Consolidated Financial Statements of

for the year ended March 31, 2010

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AUDITORS' REPORT TO THE MEMBERS

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2010 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, 2010 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 2, 2010

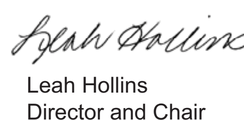
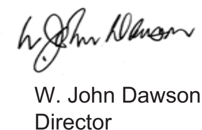
Canadian Blood Services
Société canadienne du sang

Consolidated Statement of Financial Position

As at March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	2010	2009 (recast, see note 3)
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 167,485	$ 162,717
Members' contributions receivable	13,485	12,928
Other amounts receivable	11,896	15,871
Inventory (note 5)	127,388	144,016
Prepaid expenses	6,130	6,639
	326,384	342,171
Investments, captive insurance operations (note 6)	307,955	273,233
Property, plant and equipment (note 7):		
Land, buildings, software and equipment	157,331	145,331
Right to the blood supply system	25,083	25,963
	182,414	171,294
	$ 816,753	**$ 786,698**
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 113,376	$ 127,668
Current portion of long-term debt (note 9)	1,000	1,000
Current portion of obligation under capital leases (note 8)	521	312
	114,897	128,980
Provision for future insurance claims (note 16)	249,261	232,401
Long -term debt:		
Long-term debt (note 9)	13,000	14,000
Obligation under capital leases (note 8)	1,647	1,317
	14,647	15,317
Deferred contributions (note 10):		
Expenses of future periods	187,096	189,219
Property, plant and equipment	151,096	145,036
	338,192	334,255
Net assets:		
Invested in property, plant and equipment	15,265	9,704
Restricted for captive insurance purposes	59,672	44,021
Unrestricted net assets	24,819	22,020
	99,756	75,745
Guarantees and contingencies (note 18)		
Commitments (note 19)		
	$ 816,753	**$ 786,698**

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Leah Hollins
Director and Chair

W. John Dawson
Director

Canadian Blood Services
Société canadienne du sang

Consolidated Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	Canadian Blood Services (note 14)		Captive Insurance (note 16)		Consolidated	
	2010	**2009 (recast, see note 3)**	**2010**	**2009**	**2010**	**2009 (recast, see note 3)**
Revenue:						
Members' contributions	$ 990,808	$ 940,538	$ -	$ -	$ 990,808	$ 940,538
Federal contributions	8,580	8,360	-	-	8,580	8,360
Less amounts deferred	(45,209)	(68,755)	-	-	(45,209)	(68,755)
	954,179	880,143	-	-	954,179	880,143
Amortization of previously deferred contributions:						
Relating to property, plant and equipment	18,490	18,364	-	-	18,490	18,364
Relating to operations	13,360	10,070	-	-	13,360	10,070
Total contributions recognized as revenue	986,029	908,577	-	-	986,029	908,577
Stem Cells revenue	10,860	9,472	-	-	10,860	9,472
Investment income (note 12)	773	4,002	14,302	10,869	15,075	14,871
Other income	2,115	988	-	-	2,115	988
Total revenue	**999,777**	**923,039**	**14,302**	**10,869**	**1,014,079**	**933,908**
Expenses:						
Increase in provision for future insurance claims	-	-	16,860	8,947	16,860	8,947
Cost of plasma protein products	464,263	439,038	-	-	464,263	439,038
Staff costs	297,128	291,499	-	-	297,128	291,499
General and administrative (note 15)	133,661	86,910	481	859	134,142	87,769
Medical supplies	84,531	85,722	-	-	84,531	85,722
Depreciation and amortization	18,340	17,061	-	-	18,340	17,061
Total expenses	**997,923**	**920,230**	**17,341**	**9,806**	**1,015,264**	**930,036**
Excess (deficiency) of revenue over expenses	**$ 1,854**	**$ 2,809**	**$ (3,039)**	**$ 1,063**	**$ (1,185)**	**$ 3,872**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	Invested in property, plant and equipment	Restricted for captive insurance	Unrestricted	March 2010	March 2009
Balance, beginning of year	$ 9,704	$ 44,021	$ 22,020	$ 75,745	$ 91,437
Excess (deficiency) of revenue over expenses	-	(3,039)	1,854	(1,185)	3,872
Assumption of Canadian Council for Donation and Transplantation	-	-	-	-	37
Change in unrealized gains (losses) on investments held	-	18,690	-	18,690	(18,428)
Change in unrealized loss on revaluation of interest rate swap	-	-	945	945	(1,173)
Change in investment in property, plant & equipment	5,561	-	-	5,561	-
Balance, as at March 31, 2010 (note 11)	**$ 15,265**	**$ 59,672**	**$ 24,819**	**$ 99,756**	**$ 75,745**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

