Our Communities
Our Strength

Share your vitality
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 Unrelated Bone Marrow Donor Registry (UBMDR). We operate 41 permanent collection sites, 11 bone marrow donor centres and more than 20,000 donor clinics annually.

(continued on back cover)

ON THE COVER

Partnering with communities across Canada helps build a better blood system. For years, Etobicoke Collegiate Institute in Toronto has been holding a blood donor clinic to mark Black History Month, like the one held on February 13, 2007, at which Stephanie Malo, a teacher at the Institute, donated a unit of blood with assistance from Canadian Blood Services staff Rowena Jimenez. Youth, interfaith groups, and Canada’s richly diverse ethnic communities help increase awareness of blood and bone marrow donations in their communities and are important partners in making blood donation a part of Canadian culture.
Our communities
Our strength

In every way possible, Canadian Blood Services is a community-based organization. Our employees and volunteers represent us in every province and territory except Quebec, in major centres, residential communities, small towns and many locales in between. We serve the hospital community, and by extension patients, by providing safe, secure, high-quality blood and blood products. Moreover, we have an excellent reputation among the scientific and medical communities for our expertise in transfusion medicine and blood related science.

Our strength, however, is not what we give to communities but what they give back to us. Across the country, 1,200 community groups help us bring to life more than 20,000 donor clinics each year. We have 1,774 community businesses that have elected to be our Partners for Life by making it easier for their employees to donate. We have great support from ethnic and interfaith communities across Canada, which help us build relationships with their members and recruit a donor base that is reflective of our country’s rich diversity. Moreover, national and regional liaison committees provide feedback, expertise and advice on a wide range of topics and issues so we may truly be Canada’s blood system.

These relationships are what make us strong.
At a glance

DID YOU KNOW THAT IN 2006/2007...

- Canadian Blood Services’ 238 drivers travelled more than 6,600,000 km. That is the equivalent of a zamboni driving the length of 108,196,721 hockey rinks.

- Canadian Blood Services employed 4,776 workers, as of March 31, 2007—about 54 per cent of whom are dedicated to donor recruitment and blood collections, and 16 per cent dedicated to processing and testing blood and blood products.

- Canadian Blood Services’ more than 17,000 volunteers donated a total of approximately 220,000 hours. That is the equivalent of about 9,166 days or 25 years.

- Canadian Blood Services’ Unrelated Bone Marrow Donor Registry had 222,841 Canadians registered to be bone marrow donors.
# Basic Facts (2006/2007)

<table>
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<tr>
<th>Category</th>
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<tr>
<td>Number of permanent collection sites</td>
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<td>Number of donor clinics this year</td>
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<td>Number of whole blood donations</td>
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<td>Average donation frequency of whole blood donors</td>
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<td>Number of apheresis platelet donations</td>
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<td>Average donation frequency of platelet donors</td>
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<td>Number of apheresis plasma donations</td>
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<td>Average donation frequency of plasma donors</td>
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<td>Number of healthcare facilities served</td>
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<td>Number of calls managed by the National Contact Centre in Sudbury, Ontario</td>
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<td>Number of appointments booked</td>
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<tr>
<td>Number of donors who did not show for their appointment</td>
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## The Flow of Blood

**Donors**

Canadians give generously of their time by attending blood donor clinics to donate whole blood, platelets or plasma.

**Collection**

Potential blood donors undergo a screening process to determine their suitability. This is done to protect the health of both the donor and potential recipient.

**Donor Testing**

Blood is tested at one of three Canadian Blood Services facilities across Canada. It is screened for infectious diseases such as HIV, hepatitis B and C, syphilis and West Nile virus as well as blood type and Rh factor.

**Production**

Whole blood is separated into red blood cells, plasma and platelets. A process called leukoreduction removes the white blood cells to avoid the risk of side effects for patients.

**Inventory and Distribution**

Components are stored at appropriate temperatures to maximize their quality and shelf life. When manufacturing is complete, products are released to inventory for distribution to hospitals.

**Hospitals**

Hospitals place orders for blood products by fax or phone to save the lives of recipients.
Since 1998, we have worked to transform the blood system we inherited into one of the best in the world. We have done this by being strategic in our planning, effective in our operations and by proactively preparing for future challenges.

At times, we concentrated our efforts on introducing new systems and safety measures. In other years, we focused on improving our operating model or consolidating areas of our business to better situate us for change. Last year, we strove to make the entire organization more strategic in its thinking and behaviour. And this year, we paid close attention to those areas we felt could be stronger—strengthening the foundation of our organization and addressing obstacles to greater customer service excellence.

You could say that in 2006/2007 we looked at Canadian Blood Services from a new perspective. Sometimes progress is about taking a close look at yourself so you can understand how you can be better. At times, it requires a different kind of energy—one that generates fundamental improvements and takes something that works well and makes it even better.

In our commitment to safety, quality and customer service excellence, we are at once strategic and self-aware. Understanding our strengths, challenges, and opportunities for improvement enables us to continually improve our products, services and relationships.

Safety
Blood donations save lives. However, there are inherent risks to harvesting living cells from one person for use in another. At Canadian Blood Services, the safety of both blood donors and recipients is paramount and underlies everything we do. For this reason, we focus on ensuring our blood products are of the highest quality. In 2006/2007, we concentrated on making our products that much better—moving forward to ensure more of our platelet products are tested for bacterial contamination, reviewing our deferral policies in several areas and continuing to monitor known and emerging threats.

Operational excellence
This year, all of us at Canadian Blood Services concentrated on operational improvements to our business. We upgraded systems, created more efficient processes and challenged the way we have always done things to find better ways of doing them. Along this journey, we reflected on ourselves, our donors and the hospitals we serve to develop a better understanding of how we can further refine our practices, manage the blood system more efficiently and effectively, and deliver superior customer service.

Prepare for tomorrow
Tomorrow is not far away. For this reason, in 2006/2007, we prepared for the challenges that could appear at any time by developing, for example, a robust emergency preparedness plan for a pandemic influenza outbreak in Canada. At the same time, because some opportunities appear in the form of challenges, we continued to focus on identifying and introducing innovative ways of doing business to ensure we maintain our current footing as one of the best blood systems in the world.

About our people
The hard work and dedication of our employees and volunteers make our achievements possible. For the past year, our people have worked hard to further improve our already
highly rated donor experience. Our employees and volunteers make us who we are—Canada’s blood system. They represent us in every province and territory outside of Quebec—in major centres, residential communities, small towns and many locales in between. By getting to know them, you can get to know Canadian Blood Services.

Thank you
No message to Canadians would be complete without a thank you to our donors, partners and sponsors who help us maintain a strong and stable blood supply. We are also very fortunate to have the support of our Board of Directors who always have our recipients, donors and staff top of mind. And, without the strong relationship we have with the provincial and territorial ministers of health, we would not have a healthy financial structure on which to build a better blood system.

Thanks to all of the people in communities across Canada who make us strong. We are Canada’s blood system and we are honoured and proud to serve.

Dr. Graham Sher
Chief Executive Officer

Verna M. Skanes PhD
Chair, Board of Directors
Celebrating success

In appreciation

Canadian Blood Services would like to extend its sincerest thanks to departing Board Member Neil Wilkinson who served the blood system from 1997 to 2006, initially on the Transition Board and subsequently on Canadian Blood Services’ Board of Directors. During his tenure, Mr. Wilkinson sat on the Finance and Audit, and Human Resources Committees of the Board and was also a Canadian Blood Services representative on the governing boards of the Defined Benefit and Defined Contribution Pension Plans. A founding board member, his expertise and support was instrumental in shaping the organization and positioning Canadian Blood Services for the future.

Employee recognition

Ontario Premier’s Award
Andrew Crow, a Senior Research Assistant working with Canadian Blood Services’ Scientist Dr. Alan Lazarus in Toronto, was awarded an Ontario Premier’s Award for College Graduates. A 1998 graduate of Seneca College’s Biological Research Technology program, Andrew began work with Dr. Alan Lazarus in 1994 at St. Michael’s Hospital in Toronto. Andrew helped develop synthetic intravenous immunoglobulin (IVIG), a breakthrough treatment for people who suffer from idiopathic thrombocytopenic purpura, an autoimmune disease that can cause bleeding and death. Andrew has authored more than 24 articles and, along with Dr. Lazarus, holds six patents.

Canadian Society for Transfusion Medicine
Dr. Heather Hume, Executive Medical Director of Transfusion Medicine, received the Canadian Society for Transfusion Medicine’s Ortho Award for 2007. The award recognizes individuals who have made an outstanding contribution to transfusion medicine through research, practice, education or related activities. Dr. Hume has published many articles and reviews on clinical transfusion medicine and pediatric haematology. She also serves on several national and international committees, including the Transfusion Practices committee of the American Association of Blood Banks and the Expert Working Group for the Development of Red Blood Cell and Plasma Transfusion Guidelines of the Canadian Medical Association.

Canadian Administrators of Volunteer Resources
Stephanie Kelly, Manager of Canadian Blood Services’ Volunteer Program was elected to the Board of Directors of the Canadian Administrators of Volunteer Resources (CAVR). A national professional association for those working in the field of volunteer management, CAVR promotes the professional administration of volunteer resources. In her role as a board member, Stephanie served as Chair of the Membership Committee in 2006/2007.

Association of Donor Recruitment Professionals
Community Development Coordinator Marie Grumetza was awarded the 2007 Association of Donor Recruitment Professionals Presidential Scholarship. A resident of Saskatoon, Marie is responsible for northern Saskatchewan’s recruitment and planning activities. Over the past seven years, Marie has been instrumental in helping the region collect 5,000 units of whole blood annually.

Carol Mitchell, Corporate Manager of Donor Services, was elected to the Board of Directors for the Association of Donor Recruitment Professionals (ADRP). In her role, Carol serves as a Board Member at Large and the Canadian Blood Services liaison to the Board. She also serves on the International Development Committee.
CEO Award of Excellence
On October 23, 2006, employee Mark O’Reilly was awarded the 2006 CEO Award of Excellence at Canadian Blood Services’ Honouring Our Lifeblood event in Ottawa. An invaluable member of the Shipping and Receiving team in Saint John, New Brunswick, Mark was recognized for his unwavering commitment to customer-service excellence. Nominated by his peers, Mark’s exceptional professionalism, knowledge and creativity, as well as his overall good nature, contribute to the success of his location and the organization as a whole.

Safe Driving Awards
In the fall of 2006, Canadian Blood Services launched its first annual Safe Driving Awards to recognize Canadian Blood Services drivers who, through diligence and hard work, demonstrate true professionalism. Awards were given to drivers with 10, 15, 20 and 25 years of cumulative safe-driving records—with no preventable accidents. Those with 25 or more years of safe driving experience received the Master Driving Award.

Canadian Blood Services professional drivers log more than six million kilometres on Canadian highways, and rural and municipal roads each year. They are continuously faced with operating vehicles in high-density traffic areas and unfavourable climatic conditions. In 2006/2007, 98 of our 238 drivers received an award.

Canadian Marketing Association (CMA) Award
Canadian Blood Services and Northern Lights Direct Response Television were winners at the Canadian Marketing Association’s 36th annual CMA Awards Gala on November 17, 2006 in Toronto. The CMA Awards, the largest and most prestigious marketing awards gala in Canada, recognizes the most successful campaigns that delivered measured business results. Canadian Blood Services and Northern Lights Direct Response Television took the gold for the 2006 donor recruitment campaign, Save a Life, in the Direct Response Television category. This campaign exceeded its new donor target by 60 per cent. We also realized a 43 per cent increase in visits to our website, a reduction in lapsed donors and a four-point increase in unaided brand awareness. The advertisements ran nationally for eight weeks in February and March 2006, and featured testimonials from real people whose lives were saved or improved thanks to blood donors.

In the community
Sydney, Nova Scotia
On February 6, 2007, Canadian Blood Services opened the doors of its relocated donor clinic in Sydney, Nova Scotia. The new and modern facility was designed to improve the donor experience, and is equipped with private and comfortable screening rooms and a welcoming refreshment area. Donors now benefit from the larger clinic space, increased access to free parking and a location that is centrally and conveniently located.
COMMUNITY INVOLVEMENT

If we are going to ingrain the tradition of blood donation in Canadian culture, we must take an active role in it.

At our very heart, we are a community-based organization. We know that better awareness of Canadian Blood Services leads to greater trust in the blood system and stronger collections to support Canadian patients.

Our employees and volunteers represent us in major centres, small towns and many locales in between. We rely on them to be this presence in our community; they bring Canadian Blood Services to life with events such as the St. Patrick's Day hockey game in Ottawa, Ontario, which was held on Saturday, March 17, 2007.

Donors, volunteers, and employees showed up in droves to support their community hockey team, the Ottawa 67's, when we hosted the hockey game against the
Oshawa Generals. To tie it all in, Charles Ofori-Attah, who has sickle cell disease and is a recipient of our blood products, performed the official puck drop.

A Canadian Blood Services promotional booth showcased regional programs and campaigns aimed at educating fans on the importance of blood donation. Additionally, the Bloodmobile was on hand outside the Civic Centre for anyone at the game who wanted to donate blood.

Each year, the Ottawa 67’s dedicate a game to Canadian Blood Services. Local sponsoring companies purchase tickets and give them to donors to express thanks for their generous donations. Staff and volunteers also have the opportunity to buy tickets for a discounted price and attend the game.
Creating unique ways to increase awareness about the need for blood is paramount to meet the demands of Canadian patients.

On June 12, 2006, Canadian Blood Services hosted a public event in downtown Calgary that involved hundreds of people from the community. The occasion was National Blood Donor Week, which is an opportunity for the 52 per cent of Canadians who have required blood or blood products for themselves or a family member to thank the half-million Canadians who donate blood. Canadian Blood Services adopted the theme ‘A Drop of Appreciation’ and invited donors, volunteers, and other members of the community to represent the small token of our gratitude for a life-saving gift.
The one-of-a-kind event was held in the Eau Clair Market during the noon hour, when hundreds of Calgarians gathered to form the shape of a human blood drop for an aerial photograph. Participants were given a red t-shirt and enjoyed a barbeque lunch and other souvenirs that were generously provided by various members of the local business community. The photograph was presented by Susan Matsumoto, Regional Director, Canadian Blood Services, to the city of Calgary as a commemorative token. “We wanted to celebrate and pay tribute to the myriad members of the Calgary community who have consistently supported us in a variety of ways,” said Susan. “This special event was a small token of our appreciation, and hundreds of people in the photograph acted as a symbol of the millions that help every year.”
One of our most tangible relationships is the one we have with our volunteer communities.

