Canadian Blood Services
it's in you to give

Annual Report 2014–2015

How we connect

Linking people, strategy, insights and processes to help build a better health-care system

At Canadian Blood Services, we create vital connections that help deliver sustainable value to health care across the country. We link generous donors to grateful recipients, emerging research to better outcomes and patients in need to better treatment options. We also strengthen the connections within our own systems — aligning quality management with enhanced efficiency and improved donor outreach with more effective clinical services. At the same time, every innovation we implement connects to the entire blood and transplant system — and beyond that, to all Canadian health-care systems and a global network of research, education and shared knowledge. *We connect — and we are connected.*

EVERYTHING STARTS WITH DONORS

Every contribution Canadian Blood Services makes to health-care systems across the country ultimately depends on the generosity of hundreds of thousands of Canadians who each year contribute their time, energy, financial support and a part of themselves to make other people's lives better. Donors of whole blood, plasma and platelets; new mothers donating their babies' umbilical cord blood; potential stem cell and organ donors joining transplant registries; financial donors helping to fund our work on behalf of Canadian patients — all provide the various dimensions of support that are vital for our success. Our role is to forge critical connections between people who are willing to give and those who need their help.

Over the past two years, as Canadian Blood Services has reorganized to adopt an integrated operating model, we've made donor relations essential to the processes by which we deliver all of our products and services. In implementing this more strategic and systematic approach, we've focused on two areas: getting to know donors better and creating the right connections to reach them.

Getting to know donors better

Over the past year we've conducted direct consultations and used surveys, data analytics and other tools to understand what motivates current and potential donors. The insights we're gaining will help us connect more effectively with people who are juggling increasingly busy lives and considering competitive requests from many cause-driven organizations. We're also identifying further ways we can add value and convenience — for instance, by offering donors access to their online donation profiles.

Creating the right connections

As Canadians rely more and more on digital technologies and mobile communications, Canadian Blood Services is moving in step — especially as we work to recruit a broader base of donors. In November 2014, we launched a new version of our blood.ca website, redesigned to provide donors and other stakeholders with easy access to information from any digital device. By the end of the 2014–2015 fiscal year, traffic to the site had increased to 8,200 visitors per day, compared to the previous three-month daily average of 6,100.

Whether donors are connecting with us on blood.ca or through our award-winning GiveBlood mobile app (downloaded 100,000+ times as of March 2015), we've made checking donation criteria, finding nearby clinics and booking appointments simpler than ever. And as donors' appointment dates get closer, we can now prompt them by text message in addition to email and phone reminders, which should help to raise attendance rates.

Donation by the numbers 2014–2015

4.6 million Estimated number of Canadians eligible to donate blood
409,000 Active blood donors
80% / 20% Proportion of repeat versus new donors
40% Past donors who did not return to donate
170,000 New or reinstated donors needed to offset lost donors
150,000 Donors who did not meet eligibility criteria and were unable to donate
360,000 Registrants in the OneMatch Stem Cell and Marrow Network
1,150 Number of organ donors (from 555 living donors and 595 deceased donors) in Canada in 2014.
$4,124,000 Total amount of financial donations received

The new world of recruitment

To attract new donors and ensure current donors return, we're building stronger personal connections. Our research reveals that people view giving blood as more than simply supporting a good cause; it's closer to volunteer work, in that it's a conscious investment of time and effort for the good of the community. The return on that investment is personal satisfaction, along with appreciation from others.

At the same time, we see a change in donor recruitment patterns that mirrors what leading blood operators are experiencing worldwide: there has been a marked increase in missed appointments. The reasons for this aren't yet fully understood, but perhaps because blood donation involves some time and effort, it tends to take a backseat when pressing work and family obligations arise. With a 40 per cent annual turnover rate and the need for an additional 170,000 donors in any given year — plus the added challenge of more people missing appointments — our focus is on understanding donors better and improving the entire donation experience.

The metrics of giving

Donor recruitment is as much a science as an art, particularly when it comes to calculating the number of appointments needed to yield a specific number of donations. In 2014–2015, based on past experience, we expected to see an average of 1.7 clinic visits booked for every unit of blood collected. This was up from the average of 1.67 clinic visits seen two years earlier — yet by the most recent year-end, we found that we averaged slightly more than 1.8 bookings per donation. And even though our total annual number of clinic appointments, at just over 1 million, was 50,000 higher than envisioned, we still fell short of our overall collections target by 20,000 units because of cancellations and no-shows. Over the coming year we'll continue working to identify the drivers behind these changes in behaviour to fine-tune our planning.

FOCAL POINT: THE DEMAND PARADOX

Over the past few years, effective approaches to blood utilization and conservation, as well as advances in medical procedures, have resulted in a slight but steady decline in the use of red blood cells. In 2014–2015, we saw a further reduction in demand of 3.8 percent. Blood operators around the world are experiencing this phenomenon, although the effect is less pronounced in Canada than in other developed nations. As the quality of care improves, patients are requiring fewer transfusions, and therefore less blood needs to be collected.

Paradoxically, even as utilization improves and hospital orders decrease slightly, we've experienced challenges in maintaining an optimum inventory of whole blood — because the level of donations has also declined. At one point in the past year we launched a nationwide appeal for blood donations. We've had to place extra focus on encouraging more repeat donors, as well as new donors to replace those lost through attrition.

There are many reasons for the lag in blood donations, but a key part of the solution is to deepen engagement with current and potential donors. Leveraging social media, mobile channels and other recruitment tactics will help us better connect with donors in the ways they prefer to be reached, improving the entire donation experience.

FOCAL POINT: THE APPEAL TO DONORS: WHAT WE LEARNED

In September 2014, Canadian Blood Services launched an urgent appeal for all eligible blood donors to book appointments immediately to ensure a sufficient blood supply for Canadian patients. This unusual measure was deemed necessary after a drop in donations across Canada depleted blood reserves faster than they could be replenished. While patients requiring transfusions continued to receive the expected standard of care, there was a concern that hospitals might have to postpone elective or routine treatments.

Tens of thousands of generous Canadians rallied to help quickly restore the national blood supply. Our partners in the provincial and territorial health systems were supportive, appreciating the need to sustain a safe and equitable supply of blood. At the same time, we recognize the difference between successfully resolving a short-term problem and addressing the longer-term issues that made an appeal necessary. One crucial insight is that the recruitment landscape has changed. As we offer donors more convenient ways to book their clinic visits, we need to examine shifts in social behaviours to learn how we can more effectively use the web-based and mobile tools that are essential to reach today's donors. We also have to better explain the apparent paradox of our need to increase our pool of donors, even as the use of red blood cells is decreasing worldwide.

It is also clear that we need to refine our early-warning systems around potential dips in the national blood inventory. As an organization devoted to continuous improvement and maintaining consistent performance in the supply chain, we must do better.

DONATION CAN TAKE MANY FORMS

In addition to blood donation, we also help enable organ donation through our Canadian Transplant Registry programs. And we work to match stem cell donations through our OneMatch Stem Cell and Marrow Network, as well as Canadian Blood Services' Cord Blood Bank.

As a registered non-profit charitable organization, Canadian Blood Services welcomes financial donations that not only help to fund innovative research, but support initiatives to recruit and retain blood and stem cell donors. These donations are also critical to the success of larger initiatives such as Canadian Blood Services' Cord Blood Bank, whose launch was made possible by the success of the $12.5 million Campaign *For All Canadians.* We are now exploring other areas where our fundraising team can achieve comparable impact.

Blood donations

In 2014–2015 we received 850,218 blood donations at our permanent and mobile blood donor clinics. The whole blood we collect is then separated into red blood cells, plasma and platelets. Overall, use of red blood cells, platelets and plasma for transfusion declined slightly during the past year, while requests for specialized plasma products such as immunoglobulins continue to rise.

Organ sharing

At the end of 2013, according to the latest data available from the Canadian Institute for Health Information, 4,433 patients across Canada were on waitlists to receive kidney, heart, lung, liver, pancreas or bowel transplants. The majority (3,382 patients) were waiting to receive kidney or simultaneous kidney-pancreas transplants.

During 2014–2015, the Canadian Transplant Registry and its interprovincial programs — developed and managed by Canadian Blood Services — facilitated and provided greater access to organ transplants, thanks to collaboration and funding from provincial and territorial governments, coordination among health-care partners and greater public awareness.

Stem cell donations

The OneMatch Stem Cell and Marrow Network, operated by Canadian Blood Services, had nearly 360,000 registrants at the end of March 2015. As the first collection and processing facilities of Canadian Blood Services' Cord Blood Bank became fully operational this year, the supply of stem cells was further expanded.

ONEMATCH STEM CELL AND MARROW NETWORK

Demand for lifesaving stem cell transplants has increased dramatically over the past five years. It will continue to grow as stem cells can now be used to treat a wide range of blood-related diseases and disorders, from leukemia to aplastic anemia. In addition, stem cells are used experimentally to treat Type 1 diabetes, rheumatoid arthritis, congenital heart disease and many other health challenges. About three-quarters of patients who need stem cell transplants depend on donations from unrelated volunteer donors to survive. On any given day, nearly 1,000 Canadian patients are seeking a stem cell match. A total of 321 stem cell transplants were performed in Canada (excluding Quebec) in 2014–2015.

The OneMatch Stem Cell and Marrow Network, the national stem cell registry for adult donors managed by Canadian Blood Services, grew by 5.6 per cent over the past year, reaching a total of 358,971 potential donors. We continued to target optimal donors aged 17 to 35 with a focus on males, as stem cell transplants from young men have been shown to have better patient outcomes. We also expanded our pool of donors from Canada's diverse ethnic communities, recognizing that a patient's best match is typically someone of similar ancestry. While the percentage of males under 36 in the OneMatch database rose slightly over the previous year, the proportion of young ethnic males remained steady at seven per cent. (We will also have to be conscious of this potential demographic challenge in recruiting for Canadian Blood Services' Cord Blood Bank.) When no matching donors are found in Canada — as is often the case — we turn to an international network of stem cell registries to widen the search.

Donors without borders

OneMatch, one of the 10 largest stem cell registries in the world, is part of Bone Marrow Donors Worldwide, a global network of databases that links information on 25 million volunteer donors in more than 50 countries. And as of October 2014, donations to Canadian Blood Services' Cord Blood Bank are recorded in the global registry as well.

More than 80 per cent of Canadian patients receive stem cells from donors abroad. The ability to search for potential donors globally, coupled with our efforts to recruit more donors from ethnically diverse backgrounds, has significantly increased the chances of finding an appropriate match for patients who require lifesaving treatment.

Canada's Cord Blood Bank

A newborn's umbilical cord blood is a rich source of stem cells — and a source of new hope for the 75 per cent of stem cell transplant patients who cannot find matches within their own families. By the end of 2014–2015, Canadian Blood Services' Cord Blood Bank was fully operational. Ottawa is home to the original collection site, launched in September 2013, as well as the first manufacturing and storage facility. Over the past 12 months we launched additional collection sites in Brampton (just west of Toronto), Vancouver and Edmonton — where the bank's second production and storage facility has also opened. These networked sites have moved beyond the validation phase and now offer Canadian patients another potential source of much-needed stem cells.

The past year also marked a significant milestone in the history of our organization: we successfully completed a major fundraising campaign in support of Canadian Blood Services' Cord Blood Bank. The Campaign *For All Canadians*, the first such initiative we have undertaken, succeeded in reaching — and exceeding — its ambitious target of $12.5 million.

OUR CLINICS WILL BE BETTER THAN EVER

We continue to fine-tune our clinics, and the result is a more comfortable, consistent and smooth-running clinic experience for donors. At the same time, we've been able to dramatically improve cost-efficiency, performance monitoring and planning across our clinic network.

In the past year, even as we faced challenges in donor recruitment, we continued to see a slight decline in the use of blood products as a result of medical advances, more efficient utilization and other factors. The convergence between our drive for greater efficiency and the need to realign our national collections targets with hospital requirements meant that some of our collections sites were no longer sustainable. We will continue to assess various aspects of our operations as part of our commitment to maintain quality and efficiency while still delivering value to the Canadian health-care system.

Donor care associates

In the last quarter of 2014–2015, following successful implementations in Winnipeg and Calgary, we began to accelerate the specialized training of donor care associates (DCAs) in preparation for introducing the role into all our clinics across the country. DCAs will perform many tasks in the clinic, including donor screening, under the expert oversight of at least two registered nurses at each location.

After receiving approval from Health Canada in 2012 to implement the DCA role nationally — and taking into account the experiences of other leading blood operators internationally — we've built our DCA program to reflect proven best practices and our own rigorous quality standards. Based on the positive results to date, we expect to see better donor flow through our clinics, particularly as this staffing model is integrated with future automated processes.

Clinic automation

Over the past year we've laid the groundwork for another important step in the evolution of supply chain management at Canadian Blood Services: the introduction of automated processes in our blood donor clinics. Leaving behind complicated paper-based systems that can be prone to errors, we're moving to technology-based solutions that capture vital data at each step in the collection process. The most noticeable change for donors will be an electronic Record of Donation, which allows donors the option to complete their donor questionnaire either at the clinic or online in advance of their appointments. DCAs will help as needed, and all clinic employees will be able to enter additional information, from phlebotomy records to donor consent forms, into relevant areas of the system.

It is expected automating the clinics will result in significant gains in productivity, quality and an improved donor experience.

FOCAL POINT: CLINIC CLOSURES

In 2014 we changed the blood collection model for Grand Falls-Windsor, N.L., introducing mobile donor clinics to replace what had been a permanent collection site. It was not a decision we took lightly, but given the decline in local collections over the previous five years, we concluded that maintaining the permanent site was no longer a sustainable option. The change has not affected patient care or the availability of blood products, which continue to be supplied to hospitals by our production and distribution centre in St. John's. And while we understand that the closure, which affected 10 part-time employees, caused some disappointment in the community, it is part of a deliberate and carefully considered clinic strategy that reflects our responsibilities as a not-for-profit, taxpayer-funded organization committed to safely and efficiently meeting the blood needs of our hospital customers — and, ultimately, of Canadian patients.

Further implementation of our clinic strategy continued into 2015–2016. At the beginning of the year we opened a new clinic in Sudbury, Ont., that is more accessible to donors and offers a better working environment for staff. At the same time, we announced the closure of three permanent clinics in Corner Brook, N.L., Sydney, N.S. and Prince George, B.C. We are also replacing a fourth permanent clinic with a mobile clinic, discontinuing our Bloodmobile program in three cities and phasing out mobile clinics in 16 other communities across Canada. Once again these were difficult decisions, and we wrestled with them in the context of our need to continue growing support from existing and new donors even as the use of blood paradoxically declines. But after weighing factors such as the volume of units collected, the limited size of potential donor pools, labour and transportation costs and the distance from each site to the nearest production facility, we believe we've made the right choices to ensure a safe, efficient and sustainable national blood system.

CANADIAN TRANSPLANT REGISTRY

Drawing on our expertise in the area of organ and tissue donation and transplantation (OTDT), Canadian Blood Services is responsible for operating the Canadian Transplant Registry (CTR). A web-based resource hub for the entire country, the CTR provides critical real-time data and information through three programs for organ listing and sharing: the Kidney Paired Donation program, the National Organ Waitlist and the Highly Sensitized Patient program.

Through the CTR and its interprovincial programs and services, transplant programs have access to the information they need to list potential organ donors in their provinces; to match and allocate available organs among patients anywhere in Canada; and to monitor patients' post-transplant outcomes. CTR databases also enable comprehensive national reporting on organ donation and transplantation. Over the past year we continued to enhance our data analytics services to help Canada's OTDT system operators, administrators and researchers refine performance reporting and map out future strategy.

In managing the technical infrastructure for a national OTDT registry, Canadian Blood Services is guided by interprovincial policy, as well as evidence-based leading practices that have been developed collaboratively. We help to ensure a more consistent, accurate system by implementing procedures and strategies that all parties have agreed to. And we bring this same balance of system management and policy expertise to ongoing discussions around the need for a pan-Canadian clinical governance framework for OTDT.

Kidney Paired Donation program

In operation since 2010 with the support of all provinces, including Quebec, the Kidney Paired Donation (KPD) program improves the prospects for kidney transplant patients with loved ones who are willing to be living donors but are not compatible matches. Originally launched as the Living Donor Paired Exchange (LDPE), the program makes it possible to find and match multiple donor–patient pairs, as well as anonymous altruistic donors, to create "domino" chains of kidney exchanges. This requires extensive matching, modelling and management of donor-patient pairs — work that is coordinated by Canadian Blood Services and executed in partnership with provincial transplant programs. As of March 2015, the KPD program has facilitated a total of 339 kidney transplants.

National Organ Waitlist

The National Organ Waitlist (NOW) provides an efficient, secure and continuously updated web-based listing of patients who need heart, lung, liver, pancreas or bowel transplants. Across Canada, transplant programs and organ procurement agencies that once relied on inefficient paper-based systems can now search this comprehensive, real-time online resource for an accurate picture of organ availability and current wait times.

Highly Sensitized Patient program

Provincial transplant programs began implementing the Highly Sensitized Patient (HSP) program in 2013, with all programs, including Quebec, participating by the fall of 2014. The HSP program helps find kidney donors anywhere in Canada for patients who need very specific matches because they face an elevated risk of rejecting new organs. This high level of sensitivity is caused by patients' past exposure to foreign tissue, typically through pregnancy, blood transfusions or previous transplants. By the end of March 2015, the HSP program had enabled 108 transplants, thanks to our collaborative work with Canadian health-care systems and transplant programs. By collectively developing national guidelines and consistent matching standards for sensitized patients, we have increased the likelihood of finding successful matches.