(In thousands of dollars)

	2010	2009 (recast, see note 3)
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (1,185)	$ 3,872
Items not involving cash and cash equivalents:		
Depreciation and amortization of property, plant and equipment	18,340	17,061
Amortization of deferred contributions	(31,850)	(28,434)
Loss on sale of property, plant and equipment	55	368
Realized loss (gain) on sale of investments, captive insurance operations	(1,670)	835
Accretion of (discounts) premiums on bonds, captive insurance operations	226	(522)
Provision for future insurance claims	16,860	8,947
	776	2,127
Increase in Members' contributions receivable	(557)	(11,974)
Decrease (Increase) in other amounts receivable	3,975	(5,943)
Decrease (Increase) in inventory	16,628	(44,986)
Decrease (Increase) in prepaid expenses	509	(579)
Increase (Decrease) in accounts payable and accrued liabilities	(14,212)	21,010
Increase in deferred contributions of future periods	11,237	24,962
	18,356	(15,383)
Investing activities:		
Proceeds on sale of investments, captive insurance operations	168,069	249,907
Purchase of investments, captive insurance operations	(182,657)	(260,261)
Increase in investments in property, plant & equipment	5,561	-
Assumption of Canadian Council for Donation and Transplantation	-	37
Increase in deferred contributions related to property, plant and equipment	24,550	17,231
Proceeds on sale of property, plant and equipment	95	935
Purchase of property, plant and equipment	(27,729)	(12,787)
Total Investing activities	(12,111)	(4,938)
Financing activities:		
Repayment of obligations under capital leases	(477)	(116)
Repayment of long-term debt	(1,000)	(1,000)
Total Financing activities	(1,477)	(1,116)
Increase (decrease) in cash and cash equivalents	4,768	(21,437)
Cash and cash equivalents, beginning of year	162,717	184,154
Cash and cash equivalents, end of year	**$ 167,485**	**$ 162,717**
Cash and cash equivalents are comprised of:		
Cash on deposit	167,235	161,857
Butterfield Asset Management Money Market Fund	44	577
HSBC Money Market Pooled Fund	206	283
	$ 167,485	**$ 162,717**

See accompanying notes to the consolidated financial statements.

1. Nature of the organization and operations:

Canadian Blood Services/Société canadienne du sang (Canadian Blood Services) 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. Canadian Blood Services also recruits volunteer donors for both Canadian and international patients requiring stem cell transplants and delivers an array of diagnostic services throughout Canada. Canadian Blood Services has taken over the work of the former Canadian Council for Donation and Transplantation (CCDT). As part of this mandate, Canadian Blood Services has set up a registry for Living Donor Paired Exchange and is developing a registry for highly sensitized patients and urgent status patients. This new mandate also includes the development of recommendations for an integrated national system on organs and tissue donation and transplantation.

Canadian Blood Services 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 Canadian Blood Services, the Ministers of Health of the Provinces and Territories of Canada, except Québec, as well as the Federal government provide contributions to fund the operations of Canadian Blood Services. Canadian Blood Services operates in a regulated environment, pursuant to the requirements of Health Canada.

Canadian Blood Services 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 reinsurer 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.

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 captive insurance subsidiaries (the Corporation). Significant inter-company transactions have been eliminated.

2. Significant accounting policies (continued):

(b) Changes in accounting policies:

The following new accounting standards were adopted during the year.

Section 3862, *Financial Instruments – Disclosures*

In June 2009, amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, were issued that included additional disclosure requirements about the fair value measurement of financial instruments and enhanced liquidity risk disclosures. These amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments only impact the Corporation's disclosures and are reflected in note 15.

