

Financial Statements of

**CANADIAN BLOOD SERVICES
DEFINED CONTRIBUTION PENSION
PLAN**

Year ended December 31, 2005



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AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of net assets available for benefits of the Canadian Blood Services Defined Contribution Pension Plan as at December 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Pension Plan'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 financial statements present fairly, in all material respects, the net assets available for benefits of the Pension Plan as at December 31, 2005 and the change in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are written in a cursive, slightly slanted style. There is a small horizontal line under the 'P' in 'KPMG'.

Chartered Accountants

Ottawa, Canada
March 28, 2006

CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

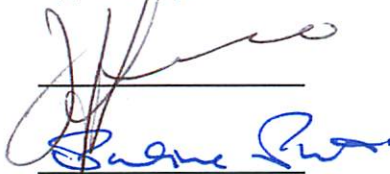
Statement of Net Assets Available for Benefits

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Cash	\$ 283,486	\$ 252,347
Contributions receivable:		
Employer	255,121	358,740
Members	135,218	244,408
Receivable from Canadian Red Cross Society Pension Plan (note 4)	967,610	866,258
Investments at market value (notes 3 and 9)	107,163,815	94,929,615
	<u>108,805,250</u>	<u>96,651,368</u>
Liabilities		
Accounts payable and accrued liabilities (note 8)	239,612	387,294
Termination benefits payable	9,012,222	8,564,147
	<u>9,251,834</u>	<u>8,951,441</u>
Net assets available for benefits	<u>\$ 99,553,416</u>	<u>\$ 87,699,927</u>

See accompanying notes to financial statements.

Approved by:



CANADIAN BLOOD SERVICES

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Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Increase in assets:		
Contributions:		
Employer	\$ 4,678,952	\$ 5,046,390
Members	3,091,850	3,686,296
	<u>7,770,802</u>	<u>8,732,686</u>
Investment income	405,136	268,693
Change in net unrealized gains	6,529,071	4,372,243
Net realized gain on sale of investments	5,184,617	3,811,945
Transfer of assets from Canadian Red Cross Society Pension Plan (note 4)	–	866,258
Transfers of assets from Canadian Blood Services Pension Plans Trust (note 5)	–	1,538
Transfer of assets from other plans	8,326	48,698
	<u>19,897,952</u>	<u>18,102,061</u>
Decrease in assets:		
Termination benefits	7,403,892	7,398,144
Transfer of assets to Canadian Blood Services Defined Benefit Pension Plan (note 6)	–	129,835
Administration fees (note 7)	640,571	610,774
	<u>8,044,463</u>	<u>8,138,753</u>
Increase in net assets available for benefits	11,853,489	9,963,308
Net assets available for benefits, beginning of year	87,699,927	77,736,619
Net assets available for benefits, end of year	<u>\$ 99,553,416</u>	<u>\$ 87,699,927</u>

See accompanying notes to financial statements.

CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

Notes to Financial Statements

Year ended December 31, 2005

1. Description of the Plan:

The following description of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Text. The Plan became effective September 28, 1998.

(a) General:

The Plan is a defined contribution plan covering those unionized and non-unionized employees of Canadian Blood Services ("CBS") who are eligible, and elect to join. Eligible employees may otherwise elect to join the Canadian Blood Services Defined Benefit Pension Plan. The Plan is registered under the Pension Benefits Act, 1990 (Ontario) and Regulations; Registration #1048818.

(b) Funding policy:

Members are required to contribute an amount equal to 4.75% of their pensionable earnings. The employer contributes an amount equal to 6.75% of the members' pensionable earnings.

If a member was a member of the Canadian Red Cross Society Pension Plan (Defined Contribution Plan) on November 1, 1997 and was 43 years of age or older on that date, CBS makes additional Supplementary Contributions which are dependent on the member's age at that date.

(c) Termination benefits:

Termination benefits are recognized upon the earliest of the member's termination of employment with CBS, death or retirement and are paid to members based on their individual accumulated contributions and the accumulated vested employer contributions plus the accumulated investment income thereon.

(d) Income taxes:

The Plan is a Registered Pension Plan as defined in the Canadian Income Tax Act and as such, the income of the Plan is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the employer and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

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Year ended December 31, 2005

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

(b) Investments:

Investments are recorded at fair value and investment transactions are recognized on a trade-date basis.

