

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2011**

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 and from time to time by teleconference to respond to any pressing issues.

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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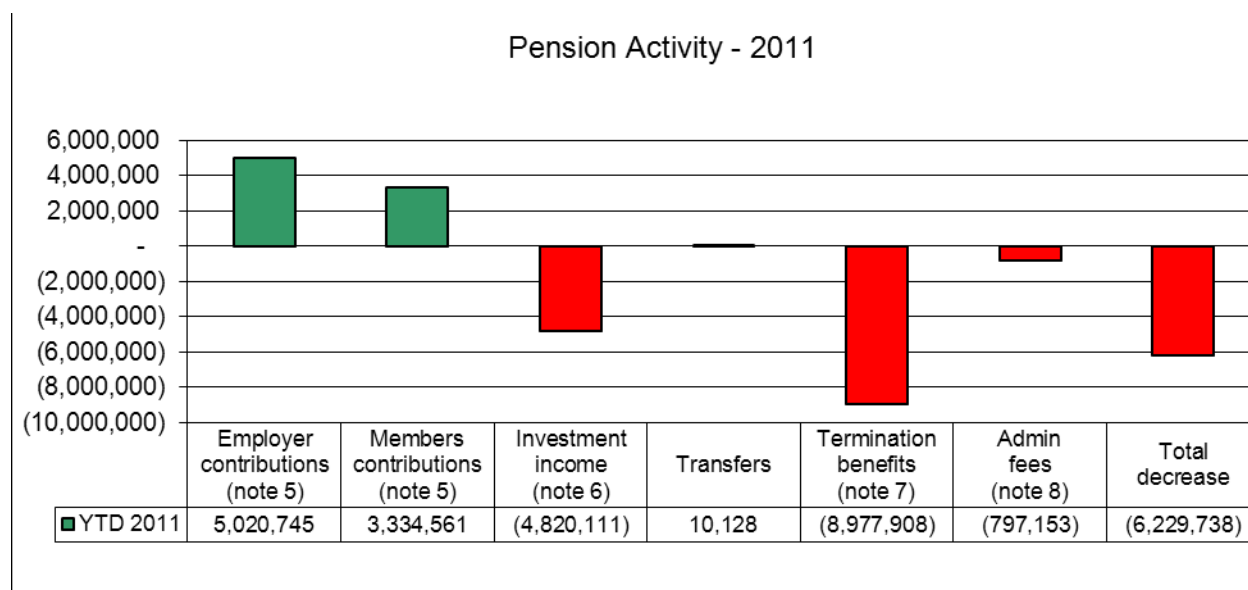
MEMBERSHIP

Membership decreased 4.6% in 2011.

	2011	2010	% change
# members, active	1,116	1,182	(5.9%)
# members, inactive	243	242	0.4%
	1,359	1,424	(4.6%)

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits decreased by \$6,229,738, or 4.6% during 2011, from \$134,287,455 in 2010 to \$128,057,717. This decrease was due to \$4,820,111 in investment losses, \$8,977,908 in payments and recognition of obligations due to members who have left Canadian Blood Services, and \$797,153 in administration fees. This was offset by \$8,355,306 in employee and employer contributions.



CONTRIBUTIONS

Reflecting a decrease in membership offset by an increase in salary levels, contributions to the Plan decreased by 2.1% from \$8,536,312 in 2010 to \$8,355,306 in 2011.