The amendments to Section 3862 require that all financial instruments measured at fair value on the statement of financial position be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the significance 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 instruments in the hierarchy is based upon the lowest level of input if significant to the measurement of fair value.

<u>Amendments for Accounting Standards that Apply Only to Not for Profit Organizations:</u>

Effective April 1, 2009, the Corporation adopted the amendments to the CICA Handbook 4400 Sections, which apply to not-for-profit organizations. These amendments revised certain financial statement presentation and disclosure requirements. The adoption of these amendments had no effect on the Corporation's financial statements.

2. Significant accounting policies (continued):

(b) Changes in accounting policies (continued):

<u>Section 1000, *Financial Statement Concepts*</u>

Effective April 1, 2009, the Corporation adopted the amendments to the CICA Handbook Section 1000, *Financial Statements Concepts*. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. The adoption of these amendments had no effect on the Corporation's financial statements.

(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 may also 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 expenses for pension, other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 13 and 16, 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.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

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

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:

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.

(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.

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

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

(g) Inventory:

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 is 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.

2. Significant accounting policies (continued):

(h) 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 a capital asset 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

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.

Furniture and office equipment under capital lease is depreciated over the term of the lease.

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.

2. Significant accounting policies (continued):

(i) 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.

(j) 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.

(k) 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):

(k) 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, 2009, and the next required valuation will be as of April 1, 2012.
- 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 for a period 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 (2009 – 9 years) and 11 years (2009 – 11 years) for the two defined benefit plans and 9 to 12 years (2009 – 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 represented 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.

2. Significant accounting policies (continued):

(k) 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.

(l) Financial Instruments:

The Corporation classifies all financial instruments in one of the following categories: held-for-trading, held-to-maturity investments, 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 recognized 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 are 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.

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

Foreign exchange contracts that are used to manage foreign exchange risk and that 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 of net assets.

2. Significant accounting policies (continued):

(l) 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.

3. Correction of immaterial prior period error:

During the preparation of the consolidated financial statements for the year ended March 31, 2010, the Corporation discovered a misstatement relating to the measurement of fresh blood products inventory. The measurement differences arose due to an overstatement of the quantity of products on hand at April 1, 2008 and March 31, 2009.

The overstatement of the quantity of fresh blood products on hand resulted in an understatement of expenses, primarily staff costs, general and administrative, and medical supplies in the amount of $2,350, for the year ended March 31, 2009. As well, amounts deferred from revenue were understated by $2,350. As at April 1, 2008 and March 31, 2009, inventory and deferred contributions - expenses of future periods, as previously reported, were overstated by $2,852 and $5,202, respectively. The consolidated financial statements, for the year ended March 31, 2009 have been recast to reflect these adjustments. There was no effect on the excess of revenue over expenses previously reported for 2009.

3. Correction of immaterial prior period error (continued):

The following table outlines the impact of the adjustments:

	Previously reported	Adjustments	As recast
As at March 31, 2009			
Consolidated statement of financial position			
Inventory	149,218	(5,202)	144,016
Deferred contributions, expenses of future periods	194,421	(5,202)	189,219
For the year ended March 31, 2009			
Consolidated statement of operations			
Revenue:			
less deferred amounts	(71,105)	2,350	(68,755)
Expenses:			
Staff costs	290,718	781	291,499
General and administrative	87,495	274	87,769
Medical supplies	84,427	1,295	85,722
For the year ended March 31, 2009			
Consolidated statement of cash flows			
Operating activities:			
increase in inventory	(50,188)	5,202	(44,986)
Increase in deferred contributions of future periods	30,164	(5,202)	24,962

4. Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and units held in money market funds.

Cash and cash equivalents include $ 255 (2009 - $1,890) that is restricted for captive insurance operations.

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 process.