Money market and compound interest investments are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the fiscal year for investments of similar type, quality and maturity.

Fair values of pooled fund investments are the unit values supplied by the pooled fund manager, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(c) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translation are included in investment income.

Foreign currency denominated transactions are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

(d) Past service contributions:

Past service contributions are recognized as revenue in the year contributions are made to the Plan.

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Year ended December 31, 2005

3. Investments:

(a) Investments are comprised of the following at December 31:

	Market value 2005		Market value 2004	
Pooled Funds:				
Money market and compound interest	\$ 11,232,869	10.7%	\$ 10,970,384	11.6%
Bond	15,807,908	14.7%	14,933,054	15.7%
Balanced	17,074,443	15.9%	14,853,615	15.6%
Canadian equity	44,546,722	41.5%	36,547,716	38.5%
American equity	7,501,999	7.0%	7,369,053	7.8%
Global equity	10,999,874	10.2%	10,255,793	10.8%
	\$107,163,815	100%	\$ 94,929,615	100%

(b) Whereas investments are stated at market value in the statement of net assets available for benefits, the cost of these investments at December 31 is as follows:

	Cost 2005		Cost 2004	
Pooled funds:				
Money market and compound interest	\$ 11,150,612	12.7%	\$ 10,784,854	13.1%
Bond	15,571,942	17.7%	14,949,589	18.1%
Balanced	13,995,606	15.8%	12,896,860	15.6%
Canadian equity	32,419,103	36.8%	29,329,319	35.6%
American equity	6,090,952	6.9%	5,825,565	7.1%
Global equity	8,875,048	10.1%	8,611,947	10.5%
	\$ 88,103,263	100.0%	\$ 82,398,134	100.0%

(c) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's financial position and revenue. This risk arises from Plan investments whose returns are linked to interest rates. Such investments consist of the money market and compound interest funds, the bond fund, and to a certain extent, the balanced funds.

(d) Foreign currency risk:

Foreign currency exposure arises from the Plan's holdings of non-Canadian denominated investments. Included in the statement of net assets are investments totalling \$18,501,873 (2004 - \$17,624,846) which are exposed to foreign currency movements.

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Year ended December 31, 2005

3. Investments (continued):

(e) Credit risk:

Concentrations of credit risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. Management believes that the investment mix spreads the credit risk over different market sectors.

4. Net transfers from Canadian Red Cross Society Pension Plan:

On May 19, 2000, the Ontario Superior Court approved an agreement to transfer pension assets and liabilities from the Canadian Red Cross Society Pension Plan ("CRCS Plan") to the Canadian Blood Services Defined Contribution Pension Plan in respect of pensionable service prior to September 28, 1998 for CRCS Plan members who transferred to CBS pursuant to the acquisition of the blood supply system. During 2003, the Plan received transfers of \$41,494,321 from the CRCS Plan, comprised of \$38,443,321 related to member retirement accounts and \$3,051,000 related to Supplementary Contribution entitlements.

Plan members that were members of the CRCS Plan on November 1, 1997, and 43 years of age or older on that date, were entitled to be credited with Supplementary Contributions in addition to their current contributions. Supplementary Contribution entitlements were to be funded from the Supplementary Contribution Reserve established by The Canadian Red Cross Society. Accordingly, \$3,051,000 of the Supplementary Contribution Reserve was transferred to the Plan during 2003 to meet the related funding obligations of CBS subsequent to September 28, 1998. Prior to receiving this transfer in May, 2003, CBS had remitted \$1,253,522 of Supplementary Contributions to the Plan to meet funding obligations subsequent to September 28, 1998. The excess of \$3,051,000 over \$1,253,522 of Supplementary Contributions previously remitted to member accounts by CBS represents the amounts received to fund future employer Supplementary Contributions.

The transfer of \$3,051,000 was recorded as amounts refundable to CBS and not included in 2003 contribution revenue. However, this created a funding surplus in the Plan that required cessation of employer contributions until the surplus was eliminated. Accordingly, \$2,468,357 was drawn down during 2003 and \$582,643 during 2004, together with accrued investment income of \$36,015, in lieu of employer cash contributions from CBS and recorded as current contribution revenue. Following this, CBS resumed making cash remittances to the Plan for current and supplementary contributions.