Education and best practices

Canadian Blood Services continues to play a key role in the development of leading practices for organ and tissue donation and transplantation (OTDT) across the country. Our reports and recommendations help to inform policy and management direction for the nationwide OTDT network. We're also active partners in the Canadian National Transplant Research Program, launched by the Canadian Institutes of Health Research to encourage collaboration across the OTDT research community. And we work with various OTDT partners on professional education programs for health-care workers, as well as public awareness campaigns to promote donation.

FOCAL POINT: EVOLVING A NATIONAL OTDT FRAMEWORK

In 2008 federal, provincial and territorial governments (except Quebec) invited Canadian Blood Services to play a leading role in Canada's organ and tissue donation and transplantation (OTDT) system. As a result, we helped to develop a national strategy and define roles and responsibilities. We built, and continue to manage, the data collection and reporting infrastructure that supports the Canadian Transplant Registry and its three interprovincial organ transplantation programs: the Kidney Paired Donation program, the National Organ Waitlist and the Highly Sensitized Patient program. We coordinate and generate timely, reliable network-wide reporting. And we collaborate on initiatives to develop leading OTDT practices, and to make the latest knowledge available through professional and public education programs.

Taken together, our various responsibilities reflect a commitment to continuous system improvement that we share with all of our OTDT partners nationwide — including (through a separate agreement) the Quebec government. This work is an excellent example of innovative Canadian partnership. However, as the system evolves, there is a need for a governance framework that will further clarify responsibilities and accountability between programs, provincial authorities and Canadian Blood Services, especially in the areas of interprovincial organ sharing and data reporting. We have a critical role to play in developing and implementing this framework. Discussions have started with organ procurement organizations, health ministries and transplant and donation programs on how to bring greater transparency and accountability to the system for the benefit of Canadian patients.

DELIVERING VALUE TO CANADIANS

We share the same fundamental goals as our provincial and territorial partners in health care: to constantly improve patient outcomes with the products and services we provide; to drive improvements in health-system performance across Canada; and to create positive impact with optimum cost-efficiency.

Naturally, in a climate of intensified fiscal restraint, value at its most basic level means dollars and cents. We understand this well: as prudent stewards of our members' funding support, we scrupulously manage the resources entrusted to us, looking for savings in our own operations and from improved system outcomes.

However, controlling costs is just one aspect of a much broader obligation. We're dedicated to constantly enhancing the safety and effectiveness of our products and services to improve the quality of patient care. We're accountable for providing Canadians with reliable access to blood and blood products. We're working to make organs, tissues and stem cells similarly accessible for patients in need of transplants. And we devote considerable resources to sharing innovative research, leading practices and proven service models with our health-care partners. All of these efforts together comprise our commitment to delivering value.

82% Public trust rating in our quarterly survey of Canadians' views of the blood system

About this report

Canadian Blood Services' annual report covers the fiscal year beginning April 1, 2014 and ending March 31, 2015.

We gratefully acknowledge the funding of provincial and territorial governments in the delivery of our programs and services. The views expressed in this report are those of Canadian Blood Services and do not necessarily reflect the views of our government partners.

FOCAL POINT: IMPROVED PRODUCTIVITY: A CONSTANT PURSUIT

In 2014–2015, Canadian Blood Services realized combined savings, efficiencies and cost avoidance of $16.2 million in the areas of our operations devoted to fresh blood components. This exceeds our target of $14 million and continues the momentum we've maintained since 2008–2009 as we've steadily shifted to the more efficient model of an integrated operating enterprise. In redefining our strategic priorities to deliver products, services and programs more effectively, we've simplified our organizational structure and found new ways to be more productive in our work while maintaining safety, quality and sufficiency of supply.

Our goal is to achieve a number 1 or 2 ranking on key productivity indicators when benchmarked against comparable blood operators globally. By meeting productivity targets and continuing to improve efficiency in every operational area, we expect to identify and realize $100 million in cost savings in the near term. However, while this goal is important for planning and measurement, it is simply the next milestone in a journey of continuous improvement that by definition has no finish line.

OUR STRATEGY REMAINS CLEAR

Our role within Canada's health-care systems has two equally important dimensions: We manufacture safe, effective biological products designed to meet the needs of every patient with the right treatment in the right place at the right time. And we provide clinical services in areas such as organ donation, stem cell matching and laboratory diagnostics that advance patient care beyond our traditional focus on blood and related products.

As both a biologics manufacturer and a clinical services provider, our ultimate goal is to improve patient outcomes through the development and delivery of safe, relevant, high-quality products and services. We understand that we must continue earning the right to serve Canadians, and to that end we are firmly committed to safety, performance improvement and responsible and accountable financial management.

We're a biologics manufacturer

Canadian Blood Services is a leading producer of biological products, including red blood cells, platelets, plasma and stem cells (from bone marrow, blood and cord blood).

Through integrated supply chain management, we plan, recruit, collect, manufacture, test and distribute biological products, delivering them to the right place at the right time.

We're a provider of clinical services

Canadian Blood Services originates and manages a wide range of services to Canadian health-care systems, including transplant and stem cell registries; diagnostic services; guidance on product utilization; knowledge creation; leading practices; public and professional education; and research in support of new product development.

WE'RE INNOVATION LEADERS

Innovation has always been an important aspect of our work. We encourage groundbreaking research and the dissemination of potentially standard-setting practices, both within Canada's blood system and throughout the global health-care community. Last year our researchers published more than 250 papers in influential peer-reviewed journals, along with 23 technical reports focusing on product and process improvement.

Through our centre for innovation, we focus our efforts on three key areas: transfusion and transplantation medicine research, product and process development and knowledge mobilization. Highlights from the past year's efforts include improving collaboration around the utilization of blood products and clinical trials of new pathogen reduction methods. In all of our innovation efforts, the fundamental goal is the same: to deliver appropriate products and services promptly to the patients who need them — and only if they need them.

Innovation: Three areas of focus

1. Research

Targeted research to improve the safety and quality of blood products.
Goal: Promote innovation that addresses key clinical, product quality and patient care needs in transfusion and stem cell and organ transplantation medicine.

2. Development

Applied process and product development driven by research findings and the needs of the blood system.
Goals: Develop innovative problem-solving and process improvements; facilitate design, validation and implementation; evaluate product specifications and manufacturing processes; monitor trends, risks and opportunities.

3. Knowledge mobilization

Acquiring, evolving and translating knowledge to advance the quality of patient care and help shape policy and clinical practice.
Goal: Share knowledge nationally and globally to promote excellence in transfusion and transplantation medicine, and in the commercialization of processes and products.

Innovation highlights 2014–2015

Canadian Blood Utilization Collaborative
Spearheaded efforts to bring together Canada's transfusion medicine community in a proposed forum for promoting optimal utilization of blood components and products.

International Collaboration for Transfusion Medicine Guidelines
Published the first set of platelet guidelines in Transfusion Medicine Reviews for providing quality patient care while maximizing resources and cutting costs.

Risk-based Decision-Making for Blood Safety
Led the development of a risk-management framework and promoted its use at international transfusion meetings in Asia and the U.S. aimed at physicians, scientists, policy makers, managers and executives.

Research on pathogen reduction technologies
Studying improvements in blood product manufacturing that can potentially reduce infection risks while maintaining platelet quality.

International PREPAReS clinical trial
Participating in Canada's contribution to the Pathogen Reduction Evaluation and Predictive Analytical Rating Score (PREPAReS) trial, providing products for testing.

Age of Blood: Evaluation (ABLE) trial
Assisted in the completion of this landmark study of critically ill patients, concluding that transfusions of "fresh blood" (stored less than seven days) are no better for patients than standard transfusions.

FOCAL POINT: POLICY PROGRESS: MEN WHO HAVE SEX WITH MEN

In July 2013 — following formal approval from our regulator, Health Canada — Canadian Blood Services introduced updated eligibility criteria related to blood donations from men who have sex with men (MSM). The updated criteria reduced the deferral period from indefinite ineligibility to five years since the last MSM experience. This is the first in what we expect will be a series of incremental changes.

Over the past year we've held public consultations with the lesbian, gay, bisexual, transgender, two-spirit and queer (LGBTTQ) communities, focusing on Pride activities in Toronto, London and Vancouver. Through information booths and special events such as the rainbow blood donor clinic in Vancouver, as well as "ally" clinics (where people who are ineligible to donate themselves bring friends who are eligible to donate on their behalf), we gathered valuable insights and deepened mutual understanding, knowledge and trust.

In the fall of 2014 we conducted a survey to gauge the impact of the new policy on community stakeholders, active donors and the general public. Opinions about the five-year ineligibility period for MSM were largely positive. Moreover, the lack of any increase in HIV rates during the first year suggests that safety levels remained stable. We are engaged in discussions, within Canada and globally, about other potential changes to the eligibility criteria. As always, we're progressing step by step, upholding safety as our number one priority while trying to ensure that the policy is no more restrictive than necessary to achieve that aim.

THE HEART OF THE SUPPLY CHAIN: PRODUCTION

There are many dimensions to our organization, but first and foremost, Canadian Blood Services is a biologics manufacturer. Although we operate as a not-for-profit organization with a social purpose — helping to deliver superior health care and improved patient outcomes — our business model is closer to that of a pharmaceutical company than a humanitarian agency. And at the heart of that model is the sophisticated production of high-quality blood products.

Over the past year, as we continued our evolution to a more integrated model of supply chain management, we refined our data-gathering and reporting capabilities to support more effective decision-making at every stage of the production process. From real-time tracking of donated blood units, to sourcing other biologics components, to distribution of safe and effective products to hospitals, our collective efforts are focused on optimizing the flow of work, materials and information. We maintain our commitment to rigorous product testing while continuing to improve our production facilities and helping to develop an enterprise-wide quality management system.

Active surveillance

All production processes at Canadian Blood Services integrate a crucial testing phase to ensure the safety and effectiveness of every blood product we manufacture and distribute. A top priority in our testing procedures is surveillance of infectious diseases to assess their potential impact on Canada's blood system. One key priority in 2014–2015, in the wake of the tragic Ebola outbreak in western Africa, was to provide reassurance that the virus — a natural cause for alarm among Canadians, given the intense media coverage — did not pose an imminent threat to the blood supply. After a systematic assessment, our experts concluded that the potential risk to our products and services was extremely low.

Also in the past year, an outbreak of the mosquito-borne Chikungunya virus spread through South and Central America, as well as the Caribbean islands, a favourite winter destination for many Canadian travellers. Following an extensive travel survey with our donors, we estimated that the risk of collecting blood from someone infected with Chikungunya was extremely low — less than one per six million donations.

As part of our continuous risk surveillance activities, should any agent pose a potential threat to the blood system, Canadian Blood Services is prepared to respond promptly.

Quality management

A steadfast commitment to quality is not new to Canadian Blood Services; it's one of our founding principles. As our organization has matured, so has our understanding of what quality encompasses — reflecting the experience of leaders in most sectors. Safety, for example, is not synonymous with quality. Rather, it is both a desired outcome and a measure of success: when blood products are deemed safe, it means they've been manufactured to the highest standards of quality. What's more, those standards do not just apply to a product or its components. The quest for quality extends to every aspect of our clinical services and every step in the complex supply chain that connects donors to patients.

One of our quality goals is to strengthen our corporate quality management system (QMS) by incorporating best practices of leading biologics manufacturers and providers of clinical services. Among the benefits will be a greater emphasis on preventive actions and a reduction in the number of non-conforming products, discards, rework and recalls.

We remain fully confident in the safety, reliability and sufficiency of the blood system. But the journey never stops: there are always opportunities to do better as we evolve a quality culture focused on collaboration, learning from one another and making every decision with an eye on the ultimate objective: delivering the highest quality products and services for patient care.

Evolving our quality management system

As we develop our quality management system (QMS), we're applying the lens of continuous improvement to every area of our operations, including:

- Streamlining our standard operating procedures to help ensure that complex tasks are completed more effectively, efficiently and consistently.
- Reducing layers of documentation, retaining only the redundancy required to maintain our rigorous safety standards.
- Introducing more automation to improve effectiveness and efficacy and reinforce consistency both in the execution of processes and the management of data.
- Promoting evidence-based decision-making to ensure all of our actions aimed at enhancing quality are rooted in current, accurate and reliable data.
- Ensuring all products and services meet well-defined specifications and provide optimal benefits to patients.
- Working with health-care providers to improve the utilization of our products, giving safety and effectiveness equal priority.

This transformational QMS initiative will be a top management priority in the year ahead.

Facilities redevelopment

In 2014–2015 we continued to enhance and modernize Canadian Blood Services sites across the country as part of our multi-year National Facilities Redevelopment Program (NFRP). Work began on the new testing lab to be integrated with our production and distribution facility in Brampton, Ont. This project, scheduled for completion in May 2017, will conclude Phase I of the NFRP.

After extensive consultations with provincial and territorial governments, we now have approval to proceed with Phase IIa: construction of a production, distribution and testing facility in Calgary, and of new clinics in Edmonton, Regina and Saskatoon — while optimizing our overall footprint. This was a challenging decision for all parties. We're pleased to have the support of our funders and stakeholders as we continue with the next phase of the NFRP in Western Canada. We will be driving those projects forward in the coming year to keep them on schedule and on budget.

Diagnostic services

Canadian Blood Services delivers added diagnostic support to health-care providers, enhancing patient care with transfusion-related medical and technical expertise. With laboratories in Vancouver, Edmonton, Regina, Winnipeg and Toronto, we test samples from hospitals and clinics to provide:

- appropriate blood products to match patients' specific transfusion needs
- guidance on care for pregnant women and their babies, before and after delivery
- laboratory support in identifying the requirements for rare blood matches
- specialized services such as identification of compatible platelets and molecular testing

WHAT WE PRODUCE FROM BLOOD

We collect blood from voluntary, unpaid donors. Following a typical blood donation, the components of whole blood — red blood cells, platelets and plasma — are separated as part of the manufacturing process. Platelets and plasma can also be separated from a donor's blood through a process called apheresis. After testing and processing, we make all three blood components available for transfusion.

While some of the plasma we collect is used by hospitals to treat trauma and severe bleeding, most is used to make plasma protein products: albumin, which is used to treat burns and trauma; immunoglobulins, prescribed for infections and immune disorders; and clotting factors for some bleeding disorders. (The coagulation factor used by hemophiliacs does not come from blood; it is synthesized from recombinant DNA.) All of these pharmaceutical products (also called "biological drugs") are manufactured through a process called fractionation. Because fractionation services aren't available in Canada, we ship plasma to contract suppliers in the U.S. and Europe, who manufacture products that are then shipped back for patient use here. We also purchase some plasma-derived products and synthetic alternatives abroad from manufacturers that meet the stringent safety and quality standards of regulators such as Health Canada and the U.S. Food and Drug Administration.

Plasma protein products

Canadian Blood Services is responsible for manufacturing, acquiring and distributing about $500 million of plasma protein products annually. These biological drugs are vital in treating patients with hemophilia and various immune disorders, as well as burn and trauma victims, among many other potential recipients. Our national, cost-shared network helps to get the right products to the right patients at the right time.

We continue to benefit from bulk-purchase contracts negotiated in recent years with suppliers of plasma-derived products, saving or avoiding millions of dollars in expenditures compared to the cost we would have incurred without locked-in pricing. Unfortunately, because many products must be sourced outside Canada, this advantage was eroded by the decline of the Canadian dollar against the U.S. dollar. Still more concerning, however, has been the growing widespread use of immunoglobulins, which continues to drive up costs even as health ministries work harder than ever to keep budgets under control.

FOCAL POINT: THE COST OF IMMUNOGLOBULINS

Finding a solution to the rising global use of plasma-derived immunoglobulins (IGs) is a challenge. There is a core group of immunocompromised patients who require IGs to lead healthy lives, if not to survive. Next are patients with illnesses whose symptoms can be alleviated, at least according to ongoing studies, using IG-based treatments. And lastly, there are patients with conditions for which there is no widely accepted clinical evidence to support the use of IGs; however, some physicians choose to prescribe them in the hope that further research may ultimately prove their effectiveness.

FOCAL POINT: A MODEL FOR NATIONAL PHARMACARE

Since our founding in 1998, Canadian Blood Services has not only managed Canada's blood system but also acted as a national resource for biological drugs. We provide patients across the country with universal and equitable access to a range of plasma-derived products. Focusing the collective buying power of the provincial and territorial governments, and following established best practices in competitive, transparent public tendering, we've negotiated about $600 million in savings and cost avoidance over a five-year period (through fiscal 2017–2018) to the benefit of all Canadians.

Whenever possible, we purchase products in diverse lots from multiple suppliers — all of them independently qualified and regularly audited — and negotiate a guaranteed "safety stock" to mitigate the risk of shortages. We also seek input as appropriate from patients, physicians and recognized experts to ensure our product choices align with current and emerging needs.

We've shown through 17 years of experience that a nationally coordinated approach to bulk-purchasing and distributing drugs significantly benefits patients, care providers and health-system funders. At a time when governments are once again considering the advantages of a national pharmacare program with the potential to save billions of dollars, our model of effective collaboration and cost-sharing points the way to a solution. We'll continue to draw upon the lessons we've learned as we contribute to the national conversation.

**For a more detailed examination of this issue, see Dr. Graham D. Sher's op-ed article in the April 15, 2015 issue of* The National Post.

HOSPITALS AND HEALTH CLINICS

Last year Canadian Blood Services provided more than one million units of blood and blood-derived products to 700 hospitals and clinics across the country. Our history of close collaboration with health-care providers is reflected in the most obvious measure of performance success: we once again earned a 98 per cent satisfaction rating among large hospitals that use 3,000 or more units of red blood cells annually.