Inventory at March 31, 2010 is comprised as follows:

	2010	2009 (recast see note 3)
Raw material	$ 10,819	$ 9,210
Work-in-process	5,563	4,938
Finished goods	111,006	129,868
	$ 127,388	$ 144,016

6. Investments:

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

	2010 Amortized cost	2010 Fair value	2009 Amortized cost	2009 Fair value
Short-term notes	$ 3,253	$ 3,253	$ 5,420	$ 5,421
Fixed interest securities	204,658	210,365	213,801	216,124
Mutual funds	35,308	32,904	15,881	11,549
Equity securities	48,992	61,433	41,077	40,139
	$ 292,211	$ 307,955	$ 276,179	$ 273,233

The fixed interest securities have contractual maturities from less than 1 year to 31 years having effective rates ranging from approximately 0.2% to 6.7% (2009 – 0.17% to 9.7%).

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, 2010, unrealized losses are considered to be temporary.

Year ended March 31, 2010
(In thousands of dollars)

7. Property, plant and equipment:

	Cost	Accumulated depreciation	2010 Net Book Value
Building	$ 108,095	$ 27,076	$ 81,019
Machinery and equipment	65,897	46,669	19,228
Land	15,264	–	15,264
Furniture and office equipment	18,456	12,479	5,977
Leasehold improvements	15,533	10,165	5,368
Computer equipment	36,371	29,890	6,481
Motor vehicles	12,361	6,017	6,344
Computer software	22,871	21,029	1,842
Equipment under capital lease	2,740	623	2,117
Assets under construction	13,691	–	13,691
	311,279	153,948	157,331
Right to the blood supply system	35,203	10,120	25,083
	$ 346,482	$ 164,068	$ 182,414

Canadian Blood Services
Société canadienne du sang

7. Property, plant and equipment (continued):

	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
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

During the year, property, plant and equipment were acquired at an aggregate cost of $29,610 (2009 - $17,848) of which $1,021 (2009 - $1,718) were acquired by means of capital leases. Cash payments of $27,729 (2009 - $12,787) were made to purchase property, plant and equipment.

8. Obligations under capital leases:

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

Year ended March 31:	2010	2009
2011	$ 627	$ 393
2012	627	393
2013	627	393
2014	513	393
2015	35	278
	2,429	1,850
Less amount representing interest (at approximately 5.5%)	261	221
	2,168	1,629
Current portion of obligations under capital leases	521	312
	$ 1,647	$ 1,317

9. Credit facilities:

(a) Long-term debt:

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

		2010		2009
A collateral mortgage agreement bearing interest at BA plus 0.33%, requiring minimum annual principal repayments of $1,000 with the balance due in 2019, secured by the WBTSC	$	14,000	$	15,000
Less current portion		1,000		1,000
	$	13,000	$	14,000

Effective January 15, 2010, the interest rate swap was extended to January 15, 2019 at a rate of 5.34%. Prior to January 15, 2010, the interest rate swap expired in 2014, at a rate of 5.65%. The interest rate swap has the effect of converting the bankers' acceptance floating rate of interest to a fixed rate for the WBTSC collateral mortgage. The difference between the swap rate 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, 2010 was $809 (2009 - $875).

(b) Demand instalment loan (emergency line):

A demand instalment loan in the amount of $25,000 was arranged for purpose of contingency to cover events not anticipated in the annual budget. At March 31, 2010, no amounts had been borrowed under these facilities.

(c) Demand operating credit:

A line of credit in the amount of $50,000 was arranged to provide working capital for inventory. At March 31, 2010, no amounts had been borrowed under these facilities.

(d) Demand bridge facility:

During the year, a demand revolving bridge facility of $80,000 was arranged to finance a portion of the redevelopment of the Corporation's facilities. At March 31, 2010, no amounts had been borrowed under this facility.

(e) Standby letter of credit:

Standby letters of credit in the amount of $2,000 were arranged during the year to cover municipal requirements with regard to the redevelopment of the Corporation's facilities. At March 31, 2010, $438 has been issued under the facility.

9. Credit facilities (continued):

(f) Demand instalment loan (project loan):

During the year, a demand instalment loan has been arranged. The credit limit established under this loan is the lesser of $68,000, the outstanding balance on the demand bridge facility or an amount confirmed by the borrower. The facility was arranged to refinance the demand bridge facility. At March 31, 2010, no amounts had been borrowed under the demand instalment loan. Any amounts borrowed under the facility will be repayable on demand.