Our more than 17,000 volunteers and 1,200 community-group partners play a critical role in building a better blood system for Canadians.

Volunteers help with a variety of initiatives, from customer service and public relations to recruitment and education. They help us ensure that each donor is thanked for his or her donation, informed about anticipated donation process times, and invited to make another donation. Their support contributes to an excellent donor experience—in fact, feedback from donors across Canada indicates an increase in donor satisfaction.

Other volunteers help educate their communities and recruit donors through initiatives like the Volunteer Speakers Bureau or the High School Donor
Ambassador program. Our community-group partners, including companies, government agencies, schools, service clubs, and faith organizations, are members of our Partners for Life program. As such, they demonstrate their commitment to saving lives by sponsoring blood donor clinics and encouraging friends and colleagues to donate blood as a team. Their support translates into a dependable supply of loyal donors.

It all comes together at clinics such as the one held each year at the Etobicoke Collegiate Institute in Toronto, at which student Julie Spizarsky received assistance from Canadian Blood Services staff Rowena Jimenez this year.
Our strength lies in what communities give back to us.

When it comes to our donors, they make all the difference in the world. This past year, we recruited 80,000 new blood donors. If you consider the fact that these new donors were required simply to maintain our active donor base, it is easy to see just how important our established donors are to us.

This is why recognizing the value of our donors through special recognition events is so important. Each spring, in our seven regions, we hold Honouring Our Lifeblood events where we recognize milestone and bone marrow donors for their contributions to the blood system—and to their fellow Canadians.

These donor recognition events, such as the one held in London, Ontario this past June, also give recipients like Bill Cafazzo...
an opportunity to thank those who have made a difference in their lives. In 1997, Bill was diagnosed with Chronic Lymphocytic Leukemia. He had many rounds of chemotherapy and regular blood transfusions before and after receiving a peripheral blood stem cell transplant in October 2005. Bill is grateful to be able to share his story by volunteering with Canadian Blood Services’ speakers bureau program, which aims at educating and recruiting new donors.

It’s this relationship, the one between the donor and ourselves and recipients, that summarizes what the blood system is about. We are sincerely moved by the power your donations give us to save lives, and we never forget the value of your dedication to fellow Canadians in need.
Hospitals are our connection with those who need blood and blood products.

When we consider improvements to the way we support hospitals, it is with the express understanding that meeting hospital needs and expectations has a direct and positive impact on recipients.

This year, we implemented an automated system to retrieve data from hospitals with respect to their usage of various blood products, including the components transfused and discarded. Standardizing the data collection process has enhanced the utility of the data by enabling us to perform national benchmarking activities, which in turn are helping us to identify and monitor our efforts to improve efficiencies.

Collaborative relationships between hospitals—such as the South Shore Regional Hospital in Bridgewater, Nova Scotia—and Canadian Blood Services are important. Once hospitals have submitted...
their component disposition data, we consolidate the data and provide each hospital with a series of graphical reports. These reports add value to the blood system by assisting Richard Crouse, medical lab technologist, (right) with the support of Michael Jackman, a Canadian Blood Services hospital liaison specialist, to develop targeted component-disposition initiatives and inventory-management improvement activities.

Component-disposition management initiatives assist with maximizing the availability of blood components nationally while enabling the overall blood system to operate in a fiscally efficient manner.
Safeguarding the nation’s blood supply

Monitoring known and emerging risks

A truly safe blood system is one that is safe today and flexible enough to be safe tomorrow. Thus, Canadian Blood Services has implemented early-warning systems that effectively identify both infectious and non-infectious threats to Canada’s blood supply. We excel at monitoring, diagnosing and anticipating potential and emerging risks to the blood system, and so are able to minimize risks for patients.

West Nile virus
Since 2002, we have worked diligently to reduce the risk of West Nile virus to the blood supply and since then, there have been no reported cases in Canada of West Nile virus transmission through blood transfusion. In 2006/2007, using the same investigational test implemented in 2003, we tested all units of blood for West Nile virus.

Every year we develop a West Nile virus strategy that is flexible so that we can respond to the magnitude and geographic spread of the disease. In addition to testing every unit of blood, we also defer ill donors, withdraw and destroy infected units, perform ongoing surveillance and cancel blood donor clinics when necessary.

In 2006/2007, we continued to use the pooled testing process developed in 2003, where samples from six units of blood are tested together. Donations were tested individually when a higher level of risk was identified for a particular health region because of significant cases in the population or a blood donation that tested positive for West Nile virus.

During the 2006 season, eight units of donated blood tested positive for West Nile virus. Samples from 6,271 units were individually tested.

Protecting against risks

Safety is about acting quickly to leverage appropriate systems and minimize risks. Process and quality control, and vigorous information-management technologies are therefore critical. Also, it is important to measure the effectiveness of our actions once we have identified a potential threat to the system. Since 1998, we have continuously improved our information-management resources, keeping them at the forefront of our safety initiatives.

Health Canada audits

An enhanced understanding of—and adherence to—our processes is critical to protecting against a variety of risks. Routine audits of our operations provide Canadian Blood Services with the information necessary to reduce its product deviations, errors and recalls.
In 2006/2007, Health Canada’s Health Products and Food Branch Inspectorate conducted inspections at 17 locations, including our Head Office in Ottawa.

Health Canada observations rose from 119 in 2005/2006 to 139 in 2006/2007. Canadian Blood Services received three critical observations related to Traceback (the targeted search for a donor whose donation may have caused a transfusion-related infection) files and Record of Donation errors. The Traceback observation was a result of deviations from standard operating procedures and was addressed directly with staff involved. With regards to the two Record of Donation observations, one unit was discarded at the time of issuing. In the other case, given that the potential risk was to the donor and not the recipient, a review of operating procedures was performed with the staff involved, but the unit was not recalled.

The majority of observations continue to relate to the donor screening and collection processes, which result in discarding of the units. These continue to be repeat issues for which we have begun to implement initiatives aimed at preventing re-occurrences through effective corrective actions.

Blood product deviations
Deviations occur in all manufacturing operations, whether related to sporting equipment or blood products. When Canadian Blood Services recalls products, it is as a result of post-donation information or deviations from standard operating procedures that result in errors/accidents.

Deviations that occur in regular day-to-day activities can result in errors/accidents and associated recalls. These types of deviations have the potential to occur at any step of our processes and include errors or omissions on Record of Donation questionnaires, mislabelled products, improper equipment calibration or non-compliance with standard operating procedures.
Errors/accidents fell slightly from 18 per 10,000 units in 2005/2006 to 17 in 2006/2007. The primary reasons for these recalls relate to screening errors associated with the Record of Donation questionnaire.

A recall related to post-donation information occurs when a donor provides information after giving blood, suggesting his or her donation should not be used. Common reasons for these recalls include cold and flu outbreaks, and late admissions of being at risk for transmissible diseases such as malaria acquired during travel.

Recalls related to post-donation information amounted to 26 per 10,000 units in 2006/2007, the same as the year before. Most of these recalls are associated with donors’ travel to malaria endemic areas, as frequently changing information makes it difficult to determine what specific travel destinations are malaria-risk locations.

**Bacterial detection**

Bacterial contamination of platelets is a leading cause of transfusion-transmitted infection. Since most people who need blood or blood products are already vulnerable, protecting them from further complications is of utmost importance to us.

There is an inherent risk of transmitting bacteria by transfusion given that the conditions to keep blood cells alive are similar to those that allow bacteria to thrive. Canadian Blood Services does a number of things to reduce this risk. First, we developed and adopted a two-step method for cleaning donors’ arms with iodine and isopropyl alcohol. This approach to disinfection has long been recognized as the gold standard in arm preparation. Second, we store some of our products such as red blood cells at low temperatures, which reduces the growth of bacteria. We remove white blood cells through leukoreduction to limit the presence of some types of bacteria. We also use a sample diversion pouch that further reduces the risk of bacterial contamination by diverting the initial flow of blood and the potentially contaminated skin plug formed from the needle insertion into a separate container.

The greatest potential for bacterial contamination for Canadian Blood Services is with our platelet products. We already test all of our apheresis platelets for bacterial contamination, so our concern now is with whole blood-derived platelets. During the production of platelets, they must be stored at a temperature between 20-24°C—an ideal environment for bacteria growth.

For platelet recipients, changing the way we produce platelets from whole blood has a lot to do with reducing the risk of bacterial detection. In 2006/2007, we made important headway in the implementation of both the Buffy Coat platelet production and Hong Kong testing methods, which will help us maximize our ability to provide the safest platelet products currently available.

**Buffy Coat platelet production method**

In 2005/2006, Canadian Blood Services piloted the Buffy Coat platelet production method—named for the nearly colourless cell mixture produced when whole blood is spun to separate its components—in Edmonton, Alberta. In 2006/2007, the organization prepared a second pilot in British Columbia and Yukon for a March 2007 launch.
In addition to benefits such as longer permissible processing times, this method yields more recovered plasma and a more consistent platelet dose. This method is also Canadian Blood Services’ long-term plan for bacterial testing of platelet concentrates prepared from whole blood.

During the Edmonton pilot, we identified some performance issues with the blood bags and transfusion sets—some hospitals documented difficulties “spiking” the red blood bag ports with their existing transfusion sets. In response, we worked with hospitals to get a better understanding of their environments and conducted two trials with blood-bag and transfusion-set vendors to ensure alignment between the two devices. Because of our efforts to work with customers, vendors and the British Columbia Provincial Blood Coordinating Office, the British Columbia pilot proceeded in March 2007 with a nation-wide rollout planned for later in 2007/2008. A number of technical issues have been identified and are being resolved.

**Hong Kong method**

The Hong Kong testing method, first outlined by the Hong Kong Red Cross in 1999, permits testing of whole-blood-derived platelets for the presence of bacteria. This method involves the use of BacT/ALERT cultures performed on pooled samples from five individual whole blood-derived platelets and has been in use for almost three years in our Patient Services lab in Winnipeg.

In March and April 2007, Canadian Blood Services implemented the Hong Kong testing method in some of its sites as an interim solution owing to the delayed implementation of the Buffy Coat platelet production method. This meant that at that time, 74 per cent of the platelets Canadian Blood Services supplied to hospitals were tested for bacteria.

**Laboratory Information System**

Canadian Blood Services implemented a new laboratory information system, Surround™, at our three consolidated testing sites in Halifax, Calgary and Toronto between January and March 2007.

The new system interfaces directly with Canadian Blood Services’ blood-management system, MAK Progesa, and allows us to track samples from collection to testing. This implementation has reduced a number of manual processes by automating results reporting for all tests performed on automated instruments.

Implementing this new system has strengthened our ability to accurately and consistently report donor-testing results. This has improved the safety of the blood supply.

**MSM DEFERRAL**

In 2006, we commissioned the McLaughlin Centre for Population Health Risk Assessment within the Institute of Population Health at the University of Ottawa to conduct a risk assessment of what we call our MSM donor deferral—the deferral of men who have had sex with other men even once since 1977.

As part of our commitment to revisit our policies and procedures on a regular basis, Canadian Blood Services engaged a number of stakeholders on this issue so that we may consider the results of the risk assessment and stakeholder feedback to determine whether the policy continues to be in the best interest of Canadians.

In Canada and elsewhere, there has been considerable pressure to change the deferral of men who have had sex with other men on the principle that it is discriminatory. In truth, we do defer some donors based on high-risk activities that are known to increase the risk for disease transmission to recipients, including high-risk sexual activity, intravenous drug use and travel. Despite the very high quality of our testing, screening is Canadian Blood Services’ first line of defence and has proven highly effective in protecting recipients from infection.

To consider changes to any of our donor criteria, we must conclude that the change is considered safe from a scientific perspective and does not pose any incremental risk to recipients. The change must be in accordance with our mission to operate the blood supply in a manner that gains the trust, commitment and confidence of Canadians, particularly recipients of blood transfusions; and be approved by our regulator, Health Canada.

We are very committed to the safety of our products; being open and transparent with the public; and maintaining a high degree of respect for all opinions on the matter.
Simian Foamy Virus

As part of our focus on safety, Canadian Blood Services has been involved for several years in an investigation into the risk of Simian Foamy Virus (SFV) to the blood supply.

Foamy viruses belong to the retrovirus family and are commonly found in a variety of animals, including cows, cats and horses. SFV is the foamy virus found in non-human primates such as monkeys, chimpanzees and macaques.

Between 70 and 90 per cent of tested non-human primates born in captivity have antibodies to SFV. Animals with SFV show no evidence of disease during their lifetime. People who have had contact with non-human primates can become infected with SFV. To date, infection with SFV has not been associated with any disease or health conditions in monkeys or humans.

While SFV poses no immediate risk to Canada’s blood supply, we adopted a deferral period for donors who have had occupational contact with non-human primates as a precaution in December 2006. At present, this deferral period is indefinite.
Enabling the optimal use of product

We work in collaboration with hospitals, provincial blood-coordinating offices, stakeholder groups and provinces and territories to maximize the availability and prudent utilization of our products. In 2006/2007, hospitals began using a new electronic blood component disposition reporting system developed by Canadian Blood Services the year before. The intent is to facilitate best practices between hospitals to maximize the availability of blood components nationally. In this first year, hospitals in all regions across Canada participated in the reporting. Together with communication and education activities to inform hospitals on how to order and use product, this new tool is expected to help hospitals promote optimal management of blood products and inventory.

Optimizing donor recruitment and retention

One of our most tangible relationships is the one we have with donors. Canadian Blood Services requires a strong and constantly replenishing base of active donors, as well as sustained relationships with loyal and frequent donors, to ensure an adequate supply of blood products.

In 2006/2007, we recruited 78,394 new donors. These new donors were required to maintain our base of approximately 405,000 active whole blood donors. We did see some modest
In pursuit of excellence

This year, we continued to build a healthy business foundation by introducing new technology and upgrading existing systems in order to create more efficient processes and improve our productivity.

