DEFINED BENEFIT PENSION PLAN
COMMENTS FROM THE TRUSTEE CO-CHAIRS

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Benefit Pension Plan (the "Plan"). The statements have been reviewed by our external auditor, KPMG, whose report to members is included with the statements.

While members receive annual communications concerning their individual benefit entitlement through the administrator, Morneau Sobeco, the financial statements present the results of the Plan as a whole. Legislation under the Pension Benefits Act requires the employer to file these statements annually with the Financial Services Commission of Ontario. Audited financial statements are available for review on the Plan's website by year, starting with 2005.

GOVERNANCE

The Plan is administered by a Board of Trustees, made up of Trustees appointed equally by Canadian Blood Services and the Participating Unions. There are two co-chairs of the Trustees - one appointed by the union Trustees and one appointed by the employer Trustees. They alternate chairing meetings, which are held at least four times a year.

The Trustees are responsible for interpreting plan rules and ensuring that the plan meets the requirements of all governing legislation.

Their responsibilities include the operation and administration of the plan itself, and custody, investment and management of the pension fund. This includes ensuring that contributions to the plan are remitted in a timely fashion and invested in accordance with the plan's investment policy. The Trustees establish, review and adjust the investment policy to achieve returns that will allow the pension fund to meet the obligations of the plan. In addition, the Trustees ensure that members receive annual statements, that termination and retirement benefits are paid, and that proper records are kept. The Trustees approve payment of plan expenses required to carry out these duties, ensure that financial statements are prepared reporting contributions, investment returns, and payments from the fund. These statements are subject to an annual audit.

In carrying out their responsibilities, the Trustees may engage the services of professional firms and consultants.

Mercer Human Resource Consulting Limited is the plan actuary. Morneau Sobeco provides Third Party Administration services. Hewitt Associates is the Trustees' investment consultant. The Trustees have selected a number of investment management firms to invest the assets of the pension plan: Aberdeen Asset Management, Barclays Global Investors, Leith Wheeler Investment Counsel Ltd. and Jarislowsky, Fraser & Co. Ltd.. RBC Dexia Investor Services Trust is the Custodian of the Plan's assets.

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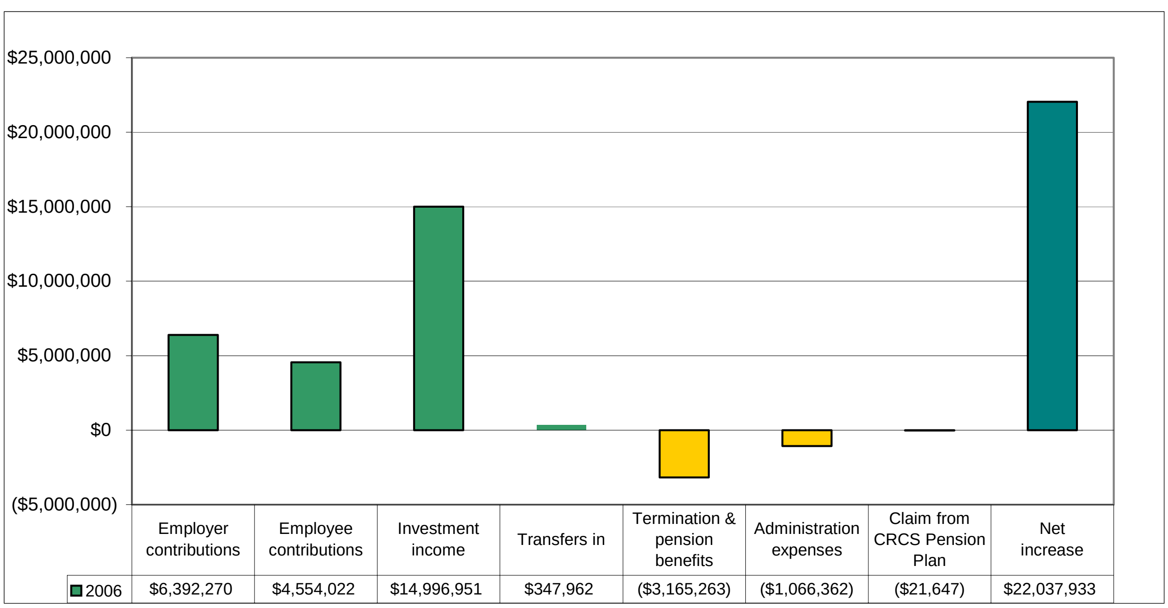
MEMBERSHIP

Plan membership increased in 2006, up 7.4% to 2,494 members from 2,322 members in 2005. The number of members who have left Canadian Blood Services and are waiting to transfer funds out of the Plan has decreased by 12.8%.

