Consolidated Financial Statements of

Canadian Blood Services
Société canadienne du sang

for the year ended March 31, 2009

KPMG LLP
Chartered Accountants
Suite 2000
160 Elgin Street
Ottawa, ON K2P 2P8
Canada

Telephone (613) 212-KPMG (5764)
Fax (613) 212-2896
Internet www.kpmg.ca

AUDITORS' REPORT TO THE MEMBERS

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, except for the changes in accounting policies adopted in the current year as explained in note 2(b) to the consolidated financial statements, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

June 5, 2009

Canadian Blood Services
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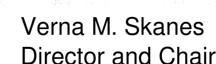
Consolidated Statement of Financial Position

As at March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

		2009		**2008**
Assets				
Current assets:				
Cash and cash equivalents (note 3)	$	162,717	$	184,154
Members' contributions receivable		12,928		954
Other amounts receivable		15,871		9,928
Inventory (note 5)		149,218		99,030
Prepaid expenses		6,639		6,060
		347,373		300,126
Investments, captive insurance operations (note 4)		273,233		281,620
Property, plant and equipment (note 6):				
Land, buildings, software and equipment		145,331		144,897
Right to the blood supply system		25,963		26,843
		171,294		171,740
	$	**791,900**	**$**	**753,486**
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	127,668	$	102,169
Current portion of long-term debt (note 7)		1,000		1,000
Obligations under capital lease (note 8)		312		-
		128,980		103,169
Provision for future insurance claims (note 15)		232,401		223,454
Long-term debt:				
Long-term debt (note 7)		14,000		15,000
Obligations under capital lease (note 8)		1,317		-
		15,317		15,000
Deferred contributions (note 9):				
Expenses of future periods		194,421		174,328
Property, plant and equipment		145,036		146,098
		339,457		320,426
Net assets:				
Invested in property, plant and equipment		9,704		9,704
Restricted for captive insurance purposes		44,021		61,386
Unrestricted net assets		22,020		20,347
		75,745		91,437
Guarantees and contingencies (note 17)				
Commitments (note 18)				
	$	**791,900**	**$**	**753,486**

See accompanying notes to the consolidated financial statements.



On behalf of the Board:

Verna M. Skanes
Director and Chair

W. John Dawson
Director

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Consolidated Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

(In thousands of dollars)

	Canadian Blood Services (note 13)		Captive Insurance (note 15)		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Revenue:						
Members' contributions	$ 940,538	$ 858,670	$ -	$ -	$ 940,538	$ 858,670
Federal contributions	3,360	-	-		3,360	-
Less amounts deferred	(66,105)	(20,758)	-	-	(66,105)	(20,758)
	877,793	837,912	-	-	877,793	837,912
Amortization of previously deferred contributions:						
Relating to property, plant and equipment	18,364	17,756	-	-	18,364	17,756
Relating to operations	10,070	9,016	-	-	10,070	9,016
Total contributions recognized as revenue	906,227	864,684	-	-	906,227	864,684
Net premiums earned	-	-	-	20	-	20
Stem Cells international revenue	9,472	7,512	-	-	9,472	7,512
Investment income (note 11)	4,002	6,422	10,869	14,774	14,871	21,196
Other income	988	1,458	-	-	988	1,458
Total revenue	**920,689**	**880,076**	**10,869**	**14,794**	**931,558**	**894,870**
Expenses:						
Increase in provision for future insurance claims	-	-	8,947	23,229	8,947	23,229
Cost of plasma protein products	439,038	390,431	-	-	439,038	390,431
Staff costs	290,718	274,300	-	-	290,718	274,300
General and administrative (note 15)	86,636	108,927	859	442	87,495	109,369
Medical supplies	84,427	84,361	-	-	84,427	84,361
Depreciation and amortization	17,061	17,389	-	-	17,061	17,389
Total expenses	**917,880**	**875,408**	**9,806**	**23,671**	**927,686**	**899,079**
Excess (deficiency) of revenue over expenses	**$ 2,809**	**$ 4,668**	**$ 1,063**	**$ (8,877)**	**$ 3,872**	**$ (4,209)**

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	Invested in property, plant and equipment	Restricted for captive insurance	Unrestricted	2009	2008
Balance, beginning of year	$ 9,704	$ 61,386	$ 20,347	$ 91,437	$ 81,380
Excess (deficiency) of revenue over expenses	-	1,063	2,809	3,872	(4,209)
Assumption of Canadian Council for Donation and Transplantation (note 16)			37	37	-
Change in unrealized gains/losses on investments held (note 10a)	-	(18,428)	-	(18,428)	15,482
Change in unrealized loss on revaluation of interest rate swap (note 10b)	-	-	(1,173)	(1,173)	(1,216)
Balance, as at March 31, 2009 (note 10)	**$ 9,704**	**$ 44,021**	**$ 22,020**	**$ 75,745**	**$ 91,437**

See accompanying notes to the consolidated financial statements.

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Consolidated Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 3,872	$ (4,209)
Items not involving cash and cash equivalents:		
Depreciation of property, plant and equipment	17,061	17,389
Amortization of deferred contributions	(28,434)	(26,772)
Loss on sale of property, plant and equipment	368	145
Provision for future insurance claims	8,947	23,229
	1,814	9,782
Decrease (increase) in Members' contributions receivable	(11,974)	872
Decrease (increase) in other amounts receivable	(5,943)	457
Increase in inventory	(50,188)	(8,199)
Decrease (increase) in prepaid expenses	(579)	1,395
Increase (decrease) in accounts payable and accrued liabilities	21,010	(650)
Increase in deferred contributions of future periods	30,164	52,931
Decrease in deferred contributions related to captive insurance	-	(20)
	(15,696)	56,568
Investing activities:		
Increase in investments, net	(10,041)	(15,185)
Assumption of Canadian Council for Donation and Transplantation	37	-
Increase in deferred contributions related to property, plant and equipment	17,231	13,313
Proceeds on sale of property, plant and equipment	935	180
Purchase of property, plant and equipment	(12,787)	(12,499)
Total Investing activities	(4,625)	(14,191)
Financing activities:		
Repayment of obligation under capital lease	(116)	(184)
Repayment of long-term debt	(1,000)	(1,000)
Total Financing activities	(1,116)	(1,184)
Increase (decrease) in cash and cash equivalents	(21,436)	41,193
Cash and cash equivalents, beginning of year	184,154	142,961
Cash and cash equivalents, end of year	**$ 162,717**	**$ 184,154**
Cash and cash equivalents are comprised of:		
Cash on deposit	161,857	182,812
Butterfield Asset Management Money Market Fund	577	1,067
HSBC Money Market Pooled Fund	283	276
	$ 162,717	**$ 184,154**

See accompanying notes to the consolidated financial statements.

