected 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.

#### (f) Investments

Commencing April 1, 2007, investments have been designated as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts would be recorded in the statement of operations. Fair value for available-for-sale financial assets are based on quoted market prices.

For comparative periods, investments in marketable fixed interest securities are carried at amortized cost and investments in marketable equity securities are carried at cost.

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.

Short-term investments, consisting of certificates of deposit and commercial paper, are classified as available-for-sale and carried at fair value.

#### (g) Inventory

Inventory consists of plasma protein products, blood products and supplies related to the collection of blood. Plasma protein products inventory is recorded at average cost and is charged to the statement of operations upon distribution to hospitals; supplies are recorded at average cost and expensed on usage.

#### (h) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are 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 a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (h) Capital assets (continued)

Amortization 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	10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

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

Furniture and office equipment under capital lease is amortized over the term of the lease.

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.

#### (i) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (j) 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.

#### (k) 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.

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 for a period 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 percent 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 10 years (2007 – 10 years) and 11 years (2007 – 11 years) for the two defined benefit plans and 8 to 14 years (2007 – 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

## 2. Significant accounting policies (continued)

### (k) Employee future benefits (continued)

- 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 benefit plans as of April 1, 2000.
- 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.

### (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, 2008, 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:

#### **Section 1535, *Capital Disclosure***

This section establishes standards for disclosing information about an entity's capital and how it is managed. The purpose will be to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

#### **Section 3862, *Financial Instruments – Disclosures***

This section describes the required disclosures related to the significance of financial instruments on the Corporation's financial position and performance and the nature and extent of risks arising from financial instruments to which the Corporation is exposed and how the Corporation manages those risks. This section complements the principles of recognition, measurement, and presentation of financial instruments in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation* and Section 3865, *Hedges*.

#### **Section 3863, *Financial Instruments – Presentation***

This section establishes standards for presentation of financial instruments and non-financial derivatives. It replaces Section 3861, *Financial Instruments – Disclosure and Presentation*.

#### **Section 3031, *Inventories***

This section replaces the Handbook Section 3030, *Inventories*. Section 3031 aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS) and provides additional guidance on the measurement and disclosure requirements for inventories. Specifically, Section 3031 requires inventories to be measured at the lower of cost and net realizable value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 2. Significant accounting policies (continued)

#### (I) Future accounting changes (continued)

##### **Section 3064, *Goodwill and Intangible Assets***

This section replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The changes to the existing standards address when an internally developed intangible asset meets the criteria for recognition as an asset. In conjunction with the issuance of the new section, the CICA made amendments to Section 1000, *Financial Statement Concepts* to clarify the relationship between incurring expenses and creating assets. These standards come into effect for fiscal years beginning on or after October 1, 2008, with early adoption permitted.

##### **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”) over a transition period that is expected to be complete by 2011. The April 2008 IFRS exposure draft issued by the AcSB stated that not-for-profit organizations are excluded from the scope of IFRS. The AcSB continues to deliberate the appropriate financial reporting models for not-for-profit organizations, and later in 2008 expects to be in a position to indicate the direction its discussions are taking.

### 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 \$1,273 (2007 - \$1,627) that is restricted for captive insurance operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 4. Investments

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

	2008 Amortized cost	2008 Fair value	2007 Amortized cost	2007 Fair value
Short-term notes	\$ 5,718	\$ 5,720	\$ 5,492	\$ 5,509
Fixed interest securities	215,114	219,005	210,916	215,217
Equity securities	45,306	56,895	34,545	52,739
	<b>\$ 266,138</b>	<b>\$ 281,620</b>	<b>\$ 250,953</b>	<b>\$ 273,465</b>

The fixed interest securities have contractual maturities from less than 1 year to 39 years having effective rates ranging from approximately 3.4% to 11% (2007 - 3.4% to 11%).

As a result of the adoption of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, the amortization method was changed to the effective interest rate method effective April 1, 2007, resulting in a \$105 adjustment to the amortized cost of marketable securities. This change has been included as part of the adjustment to the opening balance, Section 3855 (note 8a) in the statement of changes in net assets.

