

DEFINED CONTRIBUTION PENSION PLAN COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The statements have been reviewed by our external auditor, KPMG LLP, whose report to members is included with the statements.

While members receive quarterly communications concerning their individual investment account through the administrator, Morneau Sobeco, the financial statements present the results of the Plan as a whole. Legislation under the Pension Benefits Act requires the employer to file these statements annually with the Financial Services Commission of Ontario. Audited financial statements are available for review on the Plan's website by year, starting with 2005.

GOVERNANCE

The Plan is administered by Canadian Blood Services. An Advisory Committee (the "Committee") assists Canadian Blood Services by monitoring investment performance and plan administration, and by making recommendations for any changes in the fund manager(s) involved in the investment of the funds. The Committee consists of six representatives appointed by Canadian Blood Services. These representatives include individuals nominated by the unions who represent employees who participate in the Plan. The number of union representatives is in proportion to the number of Plan members represented by the unions, to a maximum of three representatives.

The Committee normally meets twice a year, in the spring and fall.

At each meeting, the Committee reviews investment performance against benchmarks established in the Statement of Investment Policies & Procedures.

The role of the Committee includes:

- Determining the investment policy of the pension fund;
- Recommending the selection, appointment and replacement of investment managers;
- Monitoring investment performance; and
- Monitoring plan administration.

The Committee has an investment consultant (Mercer Investment Consulting) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

DEFINED CONTRIBUTION PENSION PLAN COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

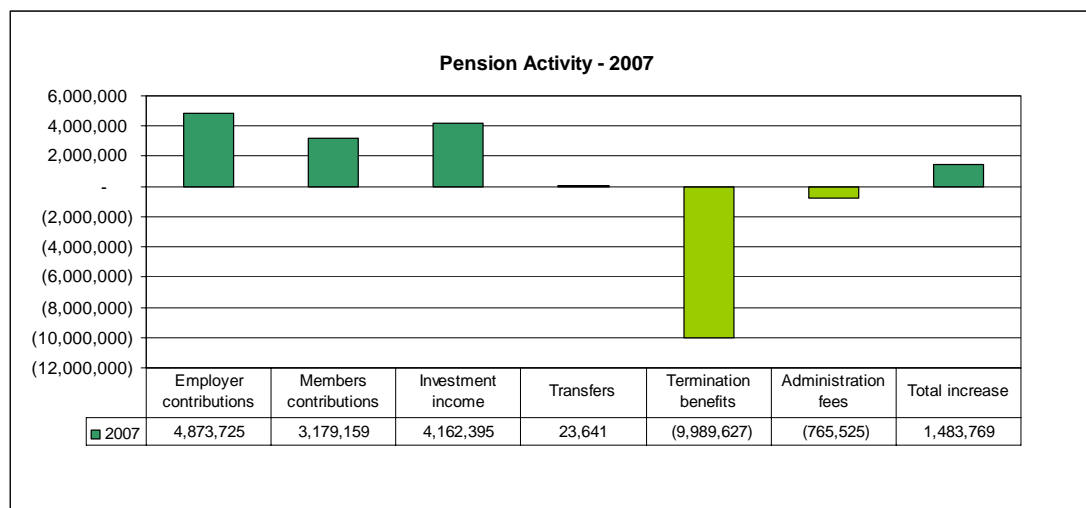
MEMBERSHIP

Membership decreased 4.5% in 2007.

	2007	2006	% change
# members, active	1,230	1,268	-3.0%
# members, terminations pending payment	219	250	-12.4%
# members, vested deferred (elected to leave funds in account until retirement)	10	9	11.1%
	1,459	1,527	-4.5%

NET ASSETS AVAILABLE FOR BENEFITS

Net assets available for benefits increased by 1.3% during 2007 from \$111,003,102 to \$112,486,871. This increase was due to \$8,052,884 in employee and employer contributions, \$4,162,396 in investment income, and \$23,641 in transfers from other plans, which was offset by \$9,989,627 in payments or recognition of obligations due to terminated members, and \$765,525 in administration fees.



CONTRIBUTIONS

Although total membership declined, salary levels increased and contributions to the Plan increased by 2.5% from \$7,857,343 in 2006 to \$8,052,884 in 2007.

