

Financial Statements of

**CANADIAN BLOOD SERVICES  
DEFINED CONTRIBUTION PENSION  
PLAN**

Year ended December 31, 2008



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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, 2008 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, 2008 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 signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 25, 2009

# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

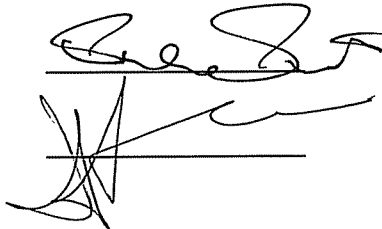
Statement of Net Assets Available for Benefits

December 31, 2008, with comparative figures for 2007

	2008	2007
		(as restated, note 3)
<b>Assets</b>		
Cash	\$ 241,231	\$ 1,291,848
Contributions receivable:		
Employer	146,070	284,778
Members	97,191	151,575
Investments (notes 4 and 9)	96,211,149	122,293,582
	<u>96,695,641</u>	<u>124,021,783</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	2,087	80,630
Termination benefits payable	173,764	1,158,346
	<u>175,851</u>	<u>1,238,976</u>
<b>Net assets available for benefits</b>	<u>\$ 96,519,790</u>	<u>\$ 122,782,807</u>

See accompanying notes to financial statements.

Approved by:



# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007 (as restated, note 3)
Increase in assets:		
Contributions:		
Employer	\$ 4,923,710	\$ 4,873,725
Members	3,226,693	3,179,159
	<u>8,150,403</u>	<u>8,052,884</u>
Investment income	2,397,178	1,969,209
Net realized gain on sales of investments	1,728,503	8,406,021
Transfer of assets from other pension plans	—	23,641
Total increase in assets	<u>12,276,084</u>	<u>18,451,755</u>
Decrease in assets:		
Change in net unrealized losses	30,967,103	6,212,834
Termination benefits	6,900,961	8,659,402
Administration fees (note 6)	671,037	765,525
Total decrease in assets	<u>38,539,101</u>	<u>15,637,761</u>
Increase (decrease) in net assets available for benefits	(26,263,017)	2,813,994
Net assets available for benefits, beginning of year	122,782,807	119,968,813
Net assets available for benefits, end of year	<u>\$ 96,519,790</u>	<u>\$ 122,782,807</u>

See accompanying notes to financial statements.

# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

Notes to Financial Statements

Year ended December 31, 2008

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## 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 who are eligible, and elect to join. Eligible employees may otherwise elect to join the Canadian Blood Services Defined Benefit 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, Canadian Blood Services makes additional Supplementary Contributions which are dependent on the member's age at that date.

### (c) Termination benefits:

Termination benefits are recognized as outlined in note 3. Termination benefits 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.

# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

Notes to Financial Statements, page 2

Year ended December 31, 2008

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## 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 increases and decreases in net assets available for benefits during the period. 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 value of foreign currency denominated investments included in the statement of net assets available for benefits is translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translation are included in the change in net unrealized gains or losses.

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.

# CANADIAN BLOOD SERVICES

## DEFINED CONTRIBUTION PENSION PLAN

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Year ended December 31, 2008

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### 3. Changes in accounting policies:

#### (a) Termination benefits payable:

Prior to January 1, 2008, the Plan recognized termination benefits payable in the statement of net assets available for benefits upon the termination of employment of the member. Effective January 1, 2008, the Plan changed its accounting policy for the treatment of termination liabilities whereby termination benefits are recognized in the statement of net assets available for benefits upon the member's election to transfer funds at the time of termination of employment with CBS, death or retirement. Management considers this policy to provide a better reflection of the liabilities to be paid out in the near term and is consistent with industry practice. This change in accounting policy has been accounted for retrospectively, with restatement of prior periods.