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, 2008, unrealized losses are considered to be temporary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 5. Capital assets

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Buildings	\$ 106,630	\$ 21,696	\$ 84,934	\$ 86,396
Machinery and equipment	60,242	37,044	23,198	25,607
Land	9,704	-	9,704	9,704
Furniture and office equipment	16,553	9,610	6,943	7,326
Leasehold improvements	14,497	8,427	6,070	6,130
Computer equipment	30,891	25,594	5,297	5,604
Motor vehicles	11,637	5,894	5,743	4,283
Computer software	20,090	17,725	2,365	2,793
Furniture and office equipment under capital lease	1,461	1,461	-	190
Assets under construction	643	-	643	754
	272,348	127,451	144,897	148,787
Right to the blood supply system	35,203	8,360	26,843	27,723
	\$ 307,551	\$ 135,811	\$ 171,740	\$ 176,510

During the year, capital assets were acquired at an aggregate cost of \$13,024 (2007 - \$14,067) of which \$Nil (2007 - \$5) were acquired by means of capital lease. Cash payments of \$12,944 (2007 - \$13,992) were made to purchase capital assets.

Cost and accumulated amortization at March 31, 2007 amounted to \$297,217 and \$120,707 respectively.

### 6. Credit facilities

#### (a) Long-term debt

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

	2008	2007
A collateral mortgage agreement bearing interest at BA plus 0.33%, requiring minimum annual principal repayments of \$1,000 with the balance due in 2010, secured by the WBTSC.	\$ 16,000	\$ 17,000
Less current portion	1,000	1,000
	\$ 15,000	\$ 16,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 6. Credit facilities (continued)

#### (a) Long-term debt (continued)

As at March 31, 2008, 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 6.8% for the WBTSC collateral mortgage. Effective April 15, 2008, the collateral mortgage agreement was extended to 2014, at a fixed rate of 5.645% over the remaining term of the loan. 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, 2008 was \$1,112 (2007 - \$1,177).

#### (b) Operating line of credit:

Bank lines of credit of \$25,000 and \$50,000 have been arranged for blood operations and the plasma protein products program, respectively. The line of credit for blood operations was arranged for purposes of public health and safety to cover events not anticipated in the annual budget. The line of credit for plasma protein products was arranged to provide working capital. At March 31, 2008, no amounts had been borrowed under these facilities.

### 7. Deferred contributions

#### (a) Expenses of future periods

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

	2008		2007
Balance, beginning of year	\$ 131,322	\$	119,710
Increase in amounts received related to future period	53,652		20,190
Less amounts recognized as revenue in the year	(9,016)		(8,559)
Less capital assets purchased from deferred contributions	(1,877)		(251)
Add income earned on resources restricted for transition	247		232
	<b>\$ 174,328</b>	<b>\$</b>	<b>131,322</b>

The capital assets purchased represent purchases from contributions that were deferred at March 31, 2007, as well as contributions received and deferred in the year ending March 31, 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 7. Deferred contributions (continued)

#### (b) Capital assets

Funds received to purchase capital assets are recorded as deferred contributions - capital assets on the statement of financial position. They are amortized to revenue in the statement of operations at the same rate as capital assets are amortized to expenses.

	2008		2007
Balance, beginning of year	\$ 149,632	\$	153,277
Capital assets purchased	13,024		13,901
Capital funding received for repayment of WBTSC loan	1,000		1,000
Capital funding received for leased assets	191		324
Less capital assets sold	(360)		(626)
Less amounts amortized to revenue	(17,389)		(18,244)
	\$ 146,098	\$	149,632

Included in capital assets purchased of \$13,024 (2007 - \$13,901) are \$1,877 (2007 - \$251) of capital assets that were purchased using contributions deferred for expenses of future periods.

#### (c) Captive insurance

Deferred contributions represent externally restricted contributions to fund future operations of CBSI and CBSE.

	2008		2007
Balance, beginning of year	\$ 20	\$	7,397
Comprehensive Blood Risk contributions	-		90
Other insurance risk contributions	-		474
Less amounts amortized to revenue (note 12)	(20)		(7,941)
	\$ -	\$	20

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 8. Net assets

#### (a) Cumulative unrealized gain on available-for-sale Captive Insurance investments

Balance, beginning of year, being adjustment to opening balance upon adoption of Section 3855	\$	22,617
Change in unrealized gains arising during the year		(3,263)
Reclassification of net realized gains to statement of operations (note 9)		(3,872)
	\$	15,482

#### (b) Cumulative change in fair value of interest rate swap

Balance, beginning of year, being adjustment to opening balance upon adoption of Section 3855	\$	(985)
Change in unrealized gains arising during the year		(231)
	\$	(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 operation of the Corporation.

