

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2010**

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The audit opinion issued by the external auditors, KPMG LLP, is included in the financial statements.

While members receive quarterly communications concerning their individual investment account through the administrator, Morneau Shepell, 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 in 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 that 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 (Canada) Limited) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

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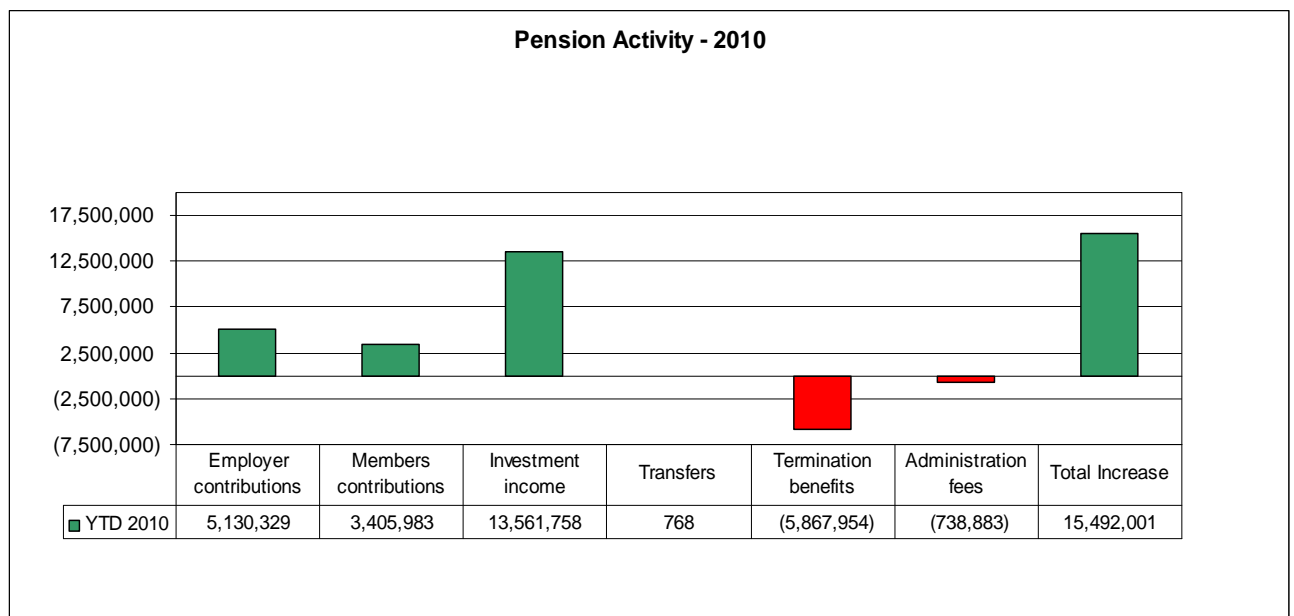
MEMBERSHIP

Membership increased 1.5% in 2010.

| | 2010 | 2009 | % change |
|---------------------|-------|-------|----------|
| # members, active | 1,182 | 1,180 | 0.2% |
| # members, inactive | 242 | 225 | 7.6% |
| | 1,424 | 1,405 | 1.4% |

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits increased by \$15,492,001, or 13.0% during 2010, from \$118,795,454 in 2009 to \$134,287,455. This increase was due to \$13,561,758 in investment income and \$8,536,312 in employee and employer contributions. This was offset by \$5,867,954 in payments and recognition of obligations due to members who have left Canadian Blood Services, and \$738,883 in administration fees.



CONTRIBUTIONS

Reflecting an increase in membership and salary levels, contributions to the Plan increased by 1.2% from \$8,431,187 in 2009 to \$8,536,312 in 2010.

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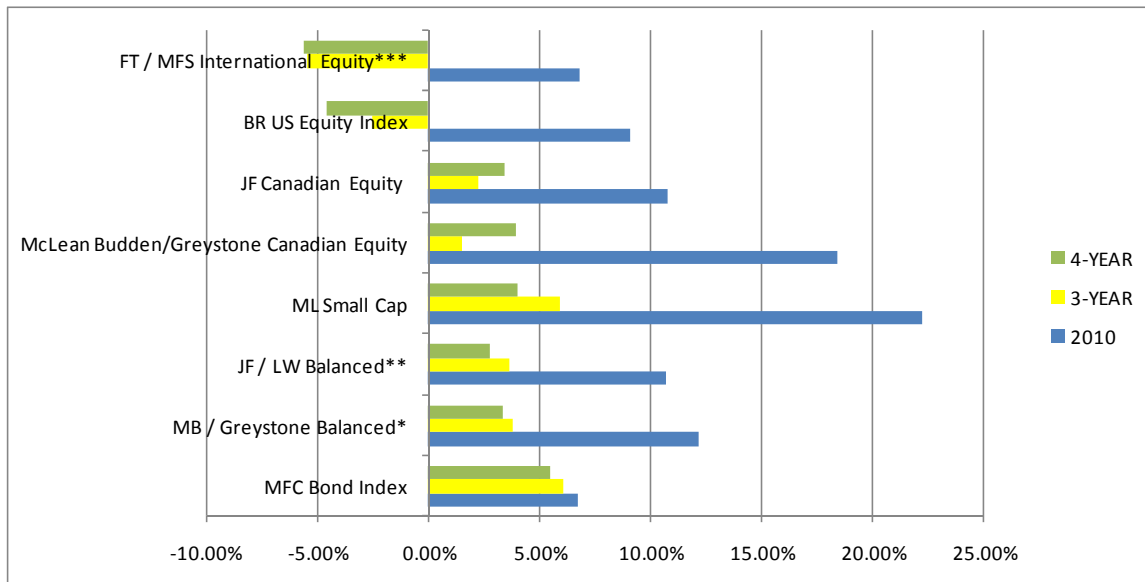
DECEMBER 31, 2010