Pursuant to arrangements (c), (d), (e) and (f) above, the Corporation has provided a general security agreement in favour of the bank over receivables, inventory, equipment and machinery, a floating charge debenture over all present and future assets and property and a fixed charge over the Brampton and Halifax properties. With respect to the demand bridge facility, the standby letter of credit facility and demand instalment loan, the Corporation has provided a first-priority security interest over funds received for the redevelopment of the Corporation's facilities.

10. Deferred contributions:

(a) Expenses of future periods:

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

	2010	2009 (recast, see note 3)
Balance, beginning of year	$ 189,219	$ 174,328
Adoption of Section 3031, Inventories	–	7,595
Increase in amounts received related to future periods	28,952	17,819
Less amounts recognized as revenue in the year	(13,360)	(10,070)
Less property, plant and equipment purchased from deferred contributions	(17,746)	(597)
Add income earned on resources restricted for transition	31	144
	$ 187,096	$ 189,219

The property, plant and equipment purchased represent purchases from contributions that were deferred at March 31, 2009, as well as contributions received and deferred in the year ended March 31, 2010.

10. Deferred contributions (continued):

(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.

	2010	2009
Balance, beginning of year	$ 145,036	$ 146,098
Capital funding assumed from CCDT	–	69
Property, plant & equipment purchased	29,610	17,848
Capital funding received for repayment of WBTSC loan	1,000	1,000
Capital funding received for leased assets	522	102
Less property, plant and equipment sold	(150)	(1,302)
Less investment in property, plant & equipment	(5,561)	–
Less amounts amortized to revenue	(18,340)	(17,061)
Less amount acquired under capital lease	(1,021)	(1,718)
	$ 151,096	$ 145,036

Included in property, plant and equipment purchased of $29,610 (2009 - $17,848) is $17,746 (2009 - $597) of property, plant and equipment that was purchased using contributions deferred for expenses of future periods.

11. Net assets:

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

	2010	2009
Balance, beginning of year	$ (2,946)	$ 15,482
Change in unrealized gains/losses during the year	20,360	(19,263)
Reclassification of net realized gains/losses to statement of operations	(1,670)	835
	$ 15,744	$ (2,946)

Canadian Blood Services
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11. Net assets (continued):

(b) Cumulative change in fair value of interest rate swap:

		2010		2009
Balance, beginning of year	$	(2,389)	$	(1,216)
Change in unrealized losses during the year		945		(1,173)
	$	(1,444)	$	(2,389)

(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.

12. Investment income:

		2010		2009
Income on unrestricted funds	$	773	$	4,002
Interest and realized gains and losses on resources restricted for captive insurance		14,302		10,869
Income on resources restricted for transition		31		144
		15,106		15,015
Less amounts deferred		(31)		(144)
	$	15,075	$	14,871

13. 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:

	2010	2009
Accrued benefit obligation	$ 173,958	$ 125,341
Fair value of plan assets	164,864	125,110
Funded status – deficit	(9,094)	(231)
Balance of unamortized amounts	8,147	(987)
Accrued benefit liability	$ (947)	$ (1,218)

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 61% and 63% (2009 – 50% and 61%); debt securities 39% and 34% (2009 - 49% and 34%); and other Nil% and 3% (2009 - 1% and 5%).

The difference between the accrued benefit liability of $947 (2009 - $1,218) recorded on the Corporation's statement of financial position and the actuarially determined fund deficit of $9,094 (2009 - $231) principally comprises experience losses (gains in 2009). These losses 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 2010 or 2009 and none will be required in 2011.