Delivering excellent customer service is a key focus so that blood donors will come back again and again. Whole blood donors donate, on average, just over two times a year, our platelet donors almost five times a year, and our plasma donors almost nine times a year.

Whole blood donors and donations

The number of whole blood donors continues to increase year over year, and sustained donation frequency of 2.16 times per year contributed to the simultaneous increase in whole blood units donated.

Improvements to our new-donor retention rate thanks to the strong progress of two initiatives aimed at improving the donor experience. One of those initiatives is Thank, Inform, Invite, which reminds staff to thank each donor for his or her donation, inform donors of the anticipated donation process time and invite every donor to book another appointment. The other is Everything Speaks, an initiative that helps employees improve the overall physical appearance of our donor clinics.

This past year, Canadian Blood Services also focused on its outreach to youth. Partnering with high schools, such as Etobicoke Collegiate Institute (see cover), and universities in communities across Canada, our aim is to introduce blood donation to youth early to create generations of Canadians who embrace and support it throughout their lives.

Canadian Forces Challenge

For five years, the Canadian Armed Forces has partnered with Canadian Blood Services in a month-long initiative that asks Canadians to donate blood in honour and support of the men and women of the Canadian Forces.

During the 2006 challenge, the Royal Canadian Legion and the Department of National Defence became Canadian Blood Services’ first national Partners for Life. They committed to collect 8,000 units of blood at Canadian Forces bases and other locations across the country. The response was overwhelming. More than 21,000 Canadians signed almost 8,000 cards that were then sent to military men and women serving in Canada and overseas.
Donors for Life
Donors who join Donors for Life make a commitment to make four whole blood, eight plateletpheresis or 12 plasmapheresis donations annually. In 2006/2007, 6,158 donors joined the program, bringing the total membership to more than 62,000. Nearly 50 per cent—or 30,300—of program members fulfilled their commitment and received 2006 pins. In total, Donors for Life members donated 208,229 blood, platelet and plasma units, accounting for about 20 per cent of whole blood and 40 per cent of apheresis donations.

Honouring Our Lifeblood
We rely on the dedication and commitment of our donors to sustain a strong blood system in Canada. To show our appreciation, we recognized more than 2,000 donors who reached key milestone levels of 100 donations or more, and held 47 local Honouring Our Lifeblood recognition events across Canada. Several volunteer organizations, partners, sponsors and community groups were also recognized.

National “Show for Appointments” campaign
To reduce the number of missed appointments in clinics across Canada, we launched a national “Show for Appointments” campaign in January 2007. The campaign utilized direct mail, tele-recruitment, and clinic staff messaging to educate donors about the importance of keeping appointments and remind them of their next appointment.

Volunteers
Almost every visitor to our donor clinics is welcomed and assisted by one of our volunteer ambassadors. Our more than 17,000 volunteers and 1,200 community-group partners are Canadian Blood Services’ critical connection to large and small communities across Canada. They play a key role in building donor relationships and helping us fulfill our mandate efficiently and effectively.

Our volunteers work in conjunction with employees to ensure that every donor is thanked for his/her donation, informed about anticipated donation process times and invited to make an appointment for the next donation. This support contributes to an excellent donor experience that translates into a dependable supply of loyal donors. In addition, our volunteers support clinical processes in capacities that range from customer service and public relations to recruitment and education.

Our volunteers are leaders and they are well skilled. Some help educate their communities and recruit donors through initiatives like the Volunteer Speakers Bureau or the High School Donor Ambassador program. As committed as they are to us and our donors, we are to them.

We are dedicated to providing our volunteers with the best possible volunteer experience and are proud of our record for volunteer satisfaction. According to a March 2007 survey, overall volunteer satisfaction remains very high, though volunteers would like the program—aptly named Volunteers for Life—to continue to provide them with more challenging roles, and the tools and training they need to excel.

Public involvement
Openness and accountability are keys to building trust. This is why we have ingrained public involvement in the core of our business.
Since 2001, the National Liaison Committee has been the voice of our key stakeholders. In its advisory capacity, the group contributes to national-level decisions on issues that affect Canada’s blood system. This year, the advisory committee provided input on subjects ranging from bacterial detection and management of malaria deferrals to new marketing concepts.

On a community level, our seven Regional Liaison Committees, composed of donors, recipients, volunteers, hospital partners, clinic organizers, patient groups and sponsors, provide critical feedback on operational and policy issues. Over the year, the committees offered counsel on topics such as diversity, partnerships, and improving the donor experience.

Canadian Blood Services further engages the public at regular public meetings of its Board of Directors. This year, at open meetings held in Hamilton and Ottawa, Ontario, 10 members of the public seized the opportunity to make presentations to the Board, and raised issues around: directed donations; modifying the donor screening process to serve the deaf; Canadian Blood Services’ partnership with the Muslim Student Association; and our deferral of men who have had sex with other men even once since 1977.

Donor Advisory Panel

Canadian Blood Services is committed to delivering excellent customer service to its donors. To do this, we have established the Donor Advisory Panel so we can better understand donor attitudes towards changing policies and emerging issues, as well as their overall satisfaction with us. To date, we have 10,200 donors on this panel, 7,763 of whom participated in studies this year.

In 2006/2007, panel members participated in five studies on a variety of topics, including: satisfaction levels, awareness of the blood system, the impact of advertising, donor communications, pandemic-related issues, attitudes toward clinic scheduling, clinic locations and hours of operation, transportation to clinics, and travel time.

Privacy, Records & Information Management Office

In October 2006, we created the Privacy, Records and Information Management Office, bringing together our Privacy and Access to Information Offices under a single portfolio. The centralized office is dedicated to developing standardized information-management processes, ensuring the reliability of records, providing appropriate access to and protection of information, and offering information-management training and tools to staff.

During the course of the year, the office focused on bolstering Canadian Blood Services’ information-management resources and tools—a long-standing and significant issue for employees across the country. At the same time, the office worked to develop a standardized approach to privacy and access to information procedures, including those related to staff training and public education.

In 2006/2007, the office received 154 access-to-information requests, 133 of which were for personal health information and 21 for non-personal information. The most common personal health-information requests were about blood type, HLA-typing results and test results. The most common non-personal request was for copies of policies and forms.
Delivering the right product, at the right place, at the right time

We are committed to providing hospitals with ordered products in a timely and accurate fashion. By minimizing the need for product substitution, we help our hospital partners—big and small—provide the best quality products and services to patients from Tofino, British Columbia, to St. John’s, Newfoundland, and everywhere in between.

Plasma for fractionation

Plasma can be used without further manufacturing in the treatment of patients or it can be sent for fractionation. During fractionation, pools of plasma from several hundreds or thousands of donations undergo a process that involves purifying specific proteins to prepare products for patients. When we send plasma for fractionation, it is made into two products—albumin and IVIG.

Currently, about 63 per cent of albumin and 27 per cent of IVIG used in Canadian hospitals, outside of Quebec, are manufactured from plasma donated by Canadian donors. The remaining albumin and IVIG comes from plasma collected commercially.

In 2006/2007, we collected lower than expected volumes of plasma for fractionation, although the volume of plasma shipped for fractionation increased slightly to 149,880 litres. The reason for this was the delay in implementing the Buffy Coat platelet production method that yields a higher percentage of plasma from whole blood which can be sent for fractionation.

**Whole blood collections**

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<tbody>
<tr>
<td>Whole blood</td>
<td>849.9</td>
<td>871.8</td>
<td>875.1</td>
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In 2006/2007, we collected 875,139 units of whole blood, compared to nearly 872,000 the year before.

**Plateletpheresis collections**

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<tbody>
<tr>
<td>Plateletpheresis</td>
<td>26.1</td>
<td>29.9</td>
<td>33.0</td>
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This year, we increased our plateletpheresis collections by more than 10 per cent by collecting 33,043 plateletpheresis units. The number of platelet donors rose 13.5 per cent from 5,960 in 2005/2006 to 6,763 this year.

**Plasmapheresis collections**

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<tbody>
<tr>
<td>Plasmapheresis</td>
<td>50.5</td>
<td>52.0</td>
<td>51.8</td>
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</table>

Canadian Blood Services saw a slight drop in plasma collections from 52,000 units in 2005/2006 to 51,835 in 2006/2007. However, we saw a 2.7 per cent increase in our pool of plasma donors.
By understanding the needs and expectations of hospitals, we are better able to serve patients.

Plasma protein products
We have continued to see an increase in the demand and utilization of all plasma products year over year. For instance, in 2006/2007, demand for Recombinant Factor VIIa, used to treat Hemophilia A and B patients with inhibitor antibodies, increased by 18.6 per cent from 2005/2006 levels.

Hospital customer service
By understanding the needs and expectations of hospitals, we are better able to serve patients. For four years, we have worked to strengthen our relationships with hospitals to this end.

This year, we continued to strengthen our management approach to hospital customer service by maintaining our focus on the activities that enable us to deliver excellent customer service and support hospitals in their efforts to treat patients.

Customer service plans
This year, three hospitals from each of our seven regions took part in hospital service planning and participated in educational programs provided by Canadian Blood Services to hospital staff. The goal is to promote dialogue with hospitals, helping us tailor our service delivery to their specific needs. This exercise gives us a better idea of how we can help hospitals achieve their goals and clearly and proactively defines what we can do for them each year.

Plasma shipped to fractionator

Intravenous immunoglobulin (IVIG) usage

Albumin/pentastarch usage

The volume of plasma shipped for fractionation increased slightly to 149,880 litres. Despite this increase, we collected lower-than-expected volumes of plasma for fractionation as a result of the delay in implementing the Buffy Coat platelet production method, which yields a higher percentage of plasma from whole blood.

In 2006/2007, IVIG demand grew by 9.1 per cent. The higher-than-expected demand combined with an eight per cent cap on IVIG deliveries from the major supplier resulted in a slight erosion of IVIG inventory coverage over the course of the year.

In 2006/2007, demand for albumin/pentastarch grew by 7.3 per cent. Separately, growth for pentastarch grew by five per cent, while albumin grew by 10.2 per cent. This is the second consecutive year of growth exceeding 10 per cent for albumin after averaging only 4.5 per cent growth annually in the three years prior.
Hospital feedback program
We also track feedback from hospitals in order to understand the more common issues they may have. This allows us to conduct further analysis and create action plans that meet hospital needs. It also helps us understand why issues occur so we can mitigate similar issues in the future.

Hospital advisory panel
This past year, the Hospital Advisory Panel, established in 2005/2006, met twice to review a number of Canadian Blood Services initiatives such as the Buffy Coat platelet production method, the hospital section of www.blood.ca, hospital component disposition reports, hospitals as partners in blood donor recruitment, and IVIG supply and trends.

The panel of 14 hospital representatives of varying roles helps us better understand how our decisions affect hospital operations, and gives us the opportunity to prepare them for changes or upcoming improvements.

Hospital satisfaction
We also measure hospital customer service by our order fill rate or the percentage of orders that we are able to fill. Focused efforts resulted in us significantly increasing our order fill rates for all red blood cells including O-Negative and cryoprecipitate. We did see a slip in our results for platelets as a result of the Buffy Coat platelet production method implementation in British Columbia and Yukon.

The goal is to promote dialogue with hospitals, helping us tailor our service delivery to their specific needs.
Delivering efficiency and productivity gains

One of our goals is to ensure that all levels of our organization demonstrate the appropriate contribution to efficiency and productivity gains. This past year, we maximized existing SAP technology when we introduced a new plasma protein product and medical supplies inventory-management system, and continued to look for other ways we might create efficiencies and improve productivity.

Inventory management

At the end of February 2007, we implemented a single technical solution for the management of our plasma protein products and medical supplies inventories.

Replacing our existing management system for fractionated products and taking advantage of our existing SAP system, the new solution provides a number of benefits for the management of the inventory of medical supplies, including automation and live inventory status.

At the same time, the new solution improves the management of Canadian Blood Services’ plasma protein products inventory by integrating all processes from order taking, sales and distribution, accounting and financial reporting to internal and external customers.

Moreover, by using our existing SAP system, we have laid the foundation for a more modern supply-chain management process for medical supplies—preparing us for the future.

Patient services

Since its inception, Canadian Blood Services has managed several diagnostic and therapeutic programs that are peripheral to the operation of the blood system. The two categories of patient services we offer are patient laboratory services, consisting of a variety of diagnostic tests, and patient therapeutic services such as autologous blood collections.
Since 2002/2003, we have been evaluating these services to ensure they have a clear connection to transfusion medicine; 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.

Because of this evaluation, we have discontinued a number of services in various provinces over the last few years. In 2006/2007, we discontinued prenatal services in the Hamilton Wentworth area of Ontario.

**Unrelated Bone Marrow Donor Registry**

Fewer than 30 per cent of patients who require bone marrow, stem cell or cord blood donations find a match with a related family member. For this reason, our Unrelated Bone Marrow Donor Registry is the only hope for hundreds of people each year.

In 2006/2007, the Canadian Blood Services’ Unrelated Bone Marrow Donor Registry became the seventh member registry to be accredited through the World Marrow Donor Association, the body responsible for establishing international standards for the safe collection and transportation of high-quality stem cells. This notable achievement reflects excellence in donor recruitment, information technology, search-request facilitation, stem-cell collection and transportation, patient and donor follow-up, and the management of financial and legal liabilities.

One of more than 60 registries worldwide, our registry has access to almost 11 million potential donors and 220,000 cord blood units. In Canada, more than 222,840 people have joined the registry, 13,322 this past year.

This year alone, Canadian Blood Services coordinated 233 transplants for Canadian patients, and 98 individuals on the registry donated bone marrow or peripheral stem cells to Canadian and international patients. Canadian Blood Services conducted 511 new and repeat searches on behalf of Canadian patients, and another 1,482 internationally.

In keeping with last year’s strategy, the registry focused on recruiting donors to ensure a healthy donor base and increasing the ethnic diversity of the registry to meet the changing needs of Canadian patients. The registry’s involvement in Black History Month activities in the Greater Toronto Area attracted numerous new registrants who identified their ethnicity as either ‘Black’ or ‘other’.

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Order fill rate refers to the percentage of hospital orders we are able to meet. Focused efforts resulted in us significantly increasing our order fill rates for all red blood cells.

