

A Report to Canadians

Enhancing customer service

Increasing cost effectiveness

Improving quality and safety

Greater employee satisfaction

2001/2002



CANADIAN BLOOD SERVICES

Table of Contents

A message to Canadians	4
Enhancing customer service	7
Increasing cost effectiveness	19
Improving quality and safety	25
Greater employee satisfaction	33
Facts at a glance 2001/2002	38
Corporate profile	39
Financial report	43
Corporate Members	61
Provincial/Territorial Contacts	61
Board of Directors	62
Advisory Committees	63
Executive Management Team	66
CBS Locations Across Canada	Inside Back Cover

The portraits that appear throughout *A Report to Canadians 2001/2002* are representative of the people who contribute to or benefit from Canada's blood system. Each portrait is accompanied by a background photo that symbolizes how the individual touches, or is touched by, the blood system. For the recipients depicted, these backgrounds show the kinds of activities they can now enjoy in part because they were able to receive blood, blood products or bone marrow.

This year's front cover shows Sandy, a Canadian Blood Services (CBS) Clinic Assistant in London, Ontario. Behind her is the Bloodmobile, CBS's new "clinic on wheels," which took to the roads in Ottawa in 2001.

Our back cover features Rafael, a volunteer for CBS in Calgary, Alberta, since June 2001. Wishing to contribute even more to his community, he also began donating blood. Rafael says he was so impressed with his experiences at CBS that he took it one step further and has become a CBS employee.

People like Sandy, Rafael and those depicted throughout the pages that follow represent the human face of the blood system.

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CANADIAN BLOOD SERVICES

2002-09-04

The Honourable Colin Hansen
Minister of Health Services
Province of British Columbia
Lead Provincial/Territorial Liaison Minister
Council of Provincial/Territorial Ministers of Health
Victoria, British Columbia

Dear Minister:

On behalf of the Canadian Blood Services Board of Directors, I have the privilege of submitting this *Report to Canadians*, together with its audited financial statements, for the period of April 1, 2001, to March 31, 2002.

Respectfully submitted,

Gary Chatfield
Chair, Board of Directors

Devon

Recipient, Hamilton

After being diagnosed with leukemia at age 11, Devon underwent eight whole blood transfusions and one transfusion of platelets during his treatment. Now 17, Devon has been healthy for the past three years. He can be seen skateboarding, camping and rock climbing — a passion he took up while undergoing treatment.

“The difference we saw in him after undergoing the transfusions was amazing. I don't know what we would have done had blood not been available for him.” — Sherrie, Devon's mother.



A message to Canadians

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Corporate profile

Financial report

In the 2001/2002 fiscal year, Canadian Blood Services (CBS) celebrated its third anniversary. In many ways, this milestone marked the beginning of a new and important phase for the stewardship of Canada's blood supply system.

It was a year that saw the appointment of a new Chief Executive Officer, a new Chair of the Board, three new Board members and a restructured Executive Management Team. Under this new leadership, CBS moved forward with *Transformation*, the process of fundamental change required to build a better blood system.

CBS has identified four priority areas where substantial and positive change will occur:

- Enhancing customer service
- Increasing cost effectiveness
- Improving quality and safety
- Greater employee satisfaction

In this year's *A Report to Canadians*, CBS reviews progress on these priorities using performance indicators set out for this purpose. These indicators are included throughout the report in charts and graphs.

Enhancing customer service, the first priority area, has many implications for CBS. Perhaps at its most fundamental level, it means ensuring an adequate supply of blood and blood products to meet the needs of Canadians. On the occasion of CBS's third anniversary, in September 2001, we articulated the enormity of this challenge in our "Roll up your Sleeves, Canada!" news conference. In order to satisfy the need for blood, we must convince 160,000 new donors to roll up

their sleeves by December 2005. These people must donate twice a year, every year. To achieve this goal, we are asking Canadians for widespread and enthusiastic action in support of the blood system.

Enhancing customer service also means building stronger relationships. The CBS Board of Directors established a task force in 2000 to identify meaningful and effective ways to enable customer groups and stakeholders to play a stronger role within CBS. In fiscal year 2001/2002, key elements of this group's thinking were put into action through the establishment of a National Liaison Committee and three Community Liaison Committees. These new groups meet regularly to provide CBS with input on important topics related to the blood supply.

Increasing cost effectiveness, the second priority area covered, is about providing for the sustainability of the blood system by organizing to achieve our objectives, acquiring the right tools to do the work and applying best practices. We owe it to Canadians to not only provide them with a safe and effective supply of blood and blood products, but also to do it efficiently and to do it well.

Improving quality and safety remains an overriding priority for CBS. CBS applies equal measures of process rigour, advanced technology, and research and development in its continuous pursuit of a safer blood system. A number of important safety enhancements are presented in this report.

Finally, *greater employee satisfaction* is an essential ingredient of success because the employees of CBS are the architects

and craftspeople of a better blood system. CBS is not the first organization to realize that the quality of a product or service is only as good as the people producing and delivering it. An investment in CBS employees is a direct investment in the blood system.

In large measure, the results we were able to achieve during the year in these four areas are a credit to some of the people who laid the foundation for us. We would like to express our gratitude to three departing members of the Board of Directors — Dr. Peter Pinkerton, William Livingston and the Honourable Mary Collins — for their significant contributions to CBS.

We also wish to extend our appreciation to William Glead for the exceptional service he provided to CBS during the time he served as Interim Chair of the Board of Directors and for his continuing service on the Board.

This year also meant saying goodbye to our founding Chief Executive Officer, Lynda Cranston. In her three years at CBS, Ms. Cranston contributed immeasurably to building a better blood system for Canadians. Through her leadership, CBS accomplished a tremendous amount of change, from the transition from the former blood operator, to the introduction of leukoreduction of whole blood and Nucleic Acid Amplification Testing for both HIV and hepatitis C, to our most exciting challenge of all — the transformation of the blood system.

In addition, we could not have achieved the significant successes of the past year without the ongoing support of our Corporate Members, the Provincial and Territorial Ministers of Health. Likewise, CBS benefited from outstanding contributions made by staff, donors, volunteers, partners and sponsors over the year.