1. Nature of the organization and operations:

Canadian Blood Services/Société canadienne du sang (the Corporation) owns and operates the national blood supply system for Canada, except Québec, and is responsible for the collection, testing, processing and distribution of blood and blood products as well as the recruitment and management of blood donors. The Corporation also recruits volunteer donors for both Canadian and international patients requiring stem cell transplants and delivers an array of diagnostic services throughout Canada. The Corporation has also been tasked with designing an integrated national system to significantly improve organ and tissue donation in Canada. As part of this mandate, Canadian Blood Services has taken on the work of the former Canadian Council for Donation and Transplantation (CCDT); set up a registry for Living Donor Paired Exchange; will develop business cases for registries for urgent status patients, highly sensitized patients and tissue banking; and is developing the strategy to implement the new system.

The Corporation was incorporated on February 16, 1998 under Part II of the Canada Corporations Act. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Members of the Corporation, the Ministers of Health of the Provinces and Territories of Canada, except Québec, as well as the Federal government provide contributions to fund the operation of the Corporation. The Corporation operates in a regulated environment, pursuant to the requirements of Health Canada.

The Corporation has established two wholly-owned captive insurance corporations; CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited/Compagnie d'assurance captive de la société canadienne du sang limitée (CBSE). CBSI was incorporated under the laws of Bermuda on September 15, 1998 and is licensed as a Class 3 under the Insurance Act, 1978 of Bermuda and related regulations. CBSE was incorporated under the laws of British Columbia on May 4, 2006 and is registered under the Insurance (Captive Company) Act of British Columbia.

Pursuant to an agreement between the Corporation and CCDT dated January 1, 2008, CCDT became a wholly-owned subsidiary of the Corporation effective April 1, 2008, following the approval from the Federal, Provincial and Territorial Conference of Deputy Minister of Health (CDM). CCDT was incorporated on April 1, 2005 under the Canada Corporations Act and is a registered charity under the Income Tax Act. The mandate of CCDT was to provide advice to the CDM to improve organ and tissue donation and transplantation in Canada. These activities were taken over by the Corporation effective April 1, 2008. CCDT will be wound-up into the Corporation subsequent to March 31, 2009 and will no longer exist as a separate entity (note 16).

2. Significant accounting policies:

(a) Financial statement presentation:

The consolidated financial statements include the results of the operations of Canadian Blood Services and the accounts of its wholly-owned subsidiaries (hereinafter referred to as the "Corporation"). Significant inter-company transactions have been eliminated.

(b) Changes in accounting policies:

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

Section 3031, *Inventories*

Effective April 1, 2008, the Corporation adopted Handbook Section 3031, Inventories, which establishes standards for the measurement and disclosure of inventories. Inventory of the Corporation consists of plasma protein products, fresh blood products and supplies related to the collection, production and testing of fresh blood products. Plasma protein products and collection supplies inventory is recorded at average cost and are charged to the statement of operations upon distribution to hospitals and usage, respectively. Fresh blood products inventory includes an appropriate portion of direct costs and overhead incurred in the collection, production and testing processes. Fresh blood products are charged to the statement of operations upon distribution to hospitals.

As a result of the change in accounting policy, the 2008 opening balance of inventory was increased by $10,447 with a corresponding increase in amounts of deferred expenses of future periods. There was no change in opening net assets as a result of this change in accounting policy. Disclosures required as a result of the adoption of this standard are included in note 5.

Section 3862, *Financial Instruments – Disclosures*

Under this standard, required disclosures are established related to the significance of financial instruments on the Corporation's financial position and performance. This standard also describes the nature and extent of the risks arising from financial instruments to which the Corporation is exposed during the year and at the statement of financial position date and how the Corporation manages those risks. The note disclosure required as a result of the adoption of this standard is included in note 14.

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 21.

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2. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the financial statements. Estimates and assumptions also may affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates. Significant estimates include assumptions used in calculating the current year's expense for pension, other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 12 and 15, respectively.

(d) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions.

Members' and Federal contributions are recorded as revenue in the period to which they relate. Amounts approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property, plant and equipment other than land are initially deferred and then amortized to revenue on a straight-line basis, at a rate corresponding with the depreciation rate for the related property, plant and equipment. Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in property, plant and equipment.

Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees and contracts is recognized when the services are provided or the goods are sold.

Restricted donations are recognized as revenue in the year in which the related expenses are recognized. Unrestricted donations are recognized as revenue in the year received.

(e) Donated goods and services:

Blood donors are not paid in Canada. Additionally, a substantial number of volunteers contribute a significant amount of time each year in support of the activities of the Corporation. The value of such contributed goods and services is not quantified in the financial statements.

2. Significant accounting policies (continued):

(f) Investments:

Investments have been designated as available-for-sale financial assets. Available-for-sale financial assets are measured on the statement of financial position at fair value with changes in fair value initially recorded directly in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts are recognized in the statement of operations. The fair value of available-for-sale financial assets is based on quoted market prices.

Trade date accounting is used to account for the purchase and sales of investments traded on a public market.

Interest income is recognized on the accrual basis and includes the amortization of premium or discount on fixed interest securities purchased at amounts different from their par value. Dividends are recorded as income when declared.