One area of shared focus is effective utilization of blood products to ensure optimal patient care while maximizing cost-efficiency. In May 2014 we launched a new reporting system that enables hospital blood banks to better evaluate the inventory of all fresh blood components and plasma products in their facilities. Using this web-based application, administrators can monitor daily use of specific products and gauge current inventories with reference to the overall supply available from Canadian Blood Services. By March 2015 the system was supporting more than 1,200 individual user accounts.

These enhanced management tools are part of a broader pan-Canadian initiative to promote more effective blood product utilization across the country's health-care systems.

98% Satisfaction rating from Canadian hospitals for the second consecutive year

FOCAL POINT: THE CANADIAN BLOOD UTILIZATION COLLABORATIVE

In 2014–2015 we made progress toward our vision of a pan-Canadian initiative to optimize the use of blood products. Working closely with government representatives and recognized leaders from Canada's transfusion medicine community, we formally launched the Canadian Blood Utilization Collaborative, which will develop innovative utilization programs focused on hospital-level performance while measuring outcomes with a system-wide view.

Our overarching goal is to foster the evidence-based analysis required to support further investment in utilization initiatives. By understanding how blood products can be used more efficiently and effectively — through examining individual hospitals' performance and making accurate comparisons among peer institutions — we can gain insights that will inform clinical practice, policy-making and funding decisions across the country.

Stella, Arthur and Chris Chan

15 years after their son, Arthur's, recovery from childhood blood cancer, Stella and Chris Chan continue to give back to the community and inspire others to support the blood system that helped save their son. A regular donor, Chris also uses social media to promote blood donation.

Dennis and Donna Gudbranson

After Donna Gudbranson's son, Dennis, received a lifesaving stem cell transplant as a child, the family began sharing their story to get others involved. Donna was also co-chair of the Ottawa Committee of the recent Campaign *For All Canadians* helping to raise funds for the national cord blood bank.

Cara Siu and Julia Carr

In Vancouver, friends Cara Siu (left with Jasper) and Julia Carr (with Kirk) had their babies the same day and both donated their umbilical cords to Canadian Blood Services' Cord Blood Bank. The mixed ethnicity of Cara's baby adds welcome diversity to the national stem cell pool.

Nancy Fox and Julie Poirier

Nancy, who works in the donor relations division at Canadian Blood Services, understands first-hand the importance of blood donation. A recipient herself, she and her daughter, Julie, both received blood in childhood to treat spherocytosis, a condition that affects red blood cell function.

Kathleen and Gordon Stringer

When Kathleen and Gordon Stringer's 17-year-old daughter, Rowan, died from Second Impact Syndrome following a concussion during a rugby match in 2013, there was no question whether they would donate her organs. Rowan had signed her organ donor card and discussed her wishes with her family; something the Stringers believe is critically important.

Jill Nicholson

After shattering her left leg in a motorcycle accident in 2012, Jill underwent six surgeries requiring 18 units of blood to repair the damage. After months of rehabilitation and bone grafts, Jill was able to keep her leg and resume an active life.

Craig Jenkins

Craig Jenkins, winner of the Employee Award of Distinction, understands the value of building strong work relationships. His contribution to the Centre for Innovation as well as his ability to connect with people across the organization has led to innovative ideas to improve products and processes.

Dr. Yulia Lin

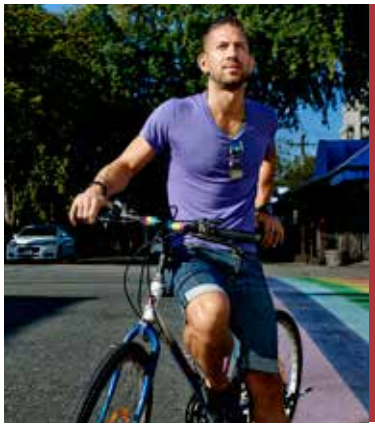
Dr. Yulia Lin, from Sunnybrook Health Sciences Centre, completed her transfusion medicine residency supported by funding from Canadian Blood Services. She, like many Canadian leaders in transfusion medicine, benefited from our program and is now engaged in leading practices and education programs that promote safe and effective transfusion practice across Canada.

Colette Hruschka

Colette, a 22-year veteran of Canadian Blood Services, is a manager of quality assurance in Brampton, Ont. As one of five employees who were recognized with the Living Our Values award this year, she contributes to improving the quality of our products and services.

Reg Parker

Reg understands more than most the impact blood and organ donors have in saving lives. A regular recipient of gamma globulins, a plasma protein product, to treat common variable immune deficiency, Reg also underwent a double lung and liver transplant in 2014, receiving 32+ units of blood during surgery.



Chad Walters

In Feb. 2015, Chad led a campaign to recruit gay men to participate in a "Rainbow Blood Donor Clinic," donating blood for research at the Network Centre for Applied Development in Vancouver. The only clinic of its kind in the world, the research is aimed at improving the quality of blood for recipients.

Vital connections

A message from our chief executive officer and our chair

In 2014–2015, Canadian Blood Services continued to build on the positive momentum of the past several years, working effectively to deliver high-quality products and services safely and efficiently to Canada's health-care systems. As a biologics manufacturer and provider of clinical services, we benchmark our performance not only in relation to the world's top-ranked blood operators, but also against leading enterprises in the pharmaceutical and life sciences sectors.

This annual report highlights many indicators of concrete progress in areas where we have impact. To cite just a few examples:

- We collected more than 850,000 units of whole blood in 2014–2015, achieving 98 per cent of our target.
- The total cost of providing fresh blood products to Canadian patients was virtually unchanged from last year. At the same time, the number of labour hours per unit of blood collected declined slightly, as did the percentage of units that had to be discarded after not meeting our rigorous standards. These indicators confirm that our recent efforts to further enhance quality and productivity are beginning to yield results.
- Since 2007 the total cost of blood collection and production has grown by just 9.9% per cent, which compares favourably to the overall 33.9 per cent gain in public-sector (non-drug) health expenditures calculated by the Canadian Institute for Health Information.
- Over the same eight-year period, the cost of purchasing plasma protein products on behalf of our provincial and territorial partners has increased by 25.6 per cent — notwithstanding last year's dramatic shift in the exchange rate with the U.S.

We still have work to do in these areas and across our operations. But the results to date confirm that we're moving in the right direction when it comes to finding new efficiencies – not despite our ultimate goal of achieving better patient outcomes, but precisely because we understand that efficiency and effectiveness are two complementary aspects of the same quality journey. As a result, we're well down the road to realizing our goal of $100 million in saved and avoided costs — while recognizing there will always be further opportunities to enhance, improve and innovate.

Extending our impact

In our campaign to help build Canadian Blood Services' Cord Blood Bank, the first major fundraising effort in our history, we achieved the ambitious goal of $12.5 million. At year-end, the bank was fully operational, with collection and processing facilities in four cities providing a new source of much-needed stem cells. At the same time, the OneMatch Stem Cell and Marrow Network, the national registry managed by Canadian Blood Services, grew by 5.6 per cent year over year, to nearly 360,000 adult donors.

In the area of organ and tissue donation and transplantation (OTDT), we continue to see the positive impact from our collaborations with organ procurement organizations, transplant centres, health ministries and other partners across the country. As we work with our partners to continuously improve the OTDT system, one critical piece still needs to be put in place: a pan-Canadian clinical governance framework for the allocation of organs. Canadian Blood Services has an integral role to play in developing and implementing this framework. We're ideally positioned to coordinate efforts within a set of guidelines agreed upon by all system partners. We expect that we'll soon be helping to establish a formal solution reinforcing transparency and accountability among all participants.

Measures of value

This annual report includes many objective measures of how we deliver value to Canada's health systems, whether in terms of better patient outcomes, improved system performance or positive impact achieved with optimal cost-efficiency. An important gauge of our continued success is the approval of the institutions that ultimately provide quality patient care: in 2014–2015, we achieved a 98 per cent satisfaction level among major hospitals for the third consecutive year.

At the same time, as an organization founded 17 years ago to restore confidence in Canada's blood system, we're pleased to see the level of trust we inspire in the general public remains solid at 82 per cent — confirmation that the vast majority of Canadians believe we're fulfilling the duty of responsible stewardship granted to us.

A comparable benchmark within Canadian Blood Services is employee engagement. Our annual survey measured a score of 73 per cent, which is three points above target and a sound indicator for organizations of similar scale in our sector, or indeed any sector. That most of our workforce remains engaged is especially gratifying given the amount of change — largely positive, albeit sometimes disruptive — that we've been through together over the past few years. The teamwork, creativity and commitment our people have demonstrated are not just healthy responses to change; they're critical to driving it.

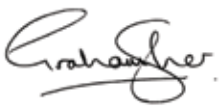
One exemplary member of the team who merits a special mention is Ian Mumford, our chief supply chain officer, who has been with Canadian Blood Services from the beginning, and who s retiring in the fall of 2015 in the fall of 2015. Ian's executive responsibilities have spanned donor relations, corporate communications and all aspects of operations, and he continues to play a decisive role in our evolution as an efficient, innovative, quality-driven enterprise. In addition to being a respected leader, Ian is a champion of the organization's values and an embodiment of the spirit of caring that inspires everything we do. He will be missed.

How we connect

The theme of our annual report, and indeed its format, capture how we strive to deliver value to Canada's health-care systems. Canadian Blood Services is, first and foremost, a connector. We connect patients in need to the right blood products, and potential transplant recipients to registered organ and stem cell donors. We connect medical practitioners to proven best practices, and leading researchers to the latest insights from the front lines of treatment. In short, we connect the building blocks of quality to the ultimate goal of all health care: safe, reliable, effective solutions that offer patients hope for a better tomorrow.

The connections we make through collaborative partnerships reach far beyond the effective delivery of specific products and services. In the realm of OTDT, we're helping to improve the system and establish effective governance. As a bulk-purchaser of drugs for the provinces and territories, we offer a paradigm for developing a transparent, cost-effective national pharmacare program. And as we work with our funding partners to evolve a pan-Canadian accountability agreement that better delineates our complementary roles, we're developing a model for productive collaboration among independent public-sector organizations and policymakers across multiple jurisdictions.

By strengthening the vital links that give shape to our purpose, and by creating new connections where none existed before, we deliver sustainable value to all Canadians and to the larger world of health care.



Dr. Graham D. Sher
Chief Executive Officer

Leah Hollins
Chair, Board of Directors

Board of directors

Leah Hollins
Chair
(Victoria, British Columbia)

Kelly Butt (ICD.D)
(London, Ontario)

R. Wayne Gladstone
(Port Perry, Ontario)

Dr. Kevin W. Glasgow
(Toronto, Ontario)

Dr. Gary Glavin
(Headingley, Manitoba)

Craig Knight
(Victoria, British Columbia)

Henry J. Pankratz
(Cobourg, Ontario)

Dunbar Russel
(Toronto, Ontario)

Suromitra Sanatani
(Victoria, British Columbia)

Dr. Jeff Scott
(Halifax, Nova Scotia)

Mike Shaw
(Regina, Saskatchewan)

Elaine Sibson
(Halifax, Nova Scotia)

Robert H. Teskey
(Edmonton, Alberta)

Executive management team

Dr. Graham D. Sher
Chief Executive Officer

Jean-Paul Bédard
Vice-President, Public Affairs

Dr. Christian Choquet
Vice-President, Quality and Regulatory Affairs

Dr. Dana Devine
Chief Medical and Scientific Officer

Mark Donnison
Vice-President, Donor Relations

Watson Gale
Vice-President, General Counsel and Corporate Secretary

Ralph Michaelis
Chief Information Officer

Ian Mumford
Chief Supply Chain Officer

Andrew Pateman
Vice-President, Talent Management and Corporate Strategy

Pauline Port
Chief Financial Officer and Vice-President, Corporate Services

Management analysis

This financial report includes forward-looking statements. By their nature, forward-looking statements require the organization to make assumptions and are subject to important known and unknown risks and uncertainties that may cause the organization's actual results to differ from those disclosed. While the organization considers its assumptions to be reasonable and appropriate based on current information, actual results may vary from those predicted in the forward-looking statements.

OVERVIEW

Fulfilling our mandate as both a biologics manufacturer and a clinical services provider involves a broad range of activities, including:

- Managing the blood supply.
- Purchasing manufactured plasma protein products from commercial plasma sources, manufacturing selected products from plasma collected in Canada, and arranging for the purchase of recovered plasma from the U.S.
- Providing international leadership in overseeing scientific investigations, supporting innovation, and sponsoring and training researchers to contribute to transfusion medicine research.
- Educating health professionals to ensure fresh blood products are used wisely.
- Operating the Canadian Organ Donation and Transplantation Network (including three interprovincial registries for organ transplantation) and facilitating the development and implementation of leading practices and professional education for organ and tissue donation and transplantation, public education and awareness, and research and innovation.
- Overseeing Canada's OneMatch Stem Cell and Marrow Network in all provinces and territories outside Quebec, and managing Canadian Blood Services' Cord Blood Bank.
- Providing diagnostic services in some provinces.

GOVERNANCE

Canadian Blood Services is unique in Canada's health-care system. We supply blood products and services across all provincial and territorial jurisdictions excluding Quebec, with the exception of the organ registries in which Quebec does participate. We were created in 1998 and operate under a memorandum of understanding between the federal, provincial and territorial ministers of health. We function as an independent, not-for-profit organization that operates at arm's length from government.

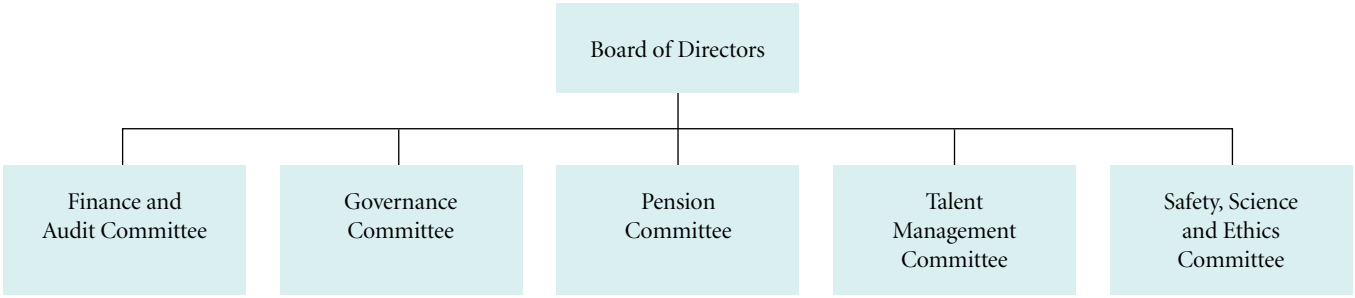
Governance at Canadian Blood Services is guided by the principles of accountability, safety, engagement and transparency.

Members

The provincial and territorial ministers of health provide the majority of the funding for Canadian Blood Services and are the organization's corporate members. The ministers have the authority to appoint the organization's board of directors and approve Canadian Blood Services' three-year corporate plan subject to annual budget approval.

The Provincial and Territorial Blood Liaison Committee provides support and advice to the ministers and deputy ministers of health on issues affecting the blood system. The committee comprises a representative from each funding province and territory, and a lead province is designated every two years. In 2014–2015, New Brunswick served as the lead province; the lead province is currently Manitoba.

Board of directors and committees



Appointed by the provincial and territorial ministers of health, the board of directors comprises 13 members, including:
- a chair of the board
- four regional nominees
- six nominees from the medical, scientific, technical, business and public health sectors
- two nominees with relevant consumer experience

The board meets at least six times per year; two of those meetings are open to the public.

Record of attendance by directors

Board and committee meetings held this year

	Number of meetings held
Board of directors	9
Finance and Audit Committee	7
Governance Committee	6
Pension Committee	6
Talent Management Committee	6
Safety, Science and Ethics Committee	4

Board members' attendance at meetings and honorariums paid this year

Director [1]	Chair	Number of board meetings attended	Number of committee meetings attended	Honorariums paid
Leah Hollins	Board of directors	9/9	20/20	$65,250
Kelly Butt		4/5	4/5	$10,250
R. Wayne Gladstone	Finance and Audit Committee and Pension Committee	9/9	19/19	$66,875
Dr. Kevin W. Glasgow		4/5	3/5	$9,375
Dr. Gary Glavin	Safety, Science and Ethics Committee	9/9	10/10	$33,125
Craig Knight	Talent Management Committee	9/9	13/13	$26,625
Henry J. Pankratz	Governance Committee	8/9	13/13	$43,250
Dunbar Russel		9/9	13/13	$25,375
Suromitra Sanatani		6/9	10/10	$21,500
Dr. Jeff Scott		4/4	5/5	$10,875
Mike Shaw		9/9	14/14	$27,875
Elaine Sibson		8/9	13/17	$27,500
Robert H. Teskey		8/9	17/21	$29,125

(1) Excludes directors who retired from the board in 2014–2015.

Board compensation

Canadian Blood Services' bylaws provide that directors be remunerated for attendance and participation at meetings of the board of directors and committees as set by the members. The chair receives an annual retainer, other directors receive meeting honorariums and all directors are reimbursed for their travel expenses. Directors are also entitled to per diems when they are required to conduct business on behalf of the board.

The table below shows the honorariums paid to the directors of the board. These rates have remained unchanged since they were established in 1998.

Board of directors' retainer and honorariums

Annual retainer for the chair	$15,000 per annum
Meeting honorarium	$750 per diem
Meeting preparation honorarium	Two days for chair @ $750 per day
1.5 days for committee chairs	@ $750 per day
One day for directors	@ $750 per day
Travel to meetings	Up to two days (depending on origin and destination) per meeting @ $500 per day
Days on business honorarium	$750 per diem (for events such as meetings on behalf of Canadian Blood Services)
Travel	Travel costs according to Canadian Blood Services' board expense policy

Executive management team compensation

Canadian Blood Services is founded on the principles of safety, openness and transparency — traits deeply rooted in our culture. The manner in which we compensate executives reflects these principles. As such, Canadian Blood Services has a comprehensive and rigorous executive performance management and compensation program, following best-practice principles in corporate governance.