13. 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:

	2010	2009
Accrued benefit obligation:		
Discount rate	6.25%	8.75%
Rate of compensation increase	4.25%	4.25%
Benefit cost:		
Discount rate	8.75%	6.00%-6.25%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate on compensation increases	4.25%	4.25%-4.50%

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

	2010	2009
Employer contributions	$ 9,675	$ 8,992
Employee contributions	6,419	5,925
Benefits paid	4,296	3,701

(b) Pension plan expense:

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

	2010	2009
Defined benefit plans	$ 9,405	$ 9,052
Defined contribution plans	5,071	5,485
	$ 14,476	$ 14,537

13. Employee benefits (continued):

(c) Other retirement and post-employment benefits:

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

	2010	2009
Accrued benefit obligation	$ 16,055	$ 12,312
Accrued benefit liability	(18,268)	(17,263)
Benefits paid	564	730
Net expense	$ 1,569	$ 2,255

Included in the above-noted benefit obligation, is $1,884 (2009 - $2,353), 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:

	2010	2009
Accrued benefit obligation:		
Discount rate	5.25%-5.75%	7.75%-8.75%
Rate of compensation increase	4.50%	4.25%
Benefit cost:		
Discount rate	7.75%-8.75%	6.00%
Rate on compensation increases	4.25%	4.25%

Hospital costs – 6.0% per annum, with ultimate rate of 4.5% reached in 2013, starting in 2008;

Drug costs – 6.68% per annum, with ultimate rate of 5.0% reached in 2013, starting in 2008;

Other health costs – 4.0% per annum.

14. Canadian Blood Services revenue and expenditures detail:

	Transfusable Products		Plasma Protein Products		Diagnostic Services		Stem Cells		Organs and Tissues		Total	
	2010	2009 (recast, see note 3)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009 (recast, see note 3)
Revenue:												
Members' contributions	$ 468,019	481,921	$ 493,026	$ 431,136	$ 17,544	$ 16,079	$ 8,639	$ 7,822	$ 3,580	$ 3,580	$ 990,808	$ 940,538
Federal contributions	5,000	5,000	-	-	-	-	-	-	3,580	3,360	8,580	8,360
Less deferred amounts	(34,399)	(59,838)	(5,000)	(5,000)	(1,930)	(1,497)	(300)	-	(3,580)	(2,420)	(45,209)	(68,755)
	438,620	427,083	488,026	426,136	15,614	14,582	8,339	7,822	3,580	4,520	954,179	880,143
Amortization of previously deferred contributions:												
Relating to property, plant and equipment	18,490	18,364	-	-	-	-	-	-	-	-	18,490	18,364
Relating to operations	8,593	9,817	-	-	856	253	96	-	3,815	-	13,360	10,070
Total contributions recognized as revenue	465,703	455,264	488,026	426,136	16,470	14,835	8,435	7,822	7,395	4,520	986,029	908,577
Stem Cells revenue	-	-	-	-	-	-	10,860	9,472	-	-	10,860	9,472
Investment income	773	4,002	-	-	-	-	-	-	-	-	773	4,002
Other income	712	417	1,092	374	311	197	-	-	-	-	2,115	988
Total revenue	**467,188**	**459,683**	**489,118**	**426,510**	**16,781**	**15,032**	**19,295**	**17,294**	**7,395**	**4,520**	**999,777**	**923,039**
Expenses:												
Cost of plasma protein products	-	-	464,263	439,038	-	-	-	-	-	-	464,263	439,038
Staff costs	276,350	273,075	2,176	1,966	10,834	10,965	4,228	3,913	3,540	1,580	297,128	291,499
General and administrative (note 15)	91,614	85,881	21,498	(15,573)	3,374	1,755	13,320	11,906	3,855	2,940	133,661	86,910
Medical supplies	78,601	80,117	1,181	1,079	2,573	2,312	2,176	2,215	-	-	84,531	85,722
Depreciation and amortization	18,340	17,061	-	-	-	-	-	-	-	-	18,340	17,061
Total expenses	**464,905**	**456,134**	**489,118**	**426,510**	**16,781**	**15,032**	**19,724**	**18,034**	**7,395**	**4,520**	**997,923**	**920,230**
Excess (deficiency) of revenue over expenses	**$ 2,283**	**$ 3,549**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (429)**	**$ (740)**	**$ -**	**$**	**$ 1,854**	**$ 2,809**

15. Financial instruments:

(a) Summary of financial instruments:

At March 31, 2010, the classifications of the Corporation's financial instruments, as well as their carrying amounts are as follows:

Financial Assets (Liabilities)	Classification	2010	2009
Cash and cash equivalents	Available-for-sale	$ 167,485	$ 162,717
Members' contributions receivable	Loans and receivables	13,485	12,928
Other amounts receivable	Loans and receivables	11,896	11,298
Investments, captive insurance operations	Available for sale	307,955	273,233
Accounts payable and accrued liabilities	Other financial liabilities	(111,932)	(125,279)
Long term debt	Other financial liabilities	(13,000)	(14,000)
Interest rate swap	Held-for-trading	(1,444)	(2,389)
Foreign exchange contracts	Held-for-trading	–	4,573

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 maturity of these financial instruments.