Looking back at the events of the past year, it is clear that one day in particular had a profound impact not only on CBS but on all Canadians. That day was September 11. In the week following the tragedy, approximately 37,000 individuals donated blood — double the normal number for that period. These donors contended with overloaded phone lines and long waiting periods at clinics. For their part, CBS staff and volunteers showed exceptional dedication, working tirelessly to keep clinics open and to enable Canadians to donate.

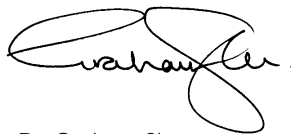
As an organization we were motivated to do our part in providing as much support as necessary to the United States. We monitored the situation hour by hour and maintained a state of readiness as we awaited the possible call for blood.

To ensure that the increase in blood donations was managed effectively, collections were staggered and donors were encouraged to book appointments into October and beyond. This enabled us to sustain an increase in donations over a longer period of time. Many people who donated for the first time, or who were returning to donate after a period away, were encouraged to come back to donate again in the future — and many did.

Ultimately, CBS was not asked to provide blood to the United States. However, efforts to manage the overwhelming response from donors meant that more than 99 per cent of blood collected from donors was used by Canadian patients.

The extraordinary reaction to this tragic event speaks to both the generosity of donors and the commitment of CBS staff and volunteers. Our challenge now is to seek ways to engage Canadians more actively, not just in times of crisis, but every day.

With CBS's transition phase completed, and the urgent remedies required to stabilize the blood system now behind us, the 2001/2002 fiscal year truly marked the beginning of the implementation of *Transformation*. The year was shaped by a renewed focus on four key priority areas and on initiatives in support of these priorities. The foundation laid during this year and the work of the next few years will ensure that together we can and will build a better blood system for Canadians.



Dr. Graham Sher
Chief Executive Officer



Gary Chatfield
Chair, Board of Directors

Gene & Hildegard

Donors, Calgary

Gene and Hildegard have been donating blood together for more than 30 years. She began donating in high school and he started donating around the same time after he was challenged by a co-worker. They have both donated more than 100 times and encourage others to step forward and help out where they can.

“We always donate together and it makes us feel good knowing that we can be of help if someone needs blood.” — Hildegard.



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CBS is building a blood system that is responsive to customer needs and expectations. For donors, customer service is about convenience, respect and the quality of the donation experience. For hospitals, it means being supplied with enough safe, reliable blood and blood products to meet the needs of patients. And for the Canadian public, customer service means continuing to benefit from a safe, secure and accessible supply of quality blood and blood products.

Donors

Since taking over stewardship of the blood program in 1998, CBS has reversed a 10-year trend of declining blood donations, achieving significant increases in each of the past three years.

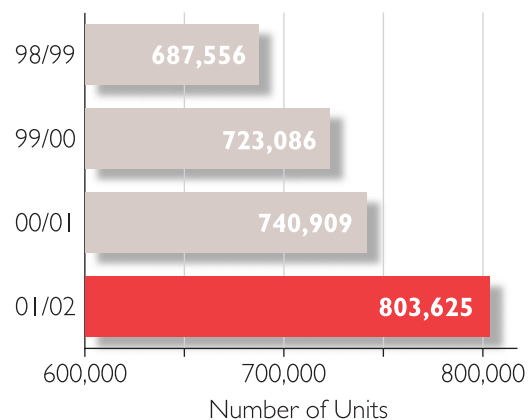
By far the largest increase in donations was achieved in fiscal year 2001/2002. During this period, CBS collected 803,625 units of blood, an increase of almost 8.5 per cent (62,716 units) from the previous year. Part of this increase can be attributed to the extraordinary outpouring of support among Canadians for the victims of the September 11 terrorist attacks in the United States.

Roll up your Sleeves, Canada!

While the growing willingness among Canadians to donate blood is promising, demand for blood is rising just as sharply, and is projected to continue increasing at eight per cent annually in the coming years. By December 31, 2005, the number of regular blood donors must increase by roughly 40 per cent to meet a projected collection target of one million units of blood. CBS will need

Fig.1 Total Whole Blood Collections

Whole blood collections increased by 8.5 per cent in fiscal year 2001/2002 — the largest increase in collections to date for CBS. Since fiscal year 1998/1999 whole blood collections have increased by 16.9 per cent.



160,000 new blood donors — who are willing to donate at least twice a year, every year — to ensure that blood and blood products are available to patients who need them. Gaining this many new donors will increase the proportion of Canadians who donate from about three to about five per cent. For CBS, this makes recruitment and retention of donors a vital imperative.

CBS shared this message with Canadians at a news conference marking the organization's third anniversary in September 2001. Under the banner "Roll up your Sleeves, Canada!", CBS challenged Canadians to collective action in support of the blood system. The "Roll up your Sleeves, Canada!" challenge served as an important theme of CBS's communications with Canadians in the latter half of the year, and will continue to do so in the years ahead.

Donor Recruitment

For CBS, meeting service expectations begins with securing an adequate supply of blood. During the year, CBS mounted a strategic and concerted donor recruitment effort, which included two seasonal marketing campaigns and a national blood donor day. These and other efforts contributed to an increase of 17.8 per cent in whole blood donations from new donors.

CBS's "Have a Ball" campaign ran from Victoria Day to Labour Day, exceeding its collection target of 230,000 units of blood. CBS's holiday campaign, "Sometimes the best gifts come in small packages," ran from November 13 to December 31 and reached its target of 105,000 units of whole blood.

Partnerships contributed significantly to the success of the year's marketing and communications effort. The second annual CTV Blood Donor Day, on June 21, involved the 25 stations owned and operated by CTV and succeeded in collecting 4,000 units of blood as well as providing significant exposure for CBS's summer messages.