Each year, the performance of members of the executive management team, including the CEO, is measured through the use of executive performance agreements. These agreements contain goals linked directly to achieving collective corporate performance goals, as well as specific and measurable individual goals. Performance against these goals is used to derive the specific calculations for either merit increases or performance awards.

The CEO's performance is overseen by the Talent Management Committee of the board and validated by the full board of directors. Each year, the Talent Management Committee commissions an independent study to gather comparative compensation data for the CEO and conducts a detailed review of the CEO's performance against objectives. Every second year, the committee independently commissions outside expertise to lead a 360° performance review of the CEO. The committee's review is validated by the full board, which ultimately decides whether to make any compensation adjustments.

Members of the executive management team are reviewed through a similar process. The CEO meets with all of the executive management team members, who report directly to him, and reviews their performance based on the corporate performance indicators contained in their respective performance agreement. The CEO's recommendations for compensation adjustments are presented to the Talent Management Committee of the board for approval and subsequent validation by the full board.

Components of the compensation program

The compensation program for executives comprises several elements, referred to as "total compensation." Total compensation includes:

- base salary
- annual pay at risk
- pension plan
- benefits and perquisites

Canadian Blood Services aims to align its total compensation for executives with the market median for comparator groups.

Total compensation for executives

	Base salary	Compensation at risk as a percentage of base salary	Annual vehicle allowance
Dr. Graham D. Sher *Chief Executive Officer*	2014 – $560,000 2013 – $560,000 2012 – $560,000 2011 – $560,000 2010 – $560,000	25%	$18,000
Ian Mumford *Chief Supply Chain Officer*	2014 – $335,304 2013 – $335,304 2012 – $335,304 2011 – $335,304 2010 – $335,304	22.5%	$10,000
Watson Gale *Vice-President, General Counsel and Corporate Secretary*	2014 – $286,649 2013 – $286,649 2012 – $286,649 2011 – $286,649 2010 – $286,649	20%	$10,000
Pauline Port *Chief Financial Officer and Vice-President, Corporate Services*	2014 – $342,238 2013 – $342,238 2012 – $342,238 2011 – $342,238 2010 – $342,238	22.5% 20%	$10,000
Dr. Dana Devine *Chief Medical and Scientific Officer*	2014 – $326,890 2013 – $326,890 2012 – $326,890 2011 – $326,890 2010 – $326,890	20%	$10,000
Dr. Christian Choquet *Vice-President, Quality and Regulatory Affairs*	2014 – $252,733 2013 – $277,812(1) 2012 – $283,060(1) 2011 – $283,060(1) 2010 – $252,733	20%	$10,000
Andrew Pateman *Vice-President, Talent Management and Corporate Strategy*	2014 – $292,000 2013 – $292,000 2012 – $292,000 2011 – $292,000	20%	$10,000
Jean-Paul Bédard *Vice-President, Public Affairs*	2014 – $263,120 2013 – $295,757(2) 2012 – $302,588(2) 2011 – $302,588(2) 2010 – $263,120	20%	$10,000
Ralph Michaelis *Chief Information Officer*	2014 – $216,000 2013 – $216,000	20%	$10,000
Mark Donnison *Vice-President, Donor Relations*	2014 – $225,000 2013 – $225,000	20%	$10,000

(1) Temporary responsibility pay of 12 per cent included from May 2011 to October 2013.
(2) Temporary responsibility pay of 15 per cent included from May 2011 to October 2013.

Vacation entitlement: Year 1 – four weeks; Year 2 – five weeks; Year 3 – six weeks

Severance terms: First year – 12 months; >1 year – 18 months

Standard benefits package: Executive benefit package covering health, dental, life insurance, long-term disability, defined-benefit pension and health-care spending account.

OUR BUSINESS

Operational resources

As a pan-Canadian biologics manufacturer and clinical services provider, we bring many operational resources to bear to deliver our products and services effectively and efficiently. We schedule more than 16,000 events annually through permanent and mobile collection sites. We also operate two blood testing facilities and 9 manufacturing facilities to deliver our products and services.

National Facilities Redevelopment Program

The National Facilities Redevelopment Program (NFRP) is a comprehensive, 10-year strategic initiative to upgrade our facility infrastructure and operational resources to better meet the current and future needs of our business, customers and patients.

NFRP Phase I

The first phase of our redevelopment program is a $126 million investment in our production and distribution facilities in our South-Central Ontario and Atlantic regions. This phase is nearing completion.

The single remaining project from Phase I is to complete a donor testing laboratory in Toronto. As one-half of a two-site donor testing model, the new testing facility is vital to the overall safety and security of the national blood supply. Canadian Blood Services had originally planned to renovate the existing donor testing laboratory located at 67 College Street, Toronto. However, we now have member-approved funding to build an addition to the existing Brampton production and distribution facility to house the testing laboratory rather than renovate the 67 College site. The addition to the Brampton facility is expected to be completed in early 2016 and will then be validated and commissioned. The move date is targeted for the spring of 2016.

NFRP Phase IIa

Phase IIa of the program includes building a new facility in Calgary to house a testing laboratory; consolidating blood production and distribution from Edmonton, Calgary and Regina; leasing new spaces in Calgary, Edmonton, Regina and Saskatoon; and selling existing buildings. The limitations of the current facility in Calgary expose us to significant risk in dealing with new and emerging threats. The Calgary facility has insufficient and inappropriate space for existing and new production and testing requirements and is also located in a flood plain. We felt the impact of this risk when the facility's operations were disrupted in the flooding in 2013. In 2011, Canadian Blood Services transitioned from an inefficient three-site donor testing model to a consolidated two-site model (Toronto and Calgary). The new Calgary facility is needed to provide long-term sustainability for redundant testing services between Calgary and Toronto. The second phase was approved by members and funding was provided for 2015–2016. Discussions are ongoing regarding the source of funding for the remaining years.

Our carbon footprint

Canadian Blood Services tracks and reports on its corporate carbon footprint, evaluating our impact on the environment by measuring the greenhouse gas emissions associated with our operations. We reduced our corporate carbon footprint by 5.7 per cent in 2015, exceeding our reduction target of one per cent. (After detailed review, the 2014 total was restated when additional information became available. The net change was an increase of 216 tCO2e to the 2014 total of 29,875.) The change in emissions by category is presented below:

Change in emissions by category

Emission source	2014 (tCO2e)	2015 (tCO2e)	Contribution to % change
Buildings	19,154	17,792	-4.5%
Transportation	7,908	7,108	-2.7%
Waste	2,763	3,237	1.6%
Paper use	266	232	-0.1%
Total	30,091 tCO2e	28,369 tCO2e	-5.7% reduction

To improve its carbon footprint, Canadian Blood Services:
- Reduced energy, natural gas, and steam consumption through energy efficiency measures in buildings.
- Reduced transportation emissions through optimized delivery schedules.
- Reduced paper purchases through the use of double-sided printing and paperless technology.
- Improved data collection.

Our environmental program is new and we continue to develop and refine our processes of collecting and tracking data as well as engage employees in reduction initiatives. We are setting future targets and working to improve our environmental performance through a range of sustainability initiatives.

Working capital

Canadian Blood Services' liquidity is largely influenced by the timing of funds received from the provinces and territories, the volume of inventory held, the amount of deferred contributions and the number of large capital-intensive projects, such as facilities redevelopment.

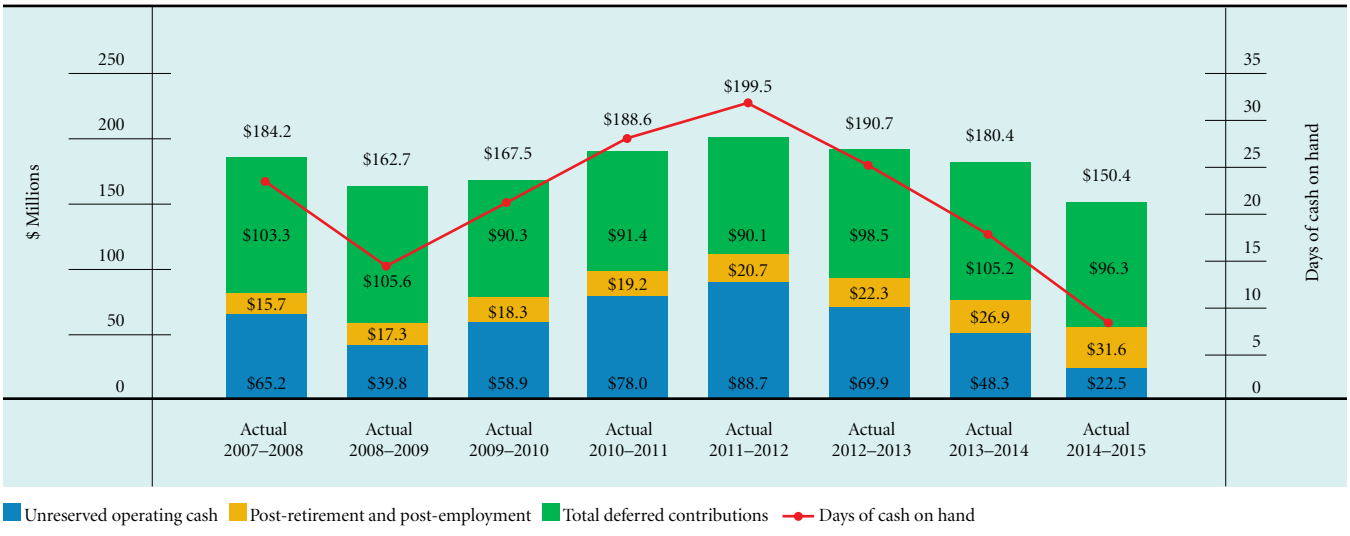
Our consolidated cash and cash equivalents balances declined by $30 million to $150.4 million as of March 31, 2015, largely due to an increase in amounts receivable from members. In particular, the Province of Ontario had a balance of $32.8 million outstanding at March 31, 2015, which included $15.9 million related to 2013–2014. A payment in the amount of $27.2 million from the Province of Ontario was received in April 2015.

A large proportion of our cash is deferred by external parties for a specific use or activity or represents funding received in advance from members. Excluding these restrictions, Canadian Blood Services had $22.5 million in unreserved operating cash, or approximately eight days of cash on hand, at March 31, 2015.

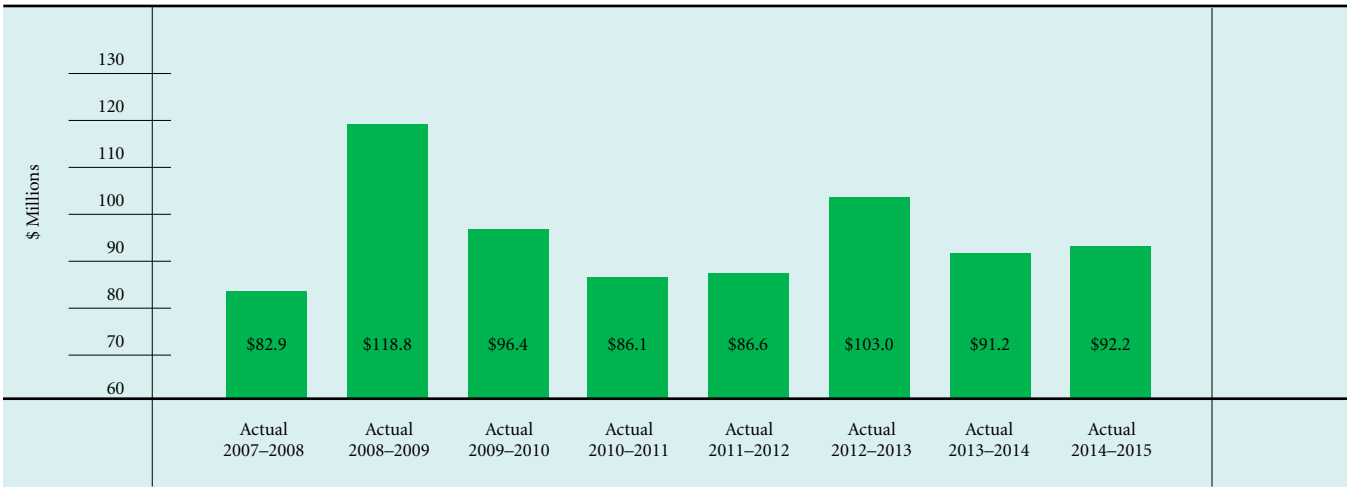
Working capital – Cash

One of the larger cash draws is related to the funding of plasma protein products. These products represent almost 75 per cent of our inventory. With the weakening of the Canadian dollar, these products are likely to increase pressure on our working capital. Canadian Blood Services is proactively managing the weeks of inventory on hand to lower the cost of inventory held and reduce this pressure on our working capital. However, as utilization and foreign exchange rates increase, so does the inventory value, which offsets some of the reductions.

Running a national system, we are also exposed to varying payment terms and balances owed to and owed by Canadian Blood Services in each jurisdiction. These varying terms and balances put pressure on our working capital and could require us to access our line of credit and incur interest charges.



Inventory of plasma protein products

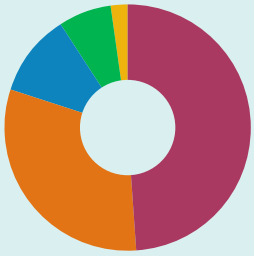


This year, Canadian Blood Services received approval to defer $3.2 million in members' contributions. This amount was essentially returned to the provinces and territories to help offset associated costs with plasma protein products next year. When combined with the $3.7 million in funds provided last year, Canadian Blood Services has provided $6.9 million to help offset the costs of plasma protein products in the last two years.

Total Costs

The costs to run our business are highlighted below. Plasma protein products represent our largest cost, at 49 per cent of total costs. This cost is driven by product utilization by members, the price of the products and foreign exchange. Our second largest cost is the labour required to deliver our products and services, at 31 per cent of total costs. The remaining expenses we incur to run our business are for medical supplies, which include supplies such as blood bags used in the collection of fresh blood products, general and administrative costs, and depreciation and amortization.

Total costs



Cost of plasma protein products	$506,934	49%
Staff costs	$324,531	31%
General and administrative expenses	$114,748	11%
Medical supplies	$74,003	7%
Depreciation and amortization	$20,285	2%

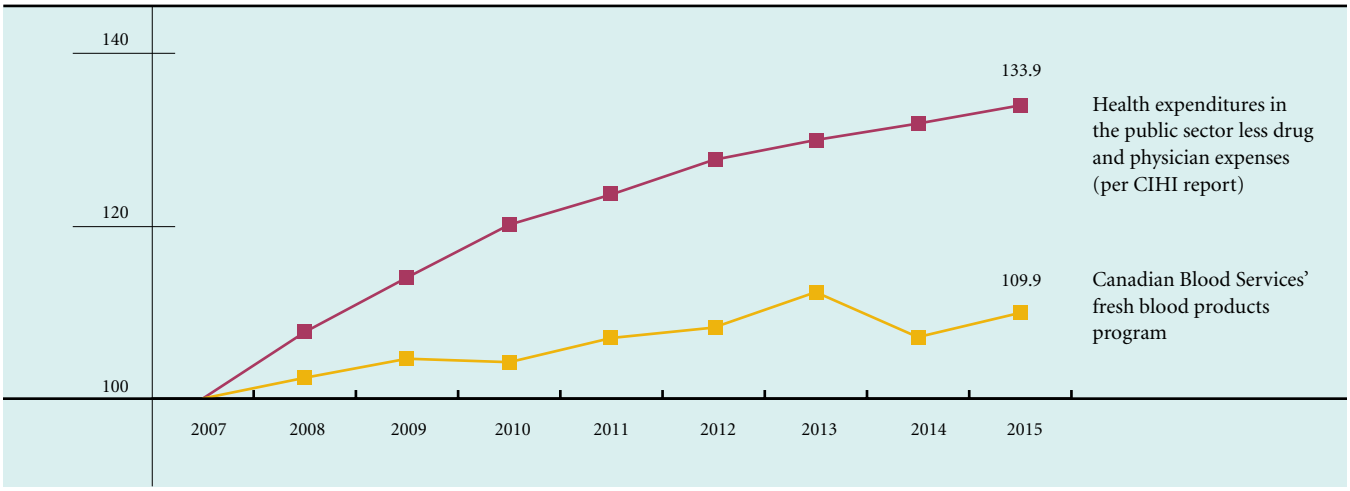
In thousands of dollars

Productivity and efficiency journey

This year we continued our productivity and efficiency journey as we focused on providing lean, efficient processes that provide high value to our customers and members. Over the past several years, Canadian Blood Services has committed to finding significant operational efficiencies. In this year's budget for fresh blood products, we established a target for efficiencies, cost reductions and cost avoidance measures totalling $14 million. We exceeded this target by $2.2 million.

When compared to the Canadian Institute of Health Information's National Health Expenditure Trends report (1975 to 2014), the cost of fresh blood products has risen only 9.9 per cent since 2007, compared with a 33.9 per cent rise in health expenses in the public sector. This confirms Canadian Blood Services commitment to bending the cost curve.