DEFINED CONTRIBUTION PENSION PLAN

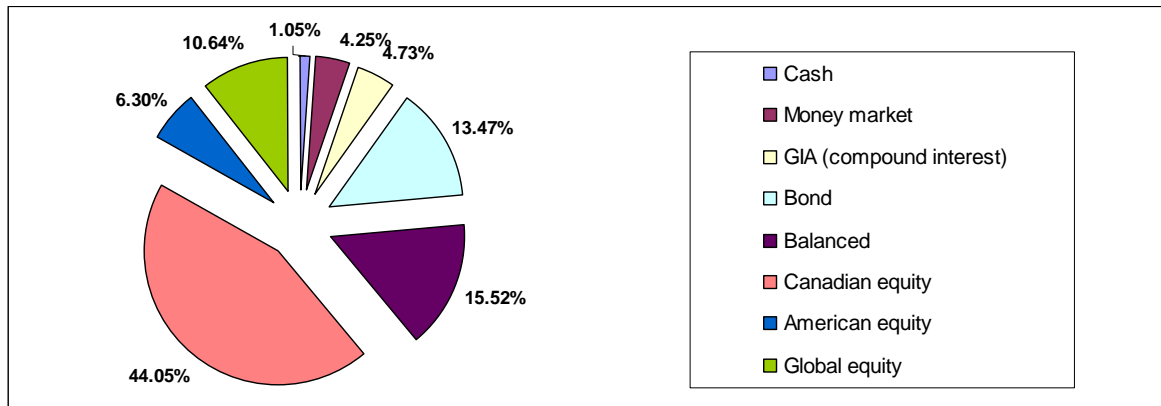
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

INVESTMENT INCOME

Investment income from all funds in the Plan decreased to \$4,162,396 from \$15,387,050 in 2006. This represents an overall 3.4% return in 2007 (versus an overall 13.5% return in 2006). Investment return varies for each individual fund within the Plan and each member's rate of return is dependent on their asset allocation. Specific return rates by fund are available on the Plan website under Fund Information.

ASSET ALLOCATION

The asset allocation at December 31, 2007 was as follows:



The Committee noted in 2005 that there were a large percentage of funds held in money market. A communication was sent out in September 2006 to members invested exclusively in the Money Market Fund to remind them of the importance of diversifying. Subsequent to this communication, the Committee established the McLean Budden Balanced Fund as the default option for Canadian Blood Services Defined Contribution Pension Plan members who do not provide investment direction.

INVESTMENT MANAGEMENT STRUCTURE

In 2007 the Seamark Canadian Equity Fund was replaced by McLean Budden Canadian Equity Fund. Seamark's performance had lagged the index and the performance of other Canadian Equity managers.

DEFINED CONTRIBUTION PENSION PLAN

COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

Members were offered a new rebalancing option, automatic updates to the 9-box matrix and a redesigned quarterly statement format in 2007.

Detailed communication regarding these changes was sent to members during the year. This communication is posted on the Plan website.

TERMINATION BENEFITS

The total amount due to members who have left Canadian Blood Services and are waiting to transfer funds out of the Plan increased to \$11,454,282 from \$9,688,211 in 2006.

In December 2004, Morneau Sobeco attempted to contact all terminated members asking for confirmation whether they would like to leave their funds in the Plan account or have the funds transferred to alternate pension vehicle. Though there was not a wide response to this communication, several members did confirm and completed the paperwork necessary to transfer their funds out of the Plan.

ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 13.0% to \$765,525 in 2007 from \$677,182 in 2006. Administration fees include:

a) Investment management fees which increased 16.5% to \$485,268 in 2007. While the rates for investment management did not change, total investment management fees increased due to the increase in assets managed.

b) Investment administration fees for the maintenance of individual member accounts and related reporting services as provided by Morneau Sobeco totalled \$121,357 in 2007. The rate for these services remained unchanged at \$6.50 (plus GST) per member per month.

c) Other plan expenses which are incurred for:

- investment monitoring, legal and actuarial services
- project management and accounting services
- Advisory committee meeting and travel costs
- annual plan registration fees
- member communication
- audit services

DEFINED CONTRIBUTION PENSION PLAN COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

Other plan expenses increased 16.3% to \$158,900 in 2007 primarily due to implementation of the retirement planning seminars in Ottawa, Calgary and Edmonton, and a legal review of the Plan Text. Other plan expenses fluctuate from year to year, depending on the initiatives underway. For example, in 2008 expenses will be incurred for member retirement planning seminars in other parts of the country.

Although Canadian Blood Services initially pays for other plan expenses on behalf of the Plan, Canadian Blood Services recovers the outlays for these expenses via:

- balances in the employer's forfeiture account. Funds become available in the forfeiture account when a member leaves Canadian Blood Services with less than 2 years of service. In most provinces, if a member leaves Canadian Blood Services with less than 2 years of service, the member is entitled to their own contributions plus investment returns. Contributions that the employer made on behalf of the member during that period are returned to the employer's forfeiture account. Forfeiture amounts have decreased significantly in recent years, and have not been enough to cover the outlays for other plan expenses.
- a \$10 fee per member per month. The amount of the fee is set each year at the November meeting of the Committee effective January 1 of the following year. The fee is set based on the budgeted expenses for the upcoming year as well as the status of the amount due by the Plan to Canadian Blood Services. With approximately 1,500 members, it is expected that Canadian Blood Services will recover approximately \$180,000 during 2008 via this fee. Since this amount is greater than the \$140,000 in 2008 budgeted expenses, any difference will go towards paying down the existing balance due to Canadian Blood Services that has built up since 2004.

At the end of December 2007, the balance due to Canadian Blood Services by the Plan was \$80,630. Since it will likely take at least two years for the Plan to completely reimburse Canadian Blood Services, the Committee recommended that the fee for 2008 remain unchanged at \$10 per member per month.