(g) Property, plant and equipment:

Purchased property, plant and equipment is recorded at cost. Contributed property, plant and equipment is recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When property, plant and equipment no longer contributes to the Corporation’s ability to provide services, its carrying amount is written down to its residual value.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In this event, recoverability of assets held and used is measured by reviewing the estimated fair market value of the asset. If the carrying amount of an asset exceeds its estimated fair market value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets at the rates indicated below:

Asset	Useful life
Buildings	40 years
Machinery and equipment	8 years
Furniture and office equipment	5 to 10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

2. Significant accounting policies (continued):

(g) Property, plant and equipment (continued):

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful lives. Assets under construction are not depreciated until they are available for use by the Corporation.

The right to the blood supply system represents the non-amortized excess of the purchase price of the system over the fair value of the tangible net assets acquired in 1998, and is being amortized on a straight-line basis over 40 years.

(h) Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjustment risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

Changes in the obligation due to the passage of time are recognized in operations as an expense using the interest method. Changes in the obligation due to changes in the estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(i) Foreign currency transactions:

Foreign currency transactions of the Corporation are translated using the temporal method. Under this method, transactions are initially recorded at the rate of exchange prevailing at the date of the transaction. Thereafter, monetary assets and liabilities are adjusted to reflect the exchange rates in effect at the statement of financial position date. Gains and losses resulting from the adjustment are included in the statement of operations.

(j) Employee future benefits:

The Corporation sponsors two defined benefit plans, a defined contribution pension plan, and provides other retirement and post-employment benefits to most of its employees. The defined benefit pension plans are based on a member's term of service and average earnings over a member's five highest consecutive annualized earnings.

2. Significant accounting policies (continued):

(j) Employee future benefits (continued):

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other retirement and post-employment benefits. The Corporation has adopted the following policies:

- The cost of the accrued benefit obligations for pensions and other retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs. The measurement date of the plan assets and accrued benefit obligation coincides with the Corporation's fiscal year. The most recent actuarial valuations for the two benefit pension plans for funding purposes were as of December 31, 2007 and January 1, 2008. The next required valuations will be as of December 31, 2010 and January 1, 2011 respectively. The most recent actuarial valuation of the other retirement and post-employment benefits was as of April 1, 2006, and the next required valuation will be as of April 1, 2009.
- For the purpose of calculating expected return on plan assets, investments are valued at fair value.
- Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees is 9 years (2008 – 10 years) and 11 years (2008 – 11 years) for the two defined benefit plans and 8 to 14 years (2008 – 8 to 14 years) for the other retirement and post-employment benefits.
- Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- On April 1, 2000, the Corporation adopted the accounting standard on employee future benefits using the prospective application method. The Corporation is amortizing the transitional pension obligation or asset on a straight-line basis over 10 and 13 years for the two defined benefit plans, and 8 to 15 years for the other retirement and post-employment benefits which represent the average remaining service periods of the active employees expected to receive benefits under the pension, other retirement and post-employment plans as of April 1, 2000.

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2. Significant accounting policies (continued):

(j) Employee future benefits (continued):

- When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also has a defined contribution plan providing pension benefits. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

(k) Financial Instruments:

The Corporation classifies all financial instruments in one of the following categories: held-for-trading, held-to-maturity, loans and receivables, other financial liabilities, or available-for-sale financial assets. Upon initial recognition, financial assets or financial liabilities are measured at their fair value. The related accounting treatment for financial instruments subsequent to initial recognition depends on the classification. Financial assets and liabilities categorized as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with changes in fair value initially recorded directly in the statement of changes in net assets until the financial asset is sold or impaired at which time the amounts are recognized in the statement of operations. In addition, the derivatives embedded in financial instruments or other contracts may be required to be accounted for separately.

The Corporation classifies financial instruments as follows:

Cash and cash equivalents are designated as available-for-sale.

Members' contributions receivable, and other amounts receivable are designated as loans and receivables.

Investments, captive insurance operations have been designated as available-for-sale (note 2 (f)).

Accounts payable and accrued liabilities, and long-term debt have been classified as other financial liabilities.

Foreign exchange contracts are used to manage foreign exchange risk and have not been designated as hedges for accounting purposes are classified as held-for-trading. All changes in fair value for these derivative instruments are recognized in the statement of operations.

Interest rate swaps are designated as held for trading and accounted for as cash flow hedges. All changes in the fair value of these financial instruments are recorded directly in the statement of change in net assets.

2. Significant accounting policies (continued):

(k) Financial Instruments (continued):

Non-financial and embedded derivatives

The Corporation reviews contracts in place to identify non-financial derivatives and embedded derivatives. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative at its fair value with subsequent changes in fair value recorded in the statement of operations.

Transaction costs

Transaction costs are comprised primarily of legal, accounting, underwriters' fees and other costs directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability. Transaction costs are expensed as incurred.

(l) Future accounting changes:

The Canadian Institute of Chartered Accountants has issued accounting recommendations that will come into effect for the Corporation's fiscal year beginning April 1, 2009, except as otherwise indicated. The Corporation is currently assessing the impact of these standards on its financial statements. The following is an overview of these recommendations:

International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) has announced that accounting standards in Canada, as used by publicly accountable enterprises, will be converged to International Financial Reporting Standards (IFRS) effective for interim and annual financial statements beginning on or after January 1, 2011. In March 2009, the AcSB issued an exposure draft related to IFRS that, if finalized in its current form, would exclude not-for-profit organizations from the definition of a publicly accountable enterprise and permit, but not require, not-for-profit organizations to adopt IFRS.

The AcSB continues to deliberate other appropriate financial reporting models for not-for-profit organizations.

Amendments to Accounting Standards that apply only to not-for-profit organizations

The CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations. The Corporation reviewed these amendments and concluded that they do not significantly impact its financial statements' presentation and disclosure requirements.

3. Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty, units held in money market funds and short-term deposits with an original maturity of 90 days or less.

Cash and cash equivalents include $1,890 (2008 - $1,273) that is restricted for captive insurance operations.