Cost of fresh blood products versus health expenses in public sector



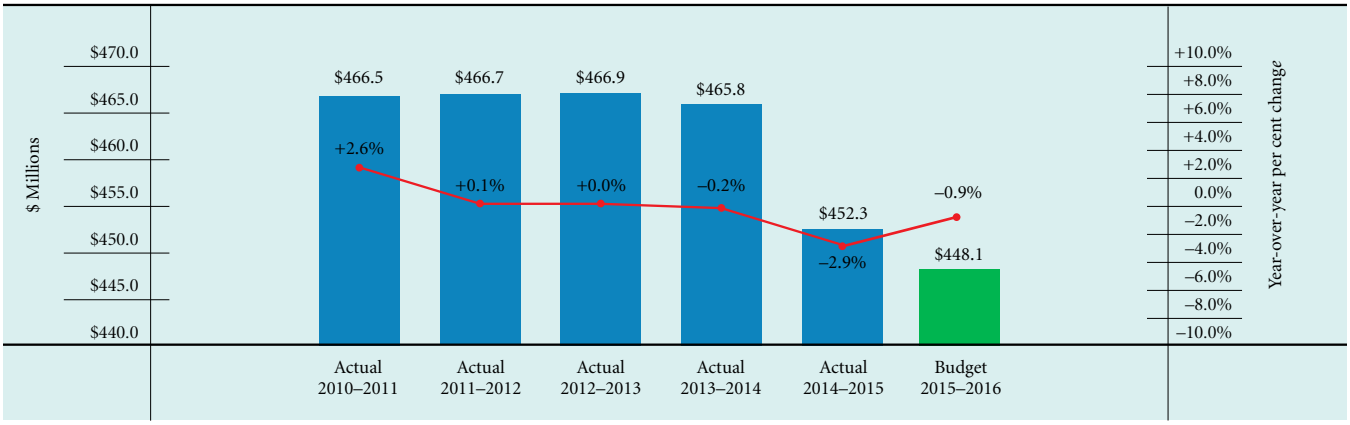
FINANCIAL PERFORMANCE OF OUR PRODUCTS AND SERVICES

Fresh blood products

Canadian Blood Services manufactures and delivers fresh blood products derived from whole blood and apheresis collections. The activities required to supply these products include demand planning, recruitment, collection, testing, manufacturing and distribution, and support activities.

The total members' contributions this year were $452.3 million (excluding NFRP), $13.5 million or 2.9 per cent less than last year. Cost reduction initiatives and lower demand have contributed to this decrease. Funding in 2015–2016 is budgeted to decrease by 0.9 per cent.

Total funding for fresh blood products and support services



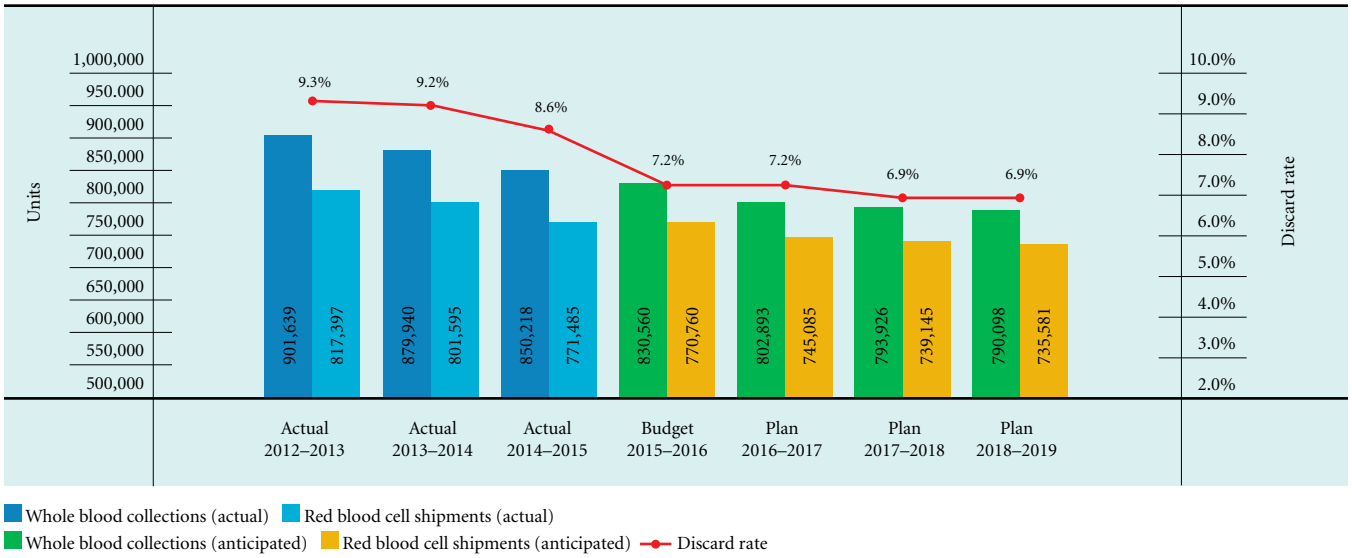
The demand for red blood cells, platelets and plasma and the associated number of whole blood collections have the greatest influence on activities associated with fresh blood products. The main factors affecting costs are labour and materials needed to collect and produce each unit of product. Additional expenses, such as fuel, utilities, information technology, facilities and support functions, also influence these costs.

Whole blood

Demand for red blood cells in Canada declined by 3.8 per cent, consistent with the declining demand experienced by our international counterparts. This decline in demand has made forecasting more challenging as we try to accurately project collection and shipment needs for future years. Incorrect demand forecasts impede us from meeting our financial and efficiency targets, such as cost per unit (CPU) and labour hours per unit (LHU). We need to book clinics and associated staff months in advance, and it is difficult to change our clinic plan once the demand targets are established.

The management team focused on discard rates this year and successfully reduced the rate over last year. However, we fell short of our target of 7.7 per cent, largely as a result of our appeal to donors. As inventories increased as a result of the appeal, the discard rate also increased. Although discards will never be zero — some products should rightly be discarded during the supply chain process due to a variety of factors — lowering our discard rate is a priority. We continue to focus on low-weight and underweight collections, as well as product expiry.

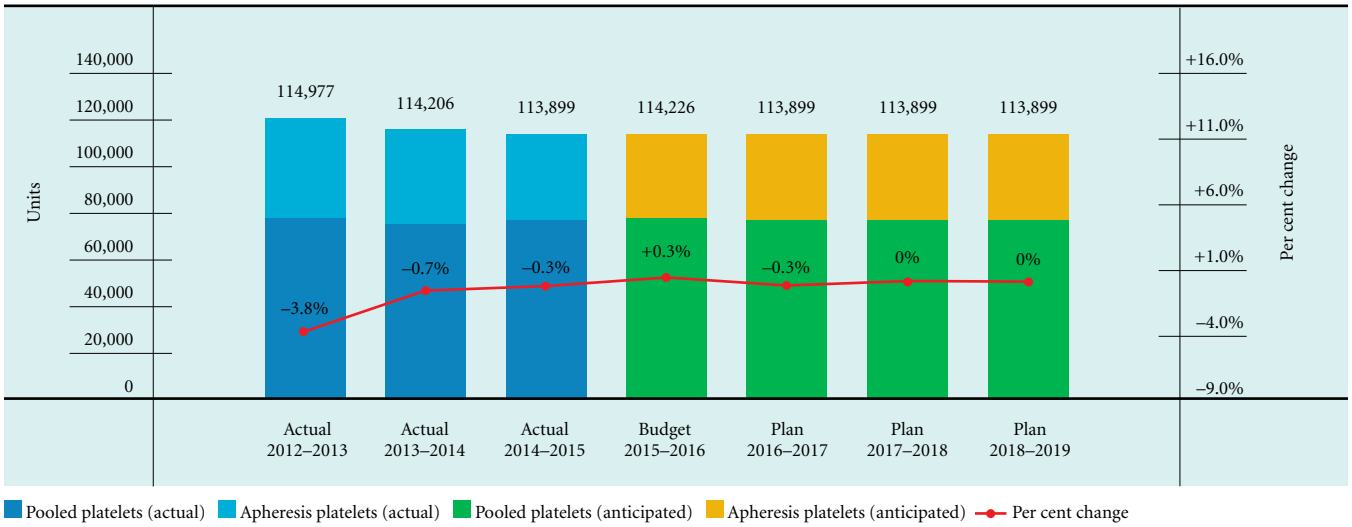
Whole blood collection, red blood cell shipments and discard rate



Platelets

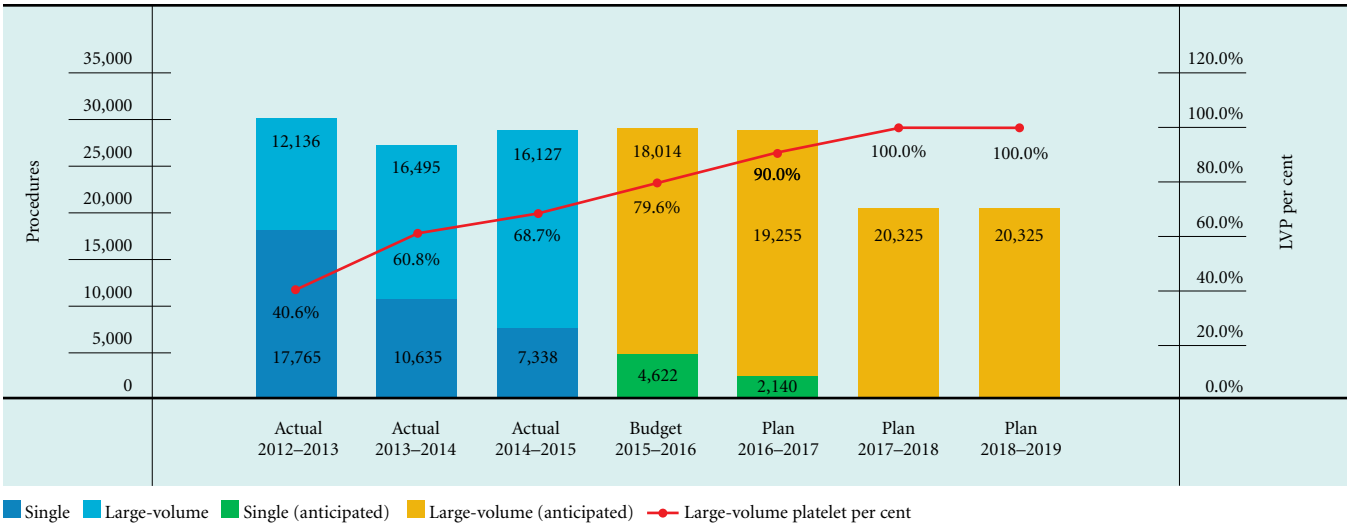
Total platelet shipments include platelets collected through apheresis and those derived from whole blood collections using the pooled production method. Demand for platelets remained flat compared to last year.

Platelet shipments by source



Platelets derived from apheresis are often preferred to treat sensitized patients for various medical reasons. These platelet doses are sourced from a single donor, which enables more precise matching and avoids multiple donor exposures. Platelets derived from apheresis, however, are much more expensive to collect than those manufactured through pooled production. The continued expansion of cardiac and oncology services suggests ongoing demand for platelets in the coming years. However, this must be balanced against new medical innovations and therapies and more patient blood management programs, which may reduce the overall need for blood products. For example, new chemotherapy agents are less toxic on patients' bone marrow, thereby reducing the need for platelet transfusion support in cancer care.

Platelet apheresis procedures – Single and large-volume



Through platelet apheresis technology, we can collect a single dose or, if the donor qualifies, a large-volume platelet (LVP) dose. An LVP dose is twice the volume of a single collection, which means that increasing the proportion of LVP collections reduces the required number of donations. The LVP split rate for this year of 69 per cent was close to our target of 70 per cent. We plan to collect 100 per cent of platelets derived from apheresis via LVP by 2017–2018.

Plasma

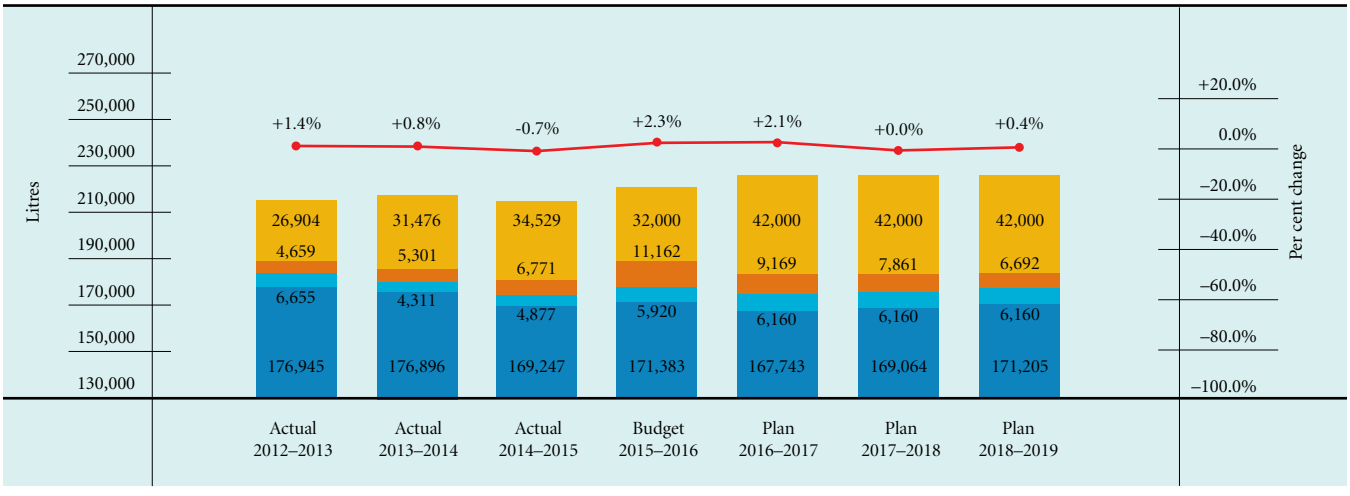
Plasma can be manufactured from whole blood or apheresis collections. It can then be either transfused, used to make platelets derived from pooled production or diverted to our commercial fractionators for further manufacturing.

Demand for plasma for transfusion

New licensed protein product substitutes, such as prothrombin complex concentrates (PCCs) and solvent detergent plasma, as well as more conservative transfusion practices, have contributed to the decline in demand for transfusion plasma in Canada. Canada is completely self- sufficient in plasma for transfusion, meaning patient demand is completely met within the country. This year, the total number of litres shipped for transfusion fell 9.7 per cent.

Demand for plasma for fractionation

Plasma shipments for fractionation



The drugs manufactured from fractionated plasma are generically referred to as plasma protein products. There are many different types of plasma protein products. The major categories include albumin, which is used to treat fluid loss in burn and trauma patients; immuneglobulins (Ig), which are used to treat infections and immune disorders; and products that are used to enhance clotting in patients with hemophilia and other bleeding disorders.

Like many other countries, Canada has never been self-sufficient in the collection of plasma for fractionation into plasma protein products. Over time and in consultation with our stakeholders, Canadian Blood Services developed a strategy to mitigate the associated risks. However, as demand continues to decline for red blood cells, the availability of recovered plasma, a product derived from whole blood, also declines. Canadian Blood Services will update its plasma strategy in 2015–2016 to assess the impact of declining demand on recovered plasma and other factors that affect sufficiency.

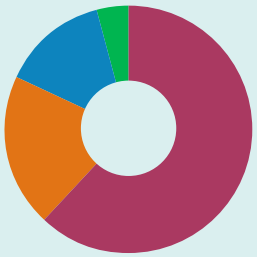
The demand for Ig continues to rise in Canada and internationally. To meet our needs, Canadian Blood Services purchases surplus recovered plasma (from voluntary donations) from the U.S for fractionation. Given that self-sufficiency is not operationally or economically feasible in a volunteer, unpaid model, Canadian Blood Services strives to maintain a sufficiency of 30 per cent for Ig.

Costs

Fresh blood components

Before the adjustment for inventory levels of fresh blood products, expenses associated with these products and support services decreased by $15.7 million compared to last year. This decrease is mainly due to lower staff costs, as a result of organizational redesign implemented last year, and reduced medical supplies, due to lower collections this year and lower negotiated prices for our collection bags.

Costs



Staff costs	$293,640	62%
General and administrative expenses	$92,908	20%
Medical supplies	$66,897	14%
Depreciation and amortization	$20,285	4%

In thousands of dollars

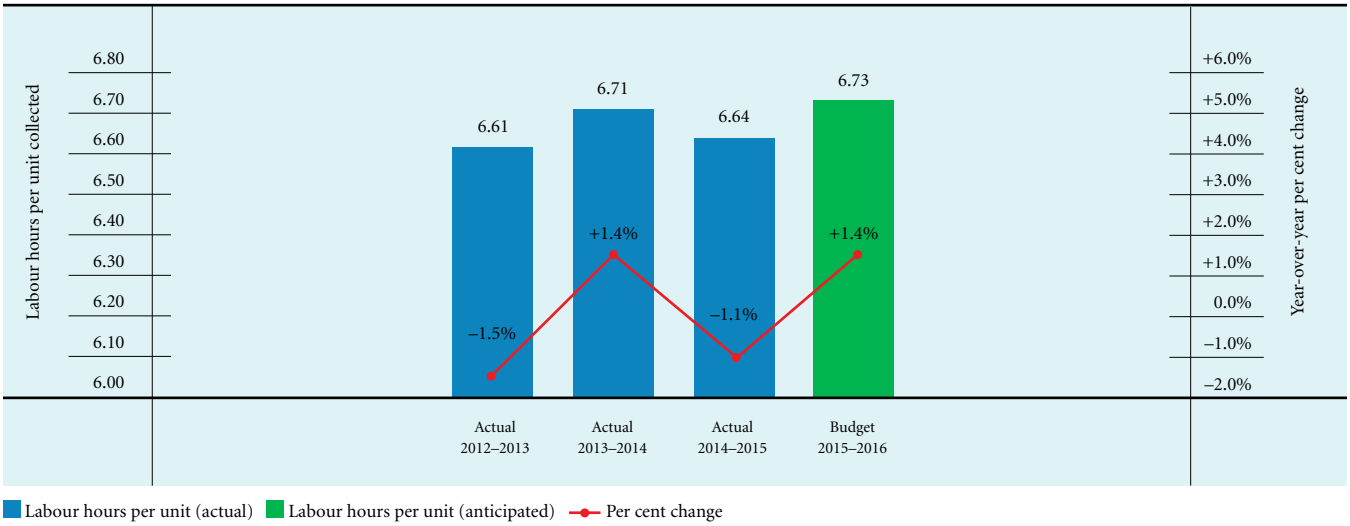
Key performance indicators

Labour hours per unit

LHU is the ratio of total labour hours to collections of all fresh blood products. This ratio is an integrated measure of our performance for the supply chain and support services. The supply chain comprises our costs incurred in demand planning, recruitment, collection, testing, manufacturing and distribution. Collections include the collections of all equivalent units and are categorized into three groups: whole blood collections, platelet collections and plasma collections. The following graph summarizes our LHU since 2012–2013.