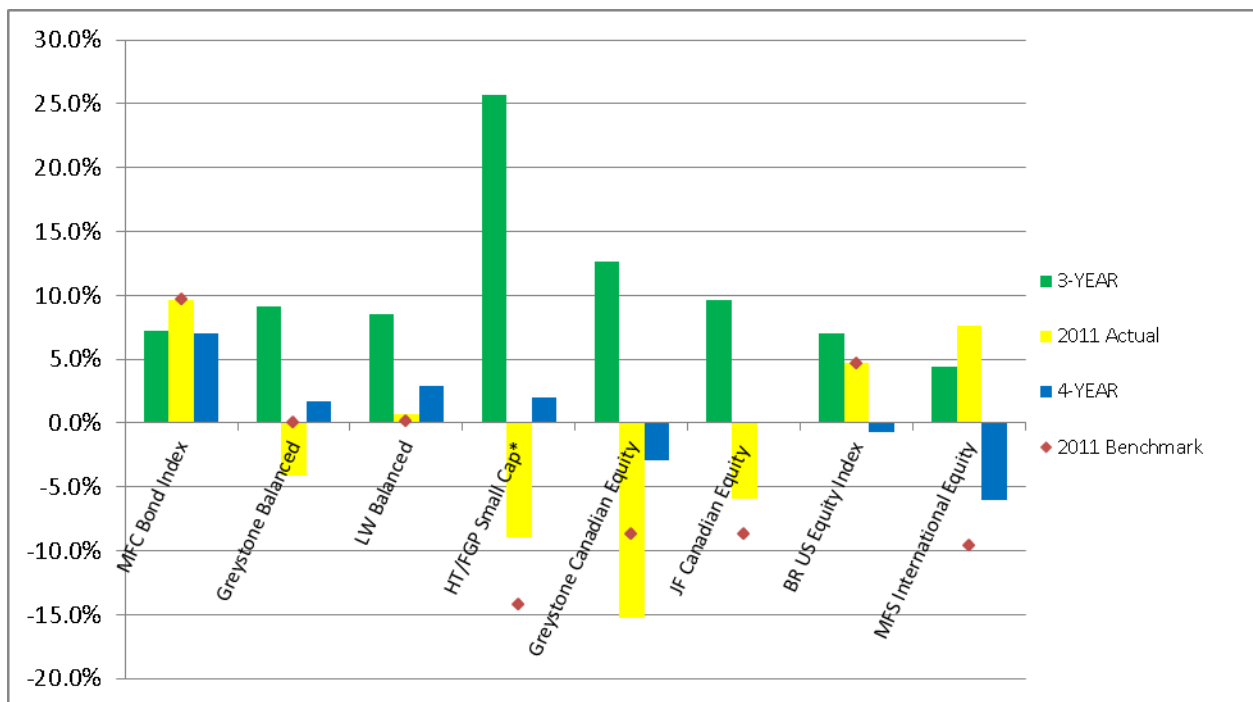
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INVESTMENT LOSSES

Investment losses were \$4,820,111 compared with \$13,561,758 investment income in 2010. This represents a negative return for the Plan of 3.4% in 2011 (versus a positive return of 11.7% in 2010). Investment returns vary 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 losses experienced in 2011 were as a result of the downturn in financial markets as they regressed after a positive 2010.

INVESTMENT RETURNS



* This is a blended return of the Howson Tattersall Small Cap fund (removed from the plan in Jan 2011) and the Foyston Gordon & Payne Small Cap Fund (new in January 2011)

The above chart represents the return on the portfolio in 2011 as well as the annualized 3-year and 4-year returns. The 3-year and 4-year returns are higher as they include the market recovery in 2010.

It should be noted that past performance is not an indicator of future returns.

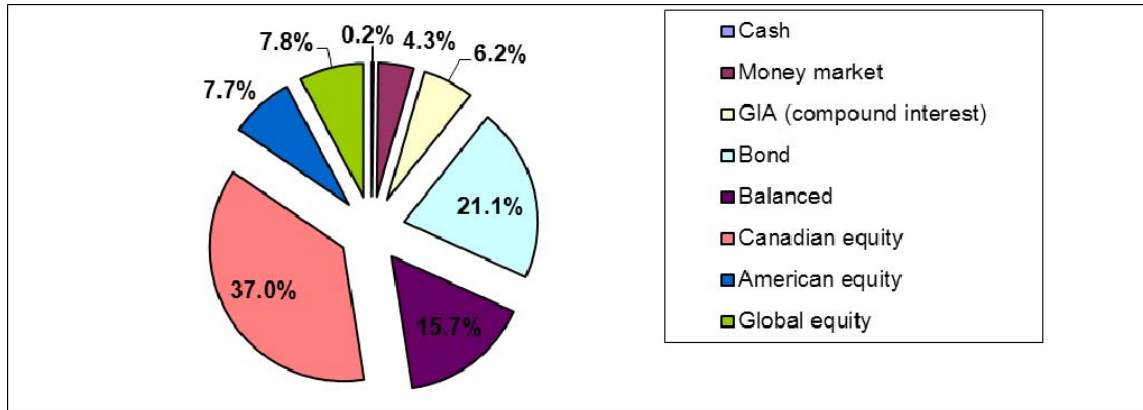
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ASSET ALLOCATION