4. Investments, captive insurance operations:

All of the investments are restricted for captive insurance operations. The amortized cost and fair market value of marketable securities are as follows:

	2009 Amortized cost	2009 Fair value	2008 Amortized cost	2008 Fair value
Short-term notes	$ 5,420	$ 5,421	$ 5,718	$ 5,720
Fixed interest securities	213,801	216,124	215,114	219,005
Equity securities	56,958	51,688	45,306	56,895
	$ 276,179	$ 273,233	$ 266,138	$ 281,620

The fixed interest securities have contractual maturities from less than 1 year to 28 years having effective rates ranging from approximately 0.17% to 9.7% (2008 - 3.4% to 11%).

The Corporation routinely reviews each security to determine whether unrealized losses represent temporary changes in fair value or are as a result of other than temporary impairments. The consideration of whether a security is other than temporarily impaired is based on a number of factors which include, but are not limited to, the financial condition of the issuer, the length and magnitude of the unrealized loss and specific credit events. The Corporation also considers its intent and ability to hold a security for a sufficient period of time for the value of the unrealized loss to recover. Based on the evaluation as of March 31, 2009, unrealized losses are considered to be temporary.

Proceeds from sale of marketable securities were $249,915 (2008 - $188,802). Net realized losses of $835 (2008 – gains of $3,872) from these sales have been included in net investment income included in the statement of operations. Investment income of $10,869 (2008 - $14,756) is net of investment management and custodian fees of $425 (2008 - $375).

5. Inventory:

Inventory consists of raw materials, work in process and finished goods. Raw materials inventory includes medical supplies available for use in the collection, manufacturing and testing of fresh blood products. Work in process inventory consists of plasma for fractionation. Finished goods inventory includes plasma protein products, red blood cells, platelets and plasma for transfusion that are available for distribution to hospitals. Work in process and finished goods inventories include direct costs and overhead incurred in the collection, manufacturing, testing and distribution processes.

Inventory as at March 31, 2009 is comprised as follow:

	2009	2008
Raw material	$ 9,210	$ 13,153
Work in process	7,613	-
Finished goods	132,395	85,877
	$ 149,218	$ 99,030

6. Property, plant and equipment:

	Cost	Accumulated depreciation	2009 Net book value
Building	$ 107,457	$ 24,376	$ 83,081
Machinery and equipment	62,924	41,879	21,045
Land	9,704	-	9,704
Furniture and office equipment	17,709	11,031	6,678
Leasehold improvements	15,241	9,498	5,743
Computer equipment	32,460	27,645	4,815
Motor vehicles	11,689	5,787	5,902
Computer software	21,637	19,069	2,568
Furniture and office equipment under capital lease	1,867	250	1,617
Assets under construction	4,178	-	4,178
	284,866	139,535	145,331
Right to the blood supply system	35,203	9,240	25,963
	$ 320,069	$ 148,775	$ 171,294

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6. Property, plant and equipment (continued):

	Cost	Accumulated depreciation	2008 Net book value
Buildings	$ 106,630	$ 21,696	$ 84,934
Machinery and equipment	60,242	37,044	23,198
Land	9,704	-	9,704
Furniture and office equipment	16,553	9,610	6,943
Leasehold improvements	14,497	8,427	6,070
Computer equipment	30,891	25,594	5,297
Motor vehicles	11,637	5,894	5,743
Computer software	20,090	17,725	2,365
Furniture and office equipment under capital lease	1,461	1,461	-
Assets under construction	643	-	643
	272,348	127,451	144,897
Right to the blood supply system	35,203	8,360	26,843
	$ 307,551	$ 135,811	$ 171,740

During the year, property, plant and equipment was acquired at an aggregate cost of $17,848 (2008 - $13,024) of which $1,718 (2008 - $Nil) was acquired by means of capital lease. Cash payments of $12,787 (2008 - $12,499) were made to purchase property, plant and equipment.

7. Credit facilities:

(a) Long-term debt:

The purchase of the Winnipeg Blood Transfusion Service Centre (WBTSC) was financed by a collateral mortgage.

	2009	2008
A collateral mortgage agreement bearing interest at BA plus 0.33%, requiring minimum annual principal repayments of $1,000 with the balance due in 2014, secured by the WBTSC	$ 15,000	$ 16,000
Less current portion	1,000	1,000
	$ 14,000	$ 15,000

7. Credit facilities (continued):

As at March 31, 2009, as part of the collateral mortgage agreement, the Corporation was party to an interest rate swap contract which has the effect of converting the bankers' acceptance floating rate of interest to a fixed rate of 5.645% for the WBTSC collateral mortgage. The difference between the interest rate swap and the actual rate is recognized as an adjustment to interest expense on long-term debt. The total interest expense incurred as at March 31, 2009 was $875 (2008 - $1,112).

(b) Operating line of credit:

Bank lines of credit of $25,000 and $50,000 have been arranged. The $25,000 line of credit was arranged for purposes of public health and safety to cover events not anticipated in the annual budget. The $50,000 line of credit was arranged to provide working capital for inventory. Pursuant to these line of credit arrangements, the Corporation has provided a general security agreement in favour of the bank over receivables, inventory, equipment and machinery and a floating charge debenture over all present and future assets and property. At March 31, 2009, no amounts had been borrowed under these facilities.

8. Obligations under capital lease:

The following is a schedule of minimum lease payments under fixed rate capital leases expiring between October 1, 2013 and February 1, 2014, together with the balance of the obligations:

Year ended March 31:	2009
2010	$ 393
2011	393
2012	393
2013	393
2014	278
	1,850
Less amount representing interest (at approximately 5.5%)	221
	1,629
Current portion of obligations under capital lease	312
	$ 1,317

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions represent externally restricted contributions to fund expenses of future periods.