### 9. Investment income

	2008	2007
Income on unrestricted funds	\$ 6,422	\$ 6,569
Interest and realized gains and losses on resources restricted for captive insurance	14,774	11,328
Income on resources restricted for transition	247	232
	21,443	18,129
Less amounts deferred	(247)	(232)
	\$ 21,196	\$ 17,897

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 10. 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:

	2008	2007
Accrued benefit obligation	\$ 143,622	\$ 139,987
Fair value of plan assets	141,985	134,003
Funded status - deficit	(1,637)	(5,984)
Balance of unamortized amounts	480	5,117
Accrued benefit liability	\$ (1,157)	\$ (867)

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 60% and 56% (2007 - 62% and 60%); debt securities 40% and 32% (2007 - 38% and 33%); and other 0% and 12% (2007 - 0% and 7%).

The difference between the accrued benefit liability of \$1,157 (2007 - \$867) recorded on the Corporation's statement of financial position and the actuarially determined fund deficit of \$1,637 (2007 - \$5,984) principally comprises experience losses. These losses represent differences between actual results in the fund and estimated results used for accounting purposes based on actuarial assumptions.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

## 10. 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:

	2008	2007
Accrued benefit obligation:		
Discount rate	6.00% - 6.25%	5.25%
Rate of compensation increase	4.25% - 4.50%	4.25%
Benefit cost:		
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	6.50%	7.00%
Rate of compensation increase	4.25%	4.25%

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

	2008	2007
Employer contributions	\$ 7,310	\$ 8,415
Employee contributions	4,864	4,657
Benefits paid	3,145	3,825

### (b) Pension plan expense

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

	2008	2007
Defined benefit plans	\$ 7,600	\$ 7,251
Defined contribution plan	4,490	4,756
	\$ 12,090	\$ 12,007

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 10. Employee benefits (continued)

#### (c) Other retirement and post-employment benefits

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

	2008		2007
Accrued benefit obligation	\$ 15,216	\$	15,499
Accrued benefit liability	(15,738)		(14,104)
Benefits paid	632		329
Net expense	2,277		2,073

Included in the above-noted benefit obligation, is \$2,822 (2007 - \$3,291), 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 pension 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:

	2008	2007
Accrued benefit obligation:		
Discount rate	6.00%	5.00% - 5.25%
Rate of compensation increase	4.25%	4.25%
Benefit cost:		
Discount rate	5.00% - 5.25%	5.00% - 5.50%
Rate of compensation increase	4.25%	4.25%

Hospital costs – 7.0% per annum, with ultimate rate of 4.5% reached in 2013, starting in 2008;  
 Drug costs – 7.78% 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, 2008

(In thousands of dollars)

### 11. Canadian Blood Services revenue and expenditures detail

	Plasma Protein Products Program		Blood Program		Patient Services Program		One Match Stem Cell and Marrow Network		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenue:</b>										
Members' contributions	\$ 409,013	\$ 409,081	\$ 427,484	\$ 421,237	\$ 14,617	\$ 14,371	\$ 7,556	\$ 7,300	\$ 858,670	\$ 851,989
Less deferred amounts	(5,000)	(5,000)	(14,446)	(22,333)	(1,312)	(682)	-	-	(20,758)	(28,015)
	404,013	404,081	413,038	398,904	13,305	13,689	7,556	7,300	837,912	823,974
Amortization of previously deferred contributions:										
Relating to capital assets	-	-	17,756	18,870	-	-	-	-	17,756	18,870
Relating to operations	-	-	8,801	8,559	215	-	-	-	9,016	8,559
Total contributions recognized as revenue	404,013	404,081	439,595	426,333	13,520	13,689	7,556	7,300	864,684	851,403
One Match Stem Cell and Marrow Network international revenue	-	-	-	-	-	-	7,512	7,700	7,512	7,700
Investment income	-	-	6,422	6,569	-	-	-	-	6,422	6,569
Other income	316	-	951	2,093	191	-	-	-	1,458	2,093
<b>Total revenue</b>	<b>404,329</b>	<b>404,081</b>	<b>446,968</b>	<b>434,995</b>	<b>13,711</b>	<b>13,689</b>	<b>15,068</b>	<b>15,000</b>	<b>880,076</b>	<b>867,765</b>
<b>Expenses:</b>										
Cost of plasma protein products	390,431	395,502	-	-	-	-	-	-	390,431	395,502
Staff costs	2,158	1,703	259,223	241,376	9,324	10,266	3,595	3,220	274,300	256,565
General and administrative	11,605	5,876	85,201	90,837	2,240	1,177	9,881	9,614	108,927	107,504
Medical supplies	135	1,000	80,720	80,299	2,147	2,246	1,359	1,003	84,361	84,548
Amortization	-	-	17,389	18,244	-	-	-	-	17,389	18,244
<b>Total expenses</b>	<b>404,329</b>	<b>404,081</b>	<b>442,533</b>	<b>430,756</b>	<b>13,711</b>	<b>13,689</b>	<b>14,835</b>	<b>13,837</b>	<b>875,408</b>	<b>862,363</b>
<b>Excess of revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,435</b>	<b>\$ 4,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 233</b>	<b>\$ 1,163</b>	<b>\$ 4,668</b>	<b>\$ 5,402</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 12. Insurance