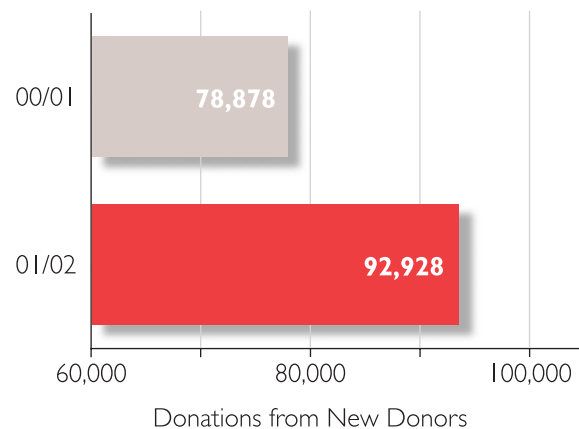
CBS got the support of some familiar faces during the year. Canadian music group Barenaked Ladies used its North American tour to help raise the profile of bone marrow and blood donation with young people and the Canadian public in general. The band's interest in bone marrow and blood donation came from personal experience when their keyboardist was diagnosed with leukemia. He was successfully treated with both a bone

marrow transplant from his brother and blood transfusions. This experience provided a compelling illustration of the benefits of donating. Another familiar face, actor Jackie Chan, moved by the events of September 11, donated blood while visiting Toronto and took part in the filming of a CBS public service announcement.

CBS and the Canadian Hemochromatosis Society worked together to promote awareness of hemochromatosis and to encourage otherwise healthy people with hemochromatosis — who meet all regular blood donation eligibility requirements — to donate blood. People with hereditary hemochromatosis require regular phlebotomies to reduce high iron levels in their bodies. CBS took a number of steps to encourage people with the condition to donate quality blood that would be otherwise discarded.

Fig. 2 Whole Blood Donations from New Donors

CBS's recruitment efforts in fiscal year 2001/2002 contributed to an increase of 17.8 per cent (14,050 units) in the number of whole blood donations from new donors compared to the previous year.



Donor Feedback

In fiscal year 2001/2002, CBS had more than 456,000 active donors — defined as donors who have donated in the past 18 months — from across the provinces and territories. Customer service is an important factor influencing their donation experience and their willingness to continue donating. For CBS, the pursuit of enhanced customer service involves developing an understanding of the needs and expectations of donors and responding with effective service enhancements.

During the year, CBS launched its National Donor Advisory Panel, an innovative new research tool designed to gather feedback from donors. More than 5,000 blood donors were consulted on such issues as marketing, communications, customer service and policy initiatives. The panel introduced one innovative project called the Mystery Donor program, in which members visited clinics and provided CBS with feedback on issues related to customer service and marketing initiatives. Overall, 95 per cent of participants said staff were attentive to their needs and another 95 per cent felt confident staff would deal with concerns in a professional manner.

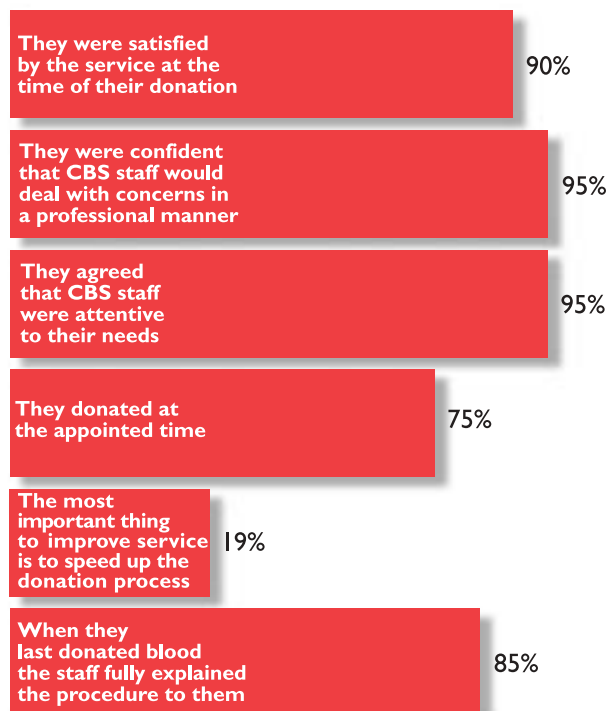
Customer Service Training

While these numbers are positive, customer service remains an ongoing journey, and CBS is continuing to build a culture that embraces excellence in customer service. In fiscal year 2001/2002, more than 1,300 CBS staff members received training in Customer Service Excellence.

Fig. 3 Mystery Donor Program

The Mystery Donor program showed a high degree of satisfaction with the donation experience. Overall, 90 per cent of donors who participated said they were satisfied with their clinic experience.

Mystery Donors said:



An associated internal communications initiative reinforced the philosophy that customer service is everyone's responsibility. An important element of the communications effort was the "Excellence in Action" initiative, in which staff were encouraged to share best practices across the organization.

Access and Convenience

For most people, convenient access to a blood donor clinic is a basic requirement of good service. In fact, research conducted by CBS indicates that time and convenience are among the most important factors affecting people's decision to donate.

In fiscal year 2001/2002, CBS launched the pilot of the Bloodmobile "clinic on wheels" in the Ottawa area. The Bloodmobile is a self-contained blood collection vehicle that enables CBS to travel to donors, instead of making donors travel to CBS. The Bloodmobile visited workplaces, schools, community centres and shopping centres. CBS will undertake an evaluation of the benefits of the Bloodmobile initiative.

During the year, CBS also opened new permanent blood donor clinics in St. Catharines, Ontario, and Brandon, Manitoba. Both locations were chosen because of the growing potential for new donors in those cities.

Nationwide, CBS continued to refine and enhance its donor appointment system. Appointment scheduling was extended to mobile clinics and re-booking stations were installed in both fixed and mobile clinics to encourage donors to make their next appointment before leaving.

Booking appointments was also made easier through improvements to CBS's toll-free telephone numbers (1 888 2 DONATE/1 866 JE DONNE). Calls from donors across Canada wanting to book appointments for blood donations or to obtain bone marrow donor information packages are now automatically routed to the appropriate clinic location. CBS began promoting the lines through its marketing and communications campaigns, resulting in a significant increase in inbound calls — and convenience to customers.

The increase in calls to the national toll-free lines was significantly affected by the events of September 11. In the five-day period between September 11 and 16, CBS received about 156,000 calls from donors and the general public inquiring about donating blood or looking for other ways to provide support.

Donor Frequency and Retention

In collecting feedback from donors, one common message has been communicated repeatedly — Canadians' lifestyles have become increasingly hectic. While the motivation to donate blood is often strong, finding the capacity to do so, in the face of many competing demands, can be a challenge. Many of the year's efforts to increase convenience and service were aimed at encouraging and enabling people to donate more often. Meanwhile, marketing and communications efforts emphasized a continued commitment to donation. CBS asked Canadians to roll up their sleeves and give twice a year or more, every year.