The carrying value for 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.

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 favourable contracts or settle unfavourable 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 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 unfavourable by $1,444 (2009 - $2,389) and is reported on the statement of financial position in accounts payable and accrued liabilities.

There has been no change in classification of financial instruments since March 31, 2009.

15. Financial instruments (continued):

(a) Summary of financial instruments (continued):

The following table provides the estimated fair values of financial instruments carried at fair value in accordance with the Corporation's accounting policies. Values have been measured and disclosed based on a hierarchy described in Note 2 (b) that reflects the significance of inputs used in making these estimates.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 167,485	$ –	$ –	$ 167,485
Interest rate swap	–	1,444	–	1,444
Short term notes	3,253	–	–	3,253
Canadian government bonds	–	104,174	–	104,174
Corporate bonds	135	80,328	–	80,463
Mutual funds	–	32,904	–	32,904
Mortgage backed securities	145	25,583	–	25,728
Equity securities	61,433	–	–	61,433
	$ 232,451	$ 244,433	$ –	$ 476,884

(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 of various risks facing the organization that 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:

15. Financial instruments (continued):

(b) Risk management (continued):

(i) Market risk (continued):

Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the fair value of 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 9) that has the effect of converting the bankers' acceptance 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, 2010 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, 2010 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, 2010 had increased by 25 basis points or decreased by 25 basis points, then net assets would have decreased by approximately $3,400 or increased by approximately $3,600, largely related to captive insurance operations.

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 currency policy in place. The objective of this policy is to monitor the marketplace and, when considered appropriate, take advantage of opportunities to fix exchange rates using forward contracts to reduce the risk exposures related to purchases made in foreign currencies. Generally, forward contracts are for periods not in excess of twelve months.

At March 31, 2010, the Corporation had the following instruments denominated in $US dollars:

	2010 CDN	2009 CDN
Accounts receivable	$ 644	$ 514
Accounts payable and accrued liabilities	34,709	30,928
Forward contracts	–	4,573

15. Financial instruments (continued):

(b) Risk management (continued):

(i) Market risk (continued):

Foreign exchange risk (continued):

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 intended to match the timing of anticipated future purchases of 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 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.

Included in foreign exchange gains and losses, recorded in general and administrative expenses in the statement of operations at March 31, 2010, were losses of $17,749 (2009 – $21,997 gains). At March 31, 2010, the Corporation had no foreign exchange contracts outstanding. The fair value of the foreign exchange contracts of $Nil (2009 - $4,573 favourable) 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 expenses in the statement of operations.

If the Canadian dollar had increased or decreased by 10% in relation to the net US dollar position of financial instruments at March 31, 2010, with all other variables held constant, the excess of revenue over expenses for the year would have decreased or increased respectively by approximately $2,250 with a corresponding change of $2,120 in revenues and expenses of Plasma Protein Products and $130 in the excess of revenue over expenses of Transfusable Products.

15. Financial instruments (continued):

(b) Risk management (continued):

(i) Market risk (continued):

Other price risk:

As it relates to the Corporation, other price risk is the exposure to changes in the value of mutual funds and 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 mutual funds and 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 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 the prices of mutual funds and equity securities had increased or decreased by 10% (2009 - 10%), with all other variables held constant, investments, captive insurance operations would have increased or decreased by $9,400 (2009 - $5,100) with a corresponding change in net assets.

(ii) 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, other amounts receivable, and investments, captive insurance operations represent the maximum exposure of the Corporation to credit risk.

Cash and cash equivalents and the interest rate swap are held with a Canadian financial institution rated by Standard and Poor's credit rating as A+ credit watch stable. All foreign exchange contracts must be transacted with Schedule I or Schedule II financial institutions as per the Corporation's foreign currency policy.