The Corporation has established two wholly-owned captive insurance Corporations, CBS Insurance Corporation Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/ Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI provides insurance coverage up to \$250,000 with respect to risks associated with the operation of the blood system. 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. As a result, the Corporation has \$1,000,000 coverage through an insurance policy of \$250,000 and an indemnification from the members of \$750,000.

Insurance income includes the results of operations of two subsidiaries.

	CBSI		CBSE		Total	
	2008	2007	2008	2007	2008	2007
Gross premium written and earned	\$ 590	\$ 7,921	\$ 20	\$ 40	\$ 610	\$ 7,961
Change in unearned premium	-	-	20	(20)	20	(20)
	590	7,921	40	20	630	7,941
Change in prepaid reinsurance premium	-	(5,990)	-	-	-	(5,990)
Net premiums earned	590	1,931	40	20	630	1,951
Investment income	14,757	11,325	17	3	14,774	11,328
Other income	-	197	-	-	-	197
	15,347	13,453	57	23	15,404	13,476
Expenses:						
Increase in provision for future claims	23,229	2,011	-	-	23,229	2,011
General and administrative	560	788	49	21	609	809
	23,789	2,799	49	21	23,838	2,820
Net insurance income (loss)	\$ (8,442)	\$ 10,654	\$ 8	\$ 2	\$ (8,434)	\$ 10,656

Included in insurance income (loss) above is \$610 (2007 - \$Nil) of gross premiums earned and \$167 (2007 - \$Nil) 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, 2008.

A significant proportion of both the future claims expense for the period and the related cumulative

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

*(In thousands of dollars)*

### 12. Insurance (continued)

estimated liability at March 31, 2008 of \$223,454 (2007 - \$200,225) 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.

### 13. Financial instruments

#### Risk management activities

The Corporation has entered into interest rate swaps as described in note 6 to reduce its exposure to fluctuations in interest expense.

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 purchase of foreign currencies. The Corporation did not designate for accounting purposes the foreign exchange contracts as hedges of firm commitments or anticipated transactions in accordance with Handbook Section 3865 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 losses on the statement of operations at March 31, 2008 was \$8,658 (2007 - \$322). At March 31, 2008, the Corporation had purchased foreign exchange collar contracts to buy US \$80,000 over the next twelve months with a minimum Canadian to US dollar exchange rate of \$0.9656, and a maximum exchange rate of \$1.03. The favourable fair value of the foreign exchange collar contracts of \$1,585 (2007 - \$275 unfavourable) is reported on the statement of financial position in other amounts receivable.

#### 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 maturity of these financial instruments.

The fair value of the interest rate swap on the long-term debt, as calculated by a financial institution is unfavourable by \$1,216 (2007 - \$985) and is reported on the statement of financial position in accounts payable and accrued liabilities.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

(In thousands of dollars)

### 14. Guarantees and contingencies

#### (a) Guarantees

In the normal course of business, the Corporation enters into lease agreements for facilities. In the Corporation's standard commercial lease 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. The maximum amount potentially payable under any such indemnity cannot be reasonably estimated. The Corporation has liability insurance that relates to the indemnifications described above.

Historically, the Corporation has not made any 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.