The events of September 11 were a tragic reminder of the need to donate blood. In the first week after the tragedy, approximately 37,000 individuals donated — double the normal number of donors. While this blood was not required in response to the tragedy, more than 99 per cent of the blood collected was nevertheless used by Canadian patients.

A large number of CBS's donors during this period were first-time donors and lapsed donors (those who had not visited a clinic in the previous 18 months). CBS sent letters to thank and encourage these donors. As a result of these efforts, 52 per cent of donors returned to make subsequent donations at least once before March 31, 2002 — an exceptional result that speaks to both the generosity of donors and the commitment of CBS staff during the crisis.

CBS's new Donors For Life program was a key "frequency-of-donation" initiative aimed at regular donors. People who join this program make a commitment to give at least four whole blood or 12 apheresis (plasma or platelet) donations annually. CBS recognizes their exceptional generosity by providing them with a unique Donors For Life lapel pin and a thank-you letter signed by a recipient.

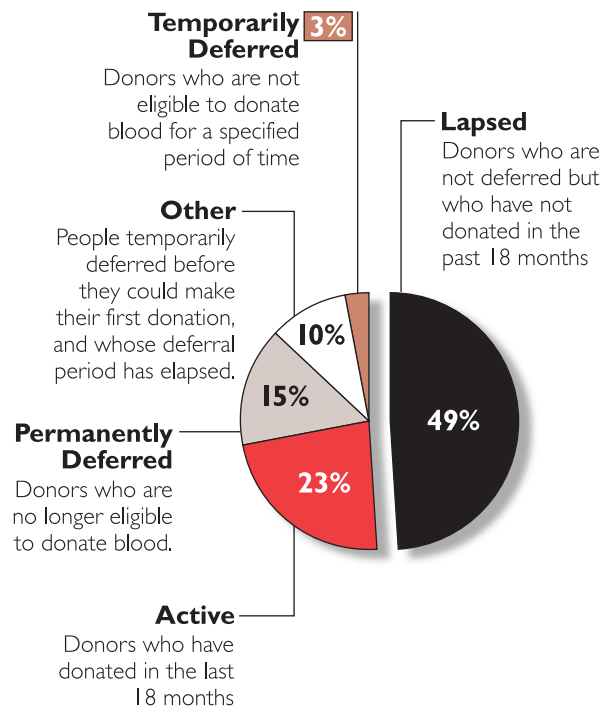
Donor Recognition and Appreciation

CBS is thankful to all of its donors and is committed to conveying this message at every opportunity. In the spring of 2001, awards ceremonies were held across the country to recognize donors who had reached milestone donation levels. New national guidelines were implemented to ensure that donors were treated similarly from one area to another. And for the first time, bone marrow donors were honoured in the same ceremonies as blood, platelet and plasma donors — making these events truly inclusive.

In addition to its local ceremonies, CBS held its second annual "Honouring our Lifeblood" event — a national celebration of the donors, volunteers, partners and sponsors who make the blood system possible. The event, held in October 2001, featured individuals from across the country who are representative of these key groups. It provided CBS with yet another way to thank the hundreds of thousands of Canadians who work with CBS in building a better blood system.

Fig. 4 Donor Base

Many of the people on CBS's donor base have not donated in the past 18 months (shown as "lapsed" on the pie chart). CBS took a number of steps during the year to encourage them to return to the blood system and to start donating regularly.



Age Deferral

Every day, at blood donor clinics across the country, CBS defers donors who wish to help, but who do not meet safety-related donor selection criteria.

Many of CBS's long-term regular donors are those near the current upper age limit for donation. Donors between the ages of 66 and 71 donated blood an average of three times during fiscal year 2001/2002, making them one of CBS's most committed groups. These individuals frequently expressed a desire to continue donating after their 71st birthday, when they would no longer be eligible to do so. During 2001/2002, CBS re-examined its upper age limit deferral policy.

An investigation into the potential side effects experienced by older blood donors revealed:

- moderate and severe reactions at CBS decrease with age and donation frequency;
- reaction rates at CBS are very similar to those reported in the scientific literature.

Equipped with these findings, CBS will be submitting a proposal to Health Canada requesting that upper age limit criteria be relaxed on a trial basis.

Hospitals

Hospitals are where the blood system becomes a critical and often urgent reality for Canadians. Canada's hospitals are both key customers and important partners of CBS.

Meeting Hospital Demand

The increase in blood collections achieved during fiscal year 2001/2002 helped provide hospitals with the blood products required to perform today's complex clinical procedures. In addition to the 8.5 per cent increase in whole blood collections, CBS also achieved increases of one per cent in plasma and nearly 14 per cent in platelets during the fiscal year.

However, despite improvements in blood utilization, demand for blood is rising. Factors contributing to increased blood demand include an aging population that requires more cardiac surgeries and cancer treatment; an increase in invasive "re-do" surgeries, which require more blood than the first time the surgery was undertaken; less reliance on autologous

transfusions as confidence in blood safety rises; and new indications for transfusions.

Expiry Date Labelling

In October 2001, CBS implemented a new labelling standard that will help ensure blood products are not transfused beyond their expiry date. The storage life of red blood cells is 42 days, while platelets have a shelf life of five days and fresh frozen plasma for transfusion can be stored for up to one year.

CBS's new labels include an expiry date as well as a collection date, eliminating the need for calculations to determine whether a product can still be used. In addition to reducing the possibility of human error, the labels also represent a service enhancement for hospital customers.

Service Interruption Recovery Plan

The blood system is a vital service that Canadians depend upon every day. As such, CBS must ensure that it can always consistently provide blood and blood products.

CBS undertook an extensive review of its Service Interruption Recovery Plan during the 2001/2002 fiscal year. Each division identified in the plan reviewed its

Fig. 5 Active Donors by Frequency

As a group, blood donors over 65 years old had a higher frequency of donation than any other age group. CBS is exploring the possibility of increasing the upper age limit for donation to enable people to continue giving after they have reached their 71st birthday.