INVESTMENT INCOME

Investment income was \$13,561,758 compared with \$21,166,104 in 2009. This represents a positive return for the Plan of 12.2% in 2010 (versus 21.1% in 2009). 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.

The investment income experienced in 2010 was as a result of the continued recovery in financial markets as they recovered from the global economic downturn experienced in late 2008 and early 2009.

INVESTMENT RETURNS



* This is a blended return of the McLean Budden Balanced fund (removed from the plan in Feb 2010) and the Greystone Balanced Fund (new in Feb 2010)

** This is a blended return of the Jarislowsky Fraser Balanced fund (removed from the plan in Feb 2010) and the Leith Wheeler Diversified Fund (new in Feb 2010)

*** This is a blended return of the Franklin Templeton International Equity fund (removed from the plan in Feb 2010) and the Manulife International Equity Fund (new in Feb 2010)

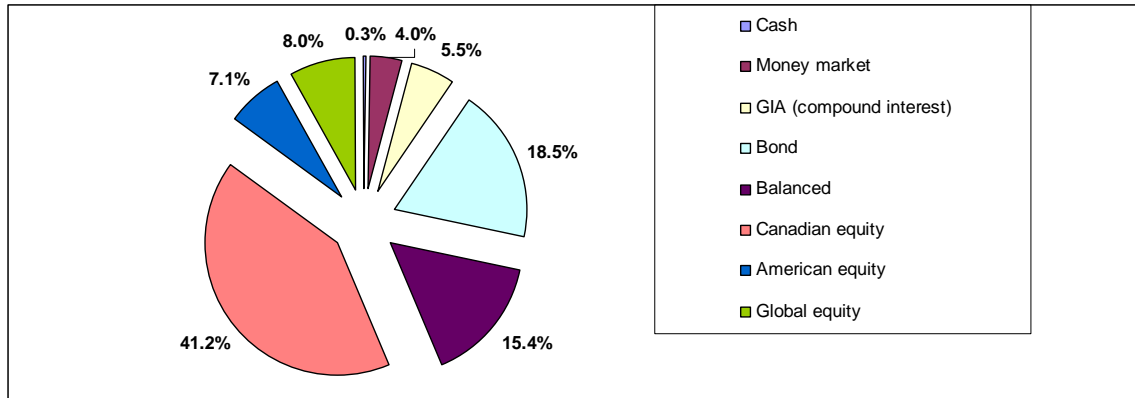
The above chart represents the return on the portfolio in 2010 as well as the annualized 3-year and 4-year returns. The 3 and 4-year returns are lower as they include the market downturn in 2008.

Past performance is not an indicator of future returns.

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ASSET ALLOCATION

The asset allocation at December 31, 2010 was as follows:



ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 7.7% to \$738,883 in 2010 from \$686,114 in 2009. Administration fees include:

a) Investment management fees increased 24.0% to \$482,863 in 2010 (2009 - \$389,554) due to the increase in investments under management. This is consistent with the increase in net assets available for benefits as described above.

b) Investment administration fees for the maintenance of individual member accounts and related reporting services totalled \$124,934 in 2010 (2009 - \$118,237). The rate for these services increased in 2010 from \$7.06 (including GST) per member per month to \$7.69 (including HST), or 8.9%. This increase is based on the change in the Canadian Consumer Price Index and also the introduction of HST in July 2010.

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

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Other plan expenses decreased 26.5% to \$131,086 in 2010 (2008 - \$178,323) primarily due to expenses incurred for the production of member plan booklets and investment consulting fees with respect to investment manager changes in 2009 that did not recur in 2010.

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:

- a \$10 fee per member per month. The amount of the fee is set each year at the December meeting of the Committee effective January 1 of the following year. The Committee recommended that the fee for 2011 remain unchanged at \$10 per member per month. The fee will be reviewed in the upcoming fiscal year.

MARKETS

The Committee is encouraged by the investment gains experienced in 2010 and continues to monitor the Plan's investment performance.

Based on investment return alone (i.e. excluding contributions and amounts paid out of the plan), the Committee notes that the plan has taken three and a half years to return to levels seen prior to the financial crisis in 2008/2009. At June 30, 2007 the market value of the investments in the plan was \$126.6 million and at December 31, 2010 the adjusted market value, reflecting investment returns only, was \$131.5 million.