		2009		2008
Balance, beginning of year	$	174,328	$	131,322
Adoption of Section 3031, *Inventories*		10,447		-
Increase in amounts received related to future period		20,169		53,652
Less amounts recognized as revenue in the year		(10,070)		(9,016)
Less property, plant and equipment purchased from deferred contributions		(597)		(1,877)
Add income earned on resources restricted for transition		144		247
	$	194,421	$	174,328

The property, plant and equipment purchased represent purchases from contributions that were deferred at March 31, 2008, as well as contributions received and deferred in the year ended March 31, 2009.

(b) Property, plant and equipment:

Funds received to purchase property, plant and equipment are recorded as deferred contributions – property, plant and equipment on the statement of financial position. They are amortized to revenue in the statement of operations at the same rate as property, plant and equipment is depreciated to expenses.

		2009		2008
Balance, beginning of year	$	146,098	$	149,632
Capital funding assumed from CCDT		69		-
Property, plant and equipment purchased		17,848		13,024
Capital funding received for repayment of WBTSC loan		1,000		1,000
Capital funding received for leased assets		102		191
Less property, plant and equipment sold		(1,302)		(360)
Less amounts amortized to revenue		(17,061)		(17,389)
Less assets acquired under capital lease		(1,718)		-
	$	145,036	$	146,098

Included in property, plant and equipment purchased of $17,848 (2008 - $13,024) is $597 (2008 - $1,877) of property, plant and equipment that was purchased using contributions deferred for expenses of future periods.

10. Net assets:

(a) Cumulative unrealized gain/loss on available-for-sale Captive Insurance investments:

	2009	2008
Balance, beginning of year	$ 15,482	$ 22,617
Change in unrealized gains/losses during the year	(19,263)	(3,263)
Reclassification of net realized gains/losses to statement of operations	835	(3,872)
	$ (2,946)	$ 15,482

(b) Change in fair value of interest rate swap:

	2009	2008
Balance, beginning of year	$ (1,216)	$ (985)
Change in unrealized losses during the year	(1,173)	(231)
	$ (2,389)	$ (1,216)

(c) Restricted for captive insurance:

All net assets restricted for captive insurance purposes are subject to externally imposed restrictions stipulating that they be used to provide insurance coverage with respect to risks associated with the operations of the Corporation.

11. Investment income:

	2009	2008
Income on unrestricted funds	$ 4,002	$ 6,422
Interest and realized gains and losses on resources restricted for captive insurance	10,869	14,774
Income on resources restricted for transition	144	247
	15,015	21,443
Less amounts deferred	(144)	(247)
	$ 14,871	$ 21,196

12. Employee benefits:

The Corporation sponsors two defined benefit pension plans, a defined contribution pension plan, and provides other retirement and post-employment benefits to most of its employees.

(a) Defined benefit plans:

Information about the Corporation's defined benefit plans are combined and summarized as follows:

	2009	2008
Accrued benefit obligation	$ 125,341	$ 143,622
Fair value of plan assets	125,110	141,985
Funded status - deficit	(231)	(1,637)
Balance of unamortized amounts	(987)	480
Accrued benefit liability	$ (1,218)	$ (1,157)

The accrued pension benefit liability is included in accounts payable and accrued liabilities in the Corporation's statement of financial position.

The percentage of the fair value of the two plans assets by major category are as follows: equity securities 50% and 61% (2008 - 60% and 56%); debt securities 49% and 34% (2008 - 40% and 32%); and other 1% and 5% (2008 - 0% and 12%).

The difference between the accrued benefit liability of $1,218 (2008 - $1,157) recorded on the Corporation's statement of financial position and the actuarially determined fund deficit of $231 (2008 - $1,637) principally comprises experience gains (losses in 2008). These gains represent differences between actual asset and accrued benefit values and expected values determined based on the actuarial assumptions used for accounting purposes.

Experience gains and losses are amortized to pension expense over the average expected remaining service lives of employees when the aggregate gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair value of assets at the beginning of the year. Accordingly, no amortization was recorded in 2009 or 2008 and none will be required in 2010.

12. Employee benefits (continued):

(a) Defined benefit plans (continued):

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit plans accrued benefit obligation and benefit cost are summarized as follows:

	2009	2008
Accrued benefit obligation:		
Discount rate	8.75%	6.00% - 6.25%
Rate of compensation increase	4.25%	4.25% - 4.50%
Benefit cost:		
Discount rate	6.00% - 6.25%	5.25%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.25% - 4.50%	4.25%

Other information about the Corporation's defined benefit plans are combined and summarized as follows:

	2009	2008
Employer contributions	$ 8,992	$ 7,310
Employee contributions	5,925	4,864
Benefits paid	3,701	3,145

(b) Pension plan expense:

The net expense for the Corporation's pension plans are combined and summarized as follows:

	2009	2008
Defined benefit plans	$ 9,052	$ 7,600
Defined contribution plan	5,485	4,490
	$ 14,537	$ 12,090

12. Employee benefits (continued):

(c) Other retirement and post-employment benefits:

Information about the Corporation's other retirement and post-employment benefits is as follows:

	2009	2008
Accrued benefit obligation	$ 12,312	$ 15,216
Accrued benefit liability	(17,263)	(15,738)
Benefits paid	730	632
Net expense	2,255	2,277

Included in the above-noted benefit obligation, is $2,353 (2008 - $2,822), which represents the unamortized transitional obligation. This amount is being amortized over the average remaining service periods of the active employees expected to receive benefits under the other retirement and post-employment benefit plans as of April 1, 2000.

The significant actuarial assumptions adopted in measuring the Corporation's other retirement and post-employment accrued benefit obligation and benefit cost are as follows:

	2009	2008
Accrued benefit obligation:		
Discount rate	7.75% - 8.75%	6.00%
Rate of compensation increase	4.25%	4.25%
Benefit cost:		
Discount rate	6.00%	5.00% - 5.25%
Rate of compensation increase	4.25%	4.25%

Hospital costs – 6.5% per annum, with ultimate rate of 4.5% reached in 2013, starting in 2008;
Drug costs – 7.23% per annum, with ultimate rate of 5.0% reached in 2013, starting in 2008;
Other health costs – 4.0% per annum.