### 15. Commitments

At March 31, 2008, the Corporation had the following contractual commitments:

- (a) Future minimum payments under operating leases of approximately \$21,047 with payments in each of the next five years of: 2009 - \$4,988; 2010 - \$4,051; 2011 - \$2,648; 2012 - \$2,098; 2013 - \$1,564 and thereafter \$5,698.
- (b) Research and development project grants of approximately \$8,077 to be funded from the contributions deferred for future expenses.

### 16. Research and development

For the year ended March 31, 2008, the Corporation incurred \$10,851 of expenses related to research and development (2007- \$9,121), these cost are included within the blood program in the statement of operations. As at March 31, 2008, the research and development portion of contributions deferred for future expenses totaled \$10,752 (2007 - \$11,695).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2008

*(In thousands of dollars)*

### 17. 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.

### 18. Subsequent events

Effective April 1, 2008, the Canadian Council for Donation and Transplantation (CCDT) will be operating as a subsidiary of the Corporation. CCDT is a national, registered not-for-profit organization dedicated exclusively to the interests and issues of the organ and tissue donation and transplantation system in Canada.

During the course of the fiscal year ending March 31, 2009, the operations of CCDT will be assumed by the Corporation.

### 19. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for 2008.

# REMEMBERING GORD SANFORD



**In May 2008, Canadian Blood Services lost Gord Sanford—a member of our Board of Directors—to his five-year battle with myelodysplasia and leukemia.**

Mr. Sanford served on the Board of Directors since October 2005 in the capacity of Consumer Representative. He co-chaired the National Liaison Committee, an external advisory committee to the Board, and was an active participant on the Safety, Science and Ethics Committee of the Board. Mr. Sanford worked diligently in his commitments to Canadian Blood Services and enjoyed his work here.

Before joining Canadian Blood Services, Mr. Sanford had a distinguished 39-year career as an executive with Ontario Hydro. He was also the president of the Aplastic Anemia and Myelodysplasia Association of Canada (AAMAC) and a former member of the board of directors for St. Joseph's Hospital.

Very active in his community, Mr. Sanford maintained a long-time involvement with his Rotary Club. Mr. Sanford was a former partner of Enterprise Peru Consultants and member of Professional Engineers of Ontario. His good nature and support will be missed.

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## CORPORATE PROFILE

*(Continued from inside front cover)*

Canadian Blood Services recruits donors, collects blood and processes it into the components and products that are administered to hundreds of thousands of patients every year. Before shipping it to hospitals, each unit of blood is tested for a variety of transmissible disease markers. We oversee scientific investigations to make sure Canada is at the forefront of—and contributes to—blood safety research. And we also help educate health professionals and the public, to make sure we all use blood products wisely. Through the OneMatch Stem Cell and Marrow Network, Canadian Blood Services processes search requests from Canadian transplant centres and facilitates searches of other international registries on behalf of Canadian patients. In addition, Canadian Blood Services ships approximately 150,000 litres of plasma to commercial fractionators in the United States and Switzerland where it is processed into specialized proteins for therapeutic use.

Created in 1998, Canadian Blood Services is the successor to the Canadian Red Cross Blood Program and the Canadian Blood Agency (the former funding arm of Canada's blood supply system). The federal government, through the Biologics and Genetic Therapies Directorate located within Health Canada's Health Products and Food Branch, is responsible for regulating the blood system.

Canadian Blood Services has established CBS Insurance Company Limited and the Canadian Blood Services Captive Insurance Company Limited, both of which are wholly owned by Canadian Blood Services. These companies provide us with insurance support in case of a serious event and help Canadian Blood Services manage risk.

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# BLOOD.CA

TOLL-FREE

**1 888 2 DONATE**

**(1 888 236-6283)**

**HEAD OFFICE**

**1800 ALTA VISTA DRIVE**

**OTTAWA, ON**

**K1G 4J5**

**TEL: 613-739-2300**

**FAX: 613-739-1411**



## CANADA HOSTS THE WORLD

CANADA HOSTED WORLD BLOOD DONOR DAY ON JUNE 14, 2007, IN OTTAWA. PEOPLE WHO HAD RECEIVED BLOOD, SUCH AS BLOOD RECIPIENT AND MOM STEPHANIE CHRISTINK, WERE ON HAND TO ILLUSTRATE THE IMPORTANCE OF, AND NEED FOR, BLOOD DONATION, WORLDWIDE.



Canadian Blood Services  
*it's in you to give*