The asset allocation at December 31, 2011 was as follows:



ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 7.9% to \$797,153 in 2011 from \$738,883 in 2010. Administration fees include:

a) Investment management fees increased 14.1% to \$551,148 in 2011 (2010 - \$482,863). Although investments under management have decreased since the prior year, the majority of this decrease occurred in the fourth quarter of 2011, therefore investments under management were higher during most of the year, which resulted in the increased fees.

b) Third party administration fees for the maintenance of individual member accounts and related reporting services totalled \$127,608 in 2011 (2010 - \$124,934). The rate for these services increased in 2011 from \$7.69 (including HST) per member per month to \$7.82 (including HST), or 1.7%. This increase is based on the change in the Canadian Consumer Price Index and is offset by a decrease in the number of members during the year.

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 9.7% to \$118,397 in 2011 (2010 - \$131,086) primarily due to expenses incurred for the production of member plan booklets in 2010 that did not recur in 2011.

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 2012 remain unchanged at \$10 per member per month. The fee will be reviewed in the upcoming fiscal year.

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MARKET ANALYSIS

In 2011, all major equity indices posted negative returns. Although the first half of 2011 saw tragic earthquakes in the Pacific, flooding in Australia and political unrest spreading across the Middle East, investment markets proved remarkably resilient. In contrast, concerns over global growth and contagion from the Eurozone periphery to core markets resulted in significant falls in the values of global risk assets during the second half of the year.

In 2011, the S&P/TSX Composite index fell by 8.7%. The information technology, materials and consumer discretionary sectors were the worst performers in 2011. Materials was the worst of the heavily weighted sectors of the index in 2011 as weaker outlook for global growth depressed prices for most commodities. The Canadian large cap equity funds offered by Canadian Blood Services are managed by Greystone and Jarislowsky Fraser. Greystone underperformed the S&P/TSX Composite by 6.5% while Jarislowsky Fraser outperformed the index by 2.8% over the past year. Canadian Blood Services also offers a Canadian small cap equity fund managed by Foyston, Gordon & Payne which outperformed the index by 5.3%.

The US was one of the top performing developed markets in 2011. The strong performance of the S&P 500 index, which returned 4.6% in 2011 (in C\$), was led by the strong performance over the first and fourth quarter. The S&P 500 index experienced a sharp decline over the third quarter of 2011. This decline in the US equity market was precipitated by the downgrade of the rating on US government debt. While a downgrade was widely expected, the timing caught the market by surprise. Key indicators of the health of the US economy point to continued modest growth. The next year is bound to bring challenges to the sustainability of the current growth spurt, with the presidential election in November and the expiration of a series of fiscal measures that will have to be addressed by politicians. The BlackRock US equity fund offered by Canada Blood Services is passively managed and posted a return of 4.7% over the past year.

Most of international equity markets posted negative returns in 2011. The MSCI EAFE index (in C\$) fell by 9.5% in 2011. The strengthening of the Canadian dollar versus most other major currencies had an overall negative impact on foreign equity returns over the period. Japan, feeling the effects of the earthquake with uneven company performance and uncertainty, Continental Europe, feeling the effects of the Greek and Italian crisis, and the Pacific region posted returns below 10%. United Kingdom did the best. Within Europe, the debt crisis has been slowly building for over a year, but every apparent "resolution" has proved to be very short-lived and decisive actions from the Europe remain uncertain. The International equity fund offered by Canadian Blood Services is managed by MFS. MFS added 2.0% to the MSCI EAFE index over the past year.