![Order fill rates of red blood cells](image)

OPTIMIZING DONOR RECRUITMENT AND RETENTION

**Awareness** (promoting the importance of donating blood)

**Five Points of Life Ride**
September 8 – October 21, 2006
Canadian Blood Services partnered with LifeSouth and the Trillium Gift of Life Network in the North American Five Points of Life Ride—a biennial marathon ride to raise awareness about the five ways we can share life with others—through the donation of blood and blood products, apheresis (platelets and plasma), bone marrow, organ/tissue and cord blood.

**National Blood Donor Week**
June 12 – 16, 2006
Each year, in the week that corresponds with World Blood Donor Day, Canada recognizes National Blood Donor Week. The intent of this week is to celebrate and thank blood donors for their support and to help raise awareness of the cause.

**World Blood Donor Day**
June 14, 2006
Every year on June 14, countries around the world celebrate voluntary blood donors in an event recognized by the World Health Organization (WHO). In 2006, the host country was Thailand. Canada is set to host World Blood Donor Day in 2007.

**Donor Recruitment** (encouraging donors to give)

**Television Ads**
July 2006 and January to March 2007
Direct Response Television Ads encourage new donors to give blood. Designed to elicit an immediate response from viewers rather than simply raise awareness, these new ads encouraged thousands of Canadians who had never donated blood to call 1-888-2-DONATE and make an appointment.

**Radio Ads**
Throughout the year, Canadian Blood Services runs three types of radio ads. Some are cause-related urging Canadians to become blood donors. Others are blood-type-related to help us collect blood that is most in need at any given time. Still others are promotional in nature and help us profile special efforts like our holiday campaign.

**2006/2007 Brighten A Life - Holiday Promotion**
The campaign urged Canadians to Brighten a Life over the holiday season by donating blood in someone’s honour.

**Don’t Miss a Beat**
Spring 2006
This spring campaign saw Canadian Blood Services partner with Yahoo! Canada and Dell Canada. A targeted promotion to youth, Don’t Miss a Beat used a music trivia game contest platform with an interactive on-line component, in which more than 38,000 registrants participated. The Canadian Blood Services advertisement was viewed 276,636 times.

**What’s Your Type?**
This program introduces the concept of blood donation to those who have not yet made that commitment. Through a high-school component as well as public-service kiosks, non-donors are blood typed and provided with materials to pique their curiosity and help them make the decision to donate blood. Of the 25,736 participants entered in the database in 2006/2007, 2,558 were new donors who together contributed more than 3,100 donations.

**Partners for Life**
This program provides a standardized approach to increasing blood donations by inviting corporations and community groups to support the blood system in a team effort with their employees and members. To date, we have recruited 1,774 partners including our first national partner, the Department of National Defence.

**Canadian Forces Challenge**
November 2006
Each November, Canadians are asked to donate in honour of the men and women of the Canadian Forces. This year, almost 8,000 cards were sent to military in Canada and overseas from the more than 21,000 donors who gave blood during the Challenge. The year before, only 2,900 cards were collected.

**Retention & Loyalty** (creating an exceptional donor experience)

**Donors for Life**
Donors for Life donors commit to making a number of donations each year specific to product—blood, plasma or platelets. These donors account for about 20 per cent of whole blood and 40 per cent of apheresis collections each year.

**Honouring Our Lifeblood**
October 23, 2006
The national Honouring Our Lifeblood event was held at the Canadian War Museum in Ottawa. The event honoured 27 blood, plasma, and bone marrow donors. Volunteer organizations, partners, sponsors and community groups were also recognized.
Prepare for tomorrow

The pace of change in the world requires us to look beyond today in order to be ready for the future. If we are going to build a better blood system, we must be proactive, innovative and responsive. To this end, we take a collaborative approach, ensuring that all aspects of our services, activities and products continue to meet the needs of our customers. We take the necessary time to investigate, plan, and research the needs of tomorrow so we are prepared for anything that comes our way.

Understanding and assessing the future

Nothing about the future is clear or static. Understanding what the future might look like takes educated assessment, access to shared information at a global level and the appropriate analysis to develop future scenarios for the blood system. We are diligent at investigating the potential impacts the future may have on our operations and stakeholders to ensure we remain able to meet the needs of Canadians.

Plan for the future

At Canadian Blood Services, we think globally. Our planning activities are founded on a range of Canadian and internationally focused demographic, epidemiological, technological, societal, economic and political information. We assess changes in our natural and cultural environment to determine their potential impacts on our services and products. Based on these analyses, we develop action plans to help ensure we do all that we can now to prepare for the future.

Emergency preparedness

In 2006/2007, we built on the work we accomplished last year around pandemic influenza planning, further preparing ourselves for any declared emergency.

Threat of an influenza pandemic

By Fall 2006, we had a Pandemic Influenza Preparedness plan in place for the eventuality of a pandemic outbreak or other emergency. The flexible plan helps employees, donors, hospitals and other key stakeholders prepare for and carry out necessary activities before, during and after a pandemic. We revisit the plan regularly to ensure it continues to reflect our broadest business-continuity needs.

An influenza pandemic would have several significant impacts on Canada’s blood supply. First, we would undoubtedly experience a loss and deferral of large numbers of donors due to infection, and possibly a restriction on mass meetings such as blood donor clinics. Second, employee absences due to illness could also increase, further delaying the supply process. Finally, while the demand for blood products would also likely fall, the inevitable loss or reduction of supply means the availability of short-shelf-life products, like platelets, could be the most severely affected by a pandemic.

To prepare for and combat these situations, we have focused on establishing strong command and control procedures—establishing the framework for a high degree of preparedness across the organization.
The first step in this process was the creation of a National Emergency Response Team which, in the case of an emergency, would be responsible for providing integrated leadership and implementing the Pandemic Influenza Preparedness plan. Supporting this national team are nine Local Emergency Response Teams that provide regional perspectives and operational support.

This past year, Canadian Blood Services developed a wide-ranging portfolio of policies and programs to provide optimal care and support to our employees, volunteers and donors. We aim to ensure necessary resources are available to maintain our operations not only during a pandemic, but also in the event of other emergencies that may threaten our operations.

**Identify and introduce innovative ways of doing business**

Based on our understanding of the future and our expertise in transfusion science, we are uniquely positioned to identify and develop innovative ways of doing business that will benefit our customers and stakeholders. Once we have determined that changes in our environment will have an impact on our ability to deliver on our mission, we must act. In some cases, this translates into research and development activities that may be based in transfusion medicine or other areas of the business.

**Research and development**

Canadian Blood Services has an integrated Research and Development program that uses a networked research model to focus on specific areas within transfusion science. The model links specific research and development areas with teams of researchers who have expertise in those areas. The areas of research are:

- Blood product processing and storage; blood substitutes
- Frozen blood program; bone marrow stem cells; nanotechnology
In 2006/2007, we worked to further integrate our Research and Development group into our mainstream operations.

Our research areas
Our Research and Development group has had a significant impact on many areas of our business and has helped shape the blood system of the future. Here are some of the focus areas our employees are working on, along with brief descriptions of their practical application:

Blood product processing and storage
One area of focus for this group is platelet biology, in particular the assessment of the quality of platelets immediately prior to use. This work is an important step towards future efforts to extend the shelf life of platelets and, in turn, reduce platelet discards.

This group also focuses on improving blood safety, utilization and availability through: the immunocamouflaging of blood products that significantly reduce the risks of transfusion reactions; viral inactivation and the prevention of viral infection; and new functions and applications of plasma proteins towards new uses for Canadian plasma as well as virus infection and prevention.

Nanotechnology, stem cells and cryopreservation
This group works with our stem cell program, which is accredited by the Foundation for the Accreditation of Cellular Therapy, to look at improving the stem cell transplantation process and cryopreservation. The team also focuses on investigating and developing new methods for using the advances in nanotechnology to miniaturize the testing systems for blood-group antigens and infectious agents using a ‘lab on a chip’ approach.

Clinical trials
In the area of clinical trials, the efforts of this team are conducted in conjunction with the McMaster University Transfusion Medicine Research Program. One area of focus is the ongoing clinical trial to assess the minimal acceptable dose for platelet transfusion. Medically, it is best to limit the number of donor exposures to an individual patient. Unlike red blood cells, there are no current standards for platelet dosage. Improved understanding in this area will benefit both patients and our platelet inventory management.

Other employees in this group focus on the creation of new products and blood product alternatives; blood coagulation and platelet biochemistry; the creation and evaluation of standards to measure the quality and acceptability of biological drugs approved by a standing committee of the World Health Organization's Expert Committee on Biological Standardization; and the field of hemophilia.

Transfusion immunology
Much of the work done by this team is around IVIG. Some of the work is aimed at increasing the cost-effectiveness of IVIG-type therapies by reducing the cost of the therapy with a synthetic alternative as well as enabling treatment to happen via an injection at a doctor’s office rather than infusion in a hospital setting. Other
research is focused on investigating IVIG for the treatment of alloimmune thrombocytopenia, a life-threatening bleeding disease that affects neonates.

Other efforts include strategies for the treatment and prevention of HIV infection, blood group DNA genotyping and recombinant red cell antigen production.

**Infectious diseases**

This team has assisted with the implementation of bacterial testing for apheresis platelets in Canada. This past year, they played an important role in testing outdated Buffy Coat platelet units for bacterial contamination to determine whether or not platelet storage can be safely extended from five to seven days. Increasing the shelf life of platelets would have significant benefits for the management of the platelet supply.

In the area of virology research, the team also focused on the development of the next generation of serological tests and nucleic acid tests (NAT) that will be even more accurate than today’s tests. The intent of this work is to decrease the number of donor deferrals associated with unclear or indeterminate test results.

**Patents**

This past year, we formed meaningful partnerships to train future researchers, and began evaluating the intellectual property within the Research and Development portfolio. This initiative will help patent and protect the discoveries and inventions of our staff.

Each of the following patents reflects advancements by our scientists and researchers that are transforming transfusion science not only here in Canada, but also across the globe. In 2006/2007, Canadian Blood Services researchers applied for the following patents:

**Morris Blajchman**
- Mutants of the Factor VII epidermal growth factor domain

**Donald Branch**
- Nitropenyl alcohols and related compounds and thimerosal for the inhibition of immune-related cell or tissue destruction

**Gregory Denomme**
- A method for the simultaneous determination of blood group and platelet antigen genotypes

**Maria Issa**
- Platelet additive solution
- Surface cross-linked lipiddic particles, methods of production and uses thereof
- Mimiotope receptors and inhibitors for platelet-platelet and platelet-endothelium interactions

**Alan Lazarus**
- Method for treating autoimmune diseases with antibodies
- Method for treating autoimmune diseases and compositions thereof

The development of the next generation of serological tests and nucleic acid tests (NAT) will decrease the number of donor deferrals associated with unclear or indeterminate test results.
In addition to the accomplishments of the Research and Development group as a whole, our researchers are also leaders in their individual fields. Publishing the results of their work contributes to the sharing of information about the innovations in transfusion medicine and celebrates their expertise and creativity. In 2006/2007, our researchers published more than 60 papers on topics ranging from bacterial contamination in apheresis platelets to red blood cell cryopreservation in Canada.

Blood Group antigen identification using DNA-technology

It remains difficult for Canadian Blood Services to fill hospital orders for rare products such as those from unusual red-cell blood groups.

The red cells of approximately 10 per cent of all blood donors express important extended blood-group phenotypes. These donors are required for specific transfusion recipients who are immune due to pregnancy or a past red-cell transfusion. Current serological tests used to type these donors are performed manually and are not practical for every donation. They are labour-intensive and costly.

A more cost-effective solution to identify donors with important blood-group phenotypes is to screen blood using a DNA-based technique. Using this strategy, the Health Canada-approved serological confirmatory test would be used on only those donors identified by their DNA genotype.

The DNA-based technique developed by one of our scientists can identify 18 blood-group antigens and one platelet antigen. The DNA screening technique can be applied to all blood-group genotypes, is automated, and can be performed quickly on several hundred donors at a time in a similar fashion to NAT testing for infectious markers.

In 2006/2007, an initiative was prepared to test 10,000 donors with extended blood phenotypes by November 2007. This will increase the availability of donors with more than four known antigens from 15 per cent to 25 per cent in central Ontario, boosting the fill rates for rare blood and providing hospitals with better customer service.
Financial report

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 Corporation). 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 Corporation prepares annual budgets which include measures to ensure that appropriate financial arrangements exist to maintain the capacity to respond in a timely manner to health and safety emergencies.

Operating results

The format of the statement of operations was updated this year to reflect the Corporation’s business lines. The face of the consolidated statement of operations separates the operational programs and the wholly-owned insurance subsidiaries. The operational programs are: the Plasma Protein Products program, the Blood Operations program, Patient Services, and the Unrelated Bone Marrow Donor Registry. Details by program are presented in Note 12 of the consolidated financial statements. For the year ending March 31, 2007, the Excess of Revenues over Expenses for the operational programs was $5.4 million ($2.2 million – 2006) and for the captive insurance companies was $10.7 million ($4.7 million – 2006). The latter amount is restricted for captive insurance purposes.

Operational programs discussion (business lines)

Plasma Protein Products program

Plasma is the fluid in which blood cells are suspended. It is composed mostly of water but also contains many proteins, salts, lipids and a variety of nutrients. Proteins 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.

Plasma Protein Products (PPP) 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 now synthesized in a laboratory environment using recombinant biotechnological techniques that do not require human plasma as a starting material.

The key functions of the PPP group relate to the negotiation of contracts for commercial products and fractionation capacity, as well as the ongoing management of the distribution network and inventory levels. One of the significant changes to the administration of the PPP program introduced this year was the replacement of the Fractionated Products Management System (FPMS) by the Corporation’s existing enterprise resource-planning system. This new system integrates order processing, inventory management and financial activities, and provides Members with online access to product shipment information through a website. Previously, the FPMS system only provided order processing and limited inventory-management functionality.

Members are charged the actual costs of the products utilized by the hospitals in their jurisdictions. Administration costs are allocated to provinces based on the dollar value of their total product utilization. The following table provides a comparison of product costs between 2005/2006 and 2006/2007.
## Financial report

The utilization of PPP has been increasing at high rates for the past several years. For example, the utilization of intravenous immunoglobulin (IVIG) and Recombinant Factor VIII has increased by 99% and 51% respectively from 1999/2000 to 2006/2007. IVIG is used as replacement therapy for immunodeficient patients, as well as for a variety of hematological and neurological conditions. Recombinant Factor VIII is used in the treatment of hemophilia. Together these two products represent 62% of the total product costs.