In August 2004, the Canadian Red Cross Society informed CBS of an adjustment in the calculation of unit values of certain investment funds for the period from 2001 to 2003. This adjustment resulted in a shortfall in the amount transferred to the Plan in 2003 and, therefore, the Canadian Red Cross Society has agreed to transfer an additional \$866,258 to the Plan to correct this error plus accrued interest of \$101,352 which has been included in investment income.

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Year ended December 31, 2005

5. Net transfer from Canadian Blood Services Pension Plans Trust:

The Canadian Blood Services Pension Plans Trust was established to hold amounts awarded to the Canadian Blood Services Defined Benefit Pension Plan and the Canadian Blood Services Defined Contribution Plan as a result of a pension enrolment review conducted pursuant to an order of the Ontario Superior Court issued May 19, 2000 (the "Court Order") and to transfer amounts to these plans in accordance with the terms of the Court Order. The transfers made to the Plan include amounts in respect of past service elected by members, transfers of other amounts specified in the Court Order, and its proportionate allocation of any residual.

The following amounts were transferred during the year:

	2005	2004
Transfer to the Plan:		
Residual	\$ -	\$ 1,538

The \$1,538 received in 2004 from the Canadian Blood Services Pension Plans Trust was used to cover Plan expenses in accordance with the Court Order.

6. Transfer of assets to Canadian Blood Services Defined Benefit Pension Plan:

Included in transfers to the Canadian Blood Services Defined Benefit Pension Plan are transfers in respect of former members of the Canadian Blood Services Defined Contribution Pension Plan who terminated their employment (and membership in the Canadian Blood Services Defined Contribution Pension Plan), were subsequently rehired, enrolled in the Canadian Blood Services Defined Benefit Pension Plan during this subsequent period of employment, and elected to transfer the funds in their retirement account to the Canadian Blood Services Defined Benefit Pension Plan.

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Year ended December 31, 2005

7. Administration fees:

	2005	2004
Investment management fees	\$ 352,136	\$ 310,499
Investment administration fees	124,480	151,531
Plan administration expenses	121,439	130,784
Professional fees	35,316	11,840
Audit fees	7,200	6,120
	\$ 640,571	\$ 610,774

During the year, the Canadian Blood Services made payments on behalf of the Plan for expenses in the normal course of business. Administration expenses include a charge of \$23,000 (2004 - \$Nil) by Canadian Blood Services for shared administration expenses.

8. Accounts payable and accrued liabilities:

At December 31, 2005, the net amount payable to Canadian Blood Services is \$218,932 (2004 - \$232,035), and amounts payable to a third party is \$20,680 (2004 - \$155,259).

9. Statutory disclosure:

The following information is provided in respect of individual investments with a market value in excess of 1% of the market value of the Plan, as required by the Ontario Pension Benefits Act.

Fund Name	Fund Operator	Nature of Investments	2005 Market Value	2004 Market Value
5 Year Compound Guaranteed Interest Account	Manulife	Fixed income	\$ 6,685,660	\$ 6,945,685
Canadian Money Market	Manulife	Fixed income	4,547,209	4,024,699
Canadian Pooled Bond Index	Manulife	Fixed income	15,807,908	14,933,054
Balanced Growth	McLean Budden			
	Jarislowsky	Balanced	5,427,511	4,639,817
Balanced	Fraser	Balanced	11,646,932	10,213,798
Canadian Equity Growth	McLean Budden	Canadian equity	32,041,734	26,851,840
Canadian Small Cap Equity	Manulife			
	Jarislowsky	Canadian equity	5,672,833	5,053,517
Canadian Equity	Fraser	Canadian equity	6,627,717	4,642,359
Seamark Canadian Equity	Seamark	Canadian equity	204,438	-
Global Pooled U.S. Index	Manulife	Foreign equity	7,501,999	7,369,053
Global Equity	McLean Budden	Foreign equity	2,548,447	2,574,458
International Equity	Manulife	Foreign equity	8,451,427	7,681,335
			\$107,163,815	\$ 94,929,615