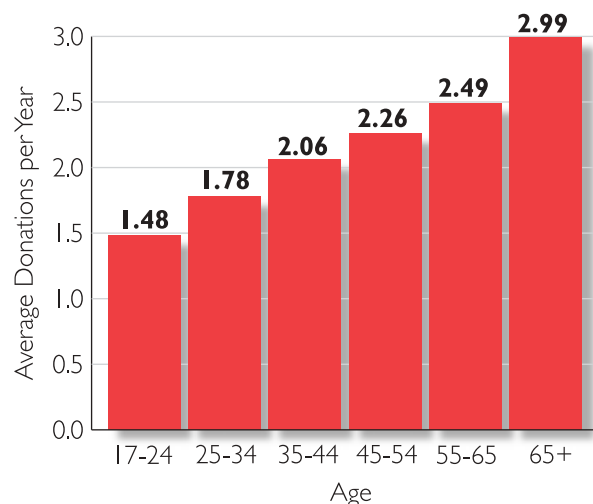


Fig.6 Yearly Increase in Collections

CBS has made significant strides in meeting hospital demand. Over a three-year period, CBS has achieved a 16 per cent increase in whole blood collections, a 6 per cent increase in plasmapheresis collections and a 41 per cent increase in platelet collections.

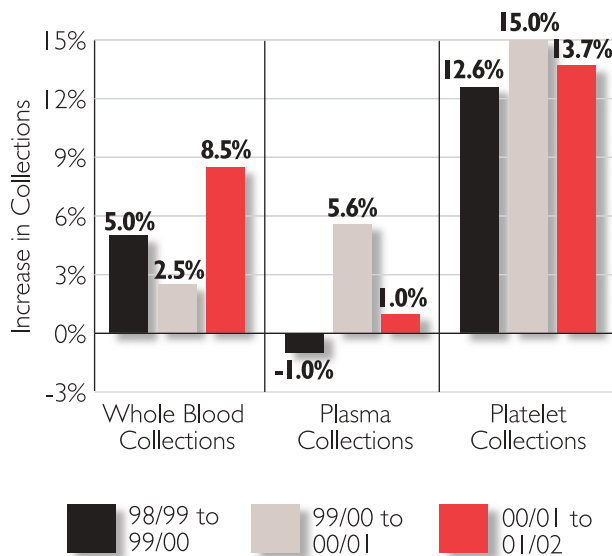
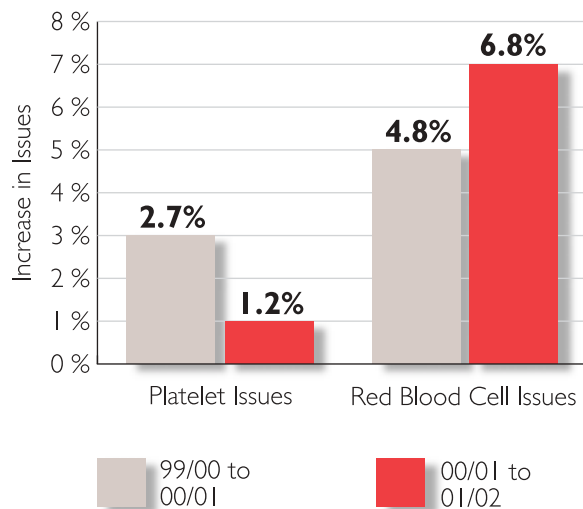


Fig.7 Yearly Issues in Red Cells and Platelets

Hospital demand for red blood cells has increased significantly, while demand for platelets has increased at a more moderate pace.



section and updated its roles and responsibilities as well as key contact information. CBS will continue to review and update its Service Interruption Recovery Plan on a regular basis to ensure that it is equipped to effectively manage a crisis, should one occur in the future.

Fractionated Products

In addition to providing hospitals with blood, platelets and plasma, CBS is also responsible for a range of recombinant blood protein products and fractionated, plasma-derived products. The plasma-derived products include albumin, coagulation products and intravenous immune globulin (IVIG). CBS obtains these products by having its collected plasma fractionated, or by purchasing the finished product directly from manufacturers.

In fiscal year 2001/2002, fractionated products cost the blood system \$312.7 million — representing 47.5 per cent of CBS's total operating expenses. The majority of the commercial products are paid for in U.S. dollars. The cost of fractionated products has been rising as a result of increased use of these products, an increase in the cost per unit and the fluctuating exchange rate between the Canadian and U.S. dollar. These influences, plus the fact that they are supplied by a limited number of companies located outside of Canada, make the management of fractionated products particularly challenging for CBS.

CBS's current contract for fractionation services and commercial product supply will expire on March 31, 2003. During fiscal year 2001/2002, CBS issued a Request for Proposal in order to ensure an uninterrupted supply of high-quality fractionated products. Proposals are being evaluated based on a number of criteria, including product acceptability, supplier manufacturing capacity and other critical factors. The new contracts are targeted to be finalized in the fall of 2002.

In early 2001, a joint working group consisting of representatives from CBS and the Provinces and Territories was established to address issues of blood and blood product utilization, which is anticipated to lead to decreased utilization and consequently decreased costs. In early 2002, a joint national working group was subsequently formed with increased representation from hospital-based transfusion experts.

Plasma Self-Sufficiency

Today, Canada is not self-sufficient in plasma collection. The definition of self-sufficiency is the ability to collect enough Canadian plasma to produce sufficient quantities of IVIG for Canadian patients. Currently, only 23 per cent of IVIG used in Canada is made from Canadian plasma, so it is an important part of CBS's mission to address this issue. The ability to collect larger amounts of plasma in Canada, destined for fractionation into finished products such as IVIG for the Canadian market, would have significant benefits in terms of the security and cost of Canada's fractionated product supply.

In 1999, CBS began the process of forming a partnership with a commercial entity that had a proven track record in plasma collection. A detailed business case was developed for the implementation of an increased plasma collection capability in Canada. However, as planning proceeded, and as priorities for both CBS and the commercial partner shifted, it was necessary to put this initiative on hold in 2001. The importance of increasing plasma collection for fractionation purposes has not diminished, and as such a re-assessment of options to increase plasma collection in Canada is currently underway.