A significant proportion of PPP are priced in US dollars. The exchange rate from Canadian dollars to US dollars was 1.5994 on April 1, 2002 and 1.1529 on March 31, 2007—a difference of almost 40%. The appreciation of the Canadian dollar is masking the impact of product utilization increases on the overall cost of the program. The increase of $15.6 million between 2005/2006 and 2006/2007 is 4.1%. This amount includes a decrease in price of $17.5 million (4.6%) which is largely the result of movements in exchange rates and an increase in utilization of $33.1 million (8.7%). This situation highlights the importance of product utilization initiatives as a way of managing the 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 in a favourable direction (Canadian dollar appreciates against the US dollar), increases in product utilization will continue to be offset by favourable price movements. If rates stabilize, the increase in the cost of the program will be primarily driven by utilization. If rates start to move in an unfavourable direction, the impact on the cost of the program will be compounded. The Corporation manages the exposure to exchange rate fluctuations by using forward contracts, thereby securing a portion of its requirements in US dollars at specified rates.

The PPP program has a significant impact on the value of inventories carried by the Corporation. The value of inventories on March 31, 2007 was $90.8 million ($71.8 million – 2006). The value of this inventory related to PPP is $75.3 million as of March 31, 2007 ($59.6 million – 2006). Members provided $27.7 million to fund the PPP inventory when the Corporation was created. Since 2003/2004, Members have been contributing $5.0 million annually to fund the PPP inventory. As of March 31, 2007, total funding received for the PPP inventory was $47.7 million.

The Corporation promotes supplier diversification for its critical supplies in order to mitigate risks. With regard to PPP, the Corporation is pursuing the diversification of the supplier base to improve access to commercial products and to develop a second fractionator. Developing the supplier base is a lengthy process which includes regulatory approvals. There is a need to cautiously introduce into inventory products from new suppliers to avoid adverse impacts on patients. New contracts will take effect in April 2008 and will yield some tangible progress towards this objective.

### Table: Product Utilization and Cost Variance

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<tbody>
<tr>
<td>Albumin/Pentaspan</td>
<td>$ 28.3</td>
<td>$ 26.4</td>
<td>$ 1.9</td>
<td>(0.1)</td>
<td>$ 2.0</td>
</tr>
<tr>
<td>Recombinant FVIII</td>
<td>127.2</td>
<td>128.2</td>
<td>(1.0)</td>
<td>(7.7)</td>
<td>6.7</td>
</tr>
<tr>
<td>Recombinant FIX</td>
<td>21.4</td>
<td>22.2</td>
<td>(0.8)</td>
<td>(1.1)</td>
<td>0.3</td>
</tr>
<tr>
<td>Recombinant FVIIa</td>
<td>27.3</td>
<td>22.5</td>
<td>4.8</td>
<td>0.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Other Coagulation</td>
<td>10.9</td>
<td>8.9</td>
<td>2.0</td>
<td>(0.5)</td>
<td>2.5</td>
</tr>
<tr>
<td>IVIG</td>
<td>116.1</td>
<td>114.2</td>
<td>1.9</td>
<td>(8.2)</td>
<td>10.1</td>
</tr>
<tr>
<td>RSVIG-Synagis</td>
<td>34.6</td>
<td>28.6</td>
<td>6.0</td>
<td>(0.0)</td>
<td>6.0</td>
</tr>
<tr>
<td>Other Immune Globulins</td>
<td>29.4</td>
<td>28.6</td>
<td>0.8</td>
<td>(0.5)</td>
<td>1.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.3</td>
<td>0.0</td>
<td>(0.0)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Product Costs</strong></td>
<td><strong>$ 395.5</strong></td>
<td><strong>$ 379.9</strong></td>
<td><strong>$ 15.6</strong></td>
<td><strong>(17.5)</strong></td>
<td><strong>$ 33.1</strong></td>
</tr>
</tbody>
</table>
The proportion of IVIG manufactured from Canadian plasma has decreased from 44% in 1997/1998 to 27% in 2006/2007. To address this issue, a number of initiatives have been identified to increase plasma collections. In the current financial model, the cost of collecting plasma shipped for fractionation is included in the Blood Operations program. These incremental costs are offset, at least partially, by savings in the PPP program because the mix of IVIG will shift from commercial product to product manufactured by Canadian plasma. Management is exploring options to define a transfer price per litre of plasma to truly reflect the cost of the PPP program.

Blood Operations program

The Blood Operations 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 the processing, testing, and shipping of product to hospitals. Blood Operations also includes the Research and Development program and project activities. Members’ Contributions to the Blood Operations program are set at the beginning of the year and allocated to Members based on respective Red Blood Cell utilization.

For the year ending on March 31, 2007, Blood Operations had a surplus of $4.2 million ($3.1 million – 2006). Members’ Contributions were $421.2 million ($404.3 – 2006), a 4.2% increase. Total revenues were $435.0 million ($412.5 – 2006), a 5.5% increase. The percentage increase between Members’ Contributions and Total Revenues is related to deferrals and investment income. The most common example of a deferral relates to capital assets. In each fiscal year, the component of Members’ Contributions that are used to purchase capital assets is deferred (a reduction in Total Revenue). In future years, these deferred amounts are recognized as revenues to offset the amortization of these capital assets (an increase in Total Revenue). The concept of deferral can also apply to a specific project or purpose for which Members have approved a deferral.

The Buffy Coat and Inventory Management projects explain the changes in deferred amounts, year over year. In 2006/2007, Members authorized the Corporation to defer the component of their contributions related to the Buffy Coat project, resulting in an increase in deferred contributions. In prior years, Members had also authorized the Corporation to defer contributions for the completion of the Inventory Management project, which was completed this year, resulting in an increase in revenues from previously deferred contributions.

Investment income is dependent on interest rates and cash balances which are inherently variable. The interest rate earned on cash balances has increased by 2.0% between the beginning of 2005/2006 and the end of 2006/2007. This increase in rate explains in large part the increase in investment income.

Total expenses were $430.8 million ($409.4 million – 2006), a 5.2% increase. The following are the reasons for the year-over-year changes.

**Staff Costs**

The increase of $12.0 million (5.2%) is mainly related to rate increases, which are largely prescribed by provincial contract negotiations in the health care sector. The increase includes an economic adjustment and progression within the salary ranges.
Financial report

General and Administrative

The increase of $10.0 million (12.4%) includes the following components:

- $3.1 million in professional fees related to: (1) upgrade and implementation of the Corporation’s enterprise resource planning system; and (2) the facilities strategic plan. The increase in year-over-year spending is not an indication of a variance in spending against budget. Rather, it is a reflection of the timing of actual spending for projects extending over more than one fiscal year.
- $2.4 million in facility operating expenses largely related to increases in utility costs and facility maintenance.
- $2.2 million in operating expenses and travel. These costs include freight, courier and vehicle expenses that are significantly impacted by changes in fuel costs.
- $1.8 million related to the CBS Foundation. The CBS Foundation ceased operation as of April 1, 2007 and the fundraising function was transferred to the Corporation’s operations. This cost represents the forgiveness of the amounts payable by the Foundation to the Corporation.

Medical Supplies

The decrease of $1.2 million is explained by favourable exchange rates and improved utilization of supplies in donor testing.

The financial results of the Blood Operations program are affected by the demand for fresh blood products from hospitals. Red Blood Cells (RBCs) and platelets are two key products shipped to hospitals. The data illustrates that shipments for these products are increasing at approximately 2.1% annually, which is higher than the growth rate of the population which is around 0.8%.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RBCs</td>
<td>763,032</td>
<td>777,135</td>
<td>793,624</td>
<td>2.0%</td>
</tr>
<tr>
<td>Platelets</td>
<td>91,620</td>
<td>93,616</td>
<td>97,452</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>854,652</td>
<td>870,751</td>
<td>891,076</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

The initial conclusion is that utilization per capita is increasing with the aging population. The Corporation is working with hospitals to gain a better understanding of demand for blood products. However, for the foreseeable future, the Corporation is operating in an environment of steady increases in demand (in the 2% range) combined with annual increases in input costs (5.0% to 5.5% for labour, 3.0% for general / administrative expenses and medical supplies).

Work has begun to attribute costs to the full suite of products issued to hospitals. The Corporation is exploring using the cost per unit as an overall indicator of performance that would measure the total cost of the Blood Operations program over the total number of products issued per year. The cost per unit of output is influenced by: (1) inflationary pressures on inputs such as labour and supplies; (2) the mix of products issued (for example apheresis platelets or whole blood-derived platelets); (3) the efficiency of processes; and (4) the introduction of technology permitting the collection of two products in one apheresis collection. The introduction of new safety measures with significant cost implications would also result in an increase in cost per unit. The objective is to demonstrate long-term gains in productivity by containing the growth in unit costs to a rate lower than the growth in the cost of inputs.
The Corporation’s ability to meet these objectives is dependent on the assumptions that there is:
(1) no major changes in economic conditions; (2) no introduction of new major safety measures; (3) no sustained increase in demand beyond 2% per year; and (4) no events requiring the need to implement contingency measures.

Patient Services program
Patient Services include programs such as prenatal testing, HLA matching, phenotyping, therapeutic apheresis, autologous collections and stem cells. These programs are provincial and conducted predominantly in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Members pay for the actual cost of Patient Services they receive.

Looking to future years, there are two significant issues related to the Patient Services program. First, there is a need to secure contracts that clearly define for each program the services, fees and obligations. Without contracts, the scope of each provincial program can change over time without a corresponding understanding of these changes on funding and obligations. Second, the information technology supporting the Patient Services program is in need of replacement.

Unrelated Bone Marrow Donor Registry
The Unrelated Bone Marrow Donor Registry (UBMDR) program maintains a national registry of potential bone marrow or stem cell donors. The functions of the UBMDR are to recruit potential donors and process their registration, as well as support the transplant centres (hospitals) in their search for a donor that matches the characteristics of a patient in need of bone marrow or stem cells. The UBMDR is part of an international network of registries. To increase the possibility of finding a match, searches for donors include international registries. Conversely, international registries also include the Canadian registry in their searches.

For the year ending on March 31, 2007, the UBMDR had a surplus of $1.2 million ($0.3 million loss – 2006). The most significant change compared to prior years is the increase of $1.5 million in International Revenues which is explained as follows:
• There was an increase of 13 Canadian donors for international patients, resulting in incremental revenues of $0.3 million.
• There was an increase of 26 international donors for Canadian patients, resulting in an increase in revenues of $0.5 million. In this situation, the UBMDR pays international registries for the product and ‘re-bills’ these costs to the Canadian Hospital receiving the product.
• In 2006/2007, the UBMDR started to invoice Héma-Québec for their share of services resulting in revenues of $0.7 million.

The UBMDR is a net importer of product—203 international donors for Canadian patients compared to 57 Canadian donors for international patients. There will always be interactions with international registries because finding a donor for a patient requires a perfect match. However, the UBMDR is working to continually upgrade the number of entries in its registry to reflect the diversity of the Canadian patient population and minimize reliance on international registries.

Canadian Blood Services Insurance
The Corporation has established two wholly-owned captive insurance corporations: CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited (CBSE).
CBSI provides primary insurance coverage up to $250 million with respect to risks associated with the operation of the blood system. CBSE provides risk coverage in the amount of $750 million in excess to the $250 million from CBSI. As a result, the Corporation has $1.0 billion coverage. CBSI was incorporated on September 15, 1998 at the time the Corporation was created. CBSE was incorporated on May 4, 2006 and commenced operation on September 28, 2006.

To support the excess insurance policy, CBSE has entered into an arrangement whereby the Members have provided to it pro rata indemnities which aggregate to the amount of $750 million being provided by CBSE as insurance to the Corporation. No payment would be made until the primary policy from CBSI has been exhausted. In prior years, the additional coverage of $750 million had been arranged through the reinsurance markets. The creation of CBSE has eliminated the need for reinsurance premiums of approximately $12 million annually.

For the year ending March 31, 2007, the Excess of Revenues over Expenses for the captive insurance companies was $10.7 million ($4.7 million – 2006). This amount is explained by the change in provision for future claims expense, which is an actuarially-based estimate of the cost of settling claims relating to insured events (both reported and unreported) that occurred before or on March 31, 2007. Given that the provision covers the manifestation of blood diseases which are inherently difficult to assess and quantify, the actuaries provide a range for the provision. As of March 31, 2007, the range was defined with an upper boundary of $231.1 million, a lower boundary of $182.3 million, and an expected value of $200.2 million. On March 31, 2006, the provision stood at $198.2 million. The increase of $2.0 million in the provision which appears on the statement of operation brings the provision from $198.2 million on March 31, 2006 to $200.2 million on March 31, 2007.

The result of captive insurance operations is primarily dependant on the difference between investment income and annual increases in the provision for future claims in CBSI. The Corporation estimates net losses of $11.0 million in 2007/2008 and $10.7 million in 2008/2009 for the insurance companies. These losses are expected to be followed by annual gains in the range of $11.0 million for 2009/2010 and beyond. These estimates are based on investment income assumptions in the range of 5% and a provision for future claims expense rising to a maximum of $250 million by 2009/2010.

**Pension plans**

The Corporation sponsors a defined contribution and two defined benefit pension plans. In a defined contribution plan, the employer's and employee's share of the contributions is invested in each member's investment account. The member's future pension will be derived from the accumulated amounts in this investment account. There is no promise of a future benefit and as a result there is no pension obligation that may give rise to a liability for the Corporation. In a defined benefit plan, the future pension benefits are predetermined based on years of service and level of income. These future benefits represent an obligation for the Corporation. The employer's and employee's share of contributions are pooled, invested and professionally managed in accordance with the investment policies of the pension plans. The plan assets offset the future benefit obligation.

