Financial Statements of

CANADIAN BLOOD SERVICES DEFINED CONTRIBUTION PENSION PLAN

Year ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Blood Services Defined Contribution Pension Plan

We have audited the accompanying financial statements of the Canadian Blood Services Defined Contribution Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2010, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Canadian Blood Services Defined Contribution Pension Plan as at December 31, 2010, and the change in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 2, 2011

Ottawa, Canada

CANADIAN BLOOD SERVICES
DEFINED CONTRIBUTION PENSION PLAN

Statement of Net Assets Available for Benefits

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	$ 372,951	$ 317,309
Amounts receivable (note 7)	61,764	23,361
Contributions receivable:		
Employer	193,354	359,815
Members	97,534	213,812
Investments (notes 4 and 9)	133,604,343	118,060,028
	134,329,946	118,974,325
Liabilities		
Termination benefits payable	42,491	178,871
Net assets available for benefits	$ 134,287,455	$ 118,795,454

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, 2010, with comparative figures for 2009

	2010	2009
Increase in assets:		
Contributions:		
Employer	$ 5,130,329	$ 5,075,000
Members	3,405,983	3,356,187
	8,536,312	8,431,187
Investment income	2,427,690	1,874,941
Change in net unrealized gains	3,830,954	18,998,024
Net realized gain on sales of investments	7,303,114	293,139
Transfer of assets from other pension plans	768	890
Total increase in assets	22,098,838	29,598,181
Decrease in assets:		
Termination benefits	5,867,954	6,636,403
Administration fees (note 6)	738,883	686,114
Total decrease in assets	6,606,837	7,322,517
Increase in net assets available for benefits	15,492,001	22,275,664
Net assets available for benefits, beginning of year	118,795,454	96,519,790
Net assets available for benefits, end of year	$ 134,287,455	$ 118,795,454

See accompanying notes to financial statements.

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 2. 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.

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.

Financial instruments measured at fair value are categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Inputs are unadjusted quoted market prices of identical instruments in active markets;

Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – One or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of financial instrument in the hierarchy is based upon the lowest level of input if significant to the measurement of fair value.

(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.

2. Significant accounting policies (continued):

(c) Foreign currency translation (continued):

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.

(e) Termination benefits payable:

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.

3. Future accounting changes:

The Canadian Institute of Chartered Accountants has issued a new accounting standard for pension plans that will come into effect for the Plan's fiscal year beginning January 1, 2011. The new Part IV – *Accounting Standards for Pension Plans* will result in presentation and disclosure changes to the financial statements. Changes to current disclosure include presentation of the details of investment income, increased disclosure of the types of Plan expenses incurred and reduced quantitative risk management disclosures. The Plan does not anticipate these changes will have a significant impact on the financial statements other than to provide additional information to users.

4. Investments:

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

	Market value 2010		Market value 2009	
Pooled Funds:				
Money market and compound interest	$ 12,668,765	9.5%	$ 12,429,783	10.7%
Bond	24,829,576	18.6%	21,224,571	17.9%
Balanced	20,684,022	15.5%	18,458,606	15.6%
Canadian equity	55,237,761	41.3%	47,814,097	40.4%
American equity	9,472,147	7.1%	6,643,206	5.7%
Global equity	10,712,072	8.0%	11,489,765	9.7%
	$ 133,604,343	100.0%	$ 118,060,028	100.0%

4. Investments (continued):

(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 2010		Cost 2009	
Pooled funds:				
Money market and compound interest	$ 12,245,552	10.1%	$ 12,115,534	11.1%
Bond	24,048,551	19.8%	20,807,538	19.0%
Balanced	18,993,147	15.7%	15,575,105	14.2%
Canadian equity	46,059,754	38.0%	41,327,912	37.7%
American equity	9,959,269	8.2%	7,837,226	7.2%
Global equity	9,961,649	8.2%	11,891,246	10.8%
	$ 121,267,922	100.0%	$ 109,554,561	100.0%

5. Risk management:

Investments are exposed to credit, foreign currency, interest rate, price and liquidity 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. In addition, the performance of these funds is monitored by the Advisory Committee and performance summaries are reported to Members.

(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 Plan limits credit risk through recommendations established within the SIPP. Each of the funds has quality standards for investment selection and bond ratings.

(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 Members to fluctuations in foreign exchange rates.

5. Risk management (continued):

(b) Foreign currency risk (continued):

Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a significant impact on the fair value of investments.

(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 value of the Plan's assets is affected by short-term changes in interest rates.

The SIPP details recommendations within each fund on concentration which are designed to mitigate the risk of interest rate volatility.

(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 SIPP details recommendations within each fund on concentration which are designed to mitigate the risk of interest rate volatility.

(e) Liquidity risk:

Liquidity risk is the risk that the Plan cannot meet its financial obligations as they fall due. The Plan's exposure to liquidity risk is minimal as its obligation to members is limited to the value of their contributions and any investment returns at termination, retirement or death. As at December 31, 2010, termination benefits payable are due within one year.

5. Risk management (continued):

(f) Fair value:

The fair values of cash, accounts receivable, contributions receivable and termination benefits payable approximate their fair value due to the short-term maturity of these instruments. The fair values of investments (note 4(a)) have been measured using level 1 price inputs as described in note 2(b).

6. Administration fees:

	2010	2009
Investment management fees	$ 482,863	$ 389,554
Investment administration fees	124,934	118,237
Plan administration expenses	115,878	168,276
Professional fees	5,603	547
Audit fees	9,605	9,500
	$ 738,883	$ 686,114

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 $24,000 (2009 - $23,593) by Canadian Blood Services for shared administration expense.

7. Amounts receivable:

At December 31, 2010, included in amounts receivable is the net amount receivable from Canadian Blood Services of $51,925 (2009 – $23,361).

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.

8. Capital disclosures (continued):

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 Advisory Committee. 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 Canadian Blood Services. 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.

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	2010 Market Value	2009 Market Value
5 Year Compound Guaranteed	Manulife	Fixed income	$ 7,332,697	$ 6,935,291
Canadian Money Market	Manulife	Fixed income	5,336,068	5,494,492
Canadian Pooled Bond Index	Manulife	Fixed income	24,829,576	21,224,571
Balanced Growth	McLean Budden	Balanced	–	7,156,629
Balanced	Jarislowsky Fraser	Balanced	–	11,301,977
Balanced	Greystone	Balanced	8,286,406	–
Diversified	Leith Wheeler	Diversified	12,397,616	–
Canadian Equity Growth	McLean Budden	Canadian equity	–	35,035,303
Canadian Small Cap Equity	Howson Tattersall	Canadian equity	7,108,995	5,809,976
Canadian Equity	Jarislowsky Fraser	Canadian equity	8,975,360	6,968,818
Canadian Equity	Greystone	Canadian equity	39,153,406	–
U.S. Equity Index	BlackRock	Foreign equity	9,472,147	6,643,206
Global Equity	Alliance Bernstein	Foreign equity	–	3,420,572
International Equity	Franklin Templeton	Foreign equity	–	8,069,193
International	Manulife	Foreign equity	10,712,072	–
			$ 133,604,343	$ 118,060,028