Kogenate FS

One particular recombinant product, Bayer's Kogenate FS — used to treat persons with hemophilia A — was in short supply during the fiscal year. As a result, CBS worked with partners and stakeholders to manage the situation. This effort included acquiring a supply of an alternative product, working with Bayer to secure continued delivery of Kogenate FS, and holding regular teleconferences with patient groups, health care professionals and other stakeholders, as well as distributing Factor VIII inventory reports on a weekly basis. Feedback from stakeholders indicates the teleconferences and inventory reports were very well received and provided the necessary information to patients and their physicians to conserve product use while ensuring adequate, continuing care at all times.

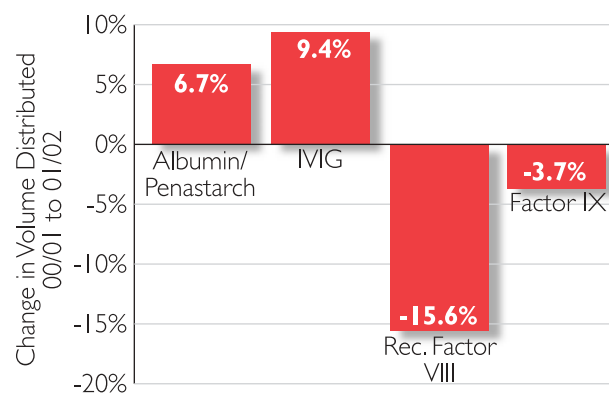
Improving Communications

In May 2001, CBS piloted a new hospital liaison initiative in the British Columbia/Yukon area. It involved the establishment of a position dedicated to providing effective liaison with the hospital community. The hospital liaison coordinator promoted better communication and

collaboration between CBS and hospitals, and provided education on the impact of blood issues on hospitals and improving inventory management within hospitals. Both CBS staff and hospital customers provided positive feedback on the improvements to customer service achieved through this initiative. Further evaluation is being performed with a view to expanding this initiative to other areas.

Fig. 8 Change in Distribution of Fractionated Products

CBS is responsible for the supply of a range of recombinant blood protein products and fractionated plasma-derived products. A shortage of Kogenate FS (recombinant Factor VIII) resulted in a 15.6 per cent decrease in the volume of recombinant Factor VIII that was distributed during fiscal year 2001/2002.



Volunteers, Stakeholders and the Public

CBS worked during the year to keep volunteers challenged and rewarded, stakeholders informed, and the general public involved in the blood system.

Volunteers

In fiscal year 2001/2002, CBS benefited from the support of approximately 17,000 individual volunteers and 1,200 community groups and organizations who collectively contributed approximately 262,000 service hours. Volunteers provide more than just operational support — they are a key component of the customer service equation and a vital link to the community. CBS relies on volunteers for direct service to donors in order to promote, organize and host donor clinics, and to raise awareness of the need for new blood donors.

About 42 per cent of CBS's blood collections are generated through community mobile clinics held mostly in small towns and rural Canada. These clinics, in particular, are dependent on the involvement of volunteers, most of whom are members of groups and clubs. In many of these communities the donor clinics would not happen without the support of the local community groups.

During the year, CBS advanced its volunteer program in a number of ways. For example, CBS began developing tools to support and train volunteers to take part in local volunteer speakers' bureaus as a means of raising awareness of blood donation in their communities. CBS also turned to its volunteers to implement a child supervision service at some of its clinics. This service makes it easier for donors with young children to donate. Many CBS donor clinics are also expanding their youth-oriented volunteer initiatives. This enables high school students to satisfy the community service requirements of some school boards and to gain valuable skills while contributing to the blood system.

Enhanced Transparency

Openness, transparency and inclusiveness are fundamental elements of CBS's philosophy. In 2000, the Board of Directors announced the creation of a Public Participation Task Force (PPTF). The purpose of the PPTF was to assist the CBS Board in determining how best to ensure effective and appropriate public participation in decision-making about the blood supply system.

In fiscal year 2001/2002, CBS implemented two key strategies that emerged from the work of the PPTF. CBS launched a National Liaison Committee and three Community Liaison Committees in St. John's, Newfoundland and Labrador; London, Ontario; and Winnipeg, Manitoba. These committees comprise members of the public, stakeholders and the medical community.

Along with the liaison committees, CBS introduced a new section on its Web site dedicated to public involvement. The section outlines how CBS engages the public in its work and provides individuals with several options for obtaining information, asking questions or conveying opinions. Summary notes of the meetings of liaison committees are posted on the site.

CBS also continued its practice of holding open Board meetings and posting the minutes of all Board meetings on its Web site. The Board of Directors held an open meeting in Winnipeg in April 2001 and met with the National Liaison Committee in October 2001.

During the year, the Board of Directors approved a policy on Freedom of Information and Protection of Personal Information. The purpose of the policy is to facilitate public access to information retained by CBS about the management and operation of the blood system, and to protect the personal information of donors, patients, recipients and research participants in accordance with the legal and ethical obligations of CBS.

CBS is committed to this policy as it supports the corporate belief that openness and accountability are crucial to operating Canada's blood system in a manner that gains the trust, commitment and confidence of all Canadians.

Keeping the Public Informed

CBS also took measures to keep the public informed about issues affecting donation, the supply of blood and blood products, changes to CBS operations, and research and development. In the days following September 11, CBS provided regular updates to Canadians about the impact of the crisis on the blood system. Information was disseminated on a continual basis through front-line staff, the CBS Web site and the media. CBS also took steps to ensure that the public stayed informed on such issues as a new deferral policy on variant Creutzfeldt-Jakob Disease (vCJD) and a major discovery related to HIV.

Patient Notification System

The Kogenate FS experience demonstrated the value of providing health care professionals and patients with good information regarding blood products. In this same spirit, CBS and Héma-Québec worked with an advisory panel of Canadian companies and relevant medical and patient groups to implement a Patient Notification System (PNS) for plasma products. The PNS is a confidential 24-hour communications service that provides up-to-the-minute information on the status of recalls and withdrawals of plasma-derived and recombinant products at no cost to the consumer. Originally designed in the United States, the PNS was adapted for the Canadian market and is offered with funding from plasma and protein therapy producers and distributors.