Canadian Blood Services
Société canadienne du sang

Year ended March 31, 2009, with comparative figures for 2008

(In thousands of dollars)

13. Canadian Blood Services revenue and expenditures detail:

	Transfusable Products		Plasma Protein Products		Diagnostic Services		Stem Cells		Organs and Tissues		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue:												
Members' contributions	$ 481,921	427,484	$ 431,136	$ 409,013	$ 16,079	$ 14,617	$ 7,822	$ 7,556	$ 3,580	$ -	$ 940,538	$ 858,670
Federal contributions	-	-	-	-	-	-	-	-	3,360	-	3,360	-
Less deferred amounts	(57,188)	(14,446)	(5,000)	(5,000)	(1,497)	(1,312)	-	-	(2,420)	-	(66,105)	(20,758)
	424,733	413,038	426,136	404,013	14,582	13,305	7,822	7,556	4,520	-	877,793	837,912
Amortization of previously deferred contributions:												
Relating to property, plant and equipment	18,364	17,756	-	-	-	-	-	-	-	-	18,364	17,756
Relating to operations	9,817	8,801	-	-	253	215	-	-	-	-	10,070	9,016
Total contributions recognized as revenue	452,914	439,595	426,136	404,013	14,835	13,520	7,822	7,556	4,520	-	906,227	864,684
Stem Cells international revenue	-	-	-	-	-	-	9,472	7,512	-	-	9,472	7,512
Investment income	4,002	6,422	-	-	-	-	-	-	-	-	4,002	6,422
Other income	417	951	374	316	197	191	-	-	-	-	988	1,458
Total revenue	**457,333**	**446,968**	**426,510**	**404,329**	**15,032**	**13,711**	**17,294**	**15,068**	**4,520**	**-**	**920,689**	**880,076**
Expenses:												
Cost of plasma protein products	-	-	439,038	390,431	-	-	-	-	-	-	439,038	390,431
Staff costs	272,294	259,223	1,966	2,158	10,965	9,324	3,913	3,595	1,580	-	290,718	274,300
General and administrative (note 14)	85,608	85,201	(15,573)	11,605	1,755	2,240	11,906	9,881	2,940	-	86,636	108,927
Medical supplies	78,821	80,720	1,079	135	2,312	2,147	2,215	1,359	-	-	84,427	84,361
Depreciation and amortization	17,061	17,389	-	-	-	-	-	-	-	-	17,061	17,389
Total expenses	**453,784**	**442,533**	**426,510**	**404,329**	**15,032**	**13,711**	**18,034**	**14,835**	**4,520**	**-**	**917,880**	**875,408**
Excess (deficiency) of revenue over expenses	**$ 3,549**	**$ 4,435**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (740)**	**$ 233**	**$ -**	**$ -**	**$ 2,809**	**$ 4,668**

14. Financial instruments:

(a) Summary of financial instruments:

At March 31, 2009, the classification of the Corporation's financial instruments, as well as their carrying amounts are as follows:

Financial Assets & Liabilities	Classification	2009	2008
Cash and cash equivalents	Available-for-sale	$ 162,717	$ 184,154
Members' contributions receivable	Loans and receivables	12,928	954
Other amounts receivable	Loans and receivables	11,298	8,343
Investments, captive insurance operations	Available-for-sale	273,233	281,620
Accounts payable and accrued liabilities	Other financial liabilities	125,299	100,953
Long term debt	Other financial liabilities	14,000	15,000
Interest rate swap	Held-for-trading	2,389	1,216
Foreign exchange contracts	Held-for-trading	4,573	1,585

Fair values:

The carrying value of cash and cash equivalents, Members' contributions receivable, other amounts receivable and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to settlement of these financial instruments.

The carrying value of obligations under capital lease approximates its fair value as the current rate of interest available to the Corporation for a similar debt instrument has not changed significantly.

The carrying value of the Corporation's variable-rate long-term debt approximates its fair value since the variable interest rate is market based.

Investments, captive insurance operations are carried at fair value based on quoted market prices.

Foreign exchange contracts are used to manage foreign exchange risk and have not been designated as hedges for accounting purposes. The fair value of foreign exchange contracts is disclosed at amounts quoted by a financial institution to realize favorable contracts or settle unfavorable contracts. All changes in fair value for these derivative instruments are recognized in the statement of operations.

Interest rate swaps are used to manage interest rate risk and have been designated as held-for-trading and accounted for as cash flow hedges. The fair value of the interest rate swap on the long-term debt, as calculated by a financial institution is unfavorable by $2,389 (2008 - $1,216) and is reported on the statement of financial position in accounts payable and accrued liabilities.

14. Financial instruments (continued):

(a) Summary of financial instruments (continued):

The fair value of the provision for future insurance claims is not provided since it is not practicable to determine fair value with appropriate reliability

There has been no change in classification of financial instruments since March 31, 2008.

(b) Risk management:

The Board of Directors has responsibility for the review and oversight of the Corporation's risk management framework and general corporate risk profile. Through its committees, the Board oversees analysis on various risks facing the organization and as such evolve in response to economic conditions and industry circumstances.

The Corporation is exposed to risks as a result of holding financial instruments. The Corporation does not enter into transactions involving financial instruments, including derivative financial instruments, for speculative purposes. The following is a description of those risks and how they are managed.

(i) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. These risks are discussed below:

(ii) Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the fair value or future cash flows related to the Corporation's existing financial assets and liabilities. To reduce its exposure to fluctuations in interest expense, the Corporation has entered into an interest rate swap (Note 7) that has the effect of converting a floating rate of interest to a fixed rate on its long-term debt.

The fair value of the interest rate swap will vary based on prevailing market interest rates and the remaining term to maturity. However, the effect of a 10% increase or decrease in rates at March 31, 2009 is not significant. The fair value of the swap will reduce to nil value in the event that the swap is held to maturity, as is currently intended.