	2006	2005	% change
# members, active	2,187	2,062	6.1%
# members, terminations pending payment	82	94	-12.8%
# members, vested deferred (elected to leave funds in account until retirement)	85	60	41.7%
# members, pensioners	140	106	32.1%
	2,494	**2,322**	**7.4%**

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits increased by $22,037,933 or 21.0% during 2006, from $104,907,343 in 2005 to $126,945,276. This increase was due to $10,946,292 in employee and employer contributions, $14,996,951 in investment income, and $347,962 in transfers in from other pension plans. This was offset by $3,165,263 in payments or recognition of obligations due to members who have left Canadian Blood Services and to pensioners, $1,066,362 in administration fees and $21,647 in accrued interest on the claim from the Canadian Red Cross Society Pension Plan.



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CONTRIBUTIONS

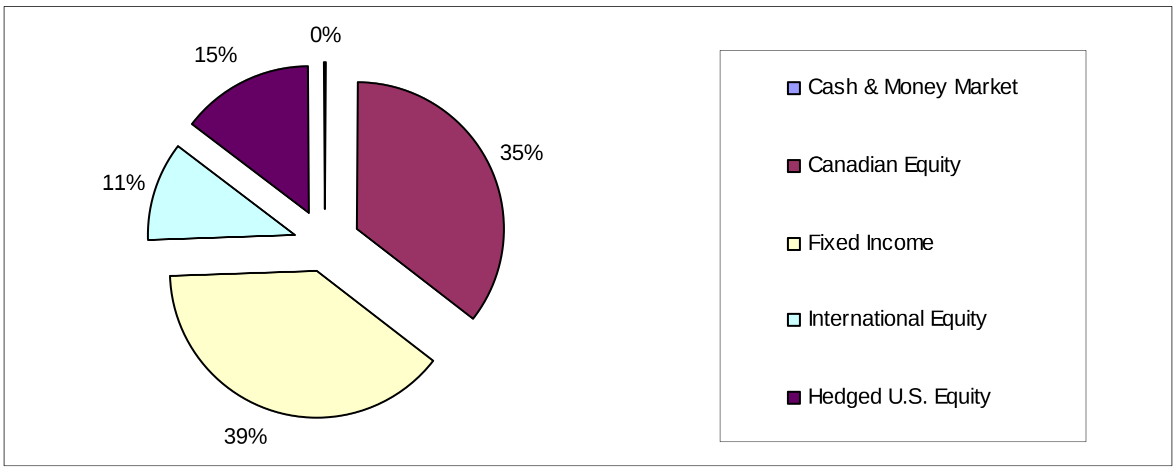
Contributions to the Plan increased 10.4% from $9,912,269 in 2005 to $10,946,292 in 2006 due to both increased membership and increased salary levels.

INVESTMENT INCOME

Investment income of all funds in the Plan increased to $14,996,951 in 2006 from $11,618,464 in 2005. This represents an overall 12.7% return in 2006 (versus an overall 12.5% return in 2005).

ASSET ALLOCATION

The asset allocation at December 31, 2006 was as follows:



INVESTMENT MANAGEMENT STRUCTURE

Since the total value of assets had grown significantly over recent years, and because McLean Budden managed the entire Canadian equity component of the investments, the Trustees reviewed the investment management structure during 2006. By having managers with complementary investment styles, and the associated possibility of increased returns with reduced short-term volatility, the Trustees selected both a new value equity manager and a new growth equity manager. As a result, in late 2006 assets were moved from McLean Budden as the Balanced Growth manager to Leith Wheeler Investment Counsel Ltd as the Balanced Value manager and Jarislowsky, Fraser & Co. Ltd. as the Balanced Growth manager.