The Corporation's 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 its fixed income portfolio, related to Captive Insurance operations.

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

15. Financial instruments (continued):

(b) Risk management (continued):

(ii) Credit risk (continued):

Members' contributions receivable is 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 stable to AAA credit watch stable.

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

(iii) 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 9 that it can draw on as required.

The following presents the contractual terms to maturity of the financial liabilities owed by the Corporation as at March 31, 2010:

	Total	2011	2012	2013	2014	2015	Thereafter
Accounts payable and accrued liabilities	111,932	111,932	-	-	-	-	-
Long-term debt (including current portion)	14,000	1,000	1,000	1,000	1,000	1,000	9,000
Interest rate swap	4,448	733	681	624	569	515	1,326
Capital lease obligations	2,429	627	627	627	513	35	–

The provision for future insurance claims has no contractual maturity and the timing of settlement will depend on actual claims experience in the future.

16. Insurance:

The Corporation has established two wholly-owned captive insurance subsidiaries, 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 provides insurance coverage up to $250,000 with respect to risks associated with the operation of the blood system. CBSE has entered into an arrangement whereby the Members have agreed to indemnify CBSE for all amounts payable by CBSE under the terms of the excess policy up to $750,000, which is in excess of the $250,000 provided by CBSI. No payment shall be made under CBSE until the limit of the liability under the primary policy in CBSI, in the amount of $250,000, has been exhausted. As a result, the Corporation has $1,000,000 total in coverage.

Insurance income includes the results of operations of two subsidiaries.

	CBSI		CBSE		Total	
	2010	2009	2010	2009	2010	2009
Gross premiums written and earned	$676	$642	$45	$40	$721	$682
Net premiums earned	676	642	45	40	721	682
Investment income	14,295	10,856	7	13	14,302	10,869
	14,971	11,498	52	53	15,023	11,551
Expenses						
Increase in provision for future claims	16,860	8,947	–	–	16,860	8,947
General and administrative	652	823	53	36	705	859
	17,512	9,770	53	36	17,565	9,806
Net insurance income (loss)	$(2,541)	$1,728	$(1)	$17	$(2,542)	$1,745

Included in net insurance income (loss) above is $721 (2009 - $682) of gross premiums earned and $224 (2009 - $220) 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, 2010.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability at March 31, 2010 of $249,261 (2009 - $232,401) 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.

17. Canadian Council for Donation and Transplantation:

Effective April 1, 2008 and pursuant to a service agreement between the Corporation and Canadian Council for Donation and Transplantation (CCDT), CCDT became a wholly-owned subsidiary of the Corporation. The activities previously assumed by CCDT were transferred to the Corporation. CCDT was wound up into the corporation in June 2009 and no longer exists as a separate entity.

18. 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 assets 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 wilful misconduct.

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 and CCDT prior to April 1, 2008 are not the responsibility of the Corporation.

19. Commitments:

At March 31, 2010, the Corporation had the following contractual commitments:

(a) Future minimum payments under operating leases of approximately $18,138 with payments in each of the next five years of: 2011 - $4,767; 2012 - $3,723; 2013 - $2,748; 2014 - $2,441; 2015 - $1,880; and thereafter $2,579

(b) Research and development project grants of approximately $7,439 to be funded from the contributions deferred for future expenses.

(c) Capital commitments of approximately $28,125 funded by Members' contributions.

20. Research and development:

For the year ended March 31, 2010, the Corporation incurred $11,340 of expenses related to research and development (2009 - $10,697), these costs are included within transfusable products in the statement of operations. At March 31, 2010, the research and development portion of contributions deferred for future expenses totalled $15,257 (2009 - $15,471).

21. 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.

22. 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.

22. Capital disclosures (continued):

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, 2010, the Corporation's captive insurance operations are required to maintain a minimum statutory capital and surplus of $37,389. Actual statutory capital and surplus was $60,853 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, 2010, the Corporation's captive insurance operations were required to maintain relevant assets of at least $187,188. At that date, relevant assets were $310,437 and the minimum liquidity ratio was therefore met.

23. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for 2010.