Efficiencies achieved this year contributed to the decrease in LHU compared to last year. Despite the decline in LHU, softening collections resulted in an opportunity loss of 0.04 LHU. Weakening demand makes it challenging for our supply chain to realize LHU targets, as there are less units collected to cover fixed costs.

Labour hours per unit



Cost per unit

CPU is the ratio of total expenses to shipments of all fresh blood products. Though the CPU is not a direct product cost, it is a gross indicator of our productivity. The CPU links the inputs and outputs of the activities associated with fresh blood products. The inputs are staff costs, medical supplies, general and administrative costs and the amortization of capital assets. The outputs are the shipments of fresh blood products.

The CPU for this year was $351 compared to the budget of $343. This CPU is within the predefined target range of $331–351. The unfavourable CPU is due to weakening demand and is comparable to the CPU last year, which also stood at $351.

Plasma protein products

Our formulary of plasma protein products includes plasma-derived, recombinant and therapeutic products such as Ig, albumin and various clotting factors (e.g., recombinant factor IX [rFIX], recombinant factor VIII [rFVIII], recombinant von Willebrand factor [rVWF], factor eight inhibitor bypassing activity (FEIBA) or recombinant factor VIIa [rFVIIa]). Plasma protein products represent just under half of our total funding.

Plasma protein products program costs

			Variance analysis			
In thousands of dollars	2014–2015 Actual	2013–2014 Actual	Volume Over (under)	Price Over (under)	FX Over (under)	Total Over (under)
Albumin	$15,057	$17,805	$58	$(3,774)	$968	$(2,748)
Ig	237,434	201,361	16,586	6,972	12,515	36,073
Recombinant factor VIII	104,061	102,702	2,138	(6,083)	5,304	1,359
Recombinant factor VIII/VWF	26,768	20,808	3,920	695	1,345	5,960
Recombinant factor IX	34,219	30,659	3,924	(364)	–	3,560
Recombinant factor XIII	3,085	2,076	1,009	(6)	6	1,009
FEIBA/Recombinant factor VIIa	36,791	43,312	(8,259)	791	947	(6,521)
C1 esterase	24,896	17,030	6,224	578	1,064	7,866
Prothrombin complex	7,008	7,175	72	(629)	390	(167)
Other immune globulins	11,076	11,475	(602)	17	186	(399)
Solvent detergent plasma	3,006	1,654	1,124	132	96	1,352
Other plasma protein products	4,859	4,351	160	178	170	508
Plasma protein products	508,260	460,408	26,354	(1,493)	22,991	47,852
Program administration	(1,191)	(1,144)	–	398	(445)	(47)
External customers	163	96	67	–	–	67
Total program	$507,232	$459,360	$26,421	$(1,095)	$22,546	$47,872

Cost variables

A number of variables influence the costs of plasma protein products, including:

- Product utilization – the volume of product used or the demand for various products.
- The price of products and annual contractual increases in the consumer price index (CPI) and price reductions related to negotiated contracts.
- Foreign exchange – approximately 85 per cent of all products are purchased in U.S. dollars; this practice exposes us to fluctuations in the foreign exchange markets.

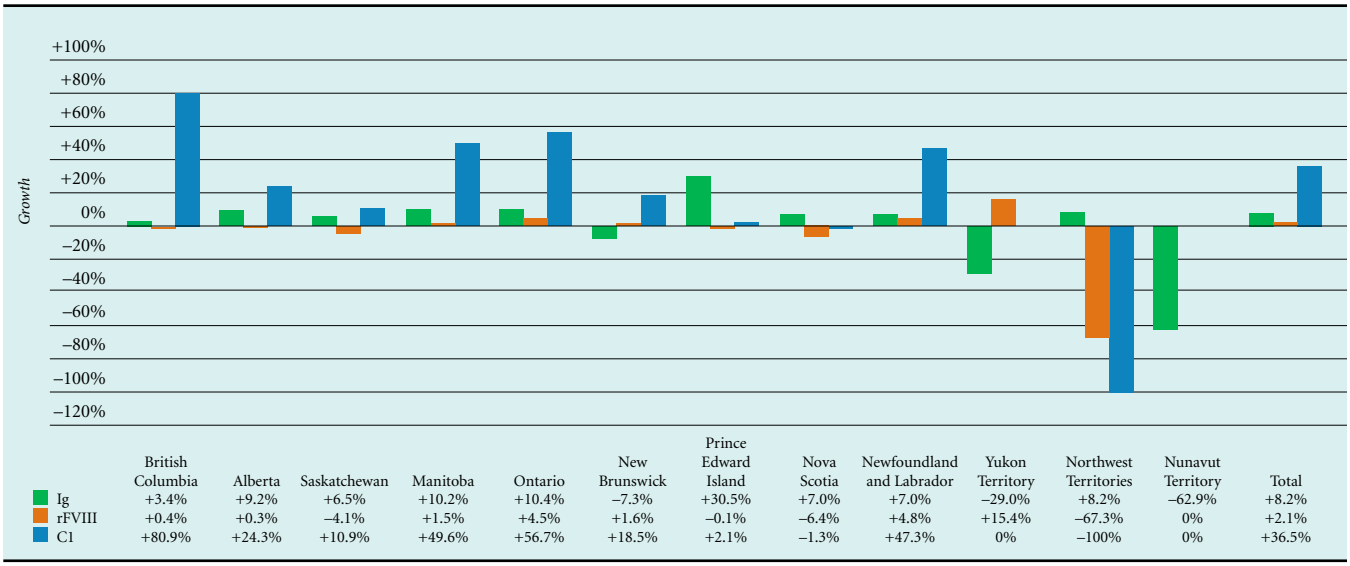
This year's total costs compared to last year's total costs reflect the effects of these variables. Growth in product utilization, combined with a weaker Canadian dollar are the main contributors to the $47.9 million increase in program costs over last year.

Patterns in product demand vary substantially. This variability adds significant pressure to funding these products. Savings obtained through favourable prices are eroded by increases in utilization.

Growth in demand from 2012–2013 to 2014–2015

Growth in demand for the largest-volume products — Ig, rFVIII, and C1 esterase — by province and territory was as follows.

Growth in demand by province and territory for 2014–2015 versus 2013–2014



	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	New Brunswick	Prince Edward Island	Nova Scotia	Newfoundland and Labrador	Yukon Territory	Northwest Territories	Nunavut Territory	Total
Ig	+3.4%	+9.2%	+6.5%	+10.2%	+10.4%	–7.3%	+30.5%	+7.0%	+7.0%	–29.0%	+8.2%	–62.9%	+8.2%
rFVIII	+0.4%	+0.3%	–4.1%	+1.5%	+4.5%	+1.6%	–0.1%	–6.4%	+4.8%	+15.4%	–67.3%	0%	+2.1%
C1	+80.9%	+24.3%	+10.9%	+49.6%	+56.7%	+18.5%	+2.1%	–1.3%	+47.3%	0%	–100%	0%	+36.5%

C1 esterase inhibitor (human) is used to treat adult or adolescent patients with ongoing, acute attacks of hereditary angioedema (HAE) affecting the abdomen, face or throat. HAE is a rare, potentially life-threatening genetic disorder caused by the deficiency of C1 esterase inhibitor, a protein in the blood that helps prevent swelling.

Demand for this C1 esterase continues to increase. More patients are being diagnosed with HAE and many patients being placed on prophylactic treatment regimes. The Canadian Hemophilia Registry shows an increase in registered HAE patients of 29 per cent from 2013 to 2014. Given the rate of occurrence, some estimate there are likely 800 patients in Canada with the condition, 400 of whom have been diagnosed, with only a portion (maybe half) of those being actively treated. As diagnoses become more prevalent, we can expect demand for C1 esterase to increase.

Foreign exchange risk

The plasma protein products program is exposed to foreign exchange risk through contracts for products in U.S. dollars. We manage this risk through a combination of hedges and spot purchases. This year, the rate was $1.13 on our U.S. dollar purchases, $0.08 more than the budgeted rate. Through an effective hedging strategy, the actual rate on our U.S dollar purchase was $1.13 compared to the market average of $1.14. After periods of favourable exchange rates, the current environment is a perfect storm of higher foreign exchange rates and product utilization, which will mask the benefits of price savings and create funding pressures on members.

Foreign exchange rate for 2014–2015 versus 2013–2014

	Actual 2014–2015	Budget 2014–2015	Actual 2013–2014	Budget 2013–2014
U.S. dollar/Canadian dollar	1.13	1.05	1.04	1.01

Foreign exchange continues to be a significant funding risk in 2015–2016. Markets have traded significantly above the budgeted rate of $1.14 at levels in excess of $1.30. Weakness in the Canadian dollar is attributable to a decline in the price of oil and the Bank of Canada's decision in January to unexpectedly reduce overnight interest rates. Current forecasts indicate the budgeted rate of $1.14 will not be achievable. Canadian Blood Services continues to work on the hedging and other strategies to mitigate the impact of foreign exchange.

Stem cells

Through the OneMatch Stem Cell and Marrow Network, Canadian Blood Services coordinates the search for stem cells on behalf of all Canadian patients (except those in Quebec), who require stem cell transplants from unrelated donors. We manage all logistics related to collection and ensure transport of stem cell products to transplant centres or international registries. Stem cells may be sourced from bone marrow, from peripheral blood of healthy adults or from umbilical cord blood. All three products are used in transplants for Canadian patients.

As with fresh blood components, demand for stem cell products is volatile and uncertain. But in the case of stem cells, the uncertainty is more focused on rate of growth and the source of products, be it from cord blood or peripheral blood. We work closely with transplant centres and physicians to better understand trends and changes in practice and to ensure we are recruiting the right donors to optimize the likelihood of finding matches for patients.

The program is funded by the provinces and territories, as well as revenue generated from services, including search activations, and products provided to international registries. Total expenses were comparable to last year.

Diagnostic services

Canadian Blood Services provides diagnostic services for patients and hospitals across Western Canada and in some parts of Ontario. Services include prenatal testing, reference RBC serology testing (antibody investigations), human platelet antibody testing, and pre-transfusion and compatibility testing.

Member funding matches the cost of diagnostic services received. This year, revenue and costs for diagnostic services were consistent with last year. Expenses include staff, general and administrative charges and medical supplies required to complete patient laboratory and patient therapeutic services.

Procedure volumes

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Red cell serology	71,190	69,222	108,707	109,674	25,296	25,464	230,242	234,538	–	–
Platelet immunology	–	–	–	–	–	–	3,829	1,923	–	–
Immunohematology	–	–	–	–	–	–	–	–	6,060	6,737
Stem cell	–	–	319	–	–	–	–	–	290	–
Autologous	–	2	12	12	–	26	–	10	–	387
	71,190	69,224	109,038	109,686	25,296	25,490	234,071	236,471	6,350	7,124

This year, Canadian Blood Services completed the rollout of the TraceLine laboratory information system (LIS) to 16 hospitals across Manitoba. The implementation of LIS provides a common and consistent platform for managing patient test records among the diagnostic services laboratories.

The electronic interfacing of the automated testing equipment with the new LIS will reduce the number of errors by eliminating the manual entry of test results and automatically faxing prenatal reports to the requesting physician. This automation will increase productivity.

Fundraising

This past year marked a major milestone with the successful completion of our three-year Campaign *For All Canadians*, to help build a national public cord blood bank. The campaign, the first such initiative we have undertaken, succeeded in reaching — and exceeding — its ambitious target of $12.5 million.

In addition to fundraising efforts on behalf of the Campaign *For All Canadians*, regular fundraising activities continued throughout the year to ensure the growth of the blood system and encourage the participation of future blood and stem cell donors. This year, funds were used to advance key projects, including Young Blood for Life, a national high school program funded by FedEx, and Learning to Save Lives, a middle and elementary school program to educate young people about the blood donation process and blood usage, funded by Bayer Inc.

Cash donations received this year totalled $4.1 million (including donations to the Campaign *For All Canadians*), compared to $3.5 million last year. Gift-in-kind donations totalled $0.1 million, consistent with last year.

Canadian Blood Services was honoured to work with the following major financial donors and participate in activities to raise funds and awareness of the blood system and the OneMatch Stem Cell and Marrow Network.

Major financial donors

Partner	Donation
Standard Life	$97,000 gift-in-kind donation of rental space for the permanent Standard Life Blood Donor Clinic in Vancouver
FedEx	Sponsored the Young Blood for Life national high school program for $60,000 over three years
Manulife Financial – long-standing partner contributing to saving lives for more than 60 years	$35,000 to pay for the rent for the permanent blood donor clinic held in the Manulife Centre in Toronto
Honouring Our Lifeblood Event 2014	
Top sponsors:	
Bayer Inc.	$30,000
CSL Behring Canada Inc.	$30,000

All fundraising amounts are rounded to the nearest $ thousand for reporting purposes.

Captive Insurance Program

Canadian Blood Services' Captive Insurance Program comprises two wholly owned insurance corporations: Canadian Blood Services Insurance Company Limited (CBSI) and the Canadian Blood Services Captive Insurance Company Limited (CBSE). The policies of insurance issued to Canadian Blood Services consist of comprehensive blood risks liability in the amount of $1 billion; a stock throughput in the aggregate amount of $10 million, renewable on a one-time basis; and a contingent risk indemnification policy in the amount of $20 million.

CBSI continues to see surplus capital (net assets after policy, regulatory and market volatility reserves). At March 31, 2015, surplus capital amounted to $78 million. Additionally, with the assistance of an independent investment advisor, the Board of Directors of CBSI made changes to the investment portfolio this year. The actively managed Canadian equity portfolio was replaced with a passively managed Canadian equity mandate as well as global equity, developed equity, global fixed income and emerging markets mandates. The board of CBSI believes this will optimize the management of the investment portfolio within appropriate levels of risk.

Pension plans

Defined Benefit Plan

2014 was an important year as the triennial valuation of the plan's funded position as of Dec. 31, 2013, was completed. Every three years, the independent actuary reviews the plan's funded position to inform the board of trustees responsible for the governance of the plan of exactly how the plan is doing. The valuation showed that the plan was 98 per cent funded, up from 90 per cent at Dec. 31, 2010, on a going concern basis. This improvement was due to higher than expected investment returns, offset by members living longer. As a result of the valuation, contribution rates for both Canadian Blood Services and members remain the same.

Defined Contribution Plan

LifeCycle portfolios were introduced this year into the plan's investment selections. LifeCycle portfolios offer an approach to plan members who do not want to continually monitor their investments or who may not be comfortable in changing their investment mixes or funds. Once members select their target retirement age and their investment risk (low, moderate or high), they are set on a planned glide path to retirement. The investment glide path automatically changes the asset allocation at key milestones as members approach retirement. It reduces the risk exposure the closer a member is to retirement and when they ultimately need to use the accumulated investments to fund their retirement.

Changes to accounting standards

Effective April 1, 2014, Canadian Blood Services adopted the new Chartered Professional Accountants (CPA) Canada Handbook Accounting Part III, Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations. This section incorporates Section 3462, Employee Future Benefits. This change resulted in the restatement of the prior year financial position and results. The impact of this transition is explained in note 3 to the consolidated financial statements.

Enterprise Risk Management Program

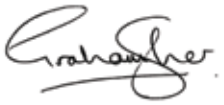
Canadian Blood Services continues to mature and refine our Enterprise Risk Management Program to reflect our continuous focus on the understanding and management of enterprise risk. We have made significant advancements in integrating the program with our internal strategy management and execution processes. We are actively advancing our risk management reporting to provide the board of directors and executive management team members with clear, concise and actionable information on key risks. The board is also working toward integrating enterprise risk management into all of its oversight activities. The new components, along with our existing processes, should allow us to proactively manage risk to improve performance and achieve corporate objectives.

Management's report to members

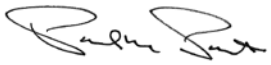
The consolidated financial statements contained in this report have been prepared by Canadian Blood Services' management team in accordance with accounting standards for not-for-profit organizations. Management is responsible for the integrity and reliability of the data in these statements and for ensuring that all other information in this report is consistent, where appropriate, with the financial statements.

Management maintains a system of internal control to provide reasonable assurance as to the reliability of the financial information and safeguarding of assets. The board of directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The board exercises this responsibility through the Finance and Audit Committee of the board, which is composed of directors who are not employees of the Corporation. The Finance and Audit Committee meets periodically during the year with management and the external auditors.

The external auditors, KPMG LLP, conduct an independent audit in accordance with Canadian generally accepted auditing standards and express an opinion on the financial statements. The external auditors, whose report follows, have full and free access to the Finance and Audit Committee of the board and meet with the committee regularly.