Information about the defined benefit plans are combined and summarized in Note 11a to the consolidated financial statements. Based on actuarially based assumptions, the funded status of the plans for accounting purposes is a $6.0 million deficit in 2007 ($11.0 million deficit – 2006). There is an accrued benefit liability of $0.9 million ($2.0 million – 2006) in the Corporation's statement of
Financial report

The difference between the accrued benefit liability of $0.9 million ($2.0 million – 2006) and the actuarially determined fund deficit of $6.0 million ($11.0 million – 2006) principally comprises experience losses. The losses represent the differences between actual results in the fund and estimated results used for accounting purposes.

The defined benefit plans are also evaluated based on actuarially based assumptions for funding purposes that have indicated a surplus of $11.1 million ($4.2 million – 2006). The valuations for funding and accounting purposes are prepared at different points in time using different assumptions. The most notable difference is that the discount rate used in the valuation for accounting purposes is more conservative, resulting in a higher liability. The conclusion is that both valuation methods indicate that the status of the defined benefit pension plans is improving over prior years.

Canadian Blood Services Foundation

Canadian Blood Services Foundation (the Foundation) was established to raise, receive, maintain and manage funds to be distributed towards research and development as well as special projects. After considering a number of options, a decision was made that effective April 1, 2007, the fundraising activities of the Foundation would be transferred back to the Corporation. In 2006/2007, the receivable of $1.8 million from the Foundation was forgiven and $454,000 in accumulated donations were restricted and transferred to the Corporation. The Corporation will assume the responsibility to raise funds and issue charitable receipts for donations.

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 Corporation. The following are some of the functions included in the Committee’s terms of reference:
- Oversee the integrity of Canadian Blood Services’ financial affairs, financial disclosure obligations and financial systems, policies and procedures.
- Oversee the development and review of an appropriate budget 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.
- Approve the audit plan, receive and review reports for the internal audit function.

All members of the committee are financially literate and at least one member, John Dawson, is a chartered accountant with 29 years of audit experience as a partner in a national accounting firm. The Chairperson of the Board is an ex-officio voting member of the Committee.
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

June 1, 2007
Auditors’ report

to the Members

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2007 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, 2007 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, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada
June 1, 2007
## Consolidated statement of Financial position

As at March 31, 2007, with comparative figures for 2006  *(In thousands of dollars)*

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (note 3)</td>
<td>$142,961</td>
<td>$151,132</td>
</tr>
<tr>
<td>Members’ contributions receivable</td>
<td>1,826</td>
<td>2,991</td>
</tr>
<tr>
<td>Other amounts receivable</td>
<td>10,385</td>
<td>12,259</td>
</tr>
<tr>
<td>Inventory</td>
<td>90,831</td>
<td>71,768</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>7,455</td>
<td>12,615</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>253,458</td>
<td>250,765</td>
</tr>
<tr>
<td><strong>Investments, captive insurance operations (note 4)</strong></td>
<td>250,953</td>
<td>239,393</td>
</tr>
<tr>
<td><strong>Capital assets (note 5):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, buildings, software and equipment</td>
<td>148,787</td>
<td>152,713</td>
</tr>
<tr>
<td>Right to the blood supply system</td>
<td>27,223</td>
<td>28,603</td>
</tr>
<tr>
<td><strong>Total Capital Assets</strong></td>
<td>176,510</td>
<td>181,316</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$680,921</strong></td>
<td><strong>$671,474</strong></td>
</tr>
</tbody>
</table>

### Liabilities, Deferred Contributions and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$101,158</td>
<td>$109,418</td>
</tr>
<tr>
<td>Current portion of obligation under capital lease (note 6)</td>
<td>184</td>
<td>346</td>
</tr>
<tr>
<td>Current portion of long-term debt (note 7)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>102,342</td>
<td>110,764</td>
</tr>
<tr>
<td><strong>Provision for future insurance claims (note 13)</strong></td>
<td>200,225</td>
<td>198,214</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation under capital lease (note 6)</td>
<td>-</td>
<td>183</td>
</tr>
<tr>
<td>Long-term debt (note 7)</td>
<td>16,000</td>
<td>17,000</td>
</tr>
<tr>
<td><strong>Total Long-term Liabilities</strong></td>
<td>16,000</td>
<td>17,183</td>
</tr>
<tr>
<td><strong>Deferred contributions (note 8):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses of future periods</td>
<td>130,413</td>
<td>118,801</td>
</tr>
<tr>
<td>Capital assets</td>
<td>150,541</td>
<td>154,186</td>
</tr>
<tr>
<td>Captive insurance</td>
<td>20</td>
<td>7,397</td>
</tr>
<tr>
<td><strong>Total Deferred Contributions</strong></td>
<td>280,974</td>
<td>280,384</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>9,704</td>
<td>9,704</td>
</tr>
<tr>
<td>Restricted for captive insurance purposes (note 9)</td>
<td>54,781</td>
<td>43,732</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>16,895</td>
<td>11,493</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>$680,921</strong></td>
<td><strong>$671,474</strong></td>
</tr>
</tbody>
</table>

**Guarantees and contingencies (note 15)**

**Commitments (note 14 and 16)**

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See accompanying notes to consolidated financial statements.

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On behalf of the Board:

Verna M. Skanes  
Director and Chair

W. John Dawson  
Director
### Consolidated statement of Operations

Year ended March 31, 2007, with comparative figures for 2006  
*(In thousands of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>Canadian Blood Services</th>
<th>Captive Insurance</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members contributions</td>
<td>$846,990</td>
<td>$811,740</td>
<td>-</td>
</tr>
<tr>
<td>Less amounts deferred</td>
<td>(23,016)</td>
<td>(21,133)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$823,974</td>
<td>790,607</td>
<td>-</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in provision for future insurance claims</td>
<td>-</td>
<td>-</td>
<td>2,011</td>
</tr>
<tr>
<td>Cost of plasma protein products</td>
<td>395,502</td>
<td>379,931</td>
<td>-</td>
</tr>
<tr>
<td>Staff costs</td>
<td>256,565</td>
<td>243,768</td>
<td>-</td>
</tr>
<tr>
<td>General and administrative</td>
<td>107,504</td>
<td>96,089</td>
<td>809</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>64,548</td>
<td>85,778</td>
<td>-</td>
</tr>
<tr>
<td>Amortization</td>
<td>18,244</td>
<td>17,631</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>862,363</td>
<td>823,197</td>
<td>2,820</td>
</tr>
<tr>
<td><strong>Excess of revenues over expenses</strong></td>
<td>$5,402</td>
<td>$2,211</td>
<td>$10,656</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

### Consolidated statement of Changes in net assets

Year ended March 31, 2007, with comparative figures for 2006  
*(In thousands of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>Invested in capital assets</th>
<th>Restricted for captive insurance</th>
<th>Unrestricted</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$9,704</td>
<td>$43,732</td>
<td>$11,493</td>
<td>$64,929</td>
<td>$58,059</td>
</tr>
<tr>
<td>Excess of revenues over expenses</td>
<td>-</td>
<td>10,656</td>
<td>5,402</td>
<td>16,058</td>
<td>6,870</td>
</tr>
<tr>
<td>Restricted capital contributions</td>
<td>-</td>
<td>393</td>
<td>-</td>
<td>393</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>$9,704</td>
<td>$54,781</td>
<td>$16,895</td>
<td>$81,380</td>
<td>$64,929</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## Consolidated statement of Cash flows

Year ended March 31, 2007, with comparative figures for 2006  
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Operating activities:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses</td>
<td>$16,058</td>
<td>$6,870</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>18,244</td>
<td>17,631</td>
</tr>
<tr>
<td>Amortization of deferred contributions</td>
<td>(27,429)</td>
<td>(24,124)</td>
</tr>
<tr>
<td>Loss on sale of capital assets</td>
<td>404</td>
<td>40</td>
</tr>
<tr>
<td>Provision for future insurance claims</td>
<td>2,011</td>
<td>24,126</td>
</tr>
<tr>
<td><strong>Total Operating activities</strong></td>
<td>9,288</td>
<td>24,543</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items not involving cash and cash equivalents:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in Members’ contributions receivable</td>
<td>1,165</td>
<td>990</td>
</tr>
<tr>
<td>Decrease (increase) in other amounts receivable</td>
<td>1,874</td>
<td>(2,313)</td>
</tr>
<tr>
<td>Decrease (increase) in inventory</td>
<td>(19,063)</td>
<td>5,307</td>
</tr>
<tr>
<td>Decrease in prepaid expenses</td>
<td>5,160</td>
<td>1,840</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued liabilities</td>
<td>(8,232)</td>
<td>15,424</td>
</tr>
<tr>
<td>Increase (decrease) in deferred contributions of future periods</td>
<td>20,172</td>
<td>(183)</td>
</tr>
<tr>
<td>Decrease in deferred contributions related to captive insurance</td>
<td>(7,377)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Items not involving cash and cash equivalents</strong></td>
<td>2,987</td>
<td>45,628</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing and investing activities:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in investments, net</td>
<td>(11,560)</td>
<td>(31,520)</td>
</tr>
<tr>
<td>Insurance captive capital contributions</td>
<td>393</td>
<td>-</td>
</tr>
<tr>
<td>Increase in deferred contributions related to capital assets</td>
<td>15,226</td>
<td>22,226</td>
</tr>
<tr>
<td>Proceeds on sale of capital assets</td>
<td>125</td>
<td>38</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(13,992)</td>
<td>(20,242)</td>
</tr>
<tr>
<td>Repayment of obligation under capital lease</td>
<td>(3,500)</td>
<td>(322)</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td><strong>Total Financing and investing activities</strong></td>
<td>(11,158)</td>
<td>(30,820)</td>
</tr>
</tbody>
</table>

| Increase (decrease) in cash and cash equivalents | (8,171) | 14,808 |
|Cash and cash equivalents, beginning of year | 151,132 | 136,324 |
|Cash and cash equivalents, end of year (note 3) | $142,961 | $151,132 |

See accompanying notes to consolidated financial statements.
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

1. Nature of the organization and operations

Canadian Blood Services/Société canadienne du sang (the Corporation) owns and operates the national blood supply system for Canada, except Québec, and is responsible for the collection, testing, processing and distribution of blood and blood products, as well as the recruitment and management of blood donors.

The Corporation 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 the Corporation, the Ministers of Health of the Provinces and Territories of Canada except Québec, provide contributions to fund the operation of the blood supply system. The Corporation 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.

The Corporation has established two wholly-owned captive insurance corporations: CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/Compagnie D’Assurance Captive De La Société Canadienne Du Sang Limitée (CBSE). CBSI was incorporated under the laws of Bermuda on September 15, 1998 and is licensed as a Class 3 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 registered under the Insurance (Captive Company) Act of British Columbia (the Act) and commenced business on September 28, 2006 (note 13).

On November 7, 2002, the Canadian Blood Services Foundation/Fondation de la Société canadienne du sang (the Foundation) was created as a not-for-profit entity (note 18). The Foundation ceased operations on March 31, 2007. Effective April 1, 2007 all fundraising activities carried out by the Foundation will be transferred back to the Corporation.

2. Significant accounting policies

(a) Financial statement presentation

The consolidated financial statements of the Corporation include the results of operations of the blood system and the accounts of the Corporation’s wholly-owned insurance Corporations. Significant inter-company transactions have been eliminated.

Certain comparative figures have been reclassified to conform to the presentation adopted for 2007, including the effect of separately disclosing the components of captive insurance operations, previously included on a net basis in the consolidated statements of operations and changes in net assets.

The portion of contributions received that relates to future operations is included in deferred contributions on the consolidated statement of financial position.

In accordance with not-for-profit accounting standards, the Corporation does not consolidate the results of the Foundation, a controlled entity (note 18).
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

2. Significant accounting policies (continued)

(b) Use of estimates
The preparation of 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 may also affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant estimates include assumptions used in estimating the current year’s expense for pension and other post-employment benefits, and the provision for future insurance claims, which are described in more detail in notes 11 and 13, respectively.

(c) Revenue recognition
The Corporation follows the deferral method of accounting for contributions.

Operating 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 and 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.

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

(d) 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.

(e) Investments
Investments in marketable fixed-interest securities are carried at amortized cost. Investments in marketable equity securities are carried at cost. Where a decline in value of marketable securities is considered to be other than temporary, the carrying value is reduced.

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.

Short-term investments, consisting of certificates of deposit and commercial paper, are carried at fair value. Any appreciation in value is recorded as interest income. Dividends are recorded as income when declared.
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

2. Significant accounting policies (continued)

(f) Inventory
Inventory consists of plasma protein products, blood products and supplies related to the collection of blood. Plasma protein product inventory is recorded at average cost and is charged to expense upon distribution to hospitals; supplies are recorded at average cost and charged to expense on usage.

(g) 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.

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

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>8 years</td>
</tr>
<tr>
<td>Furniture and office equipment</td>
<td>10 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>8 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>2 to 5 years</td>
</tr>
</tbody>
</table>

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.

(h) Asset retirement obligations
The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjustment risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in operations as an expense using the interest method. Changes in the obligation due to changes in the estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.
Notes to the
Consolidated financial statements
Year ended March 31, 2007 (In thousands of dollars)

2. Significant accounting policies (continued)

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

(j) Employee future benefits
The Corporation sponsors two defined benefit plans and 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, 2004 and January 1, 2005. The next required valuations will be as of December 31, 2007 and January 1, 2008 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, those assets 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 per cent 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 (2006 – 10 years) and 11 years (2006 – 11 years) for the two defined benefit plans, and 8 to 14 years (2006 – 12 - 16 years) for the other retirement and post-employment benefits.

• Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

• On April 1, 2000, the Corporation adopted the accounting standard on employee future benefits using the prospective application method. The Corporation is amortizing the transitional pension obligation or asset on a straight-line basis over 10 and 13 years for the two defined benefit plans,
2. Significant accounting policies (continued)

(j) Employee future benefits (continued)

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.

(k) Derivative financial instruments

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 trading or speculative purposes.

When the Corporation utilizes derivatives in hedge accounting relationships, such as for its interest rate swap contract (note 7), 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 consolidated statement of financial position. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether or not 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 and the gains or losses are included in earnings. As at March 31, 2007, all outstanding forward foreign exchange contracts were reported on a mark-to-market basis, and the gains or losses were included in earnings. The Corporation elected not to follow hedge accounting for these derivatives (note 14).