CBS Web Site

The CBS Web site was completely redesigned to incorporate a number of enhancements for users, including a donation date calendar, an expanded "Classroom" section and improved on-line communications. On average, the Web site was visited by 14,000 to 19,000 users a month, with the most popular sections consistently being "Where do I go?", "Can I Donate?" and "Careers." The site enables individuals to send questions and comments to CBS using a feedback function. The volume of e-mail received through this function increased by approximately 300 per cent when compared with the previous year.

Building Confidence

A core part of CBS's mission from the start has been to restore confidence in the blood system. Each year, through its public polling, Canadians are asked for their opinions about CBS and the blood system. The results of this ongoing effort enable CBS to gauge how well it is performing in the eyes of Canadians.

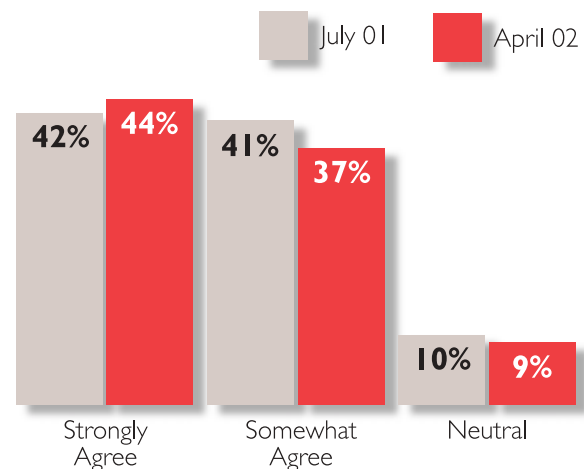
At the end of fiscal year 2001/2002, a market research firm conducted a random telephone survey for CBS of 1,009 Canadians aged 18 years and older. This research indicates that Canadians are aware that the blood system has changed and view these changes favourably. The CBS name is increasingly recognized and trusted across the country. Canadians are coming to associate it with respect for donors, trustworthiness, diligence, a scientific approach and innovation.

Not surprisingly, Canadians put safety first when it comes to the blood system. They are gradually regaining trust in the safety of receiving and donating blood. As CBS moves forward with its efforts to build a better blood system, it will continue to make safety paramount, and to regard transparency and openness as cornerstones of its approach.

***Fig.9 Perceived Safety of Blood System**

For CBS, safety is paramount. Three out of four Canadians believe that the blood system is safer today than it was five years ago.

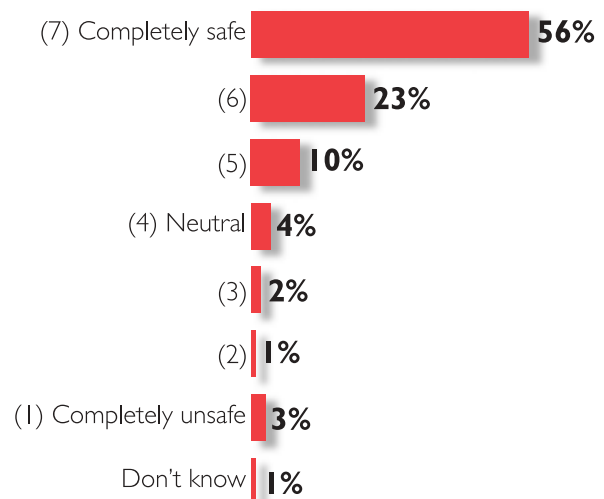
Do you agree or disagree that the blood system in Canada is safer than it was five years ago?



***Fig.10 Safety of Blood Donation**

The blood system depends on ensuring a safe and positive experience for donors. Respondents to a survey were asked to rate the safety of blood donation using a seven-point scale, where seven means "completely safe" and one means "completely unsafe." The majority of Canadians believe that donating blood is safe.

How safe would you consider donating blood to be?



*The source of data for figures 9 and 10 is Ipsos-Reid, based on a survey conducted between March 20 and April 8, 2002.

Jim

Recipient, Ottawa

Jim, a father of two, received a bone marrow transplant in 1998. Jim's donor was located through the CBS Unrelated Bone Marrow Donor Registry. As with all unrelated bone marrow donations, Jim and his donor did not know each other's identities at the time of the transplant. Jim can now do the things he loves to do with his family — thanks to a person who cared enough to donate bone marrow to someone he or she did not even know. "To my donor, my heartfelt thanks."



Daniela

Volunteer, Ottawa

With her outgoing personality, Daniela volunteers her time working with the Bloodmobile, organizing donors and occasionally trying to recruit donors if it's a slow day. Setting up her table in a lobby or even on the sidewalk, Daniela calls herself a "traffic director" of sorts.

"Since I can no longer donate, I try to give in a different way. I really believe in the blood system and it was at a clinic that I met my husband, so this program is near and dear to my heart."



Increasing cost effectiveness

CBS's current service delivery model is quickly reaching capacity even as the demand for blood increases at a substantial rate. Satisfying Canada's need for safe, high-quality blood and blood products now and in the future requires a new approach — one that takes full advantage of economies of scale, minimizes duplication and incorporates leading-edge technologies.

Applying Technologies and Sharing Best Practices

Enhanced use of technology is a key element of CBS's cost effectiveness strategy. CBS is replacing many of its paper-based processes, and a number of obsolete information systems, with a single, highly sophisticated information management tool known as MAK Progesa. CBS is working to introduce increased automation in its labs, in the scheduling of blood donor clinics and in a variety of administrative functions. The cumulative results include enhanced cost effectiveness, greater efficiency and higher quality.

Increasing cost effectiveness is also about finding new and better ways of doing things — and sharing these improvements internally. This happens throughout CBS on many levels. For example, CBS's "Excellence in Action" initiative encourages staff to share best practices related to customer service.

MAK Progesa

The implementation of MAK Progesa will provide CBS with a comprehensive computerized environment.

The new system will replace a number of stand-alone systems — including the Blood Information System (BLIS) 2000 and Blood Component Issuing System (BCIS) — and will serve as the basis for substantial and continued improvement in many areas of CBS.

MAK Progesa will link together blood donor recruitment, collections, manufacturing, testing, labelling, hospital orders and inventory management — improving CBS's ability to follow blood donation from the donor, through production and testing, to the recipient. The system will provide CBS with access to national inventory data on-line and in real-time. And it will automate a number of manual processes such as expiry date/ABO labelling and the release of components into inventory.