The Corporation is exposed to interest rate risk on its cash and cash equivalents. At March 31, 2009 this exposure was minimal due to low prevailing rates of return. The Corporation is also exposed to interest rate risk on investments in debt securities included in investments, captive insurance operations. If interest rates at March 31, 2009 had increased by 25 basis points or decreased by 10 basis points, then net assets would have decreased approximately $3,400 or increased by approximately $1,400, largely related to captive insurance operations.

14. Financial instruments (continued):

(b) Risk management (continued):

(iii) Foreign exchange risk:

Foreign exchange risk is the risk that the value or future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk on purchases that are denominated in currencies other than the functional currency of the Corporation. To mitigate this risk, the Corporation has a formal foreign exchange policy in place. The objective of this policy is to monitor the marketplace and take advantage of opportunities to secure exchange rates to reduce the risk exposures related to purchases made in foreign currencies.

At March 31, 2009 the Corporation had the following instruments denominated in $US dollars as follows:

		$CDN
Accounts receivable	$	514
Accounts payable and accrued liabilities		30,928
Forward contracts		4,573

During the year, the Corporation entered into foreign exchange contracts to hedge its foreign currency exposure on a substantial portion of its foreign purchases of medical supplies and plasma protein products. The contracts are matched with anticipated future purchases in these foreign currencies. The Corporation did not designate the foreign exchange contracts as hedges of firm commitments or anticipated transactions in accordance with Handbook Section 3865 - Hedges and accordingly, did not use hedge accounting. As a result of this, the foreign exchange contracts are recorded in the statement of financial position at fair value and changes in fair value of these contracts are recognized as gains or losses in the statement of operations.

The net impact of foreign exchange gains and losses on the statement of operations for the year ended March 31, 2009 were gains of $21,997 (2008 – $8,658 loss) and are reported in general and administrative expenses. At March 31, 2009, the Corporation had purchased various foreign exchange contracts to buy US $106 million over the next twelve months with a minimum Canadian to US dollar exchange rate of $1.2043, and a maximum exchange rate of $1.2200. The favorable fair value of the foreign exchange contracts of $4,573 (2008 - $1,585) is reported on the statement of financial position in other amounts receivable and is part of the foreign exchange gains and losses, included in general and administrative in the statement of operations.

14. Financial instruments (continued):

(b) Risk management (continued):

(iii) Foreign exchange risk (continued):

As at March 31, 2009, if the Canadian dollar had increased or decreased by 10% in relation to the US dollar, with all other variables held constant, cash, other amounts receivable and accounts payable would have increased or decreased by approximately $9,250 with a corresponding change of $8,600 in revenues and expenses of Plasma Protein Products and $650 in the excess of revenues over expenses of Transfusable Products.

(iv) Other price risk:

As it relates to the Corporation, other price risk is the exposure to changes in the value of equity securities in its investment portfolio as a result of market conditions. Other price risk comprises general price risk which refers to fluctuations in value of the equity securities due to changes in general economic or stock market conditions, and specific price risk which refers to equity price volatility that is determined by entity specific characteristics. These risks affect the carrying value of these securities and the level and timing of recognition of gains and losses on securities held, causing changes in realized and unrealized gains and losses. The Corporation mitigates price risk by holding a diversified portfolio. The equity portfolio is managed through the use of third party investment managers and their performance is monitored by management and the Board of Directors of the Captive Insurance operations.

At March 31, 2009, if equity prices had increased or decreased by 10%, with all other variables held constant, investments, captive insurance operations would have increased or decreased by $5,100 with a corresponding change in net assets.

(v) Credit risk:

The Corporation 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 cash and cash equivalents, Members' contributions receivable, accounts receivable, prepaid expenses, investments, captive insurance operations, and favorable values of interest rate swap and foreign exchange derivative contracts represent the maximum exposure of the Corporation to credit risk.

14. Financial instruments (continued):

(b) Risk management (continued):

(v) Credit risk (continued):

Cash and cash equivalents, foreign exchange contracts and the interest rate swap are held with Canadian financial institutions rated by Standard and Poor's credit rating as A+ credit watch with negative implications and AA- stable. All foreign exchange contracts must be transacted with Schedule I or Schedule II financial institutions in accordance with the Corporation's foreign exchange policy.

The Corporation is also exposed to credit risk on fixed income securities investments. The investment policy requires an average credit rating of 'A' on the credit quality of the whole of its fixed income portfolio related to captive insurance operations.

Vendors with whom the Corporation enters into prepayment arrangements with are subject to review.

Members' receivable are current in nature and management considers there to be minimal exposure to credit risk from Members due to funding agreements in place and third party Member credit ratings. Standard and Poor's available credit ratings for Members range from A credit watch with positive implications to AAA credit watch stable.

Credit risk associated with other amounts receivable is minimal based on the Corporation's experience of bad debts as these accounts represent a small portion of the amounts receivable by the Corporation. The carrying amount of amounts receivable for these parties represents the Corporation's maximum exposure.

(vi) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents. In addition, the Corporation has credit facilities described in note 7 (b) that it can draw on as required.

14. Financial instruments (continued):

(b) Risk management (continued):

(vi) Liquidity risk (continued):

The following presents the contractual terms to maturity of the financial liabilities owed by the Corporation as at March 31, 2009:

	Total	2010	2011	2012	2013	2014
Accounts payable and accrued liabilities	$ 127,668	$ 127,668	$ -	$ -	$ -	$ -
Long-term debt (including current portion)	18,213	1,755	1,699	1,643	1,586	11,530
Capital lease obligations	1,850	393	393	393	393	278
Foreign exchange contracts						
Outflows	129,125	129,125	-	-	-	-
Inflows	(133,698)	(133,698)	-	-	-	-
	143,158	125,243	2,092	2,036	1,979	11,808

15. Insurance:

The Corporation has established two wholly-owned captive insurance Corporations, CBSI and CBSE. CBSI provides insurance coverage up to $250,000 with respect to risks associated with the operation of the blood system by the Corporation. CBSE has entered into an arrangement whereby there is a guarantee and indemnification by the Members of the Corporation in the amount of $750,000 in excess of the $250,000 provided by the insurance coverage from CBSI. No payment shall be made until the primary policy in CBSI, in the amount of $250,000, has been exhausted.