(l) Future accounting changes

The Canadian Institute of Chartered Accountants has issued accounting recommendations related to financial instruments that will come into effect for the Corporation's fiscal 2008 financial statements. In particular, Section 3855, Financial Instruments – Recognition and Measurement, sets out criteria for the recognition, measurement and classification of financial instruments. The Corporation will be required to categorize its financial assets as held for trading, held-to-maturity, available-for-sale, or as loans and receivables. The related accounting treatment will be dependent on the classification. Financial assets categorized as held for trading or available-for-sale are to be measured at fair value, while financial assets held-to-maturity, loans and receivables are measured at amortized cost.

3. Cash and cash equivalents

Cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits (i.e., bankers’ acceptances (BA) and commercial paper) with an original maturity of 90 days or less.

Cash and cash equivalents include $1,627 (2006 - $916) that is restricted for captive insurance operations.
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:

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2007 Amortized cost</th>
<th>2007 Fair value</th>
<th>2006 Amortized cost</th>
<th>2006 Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term notes</td>
<td>$5,492</td>
<td>$5,509</td>
<td>$3,973</td>
<td>$3,977</td>
</tr>
<tr>
<td>Fixed interest securities</td>
<td>210,916</td>
<td>215,217</td>
<td>198,778</td>
<td>199,578</td>
</tr>
<tr>
<td>Equity securities</td>
<td>34,545</td>
<td>52,739</td>
<td>36,642</td>
<td>52,723</td>
</tr>
<tr>
<td></td>
<td>$250,953</td>
<td>$273,465</td>
<td>$239,393</td>
<td>$256,278</td>
</tr>
</tbody>
</table>

The fixed interest securities have contractual maturities from 5 to 10 years at rates ranging from approximately 3.4% to 11% (2006 - 3.6% to 11%).

5. Capital assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$105,433</td>
<td>$19,037</td>
<td>$86,396</td>
<td>$87,306</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>57,323</td>
<td>31,716</td>
<td>25,607</td>
<td>25,927</td>
</tr>
<tr>
<td>Land</td>
<td>9,704</td>
<td>-</td>
<td>9,704</td>
<td>9,704</td>
</tr>
<tr>
<td>Furniture and office equipment</td>
<td>15,606</td>
<td>8,280</td>
<td>7,326</td>
<td>6,856</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>13,474</td>
<td>7,344</td>
<td>6,130</td>
<td>6,651</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>29,229</td>
<td>23,625</td>
<td>5,604</td>
<td>5,986</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>9,782</td>
<td>5,499</td>
<td>4,283</td>
<td>4,794</td>
</tr>
<tr>
<td>Computer software</td>
<td>19,174</td>
<td>16,381</td>
<td>2,793</td>
<td>3,993</td>
</tr>
<tr>
<td>Furniture and office equipment</td>
<td>1,535</td>
<td>1,345</td>
<td>190</td>
<td>507</td>
</tr>
<tr>
<td>under capital lease</td>
<td>754</td>
<td>-</td>
<td>754</td>
<td>989</td>
</tr>
<tr>
<td>Assets under construction</td>
<td>262,014</td>
<td>113,227</td>
<td>148,787</td>
<td>152,713</td>
</tr>
<tr>
<td>Right to the blood supply system</td>
<td>35,203</td>
<td>7,480</td>
<td>27,723</td>
<td>28,603</td>
</tr>
<tr>
<td>Total</td>
<td>$297,217</td>
<td>$120,707</td>
<td>$176,510</td>
<td>$181,316</td>
</tr>
</tbody>
</table>

During the year, capital assets were acquired at an aggregate cost of $14,067 (2006 - $20,916), of which $5 (2006 - $15) were acquired by means of capital lease. Cash payments of $13,992 (2006 - $20,242) were made to purchase capital assets.

Cost and accumulated amortization at March 31, 2006 amounted to $285,110 and $103,794 respectively.
6. Obligations under capital lease

The following is a schedule of minimum lease payments under fixed rate capital leases expiring October 31, 2007, together with the balance of the obligations:

<table>
<thead>
<tr>
<th>Year ended March 31:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>189</td>
<td>188</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>5</td>
<td>35</td>
</tr>
<tr>
<td>Current portion of obligations under capital lease</td>
<td>184</td>
<td>529</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>-</td>
</tr>
</tbody>
</table>

7. Credit facilities

(a) Long-term debt

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

<table>
<thead>
<tr>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>A collateral mortgage agreement bearing interest at BA plus 0.33%, requiring minimum annual principal repayments of $1,000 with the balance due in 2010, secured by the WBTSC.</td>
<td>$ 17,000</td>
</tr>
<tr>
<td>Less current portion</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>$ 16,000</td>
</tr>
</tbody>
</table>

As at March 31, 2007, 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 over the full term of the loan. The difference between the swap rate and the actual rate is recognized as an adjustment to interest expense on long-term debt.

(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, 2007, no amounts had been borrowed under these facilities.
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

7. Credit facilities (continued)

(c) Letter of credit
During the year, the Corporation retired a stand-by letter of credit facility which was previously established to meet certain regulatory capital requirements related to one of its captive insurance subsidiaries (2006 - $50,000).

8. Deferred contributions

(a) Expenses of future periods
Deferred contributions represent externally restricted contributions to fund expenses of future periods.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$118,801</td>
<td>$125,380</td>
</tr>
<tr>
<td>Increase (decrease) in amounts received related to future periods</td>
<td>20,190</td>
<td>(128)</td>
</tr>
<tr>
<td>Less amounts recognized as revenue in the year</td>
<td>(8,559)</td>
<td>(6,416)</td>
</tr>
<tr>
<td>Less capital assets purchased from deferred contributions</td>
<td>(251)</td>
<td>(203)</td>
</tr>
<tr>
<td>Add income earned on resources restricted for transition</td>
<td>232</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$130,413</td>
<td>$118,801</td>
</tr>
</tbody>
</table>

The capital assets purchased represent capital assets purchased with contributions that were deferred at March 31, 2006.

(b) Capital assets
Funds received to purchase capital assets are recorded as deferred revenues – capital assets on the consolidated statement of financial position. They are amortized to revenue in the consolidated statement of operations at the same rate as capital assets are amortized to expense.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$154,186</td>
<td>$149,668</td>
</tr>
<tr>
<td>Capital assets purchased</td>
<td>13,901</td>
<td>20,916</td>
</tr>
<tr>
<td>Capital funding received for repayment of WBTSC loan</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Capital funding received for leased assets</td>
<td>324</td>
<td>310</td>
</tr>
<tr>
<td>Less capital assets sold</td>
<td>(626)</td>
<td>(77)</td>
</tr>
<tr>
<td>Less amounts amortized to revenue</td>
<td>(18,244)</td>
<td>(17,631)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$150,541</td>
<td>$154,186</td>
</tr>
</tbody>
</table>

Included in capital assets purchased of $13,901 (2006 - $20,916) is $251 (2006 - $203) of capital assets that were purchased using contributions deferred for expenses of future periods at March 31, 2006. Also included in the balance is $909 (2006 - $1,069) restricted for future capital asset purchases related to the WBTSC.
8. Deferred contributions (continued)

(c) Captive insurance
Deferred contributions represent externally restricted contributions to fund future operations of CBSI and CBSE.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$ 7,397</td>
<td>$ 7,397</td>
</tr>
<tr>
<td>Comprehensive blood risk contributions</td>
<td>90</td>
<td>15,000</td>
</tr>
<tr>
<td>Other insurance risk contributions</td>
<td>474</td>
<td>490</td>
</tr>
<tr>
<td>Less amounts amortized to revenue (note 13)</td>
<td>(7,941)</td>
<td>(15,490)</td>
</tr>
<tr>
<td></td>
<td>$ 20</td>
<td>$ 7,397</td>
</tr>
</tbody>
</table>

9. Net assets

All of the 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 blood system.

Investment income earned on the assets restricted for insurance captive purposes is also externally restricted for these purposes (note 13).

10. Investment income

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income earned on unrestricted funds</td>
<td>$ 6,569</td>
<td>$ 4,176</td>
</tr>
<tr>
<td>Income earned on resources restricted for captive insurance</td>
<td>11,328</td>
<td>25,997</td>
</tr>
<tr>
<td>Income earned on resources restricted for transition</td>
<td>232</td>
<td>168</td>
</tr>
<tr>
<td></td>
<td>18,129</td>
<td>30,341</td>
</tr>
<tr>
<td>Less amounts deferred</td>
<td>(232)</td>
<td>(168)</td>
</tr>
<tr>
<td></td>
<td>$ 17,897</td>
<td>$ 30,173</td>
</tr>
</tbody>
</table>
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

11. Employee benefits

The Corporation sponsors two defined benefit pension plans and 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:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation</td>
<td>$ 139,987</td>
<td>$ 123,556</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>134,003</td>
<td>112,565</td>
</tr>
<tr>
<td>Funded status - deficit</td>
<td>(5,984)</td>
<td>(10,991)</td>
</tr>
<tr>
<td>Balance of unamortized amounts</td>
<td>5,117</td>
<td>8,959</td>
</tr>
<tr>
<td>Accrued benefit liability</td>
<td>$(867)</td>
<td>$(2,032)</td>
</tr>
</tbody>
</table>

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 62% and 60% (2006 - 64% and 65%); debt securities 38% and 33% (2006 - 36% and 34%); and other 0% and 7% (2006 - 0% and 2%).

The difference between the accrued benefit liability of $867 (2006 - $2,032) recorded on the Corporation’s consolidated statement of financial position and the actuarially determined fund deficit of $5,984 (2006 - $10,991) 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.

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>5.25%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Benefit cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>5.25%</td>
<td>5.75% - 6.00%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
</tbody>
</table>
Notes to the
Consolidated financial statements
Year ended March 31, 2007  (In thousands of dollars)

11. Employee benefits (continued)

(a) Defined benefit plans (continued)
Other information about the Corporation's defined benefit plans are combined and summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contributions</td>
<td>$ 8,415</td>
<td>$ 6,252</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>4,657</td>
<td>4,375</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>3,825</td>
<td>3,449</td>
</tr>
</tbody>
</table>

(b) Pension plan expense
The net expense for the Corporation's pension plans are combined and summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit plans</td>
<td>$ 7,251</td>
<td>$ 6,733</td>
</tr>
<tr>
<td>Defined contribution plan</td>
<td>4,756</td>
<td>4,783</td>
</tr>
<tr>
<td></td>
<td>$ 12,007</td>
<td>$ 11,516</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation</td>
<td>$ 15,499</td>
<td>$ 18,111</td>
</tr>
<tr>
<td>Accrued benefit liability</td>
<td>(14,104)</td>
<td>(12,360)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>329</td>
<td>215</td>
</tr>
<tr>
<td>Net expense</td>
<td>2,073</td>
<td>2,449</td>
</tr>
</tbody>
</table>

Included in the above-noted benefit obligation is $3,291 (2006 - $3,823), 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:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>5.00% - 5.25%</td>
<td>5.00% - 5.50%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Benefit cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>5.00% - 5.50%</td>
<td>5.25% - 6.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.25%</td>
<td>5.70%</td>
</tr>
</tbody>
</table>

Hospital costs – 7.5% per annum, with ultimate rate of 4.5% reached in 2013, starting in 2007; Drug costs – 8.33% per annum, with ultimate rate of 5.0% reached in 2013, starting in 2007; Other health costs – 4.0% per annum.
## 12. Canadian Blood Services revenues and expenditures detail

<table>
<thead>
<tr>
<th></th>
<th>Plasma Protein Product Program</th>
<th>Blood Operations</th>
<th>Patient Services</th>
<th>UBMDR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members contributions</td>
<td>$ 404,081</td>
<td>$ 387,108</td>
<td>$ 421,327</td>
<td>$ 404,300</td>
<td>$ 14,371</td>
</tr>
<tr>
<td>Less deferred amounts</td>
<td>-</td>
<td>-</td>
<td>(22,333)</td>
<td>(20,525)</td>
<td>(682)</td>
</tr>
<tr>
<td></td>
<td>404,081</td>
<td>387,108</td>
<td>398,904</td>
<td>383,775</td>
<td>13,689</td>
</tr>
<tr>
<td>Amortization of previously deferred contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relating to capital assets</td>
<td>-</td>
<td>-</td>
<td>18,870</td>
<td>17,708</td>
<td>-</td>
</tr>
<tr>
<td>Relating to operations</td>
<td>-</td>
<td>-</td>
<td>8,559</td>
<td>6,416</td>
<td>-</td>
</tr>
<tr>
<td>Total contributions recognized as revenue</td>
<td>404,081</td>
<td>387,108</td>
<td>426,333</td>
<td>407,899</td>
<td>13,689</td>
</tr>
<tr>
<td><strong>Other revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UBMDR international revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income (note 10)</td>
<td>-</td>
<td>-</td>
<td>6,569</td>
<td>4,176</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>404,081</td>
<td>387,108</td>
<td>434,995</td>
<td>412,457</td>
<td>13,689</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of plasma protein products</td>
<td>395,502</td>
<td>379,931</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staff costs</td>
<td>1,703</td>
<td>1,570</td>
<td>241,376</td>
<td>229,407</td>
<td>10,266</td>
</tr>
<tr>
<td>General and administrative</td>
<td>5,876</td>
<td>4,608</td>
<td>90,837</td>
<td>80,811</td>
<td>1,177</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>1,000</td>
<td>999</td>
<td>80,299</td>
<td>81,516</td>
<td>2,246</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>-</td>
<td>18,244</td>
<td>17,631</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>404,081</td>
<td>387,108</td>
<td>430,756</td>
<td>409,365</td>
<td>13,689</td>
</tr>
<tr>
<td><strong>Excess of revenues over expenses</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ 4,239</td>
<td>$ 3,092</td>
<td>$ - (594)</td>
</tr>
</tbody>
</table>
13. Insurance

The Corporation has established two wholly-owned captive insurance Corporations, CBS Insurance Corporation Limited (CBSI) and Canadian Blood Services Captive Insurance Company (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. Previously, the additional coverage of $750,000 had been arranged through reinsurance markets on an 84.5% quota share basis. As a result, the Corporation had retained 15.5% of the insurance risk associated with the additional coverage.

To meet certain regulatory capital requirements related to CBSI, the Corporation had established a committed, stand-by letter of credit facility. During the year, the stand-by letter was retired (2006 - $50,000).