As a result of the change in accounting policy, the 2007 opening termination benefits liability has been decreased by \$8,965,711, with a corresponding increase to opening net assets available for benefits. The 2007 closing termination benefits liability has been decreased by \$10,295,936, with a corresponding increase in net assets available for benefits. The 2007 termination benefits expense has decreased by \$1,330,225.

#### (b) New accounting standards:

The following new accounting standards were adopted effective January 1, 2008 retrospectively, without restatement of prior periods.

##### Section 3862, Financial Instruments – Disclosures

Under this standard, required disclosures are established related to the significance of financial instruments on the Plan's financial position and performance. This standard also describes the nature and extent of the risks arising from financial instruments to which the Plan is exposed and how the Plan manages those risks. The note disclosure required as a result of the adoption of this standard is included in note 5.

##### Section 1535, Capital Disclosures

This section establishes guidelines for the disclosure of both qualitative and quantitative information regarding an entity's capital and how it is managed. The note disclosure required as a result of the adoption of this standard is included in note 8.

# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

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Year ended December 31, 2008

## 4. Investments:

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

	Market value 2008		Market value 2007	
Pooled Funds:				
Money market and compound interest	\$ 11,814,747	12.3%	\$ 11,093,911	9.1%
Bond	19,039,304	19.8%	16,652,431	13.6%
Balanced	15,432,606	16.0%	19,174,393	15.7%
Canadian equity	34,243,569	35.6%	54,438,308	44.5%
American equity	6,104,790	6.3%	7,784,493	6.3%
Global equity	9,576,133	10.0%	13,150,046	10.8%
	\$ 96,211,149	100.0%	\$ 122,293,582	100.0%

(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 2008		Cost 2007	
Pooled funds:				
Money market and compound interest	\$ 11,678,329	10.9%	\$ 11,077,044	10.9%
Bond	18,796,529	17.6%	16,573,705	16.3%
Balanced	14,949,267	14.0%	15,471,026	15.2%
Canadian equity	41,989,021	39.4%	40,350,073	39.6%
American equity	7,859,025	7.4%	8,008,684	7.9%
Global equity	11,431,535	10.7%	10,338,504	10.1%
	\$ 106,703,706	100.0%	\$ 101,819,036	100.0%

## 5. Risk management:

Investments are exposed to credit, liquidity, foreign currency, interest rate and price risk. Each fund offered within the Plan has policies, procedures, and recommended parameters to monitor this risk exposure. The Statement of Investment Policies and Procedures (SIPP) outlines these parameters, including target performance objectives, and suggested asset mixes among fixed income, equity, and short-term investments. Members will select their own investments within the fund list provided, and thus will manage the level of credit, foreign currency, interest rate and price risk they wish to take based on their selection.



# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

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Year ended December 31, 2008

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## 5. Risk management (continued):

### (a) Credit risk:

The Plan is exposed to the risk of financial loss resulting from the potential inability of a counterparty to a financial instrument to meet its contractual obligations. The carrying amount of investments represents the maximum exposure of the plan to credit risk (note 4(a)).

The Plan limits credit risk through recommendations established within the Statement of Investment Policies and Procedures. Each of the funds has quality standards for investment selection and bond ratings. In addition, the performance of these funds is monitored by the Advisory Committee and performance summaries are reported to Members.

The Plan's concentration limits are also restricted by the Statement of Investment Policies and Procedures.

At December 31, 2008, the Plan held approximately 46% Corporate, 37% Federal, 16% Provincial and 1% Municipal bonds in its fixed income investment funds.

### (b) Foreign currency risk:

Foreign currency is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in foreign currency rates. Investments denominated in currencies other than the Canadian dollar expose the Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a significant impact on the fair value of investments.

At December 31, 2008, the Plan's exposure to foreign currency in Canadian dollars is as follows:

Currency	2008
United States Dollar	\$ 10,394,000
Euro	3,749,000
British Pound	1,678,000
Japanese Yen	925,000
Other currencies	2,398,000
	<hr/>
	\$ 19,144,000

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all foreign currencies, with all other variables held constant, net assets would have increased or decreased respectively by approximately \$1.9 million.