Dr. Graham Sher
Chief Executive Officer



Pauline Port
Chief Financial Officer and Vice-President, Corporate Services

June 26, 2015

Independent Auditors' Report

To the Members of Canadian Blood Services

We have audited the accompanying consolidated financial statements of Canadian Blood Services, which comprise the consolidated statement of financial position as at March 31, 2015, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canadian Blood Services as at March 31, 2015 and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
June 26, 2015
Ottawa, Canada

Consolidated Statement of Financial Position

As at March 31, 2015, with comparative information for 2014
(In thousands of dollars)

	2015	2014
		(Restated, note 3)
Assets		
Current assets:		
Cash and cash equivalents *(note 4)*	**$150,396**	$180,376
Members' contributions receivable	**43,906**	18,515
Other amounts receivable	**14,609**	11,133
Inventory *(note 5)*	**123,183**	115,060
Prepaid expenses	**9,921**	8,149
	342,015	333,233
Investments, captive insurance operations *(note 6)*	**414,190**	384,282
Capital assets and intangible assets *(note 7):*		
Land, buildings, software and equipment	**197,381**	205,129
Right to the blood supply system	**20,682**	21,562
	218,063	226,691
	$974,268	$944,206
Liabilities, deferred contributions and net assets		
Current liabilities:		
Accounts payable and accrued liabilities *(note 8)*	**$89,875**	$86,806
Current portion of obligations under capital leases	**349**	300
	90,224	87,106
Provision for future claims *(note 16)*	**249,886**	249,886
Employee future benefit liabilities *(note 9)*	**77,430**	53,345
Obligations under capital leases	**–**	349
Deferred contributions *(note 11):*		
Expenses of future periods	**177,841**	179,894
Capital assets	**202,574**	210,546
	380,415	390,440
Net assets:		
Invested in capital assets	**15,281**	15,579
Restricted for captive insurance purposes *(note 12)*	**164,062**	131,654
Unrestricted net assets (deficit)	**(3,030)**	15,847
	176,313	163,080
Guarantees and contingencies *(note 17)*		
Commitments *(note 18)*		
	$974,268	$944,206

See accompanying notes to the consolidated financial statements.

On behalf of the Board

Leah Hollins, Director and Chair

R. Wayne Gladstone, Director

Consolidated Statement of Operations

Year ended March 31, 2015, with comparative information for 2014
(In thousands of dollars)

	Canadian Blood Services *(note 14)*		Captive insurance *(note 16)*		Consolidated	
	2015	2014	2015	2014	2015	2014
		(Restated, note 3)				*(Restated, note 3)*
Revenue:						
Members' contributions	$999,825	$973,269	$–	$–	$999,825	$973,269
Federal contributions	8,580	8,432	–	–	8,580	8,432
Less amounts deferred	(32,167)	(29,412)	–	–	(32,167)	(29,412)
	976,238	952,289	–	–	976,238	952,289
Amortization of previously deferred contributions:						
Relating to capital assets	21,649	22,067	–	–	21,649	22,067
Relating to operations	27,072	24,288	–	–	27,072	24,288
Total contributions recognized as revenue	1,024,959	998,644	–	–	1,024,959	998,644
Stem cells revenue	11,413	12,536	–	–	11,413	12,536
Net investment income *(note 13)*	1,972	1,917	49,651	15,854	51,623	17,771
Other income	2,157	2,147	–	–	2,157	2,147
Total revenue	**1,040,501**	**1,015,244**	**49,651**	**15,854**	**1,090,152**	**1,031,098**
Expenses:						
Cost of plasma protein products	506,934	459,120	–	–	506,934	459,120
Staff costs	324,531	333,990	–	–	324,531	333,990
General and administrative *(note 15)*	114,748	117,123	383	244	115,131	117,367
Medical supplies	74,003	84,873	–	–	74,003	84,873
Depreciation and amortization	20,285	21,826	–	–	20,285	21,826
Total expenses	**1,040,501**	**1,016,932**	**383**	**244**	**1,040,884**	**1,017,176**
Excess (deficiency) of revenue over expenses before the undernoted	**–**	**(1,688)**	**49,268**	**15,610**	**49,268**	**13,922**
Change in fair value of investments measured at fair value	–	–	(16,860)	13,215	(16,860)	13,215
Excess (deficiency) of revenue over expenses	**$–**	**$(1,688)**	**$32,408**	**$28,825**	**$32,408**	**$27,137**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2015 with comparative information
(In thousands of dollars)

March 31, 2015	Invested in capital assets	Restricted for captive insurance	Unrestricted	Total
Balance, beginning of year *(note 12)*	$15,579	$131,654	$15,847	$163,080
Excess of revenue over expenses	–	32,408	–	32,408
Re-measurements and other items related to employee future benefits	–	–	(19,175)	(19,175)
Change in investments in capital assets	(298)	–	298	–
Balance, end of year *(note 12)*	$15,281	$164,062	$(3,030)	$176,313

March 31, 2014	Invested in capital assets	Restricted for captive insurance	Unrestricted	Total
Balance, as at March 31, 2013 as previously reported	$15,579	$102,829	$36,211	$154,619
Adjustment on transition to Section 3463, *Employee Future Benefits* *(note 3)*	–	–	(34,417)	(34,417)
Balance, restated as at April 1, 2013 *(note 3)*	15,579	102,829	1,794	120,202
Excess (deficiency) of revenue over expenses	–	28,825	(1,688)	27,137
Re-measurements and other items related to employee future benefits	–	–	15,741	15,741
Balance, end of year *(note 12)*	$15,579	$131,654	$15,847	$163,080

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014
(In thousands of dollars)

	2015	2014
		(Restated, note 3)
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess of revenue over expenses	**$32,408**	$27,137
Items not involving cash and cash equivalents:		
Depreciation and amortization of capital assets and intangible assets	**20,285**	21,826
Amortization of deferred contributions	**(48,721)**	(46,355)
Loss (gain) on sale of capital assets	**(1,038)**	74
Net realized gains on sales of investments, captive insurance operations	**(39,595)**	(4,017)
Change in fair value of equity investments, captive insurance operations	**16,860**	(13,215)
Amortization (accretion) of bonds, captive insurance operations	**(50)**	266
Employee future benefit expenses in excess of cash payments	**4,910**	6,560
	(14,941)	(7,724)
Change in non-cash operating working capital:		
Increase in Members' contributions receivable	**(25,391)**	(15,151)
Decrease (increase) in other amounts receivable	**(3,476)**	9,210
Decrease (increase) in inventory	**(8,123)**	16,073
Increase in prepaid expenses	**(1,772)**	(356)
Increase (decrease) in accounts payable and accrued liabilities	**1,890**	(1,918)
Deferred contributions received for expenses of future periods	**25,019**	1,897
Total operating activities	**(26,794)**	2,031
Investing activities:		
Proceeds on sales of investments, captive insurance operations	**299,092**	154,014
Purchases of investments, captive insurance operations	**(306,215)**	(167,156)
Deferred contributions received related to capital assets	**13,677**	14,914
Proceeds on sale of capital assets	**2,700**	167
Purchases of capital assets	**(12,140)**	(13,923)
Total investing activities	**(2,886)**	(11,984)
Financing activities:		
Repayment of obligations under capital leases	**(300)**	(347)
Total financing activities	**(300)**	(347)
Decrease in cash and cash equivalents	**(29,980)**	(10,300)
Cash and cash equivalents, beginning of year	**180,376**	190,676
Cash and cash equivalents, end of year	**$150,396**	$180,376
Cash and cash equivalents are comprised of:		
Cash on deposit	**$150,046**	$180,068
Butterfield Asset Management Money Market Fund	**116**	52
HSBC Money Market Pooled Fund	**234**	256
	$150,396	$180,376

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended March 31, 2015
(In thousands of dollars)

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. Since 2008, Canadian Blood Services assumed a new mandate for organ and tissue donation and transplantation in Canada. This mandate includes the development of a set of recommendations for an integrated national donation and transplantation system, national registries to facilitate organ transplantation and leading practice and system performance initiatives. In addition, recognizing the importance of cord blood stem cell transplantation as a treatment for Canadian patients, Canadian Blood Services has been given the mandate to establish Canada's (excluding Québec) national public cord blood bank.

Canadian Blood Services was incorporated on February 16, 1998, under Part II of the Canada Corporations Act. Effective May 7, 2014, Canadian Blood Services continued its incorporation to the Canada Not-for-Profit 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 are the Ministers of Health of the Provinces and Territories of Canada, except Québec. The Members, 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. Basis of presentation and significant accounting policies:

Significant accounting policies:
The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook – Accounting.

A summary of the significant accounting policies used in these consolidated financial statements are set out below. The accounting policies have been applied consistently to all periods presented.

(a) Consolidation:
The 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.

(b) 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 measuring pension and other post-employment benefits and the provision for future insurance claims, which are described in more detail in notes 9 and 16, respectively.

(c) 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 capital assets 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 capital asset.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(c) Revenue recognition (continued):

Contributions restricted for the purchase of land are recognized as direct increases in net assets invested in capital assets.

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 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.

(d) Donated goods and services:

The Corporation does not pay donors for blood donations. 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.

(e) Inventory:

Inventory of the Corporation consists of plasma protein products, fresh blood components and supplies related to the collection, production and testing of fresh blood components. Plasma protein products and collection supplies inventories are recorded at average cost and are charged to the statement of operations upon distribution to hospitals and usage. Fresh blood components inventory includes an appropriate portion of direct costs and overhead incurred in the collection, production and testing processes. Fresh blood components inventory is charged to the statement of operations upon distribution to hospitals.

(f) Capital assets and intangible assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When capital assets and intangible assets no longer contribute to the Corporation's ability to provide services, their carrying amount is written down to their residual value.

Capital assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Corporation. In this event, recoverability of assets held and used is measured by reviewing the estimated residual value of the asset. If the carrying amount of an asset exceeds its estimated residual value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the residual value of the asset. When a capital asset is written down, the corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that all restrictions have been complied with.

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 to 65 years
Machinery and equipment	8 to 25 years
Furniture and office equipment	5 to 10 years
Motor vehicles	8 years
Computer equipment	3 years
Computer software	2 to 5 years

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):

(f) Capital assets and intangible assets (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 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.

(g) 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-adjusted 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 the statement of 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.

(h) 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.

(i) Employee future benefits:

The Corporation sponsors two defined benefit plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other defined retirement and post-employment benefits to eligible employees. Benefits provided under 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.

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 defined 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 assumptions including salary escalation, retirement ages and expected health care costs. The measurement date of the plan assets and defined 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, 2013, and January 1, 2014. The next required valuations will be as of December 31, 2016 and January 1, 2017 respectively. The most recent actuarial valuation of the other retirement and post-employment benefits was as of April 1, 2012, and the next valuation will be as of April 1, 2015.
- Plan assets are measured at fair value as at year end.
- The defined benefit pension plan for employees is jointly sponsored by the employer and participating unions. To reflect the risk-sharing provisions of this plan, the Corporation recognizes the 50 percent of the defined benefit liability or asset that accrues to the employer.

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.

2. Basis of presentation and significant accounting policies (continued):

Significant accounting policies (continued):
(j) Financial instruments:
Upon initial recognition, financial instruments are measured at their fair value. Financial assets and financial liabilities are recognized initially on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

Fixed income securities and short-term notes are measured on the statement of financial position at amortized cost. 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.

Equity securities, mutual funds and pooled funds are measured at fair value with changes in fair value recorded directly in the statement of operations. Dividends and distributions are recorded as income when declared.

Foreign exchange contracts not in a qualifying hedging relationship are measured at fair value with changes in fair value recorded directly in the statement of operations.

All other financial instruments are measured at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method. 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.

Financial assets measured at cost or amortized cost are assessed for indicators of impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Adoption of new accounting standards:

Effective April 1, 2014, the Corporation adopted new CPA Canada Handbook Accounting Part III Section 3463, *Reporting Employee Future Benefits by Not-for-Profit Organizations* which incorporates Section 3462, *Employee Future Benefits.*

Under the new accounting standards, the Corporation recognizes the defined benefit obligation less the fair value of any plan assets, adjusted for risk sharing provisions in the employee defined benefit pension plan, in the statement of financial position. In addition, interest cost and expected rate of return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate used to calculate the defined benefit obligation. The annual benefit cost is recognized in the statement of operations and re-measurements and other items are recognized in the statement of changes in net assets. Previously, the Corporation followed the deferral and amortization method for the recognition of actuarial gains and losses.

For defined benefit plans for which an actuarial valuation for funding purposes exists, an accounting policy choice between using an actuarial valuation prepared for funding purposes or an actuarial valuation prepared for accounting purposes is available. The Corporation has elected to use an actuarial valuation prepared for accounting purposes for its defined benefit pension plans and other retirement and post-employment defined benefit plan.

In accordance with Section 1506, *Accounting Changes,* the Corporation has applied this standard retrospectively in its financial statements. As such, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with the former employee future benefits standard Section 3461, *Employee Future Benefits.*

For the defined benefit pension plans and other retirement and post-employment defined benefit plan, unamortized actuarial losses as at April 1, 2013 of $34,417 were charged to net assets. For the year ended March 31, 2014, $1,688 was debited to the statement of operations and remeasurement gains of $15,741 were credited to net assets resulting in a defined benefit liability of $53,345. These adjustments on adoption of the new standard also reflect the risk sharing provisions of the employee defined benefit pension plan.

(In thousands of dollars)

3. Adoption of new accounting standards (continued):

The impact of the adoption of the new standards on the Corporation's net assets as of March 31, 2014 and excess of revenue over expenses for the year ended March 31, 2014 is as follows:

(a) Reconciliation of financial position as at March 31, 2014:

	As previously reported	Opening adjustment	Effect of adoption	Restated
Assets				
Current assets:				
Cash and cash equivalents	$180,376	$–	$–	$180,376
Members' Contributions receivable	18,515	–	–	18,515
Other amounts receivable	11,133	–	–	11,133
Inventory	115,060	–	–	115,060
Prepaid expenses	8,149	–	–	8,149
	333,233	–	–	333,233
Investments, captive insurance operations	384,282	–	–	384,282
Capital assets and intangible assets:				
Land, buildings, software and equipment	205,129	–	–	205,129
Right to the blood supply system	21,562	–	–	21,562
	226,691	–	–	226,691
	$944,206	$–	$–	$944,206
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$86,806	$–	$–	$86,806
Current portion of obligations under capital leases	300	–	–	300
	87,106	–	–	87,106
Provision for future claims	249,886	–	–	249,886
Employee future benefit liability	32,981	34,417	(14,053)	53,345
Obligations under capital leases	349	–	–	349
Deferred contributions:				
Expenses of future periods	179,894	–	–	179,894
Capital assets	210,546	–	–	210,546
	390,440	–	–	390,440
Net assets:				
Invested in capital assets	15,579	–	–	15,579
Restricted for captive insurance purposes	131,654	–	–	131,654
Unrestricted net assets	36,211	(34,417)	14,053	15,847
	183,444	(34,417)	14,053	163,080
	$944,206	$–	$–	$944,206

(In thousands of dollars)

3. Adoption of new accounting standards (continued):

(b) Reconciliation of statement of operations for the year ended March 31, 2014:

	As previously reported	Effect of adoption	Restated
Revenue:			
Members' contributions	$973,269	$–	$973,269
Federal contributions	8,432	–	8,432
Less amounts deferred	(29,412)	–	(29,412)
	952,289	–	952,289
Amortization of previously deferred contributions:			
Relating to capital assets	22,067	–	22,067
Relating to operations	24,288	–	24,288
Total contributions recognized as revenue	998,644	–	998,644
Stem Cells revenue	12,536	–	12,536
Net investment income	17,771	–	17,771
Other income	2,147	–	2,147
Total revenue	1,031,098	–	1,031,098
Expenses:			
Cost of plasma protein products	459,120	–	459,120
Staff costs	332,302	1,688	333,990
General and administrative	117,367	–	117,367
Medical supplies	84,873	–	84,873
Depreciation and amortization	21,826	–	21,826
Total expenses	1,015,488	1,688	1,017,176
Excess of revenue over expenses before the undernoted	15,610	(1,688)	13,922
Change in fair value of investments measured at fair value	13,215	–	13,215
Excess of revenue over expenses	$28,825	$(1,688)	$27,137

(c) Statement of cash flows for the year ended March 31, 2014:
The above transitional adjustment to staff costs and the excess of revenue over expenses for the year ended March 31, 2014 results in a change to previously reported amounts in the statement of cash flows. Offsetting the decrease in excess of revenue over expenses is an increase in the change in the employee future benefits expenses in excess of cash payments of $1,688.

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 $350 (2014 – $308) that is restricted for captive insurance operations. Cash and cash equivalents also includes Members' contributions received in advance for expenses of future periods (note 11(a)).

(In thousands of dollars)

5. Inventory:

Inventory consists of raw materials, work in process and finished goods. Raw materials include medical supplies available for use in the collection, manufacturing and testing of fresh blood components. Work in process consists of plasma for fractionation. Finished goods include 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 comprises:

	2015	2014
Raw materials	**$6,915**	$8,378
Work in process	**9,828**	4,502
Finished goods	**106,440**	102,180
	$123,183	$115,060

6. Investments, captive insurance operations:

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

	2015	2014
Measured at amortized cost:		
Short-term notes	**$13,121**	$10,155
Fixed income securities	**219,600**	245,722
Measured at fair value:		
Mutual funds	**27,651**	40,367
Pooled funds	**153,818**	–
Equity securities	**–**	88,038
	$414,190	$384,282

7. Capital assets and intangible assets:

	Cost	Accumulated depreciation	**2015 Net book value**	2014 Net book value
Buildings	$165,149	$42,581	**$122,568**	$124,593
Machinery and equipment	84,715	63,055	**21,660**	24,853
Land	15,281	–	**15,281**	15,579
Furniture and office equipment	28,853	18,388	**10,465**	11,617
Leasehold improvements	21,951	15,344	**6,607**	7,893
Computer equipment	46,368	40,387	**5,981**	5,289
Motor vehicles	18,096	8,425	**9,671**	10,442
Computer software	33,530	30,619	**2,911**	3,953
Equipment under capital leases	3,259	3,085	**174**	375
Assets under construction	2,063	–	**2,063**	535
	419,265	221,884	**197,381**	205,129
Right to the blood supply system	35,203	14,521	**20,682**	21,562
	$454,468	$236,405	**$218,063**	$226,691

During the current year, capital assets were acquired at an aggregate cost of $13,319 (2014 – $14,556) of which $Nil (2014 – $Nil) was acquired by means of capital lease. Cash payments of $12,140 (2014 – $13,923) were made to capital assets.