15. Insurance (continued):

Insurance income includes the results of operations of two subsidiaries.

	CBSI		CBSE		Total	
	2009	2008	2009	2008	2009	2008
Gross premium written and earned	$ 642	$ 590	$ 40	$ 20	$ 682	$ 610
Change in unearned premium	-	-	-	20	-	20
Net premiums earned	642	590	40	40	682	630
Investment income	10,856	14,757	13	17	10,869	14,774
	11,498	15,347	53	57	11,551	15,404
Expenses:						
Increase in provision for future claims	8,947	23,229	-	-	8,947	23,229
General and administrative	823	560	36	49	859	609
	9,770	23,789	36	49	9,806	23,838
Net insurance income (loss)	$ 1,728	$ (8,442)	$ 17	$ 8	$ 1,745	$ (8,434)

Included in net insurance income (loss) above is $682 (2008 - $610) of gross premiums earned and $682 (2008 - $167) of general and administrative expenses that have been eliminated upon consolidation. These amounts are not reflected in the consolidated statement of operations.

The increase in provision for future claims expense is an actuarially based estimate of the cost of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2009.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability at March 31, 2009 of $232,401 (2008 - $223,454) covers the manifestation of blood diseases, which is inherently difficult to assess and quantify. There is a variance between these recorded amounts and other reasonably possible estimates. It is reasonably possible that changes in future conditions in the near term could require a change in the amount estimated.

16. Canadian Council for Donation and Transplantation

Effective April 1, 2008 and pursuant to a service agreement between the Corporation and CCDT, CCDT became a wholly-owned subsidiary of the Corporation. The activities previously assumed by CCDT were transferred to the Corporation,

Included in the consolidated statement of operations are the results of the Corporation's wholly-owned subsidiary, CCDT since acquisition on April 1, 2008. It is the intention of the Corporation to wind up the operations of CCDT in the fiscal year ending March 31, 2010.

		2009
Other income	$	10
Amortization of previously deferred contributions:		
Relating to property plant and equipment		70
Total revenues		80
Expenses:		
General and administrative		22
Depreciation		61
Total expenses		83
Deficiency of revenues over expenses	$	(3)

17. Guarantees and contingencies:

(a) Guarantees:

In the normal course of business, the Corporation enters into lease agreements for facilities and assets acquired under capital leases. In the Corporation's standard commercial lease for facilities the Corporation as the lessee agrees to indemnify the lessor and other related third parties for liabilities that may arise from the use of the leased premises where the event triggering liability results from a breach of a covenant, any wrongful act, neglect or default on the part of the tenant or related third parties. However, this clause may be altered through negotiation. In the Corporation's property, plant and equipment acquired under capital leases both the lessee and the lessor agree to indemnify each other for death or injury to the employees or agents of either party, where the event triggering liability results from negligent acts, omissions or willful misconduct.

17. Guarantees and contingencies (continued):

(a) Guarantees (continued):

The maximum amount potentially payable under any such indemnities cannot be reasonably estimated. The Corporation has liability insurance that relates to the indemnifications described above.

Historically, the Corporation has not made significant payments related to the above-noted indemnities and accordingly, no liabilities have been accrued in the financial statements.

(b) Contingencies:

The Corporation is party to legal proceedings in the ordinary course of its operations. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the Corporation's financial statements or its activities. Claims and obligations related to the operation of the blood supply system prior to September 28, 1998 are not the responsibility of the Corporation.

Pursuant to the CCDT service agreement (note 1), the Corporation has acquired Directors indemnity insurance to cover any claims against Directors for the period since April 1, 2008. Claims prior to this time are not the responsibility of the Corporation.

18. Commitments:

At March 31, 2009, the Corporation had the following contractual commitments:

(a) Future minimum payments under operating leases of approximately $16,695 with payments in each of the next five years of: 2010 - $4,587; 2011 - $2,781; 2012 - $2,187; 2013 - $1,651; 2014 - $1,513 and thereafter $3,976

(b) Research and development project grants of approximately $7,980 to be funded from the contributions deferred for future expenses.

(c) Capital commitments of approximately $11,750 with payment in 2010 funded from the Members' contributions.

19. Research and development:

For the year ended March 31, 2009, the Corporation incurred $10,697 of expenses related to research and development (2008 - $10,851), these costs are included within transfusable products in the statement of operations. As at March 31, 2009, the research and development portion of contributions deferred for future expenses totaled $15,471 (2008 - $15,280).

20. Related party transactions:

Members of the Corporation are the Ministers of Health within the provincial and territorial governments of Canada, except Québec. The Members provide funding for the operating budgets of the Corporation. The Corporation enters into other transactions with these related parties in the normal course of business.

21. Capital disclosures:

The Corporation is a non-share capital corporation and plans its operations to essentially result in an annual financial breakeven position. The Corporation views capital as the sum of its net assets. This definition is used by management and may not be comparable to measures presented by other entities. The Corporation's manages capital through a formal and approved budgetary process where funds are allocated following the underlying objectives below:

(a) to ensure the funding of working capital requirements;

(b) to provide a safe, secure, cost-effective and accessible blood supply to all Canadians;

(c) to meet regulatory and statutory capital requirements related to captive insurance operations; and

(d) to support the Corporation's ability to continue as a going concern.

The Corporation evaluates its accomplishment against its objectives annually. The Corporation has complied with all externally imposed capital requirements and there were no changes in the approach to capital management during the period.

The Corporation's captive insurance operations are required to maintain statutory capital and surplus greater than a minimum amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At March 31, 2009 the Corporation's captive insurance operations are required to maintain a minimum statutory capital and surplus of $35,160. Actual statutory capital and surplus is $45,005 and the minimum margin of solvency was therefore met. The Corporation's captive insurance operations are also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. At March 31, 2009, the Corporation's captive insurance operations were required to maintain relevant assets of at least $174,571. At that date relevant assets were $277,466 and the minimum liquidity ratio was therefore met.

22. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for 2009.