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Year ended December 31, 2008

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## 5. Risk management (continued):

### (c) Interest rate risk:

Interest rate risk pertains to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates.

The Statement of Investment Policies and Procedures detail recommendations within each fund on concentration which are designed to mitigate the risk of interest rate volatility. In addition, quarterly reviews of the investment performance are performed by the Advisory Committee.

The value of the Plan's assets is affected by short-term changes in interest rates. Holding all other factors constant, at December 31, 2008, a 1% increase or decrease in nominal interest rates would result in an approximate decrease or increase in the Plan's net assets of approximately \$1.8 million respectively.

### (d) Price risk:

Price risk is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency risk and interest rate risk), whether those changes are caused by factors specific to an individual investment or its issuer or factors affecting all similar securities traded in the market. All investments present a risk of loss of capital. The maximum risk resulting from investments is equivalent to their fair value. As all of the Plan's investments are carried at fair value with fair value changes recognized in the statement of change of net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets.

The Plan most significant exposure to price risk arises from its investment in equity securities. The Statement of Investment Policies and Procedures detail recommendations within each fund on concentration which are designed to mitigate the risk of interest rate volatility. In addition, quarterly reviews of the investment performance are performed by the Advisory Committee.

At December 31, 2008, had the prices on the respective stock exchanges for equity securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$5.9 million respectively.

# CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

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Year ended December 31, 2008

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## 6. Administration fees:

	2008	2007
Investment management fees	\$ 432,314	\$ 485,268
Investment administration fees	116,737	121,357
Plan administration expenses	111,361	123,742
Professional fees	2,625	27,408
Audit fees	8,000	7,750
	<hr/>	<hr/>
	\$ 671,037	\$ 765,525

During the year, Canadian Blood Services made payments on behalf of the Plan for expenses in the normal course of business. Administration expenses include a charge of \$22,952 (2007 - \$27,008) by Canadian Blood Services for shared administration expense.

## 7. Accounts payable and accrued liabilities:

At December 31, 2008, the net amount payable to Canadian Blood Services is \$2,087 (2007 - \$80,630).

## 8. Capital disclosures:

As a defined contribution plan, the primary objective of the Plan is to provide an efficient mechanism for the accumulation of assets on behalf of each member of the Plan until their termination, retirement or death.

The Plan fulfils its primary objective by adhering to specific policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed at least annually by the employer. Investment managers are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the investment options selected by the members. Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and CBS. The Plan's Funding Policy is described in note 1(b). The Plan is required to file an information return and financial statements with the Financial Services Commission of Ontario annually.

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Year ended December 31, 2008

## 9. Statutory disclosure:

The following information is provided with 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	2008 Market Value	2007 Market Value
5 Year Compound Guaranteed	Manulife	Fixed income	\$ 6,213,441	\$ 5,839,417
Canadian Money Market	Manulife	Fixed income	5,601,306	5,254,494
Canadian Pooled Bond Index	Manulife	Fixed income	19,039,304	16,652,431
Balanced Growth	McLean Budden	Balanced	5,760,474	6,944,697
Balanced	Jarislowsky Fraser	Balanced	9,672,131	12,229,696
Canadian Equity Growth	McLean Budden	Canadian equity	25,389,132	40,646,350
Canadian Small Cap Equity	Howson Tattersall	Canadian equity	3,227,831	6,161,986
Canadian Equity	Jarislowsky Fraser	Canadian equity	5,626,607	7,629,972
U.S. Equity Index	Barclays Global Investors	Foreign equity	6,104,790	7,784,493
Global Equity	Alliance Bernstein	Foreign equity	2,499,972	2,701,040
International Equity	Franklin Templeton	Foreign equity	7,076,161	10,449,006
			\$ 96,211,149	\$ 122,293,582

## 10. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.