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CLAIM FROM CANADIAN RED CROSS SOCIETY PENSION PLAN

In August 2004, the Canadian Red Cross Society ("CRCS") informed Canadian Blood Services and the Trustees of the Plan of an adjustment in the calculation of unit values of certain investment funds for the period from 2001 to 2003. This adjustment resulted in the identification of an overpayment of $431,000 to the Plan during 2003. The Trustees of the Plan have advised the CRCS that they have relied on the amount of the assets transferred in 2003 (including the $431,000) in determining and granting benefit improvements in the Plan. The Trustees take the position that the Plan should not have to return any funds, however the Plan may be required to do so in the event that CRCS pursues this claim and is successful. The amount of the claim at December 31, 2006 has been adjusted by accrued interest, bringing the total to $549,631.

TERMINATION BENEFITS

The total amount due to members who have left and are waiting to transfer funds out of the Plan decreased to $1,667,222 in 2006 from $2,181,525 in 2005.

As a result of pending benefit improvements relating to member service during the CRCS period prior to November 1, 1997, a backlog of members who left had built up. Permission to apply these benefit improvements was subsequently approved by Canada Revenue Agency and the transfer of assets from the CRCS Plan was completed in 2003. In 2004, Morneau Sobeco, the third party administrator, contacted all members no longer employed by to seek confirmation whether they would like to leave their funds in the Plan until retirement, or have their funds transferred to an alternate pension vehicle. Though there was not a wide response to this communication, several members did confirm and completed the paperwork necessary to transfer their funds out of the Plan in 2006. This explains the decrease of 12.8% in the number of members who have left and are waiting to transfer funds out of the Plan.

ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 5.1% to $1,066,362 in 2006 from $1,014,359 in 2005. Administration fees include:

a) Investment management fees increased 22.4% to $373,612 in 2006 from $305,254 in 2005 due to the increase in assets managed.

b) Third party administration fees provided by Morneau Sobeco totalled $333,983 in 2006, up 6.5% from $313,562 in 2005.

c) Other plan expenses are incurred for:

- investment monitoring, legal and actuarial services
- project management and accounting services
- Trustee meeting and travel costs
- annual plan registration fees
- member communication
- audit services

Other plan expenses decreased 9.3% to $358,767 in 2006 primarily due to reduced actuarial fees of $75,351 (2005 - $139,419) following completion of the triennial actuarial valuation as of December 31, 2004. Other plan expenses fluctuate from year to year, depending on the initiatives underway. For example, in 2006 legal fees increased to $89,306 (2005 - $79,290) due to contract negotiations concerning replacement of investments managed by McLean Budden with those managed by Leith Wheeler Investment Counsel Ltd and Jarislowsky, Fraser & Co. Ltd.

ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS

The Trustees are responsible for ensuring that an actuarial valuation is done at least once every three years. An actuarial valuation is a forecast of the plan's obligations and assets. It is used to determine the level of required contributions for the period covered by the report - normally three years - and to determine if there is a surplus (more assets than liabilities) or a deficit (more obligations than assets). A surplus may be held as a reserve against future performance or experience losses, used to improve benefits or used to reduce the cost of the plan (the level of required contributions). The Plan Text specifies how any deficit must be reversed and may result in an increase in contributions. The Trustees also approve the assumptions and methodology used in the valuation. Actuarial valuations are provided to the plan's sponsors (Canadian Blood Services and the Participating Unions) for information.

Valuation of the Plan was last completed as of December 31, 2004 and in accordance with the minimum requirements of the Ontario Pension Benefits Act the next valuation must be completed no later than as of December 31, 2007. The actuarial valuation results shown in the financial statements for 2006 are extrapolated based on the membership data as at the last valuation.

The difference between the actuarial value of net assets available for benefits and the acturial present value of accrued pension benenfits at December 31, 2006 was a surplus of $11,104,965 based on an extrapolation since the last valuation. This is an improvement versus the surplus of $4,192,711 at December 31, 2005, which is mainly due to a) actual asset return greater than the assumed actuarial asset return, and b) higher contribution rates. Since March 2003, members have contributed an amount equal to 5% of pensionable earnings and the employer has contributed an amount equal to 7% of the member’s pensionable earnings. Prior to March 2003 members contributed an amount equal to 4.75% of pensionable earnings and the employer contributed an amount equal to 6.75% of the member’s pensionable earnings.

In 2006 the Trustees initiated development of a Funding Policy. The purpose of this policy is to outline the principles that will guide the Trustees and the actuary in making funding decisions about the Plan in order to accumulate the funds required to fulfill the Plan's obligations to the members and beneficiaries. This policy document will be posted to the Plan website.