Insurance income includes the results of operations of two subsidiaries.

<table>
<thead>
<tr>
<th></th>
<th>CBSI</th>
<th>CBSE</th>
<th>Total</th>
<th>CBSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premium written and earned</td>
<td>$7,921</td>
<td>$40</td>
<td>$7,961</td>
<td>$15,490</td>
</tr>
<tr>
<td>Change in unearned premium</td>
<td>-</td>
<td>(20)</td>
<td>(20)</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance premiums ceded</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in prepaid reinsurance premium</td>
<td>(5,990)</td>
<td>-</td>
<td>(5,990)</td>
<td>-</td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>1,931</td>
<td>20</td>
<td>1,951</td>
<td>3,343</td>
</tr>
<tr>
<td>Investment income</td>
<td>11,325</td>
<td>3</td>
<td>11,328</td>
<td>25,997</td>
</tr>
<tr>
<td>Other income</td>
<td>197</td>
<td>-</td>
<td>197</td>
<td>322</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,453</strong></td>
<td><strong>23</strong></td>
<td><strong>13,476</strong></td>
<td><strong>29,662</strong></td>
</tr>
</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th></th>
<th>CBSI</th>
<th>CBSE</th>
<th>Total</th>
<th>CBSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in provision for future insurance claims</td>
<td>2,011</td>
<td>-</td>
<td>2,011</td>
<td>24,126</td>
</tr>
<tr>
<td>General and administrative</td>
<td>788</td>
<td>21</td>
<td>809</td>
<td>877</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,799</strong></td>
<td><strong>21</strong></td>
<td><strong>2,820</strong></td>
<td><strong>25,003</strong></td>
</tr>
</tbody>
</table>

Net insurance income: $10,654 $2 $10,656 $4,659

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, 2007.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability at March 31, 2007 of $200,225 (2006 - $198,214) 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.
14. Financial instruments

Risk-management activities
The Corporation has entered into interest rate swaps as described in note 7 to reduce its exposure to fluctuations in interest expense.

During the year, the Corporation entered into forward 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 its foreign exchange forward contracts as hedges of firm commitments or anticipated transactions in accordance with AcG-13 and accordingly did not use hedge accounting. As a result of this, the foreign exchange forward contracts are recorded on 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. At March 31, 2007, the Corporation had purchased contracts to buy US $56,000 over the next twelve months with an average exchange rate of 1.1546. The fair value of the foreign forward exchange contracts of $275 is reported on the statement of financial position in accounts payable and accrued liabilities.

Fair values
The carrying value of cash equivalents, Members’ contribution 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 long-term debt, as calculated by a financial institution, is unfavourable by $984 (2006 - unfavourable by $1,288).

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

The fair value of off balance sheet derivative instruments is provided by a financial institution and represents the amounts required to realize favourable contract or settle unfavourable contracts given current foreign exchange rates.

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.

15. 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.
15. Guarantees and contingencies (continued)

(a) Guarantees (continued)
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.

16. Commitments

At March 31, 2007, the Corporation had the following contractual commitments:

(a) Future minimum payments under operating leases of approximately $19,483 with payments in each of the next five years of: 2008 - $3,982; 2009 - $3,438; 2010 - $2,711; 2011 - $1,850; 2012 - $1,521; and thereafter $5,981.

(b) Research and development project grants of approximately $9,889.

17. Research and Development

For the year ended March 31, 2007, the Corporation incurred $9,121 of expenses related to research and development (2006 - $8,042). These costs are included within blood operations on the consolidated statement of operations.
Canadian Blood Services Foundation

The Foundation was established to raise, receive, maintain and manage funds to be distributed towards research and development and special projects to address priority needs of the Corporation. The Corporation exercises control over the Foundation by virtue of its ability to influence the Foundation’s strategic, operating, investing and financing policies. As of March 31, 2007, the balance owing to the Corporation by the Foundation of $1,771 was forgiven. Effective April 1, 2007, all fundraising activities carried out by the Foundation will be transferred back to the Corporation.

The assets, liabilities, and results of operation of the Foundation for the year ended March 31, are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$</td>
<td>$ 314</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$</td>
<td>$ 1,510</td>
</tr>
<tr>
<td>Total net asset deficiency</td>
<td>-</td>
<td>(1,196)</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$ 314</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results of operations:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$ 297</td>
<td>$ 310</td>
</tr>
<tr>
<td>Total expenses</td>
<td>872</td>
<td>777</td>
</tr>
<tr>
<td>Debt forgiveness</td>
<td>(1,771)</td>
<td>-</td>
</tr>
<tr>
<td>Surplus (deficiency) of revenue over expenses</td>
<td>1,196</td>
<td>(467)</td>
</tr>
<tr>
<td>Net asset deficiency, beginning of year</td>
<td>(1,196)</td>
<td>(729)</td>
</tr>
<tr>
<td>Net asset deficiency, end of year</td>
<td>$</td>
<td>$ (1,196)</td>
</tr>
</tbody>
</table>

19. Related party transactions

Members of the Corporation are the Ministers of Health within the provincial and territorial governments of Canada, except Quebec. 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.
# Advisory committees

(As of March 31, 2007)

## NATIONAL LIAISON COMMITTEE

**Co-chairs**  
James Kreppner  
Canadian Blood Services,  
Board of Directors  
Toronto, Ontario  
Gord Sanford  
Canadian Blood Services,  
Board of Directors  
Richmond Hill, Ontario

**Participants**  
David Allan, MD  
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  
Sam Krikler, MD  
British Columbia and Yukon Regional Liaison Committee  
Vancouver, British Columbia  
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  
Robin Moore-Orr, MD  
Anemia Institute for Research & Education  
Ottawa, Ontario  
Heather Muir  
Central Ontario Regional Liaison Committee  
Walkerston, Ontario  
Amalia Pempengco  
Prairies Regional Liaison Committee Representative  
Winnipeg, Manitoba  
François Perron  
Canadian Society of Clinical Perfusion  
North Vancouver, British Columbia  
Margaret Rogers  
Atlantic Regional Liaison Committee  
Fredericton, New Brunswick  
Lorna Stevens  
Neutropenia Support Association Inc.  
Winnipeg, Manitoba  
Guy Verne  
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

## REGIONAL LIAISON COMMITTEES

### British Columbia and Yukon

**Co-chairs**  
Ed Yee  
Regional Director  
Michael Whelan  
Recipient

**Participants**  
Anita Bilkey  
Project Save-A-Life  
Lisa Lockerby  
Recipient  
Heather Macintosh  
Canadian Forest Products Ltd.  
Matthew Hinshaw  
Donor  
Tony Niksic  
Canadian Hemophilia Society, Southern Alberta Region  
Agnes Popke  
Canadian Hemochromatosis Society  

### Alberta

**Co-chairs**  
Susan Matsumoto  
Regional Director  
Dave Duncan  
Donor

**Participants**  
Diana Carfantan  
Donor / Volunteer  
Janene Flath  
Recipient / Volunteer  
Matthew Hinshaw  
Donor / Volunteer  
Robin Hood  
Donor  
Angela Killam  
Deloitte  
Bobbi Klettke  
Public Affairs Officer - Capital Health  
Jeff McNabb  
Recipient / Volunteer  
Joe Michelsen  
Donor  
Darren Neuberger  
Recipient / Volunteer  
Tony Nilssic  
Canadian Hemophilia Society, Southern Alberta Region  
Tokie Onoda  
Donor  
Stephanie Perilli  
Ledoor Group of Companies  
Meghana Saincher  
Donor  
Sharon Schultz  
Volunteer  
Trevor Trinh  
Donor / Volunteer  
Norm Yee, MD  
Family Physician  

### Advisory committees

(As of March 31, 2007)

**Co-chairs**  
Susan Matsumoto  
Regional Director  
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Toronto, Ontario  
Heather Mingo  
Physicians and Nurses for Blood Conservation  
Halifax, Nova Scotia  
S/Sgt. Larry Misner  
Bruce Denniston Bone Marrow Society  
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Anemia Institute for Research & Education  
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Walkerston, Ontario  
Amalia Pempengco  
Prairies Regional Liaison Committee Representative  
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Canadian Society of Clinical Perfusion  
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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

### Canadian Blood Services A Report to Canadians 2006/2007

Canadian Blood Services

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Royal Canadian Mounted Police, Red Deer  
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Irene Freynet  
Volunteer

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Institute for Optimizing Health  
Outcomes - Anemia Institute for Research & Education  
Patient

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[Resigned this fiscal year]

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Cambridge, United Kingdom

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- Bone Marrow Transplant Coordinator, Ottawa Hospital, General Campus
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- Tom Neville, MD, FRCP
- Bone Marrow Transplant Physician, Vancouver Hospital, Health Sciences Center
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- Diane Roy, RN
- Bone Marrow Transplant Coordinator, Héma-Québec
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- Sofia Tavoularis, MD, PhD
- Director, H&A Laboratory, Canadian Blood Services
- Ottawa, Ontario

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- John Doyle, MD, FRCP, FAAP
- Bone Marrow Transplant Unit Director, Toronto Hospital for Sick Children
- Toronto, Ontario
- Lothar Heubusch, MD, B.Sc., FRCP(C)
- Bone Marrow Transplant Unit Director, Ottawa Hospital, General Campus
- Ottawa, Ontario
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- Bone Marrow Transplant Physician, Princess Margaret Hospital
- Toronto, Ontario
- Sheryl McDermid, RN, BScN, MED, MBA, ACNP, AOCN
- Bone Marrow Transplant Coordinator, Ottawa Hospital, General Campus
- Ottawa, Ontario
- Tom Neville, MD, FRCP
- Bone Marrow Transplant Physician, Vancouver Hospital, Health Sciences Center
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- Diane Roy, RN
- Bone Marrow Transplant Coordinator, Héma-Québec
- Montréal, Québec
- Sofia Tavoularis, MD, PhD
- Director, H&A Laboratory, Canadian Blood Services
- Ottawa, Ontario
Corporate members

(As of March 31, 2007)

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Government of Saskatchewan

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Minister of Health and Community Services
Government of Newfoundland and Labrador
Good governance is an essential aspect of our commitment to Canadians. This has been demonstrated through the application of the mission, vision and values of Canadian Blood Services and through the ethical standards and practices pursued at all levels across the organization.

With respect to the Board of Directors, governance strength is reflected through the independence of the Board, with all voting members and committees being independent of the management of the organization. This independence from management is reinforced through the practice of having the Board meet without management as part of every Board meeting. Through the active efforts of the Chair of the Board, the Board works with management to ensure that policies and standards are developed, implemented and monitored.

The Board continually reviews its governance practices and standards to support a culture of responsibility and accountability. The Board also continually improves its governance responsibilities through focused discussions on governance and the pursuit of improved processes for disclosure and decision-making. These efforts include a review of the skill sets on the Board; the continuous development of Board committees; and the ongoing review of Board practices, including the application of the Balanced Scorecard methodology to promote better links with management’s strategic planning efforts.

The Board of Directors, both directly and through its committees, supervises Canadian Blood Service’s management of its business and affairs. Each Board committee meets regularly and works within a Terms of Reference to examine key issues in detail, and provides detailed reports to the Board. The Board committees include: (i) Finance and Audit, (ii) Safety, Science and Ethics, (iii) Human Resources, (iv) Planning and Priorities Committee, and (v) National Liaison.

Canadian Blood Services continues to pursue open and transparent practices by both the Board and management. This governance disclosure practice is demonstrated through regular Board meetings that are open to the public, as well as public access to information via our Web site (www.blood.ca) of the following materials:

• charter documents;
• mission, vision and value statements;
• ethical code of conduct;
• descriptions of various governance structures;
• full disclosure of regulatory audits; and
• public posting of minutes of Board of Directors’ meetings.
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Human Resources Committee  
Planning and Priorities Committee  
Safety, Science and Ethics Committee

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Canadian Blood Services recruits blood donors, collects blood, tests each unit of blood collected for a variety of transmissible disease markers, manufactures it into its components and derivative products, and distributes to hospitals. We oversee scientific investigations to make sure Canada is at the international forefront of blood safety research. And we also help educate health professionals and the public to make sure we all use our precious blood supply wisely. Managing the UBMDR, Canadian Blood Services processes search requests from Canadian Transplant Centres and facilitates searches of other international registries on behalf of Canadian patients. Canadian Blood Services ships approximately 150,000 litres of plasma to a commercial fractionator in the United States where it is processed into specialized proteins for therapeutic use. Also, we purchase additional commercial plasma protein products to meet patient needs.

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 Inspectorate is responsible for regulating the blood system.

Canadian Blood Services has established a wholly owned captive insurance corporation, CBS Insurance Company Limited, to provide insurance coverage up to $250 million with respect to risks associated with the operation of the blood system. Additional coverage of $750 million has been arranged through a new wholly owned captive insurance corporation domiciled in British Columbia, Canadian Blood Services Captive Insurance Company, that holds promissory notes from each Corporate Member.

IN GRATITUDE

Sincere gratitude is extended to the following organizations for their participation in this year’s annual report: Etobicoke Collegiate Institute, Toronto, Ontario; Ottawa 67’s Hockey Club, Ottawa, Ontario; and South Shore Regional Hospital in Bridgewater, Nova Scotia.

The support and cooperation of Canadian Blood Services employees in Calgary, Edmonton, Halifax, London, Ottawa, and Toronto, is also greatly appreciated.

www.blood.ca
Toll-free
1 888 2 DONATE
(1-888-236-6283)
Cirrus, pictured at 10 months, exemplifies Canadian Blood Services’ communities pulling together to save a life. Minutes after he was born, his parents were shocked to see him black and blue, from head to toe, with hospital staff working frantically to save him. Doctors could not assure Cirrus’ parents that he would make it through his first night.

He had a platelet condition which caused him to bleed internally at birth. Cirrus needed immediate transfusions of a rare platelet type—so rare, that only eight donors with this type of platelet were registered with Canadian Blood Services. Cirrus received his first transfusion twenty-four hours after his birth, from a donor in Vancouver. He continued to receive transfusions for the next six weeks, from the eight donors who lived across the country, including one from his home town of Halifax—making Cirrus a truly full-blooded Canadian.