(In thousands of dollars)

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,571 (2014 – $472) which include amounts payable for sales and payroll taxes.

9. Employee future benefits:

The Corporation sponsors two defined benefit pension plans, one for employees and the other for executives. In addition, the Corporation sponsors a defined contribution pension plan and provides other retirement and post-employment benefits to eligible employees.

(a) Defined benefit pension plans:
Information about the Corporation's defined benefit plans are combined and summarized as follows:

	2015	2014
Defined benefit obligation	**$426,322**	$340,777
Fair value of plan assets	**336,842**	288,663
Defined benefit liability before adjustment for risk sharing provisions	**(89,480)**	(52,114)
Adjustment for risk sharing provisions	**43,687**	25,699
Defined benefit liability	**$45,793**	$26,415

The defined pension benefit liability is included in the employee future benefit liability in the Corporation's statement of financial position. The defined benefit plan for regular employees is jointly sponsored by the Corporation, as employer, and the participating unions. To reflect the risk-sharing characteristics included in the provisions of the plan, the Corporation recognizes the 50 percent of the defined benefit liability or asset that accrues to the employer.

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

	2015	2014
Defined benefit obligation:		
Discount rate	**3.80%**	4.60%
Inflation rate	**2.25%**	2.25%
Rate of compensation increases	**3.25–3.75%**	3.25–3.75%
Mortality Table	**CPM 2014-B**	CPM 2014-B
Benefit cost:		
Discount rate	**4.60%**	4.40%
Rate of compensation increases	**3.25–3.75%**	3.75–4.00%

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

	2015	2014
Employer contributions	**$12,703**	$12,778
Employee contributions	**8,533**	8,530
Benefits paid	**12,203**	8,000
Net expense	**15,441**	17,447
Remeasurement losses (gains)	**16,640**	(14,351)

In 2015, the Corporation changed its approach to estimating the allocation of the current service cost between employees and the employer to better reflect the risk-sharing characteristics included in the provision of the plan. This revised approach to management's estimate has been applied prospectively and resulted in a decrease in the net expense and increase in remeasurements and other items of $1,924.

(In thousands of dollars)

9. Employee future benefits (continued):

(b) Defined Contribution Plan:
The expense for the Corporation's defined contribution pension plan was $4,385 (2014 – $4,692).

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

	2015	2014
Benefits paid	**$1,228**	$929
Net expense	**3,400**	2,820
Remeasurement losses (gains)	**2,535**	(1,390)
Defined benefit liability	**31,637**	26,930

The defined benefit liability is included in the employee future benefits liability in the Corporation's statement of financial position.

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

	2015	2014
Defined benefit obligation:		
Discount rate	**3.30–3.80%**	4.30–4.70%
Rate of compensation increases	**3.75%**	3.75%
Mortality Table	**CPM 2014-B**	CPM 2014-B
Benefit cost:		
Discount rate	**4.30–4.70%**	3.80–4.40%
Rate of compensation increases	**3.75%**	4.00%

Hospital costs – 4.50% per annum;

Drug costs – 7.82% per annum, with an ultimate rate of 4.50% reached in 2029, starting in 2015;

Other health costs – 4.50% per annum.

Termination benefits have been recognized in accounts payable and accrued liabilities on the statement of financial position and in staff costs in the statement of operations. At March 31, 2015 $16,102 is accrued on the statement of financial position (2014 – $8,538).

10. Credit facilities:

(a) Demand instalment loan:
A demand installment loan in the amount of $25,000 (2014 – $25,000) was arranged to cover contingencies or events not anticipated in the annual budget. At March 31, 2015, no amounts had been borrowed under this facility.

(b) Demand operating credit:
A line of credit in the amount of $50,000 (2014 – $50,000) was arranged to provide working capital for inventory. At March 31, 2015, no amounts had been borrowed under this facility.

(c) Demand bridge facility (Facilities redevelopment project):
A demand revolving bridge facility of $15,000 (2014 – $15,000) was arranged to finance a portion of the redevelopment of the Corporation's facilities. At March 31, 2015, no amounts had been borrowed under this facility.

(In thousands of dollars)

10. Credit facilities (continued):

(d) Demand installment loan (Facilities redevelopment project):
A demand installment loan for the redevelopment of the Corporation's facilities has been arranged. The credit limit established under this loan is the lesser of $15,000 (2014 – $15,000), 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, 2015, no amounts had been borrowed under the demand installment loan. Any amounts borrowed under the facility will be repayable on demand.

(e) Standby letter of credit:
Standby letters of credit in the amount of $2,000 (2014 – $2,000) were arranged to cover municipal requirements with regard to the redevelopment of the Corporation's facilities. At March 31, 2015, $82 had been issued under the facility.

Pursuant to the arrangements 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 Dartmouth properties. Amounts deferred for contingency purposes are excluded from the general security agreement and debenture.

11. Deferred contributions:

(a) Expenses of future periods:
Deferred contributions represent externally restricted contributions to fund expenses of future periods.

	2015	2014
Balance, beginning of year	**$179,894**	$202,285
Increase in amounts received related to future periods	**26,439**	4,569
Less amounts recognized as revenue in the year	**(27,072)**	(24,288)
Less capital assets purchased from deferred contributions	**(1,692)**	(2,996)
Add income earned on resources restricted for transition	**–**	7
Add income earned on resources restricted for contingency	**272**	317
	$177,841	$179,894

(In thousands of dollars)

11. Deferred contributions (continued):

(a) Expenses of future periods (continued):
The capital assets purchased represent purchases from contributions that were deferred at March 31, 2014, as well as contributions received and deferred in the year ending March 31, 2015.

At March 31, deferred contributions comprise:

	2015	2014
Members' funding received in advance	**$25,504**	$20,491
Deferred contributions restricted for specific projects or programs:		
Fundraising:		
Campaign *For all Canadians*	**3,396**	3,262
Donations – other	**1,088**	972
Programs – Members funding:		
National Facilities Redevelopment	**12,207**	7,900
Organs and Tissues	**–**	2,566
Cord Blood funding	**–**	2,170
Diagnostic Services – Manitoba	**654**	603
Inventory:		
Plasma protein products inventory working capital	**47,653**	47,653
Medical supplies	**6,915**	8,603
Fresh blood components inventory	**24,104**	15,511
Projects:		
Automated supply chain and donor testing	**15,937**	25,000
Automated supply chain	**–**	1,601
E-Progesa	**–**	500
Laboratory Information System – Manitoba	**1,464**	1,948
Other:		
Prepaid rent	**3,175**	3,225
Research and development	**15,792**	18,209
Contingency	**19,952**	19,680
	$177,841	$179,894

(b) Capital assets:
Funds received to acquire capital assets are recorded as deferred contributions - capital assets on the statement of financial position. They are amortized to revenue in the statement of operations at the same rate as capital assets are depreciated to expenses.

	2015	2014
Balance, beginning of year	**$210,546**	$217,699
Deferred contributions received	**13,319**	14,556
Capital funding received for leased assets	**358**	358
Less capital assets sold	**(1,364)**	(241)
Less amounts amortized to revenue	**(20,285)**	(21,826)
	$202,574	$210,546

(In thousands of dollars)

12. Net assets:

Restricted for captive insurance purposes:
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.

13. Net investment income:

	2015	2014
Interest income on unrestricted funds	**$1,972**	$1,917
Net investment income earned on investments restricted for captive insurance	**49,651**	15,854
Interest income on resources restricted for transition	**–**	7
Interest income on resources restricted for contingency	**272**	317
	51,895	18,095
Less amounts deferred	**(272)**	(324)
	$51,623	$ 17,771

Included in net investment income earned on investments restricted for captive insurance is $1,076 (2014 – $2,020) of dividend income, $9,618 (2014 – $10,600) of interest income, $39,595 (2014 – $4,017) of realized gains on sales of investments, $50 accretion of bonds related to captive insurance operations (2014 – $266) net of $688 (2014 – $517) of investment management fees.

(In thousands of dollars)

14. Canadian Blood Services revenue and expenditures detail:

	Fresh blood components and support services		Plasma protein products	
	2015	2014	**2015**	2014
		(Restated, note 3)		
Revenue:				
Members' contributions	**$455,967**	$468,788	**$507,069**	$459,264
Federal contributions	**5,000**	5,000	**–**	–
Less amounts deferred	**(24,220)**	(14,271)	**–**	–
	436,747	459,517	**507,069**	459,264
Amortization of previously deferred contributions:				
Relating to capital assets	**21,649**	22,067	**–**	–
Relating to operations	**12,743**	14,986	**–**	–
Total contributions recognized as revenue	**471,139**	496,570	**507,069**	459,264
Stem cells revenue	**–**	–	**–**	–
Investment income	**1,972**	1,917	**–**	–
Other income	**619**	561	**163**	96
Total revenue	**473,730**	**499,048**	**507,232**	**459,360**
Expenses:				
Cost of plasma protein products	**–**	–	**506,934**	459,120
Staff costs	**293,640**	303,086	**1,585**	2,231
General and administrative *(note 15)*	**92,908**	98,506	**(2,212)**	(2,896)
Medical supplies	**66,897**	77,318	**925**	905
Depreciation and amortization	**20,285**	21,826	**–**	–
Total expenses	**473,730**	**500,736**	**507,232**	**459,360**
Deficiency of revenue over expenses	**$–**	**$(1,688)**	**$–**	**$–**

(In thousands of dollars)

Diagnostic services		Stem cells		Organs and tissues		Total	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
							(Restated, note 3)
$16,529	$17,498	**$16,680**	$24,139	**$3,580**	$3,580	**$999,825**	$973,269
–	**–**	**–**	**–**	**3,580**	3,432	**8,580**	8,432
(173)	(1,276)	**(4,191)**	(10,285)	**(3,583)**	(3,580)	**(32,167)**	(29,412)
16,356	16,222	**12,489**	13,854	**3,577**	3,432	**976,238**	952,289
–	**–**	**–**	**–**	**–**	**–**	**21,649**	22,067
466	535	**7,786**	5,634	**6,077**	3,133	**27,072**	24,288
16,822	16,757	**20,275**	19,488	**9,654**	6,565	**1,024,959**	998,644
–	**–**	**11,413**	12,536	**–**	**–**	**11,413**	12,536
–	**–**	**–**	**–**	**–**	**–**	**1,972**	1,917
205	325	**–**	**–**	**1,170**	1,165	**2,157**	2,147
17,027	**17,082**	**31,688**	**32,024**	**10,824**	**7,730**	**1,040,501**	**1,015,244**
–	**–**	**–**	**–**	**–**	**–**	**506,934**	459,120
12,876	12,974	**11,199**	10,356	**5,231**	5,343	**324,531**	333,990
1,458	1,399	**17,002**	17,731	**5,592**	2,383	**114,748**	117,123
2,693	2,709	**3,487**	3,937	**1**	4	**74,003**	84,873
–	**–**	**–**	**–**	**–**	**–**	**20,285**	21,826
17,027	**17,082**	**31,688**	**32,024**	**10,824**	**7,730**	**1,040,501**	**1,016,932**
$–	**$–**	**$–**	**$–**	**$–**	**$–**	**$–**	**$(1,688)**

(In thousands of dollars)

15. Financial instruments:

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:

Interest rate risk:

Interest rate risk pertains to the effect of changes in market interest rates on the future cash flows related to the Corporation's existing financial assets and liabilities.

The Corporation is exposed to interest rate risk on its cash and cash equivalents and investments. At March 31, 2015, this exposure was minimal due to low prevailing rates of return.

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 the Corporation had the following instruments denominated in $US dollars:

	2015 CDN	2014 CDN
Accounts receivable	**$61**	$57
Accounts payable and accrued liabilities	**4,131**	18,881

During 2015, the Corporation entered into foreign exchange contracts to hedge its foreign currency exposure on a substantial portion of its foreign purchases of plasma protein products. The contracts are intended to match the timing of the 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 CPA Handbook Section 3856 – *Financial Instruments* 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 general and administrative expenses in the statement of operations for the year ended March 31, 2015, were foreign exchange gains of $4,711 (2014 – $4,141). At March 31, 2015, the Corporation had no foreign exchange contracts outstanding.

15. Financial instruments (continued):

Risk management (continued):

(i) Market risk (continued):

Other price risk:

Other price risk is the exposure to changes in the value of mutual funds, pooled 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, pooled 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.

(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 are held with a Canadian financial institution rated by Standard & Poor's credit rating as A+ with a negative outlook. 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 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.

Members' contributions 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 & 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 10 that it can draw on as required.

At March 31, 2015, the Corporation's capital lease obligations and accounts payable and accrued liabilities are all due within one year.

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

The liabilities for employee future benefits are generally long term in nature and fall due as eligible employees in the Corporation's defined benefit pension plans retire or terminate employment with the Corporation.

(In thousands of dollars)

16. Captive insurance operations:

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, Canadian Blood Services has $1,000,000 total in coverage.

The results of operations of the two subsidiaries are as follows:

	CBSI		CBSE		Total	
	2015	2014	**2015**	2014	**2015**	2014
Gross premiums written and earned	**$571**	$551	**$60**	$60	**$631**	$611
Net premiums earned	**571**	551	**60**	60	**631**	611
Net investment income	**49,641**	15,845	**10**	9	**49,651**	15,854
	50,212	16,396	**70**	69	**50,282**	16,465
Expenses:						
General and administrative	**955**	800	**59**	55	**1,014**	855
Net insurance income before undernoted	**49,257**	15,596	**11**	14	**49,268**	15,610
Change in fair value of investments measured at fair value	**(16,866)**	13,216	**6**	(1)	**(16,860)**	13,215
Net insurance income	**$32,391**	$28,812	**$17**	$13	**$32,408**	$28,825

The provision for future claims is an actuarially based estimate of the cost to the Corporation of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2015.

A significant proportion of both the future claims expense for the period and the related cumulative estimated liability of the Corporation for these future claims at March 31, 2015, of $249,886 (2014 – $249,886) 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. 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 willful 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.

17. Guarantees and contingencies (continued):

(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 the Canadian Council for Donation and Transplantation prior to April 1, 2008, are not the responsibility of the Corporation.

18. Commitments:

At March 31, 2015, the Corporation had the following contractual commitments:
(a) Future minimum payments under operating leases of approximately $15,063 with payments in each of the next five years of: 2016 – $5,330; 2017 – $3,398; 2018 – $2,442; 2019 – $1,200; 2020 – $723; and thereafter $1,970
(b) Research and development project grants of approximately $7,250 (2014 – $5,997) to be funded from the contributions deferred for future expenses.
(c) Construction commitments of approximately $10,860 (2014 – $Nil) funded by Members' contributions.
(d) Vendor commitments of approximately $142,000 (2014 – $186,000) funded by Members' contributions.

19. Research and development:

For the year ended March 31, 2015, the Corporation incurred $13,846 of expenses related to research and development (2014 – $11,635). These costs are included within fresh blood components and support services.

20. Related party transactions:

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 considers its capital to be 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 manages capital through a formal and approved budgetary process where funds are allocated following the underlying objectives below:
(a) to provide a safe, secure, cost-effective and accessible supply of blood and blood products to all Canadians;
(b) to support the Corporation's ability to continue as a going concern;
(c) to meet regulatory and statutory capital requirements related to captive insurance operations; and
(d) to ensure the funding of working capital requirements.

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, 2015, the Corporation's captive insurance operations were required to maintain a minimum statutory capital and surplus of $37,483 (2014 – $37,483). The actual statutory capital and surplus was $188,237 (2014 – $143,448) and the minimum margin of solvency was therefore met. The Corporation's captive insurance operations were 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, 2015, the Corporation's captive insurance operations were required to maintain regulatory assets of at least $187,813 (2014 – $189,978). At that date, regulatory assets were $438,654 (2014 – $396,753) and the minimum liquidity ratio was therefore met. The value of regulatory assets differs from that reported on the statement of financial position as it is determined under a different accounting framework, *International Financial Reporting Standards.*

22. Statutory disclosures:

As required under the Charitable Fundraising Act of Alberta, included in staff costs is $509 (2014–$663) paid as remuneration to employees whose principles duties involve fundraising.

Permanent whole blood and apheresis collection sites

BRITISH COLUMBIA
Kelowna
Surrey
Vancouver (2)
Victoria

ALBERTA
Calgary
Edmonton
Lethbridge
Red Deer

SASKATCHEWAN
Regina
Saskatoon

MANITOBA
Brandon
Winnipeg

ONTARIO
Ancaster
Barrie
Burlington
Guelph
Kingston
London
Mississauga
Oshawa
Ottawa
Peterborough
Richmond Hill
St. Catharines
Sudbury
Toronto (3)
Waterloo
Windsor

NEW BRUNSWICK
Moncton
Saint John

NOVA SCOTIA
Halifax

PRINCE EDWARD ISLAND
Charlottetown

NEWFOUNDLAND AND LABRADOR
St. John's

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