In fiscal year 2001/2002, CBS took some key steps towards MAK Progesa implementation, including the establishment of a project team, selection of a hardware vendor, and the completion of business requirements and software configuration. MAK Progesa is scheduled to be pilot tested in Halifax by the spring of 2003 and to be implemented across CBS by the end of 2003.

Purchase of PRISM Technology

In February 2002, CBS acquired sophisticated new laboratory technology that promises to significantly enhance the operation of its transmissible disease testing laboratories. The two new PRISM instruments will increase the level of automation in CBS laboratories, allowing for a higher volume of testing while reducing the need for manual intervention.

PRISM will permit improved process control, higher throughput, demonstrated reliability, and added sensitivity, specificity and reproducibility. The result will be increased product safety, reduced product loss/recall and improved overall cost effectiveness. By increasing CBS's testing capacity, PRISM will support the increased collections required to meet future hospital demand.

Event Scheduling System

In fiscal year 2001/2002, CBS proceeded with full implementation of its Event Scheduling System (ESS) — a Web-based tool used for planning, managing and implementing blood donor clinics.

The new system enables CBS staff to more effectively tackle the many demands of managing busy clinic schedules, including such activities as arranging transportation, displaying promotional materials, providing refreshments to donors, and organizing volunteers. ESS brings a number of benefits, including a standardized approach to scheduling, better resource management, a means of accessing and verifying collection data, and an improved capability to assess clinic performance.

Staff were given training on ESS during the year and the new system is now in operation across all CBS locations.

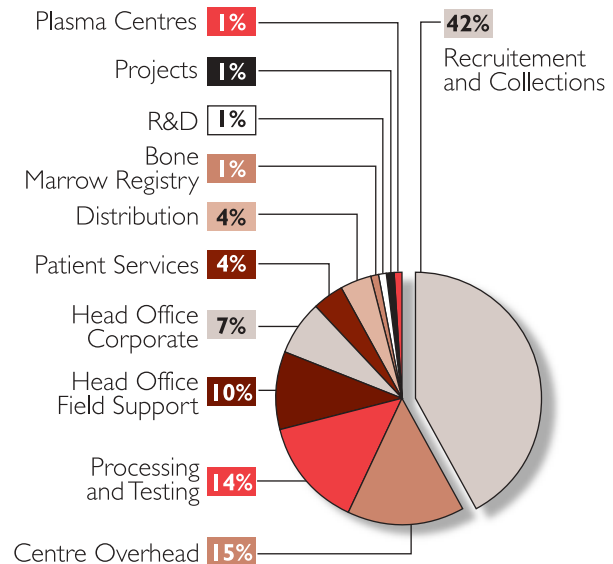
Collections Processes

In addition to introducing an effective new collections planning tool, CBS also took steps to improve its overall collections practices. Some 42 per cent of the CBS workforce is dedicated to recruitment and collections. As a result, every improvement in collections practices shared and applied throughout the organization can make a big difference to the overall cost effectiveness of CBS.

CBS started tracking hours of labour used in the collections process in April 2000. In fiscal year 2001/2002, CBS set

Fig.11 Distribution of CBS Workforce

Because 42 per cent of the CBS workforce is dedicated to recruitment and collections, the application of best practices in this key area is important to the overall cost effectiveness of CBS.



a target of a seven per cent improvement in productivity. Thanks to the development and application of best practices, this target was achieved during the year. In monetary value, this achievement is worth more than \$3 million in cumulative annual savings.

Human Resources/Payroll Project

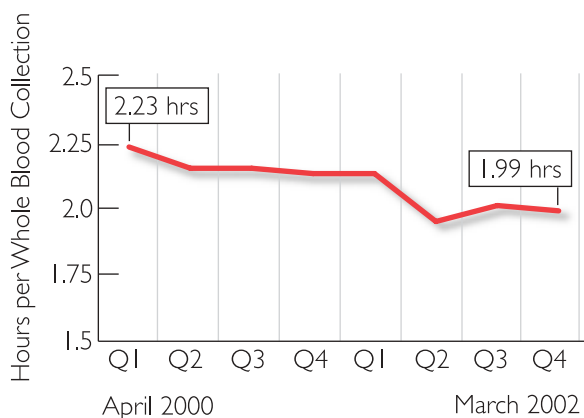
CBS also moved forward with the introduction of a new business system and associated processes for its human resources and payroll functions. These functions will move from paper-based to electronic processes, promising significant benefits to CBS in terms of improved efficiency, accuracy and service to employees. Implementation is planned for spring 2002.

Integration and Consolidation

Canada's vast geography requires an extensive infrastructure for the collection of blood. In fiscal year 2001/2002, CBS operated 43 permanent blood collection sites and 11 bone marrow donor centres, and held some 13,000 blood donor clinics. In addition to collecting blood, CBS also tested blood, separated it into components, and distributed blood and blood products to hospitals.

Fig.12 Labour Hours per Collection

Through the application of best practices, CBS was able to reduce the number of labour hours per whole blood collection from 2.23 at the beginning of 2000/2001 to 1.99 at the end of 2001/2002. This measure represents a 10 per cent improvement in productivity for the whole blood collection function over a two-year period and a seven per cent improvement for fiscal year 2001/2002.



This extensive network of locations enables CBS to provide Canadians with accessibility to blood donor clinics, but it does not represent the most effective structure for such functions as blood testing and component production. As a result, CBS is taking steps to consolidate these and other key functions into a smaller number of facilities.

The ultimate goal is a more highly integrated service delivery model that promises a number of benefits, including economies of scale, increased flexibility to accommodate fluctuations in demand, greater control and standardization of processes, and the ability to more effectively adopt advanced technologies. Several initial steps were taken towards this goal in fiscal year 2001/2002.

National Contact Centre

In February 2002, CBS selected the City of Greater Sudbury to be the location for its National Contact Centre (NCC) — a facility that will make CBS accessible to Canadians by telephone 24 hours a day, seven days a week. Telerecruitment activities that are currently spread out among CBS locations across the country will be consolidated in the NCC. This single, fully-integrated facility will handle functions such as booking donor appointments,

answering questions from the public, recruiting donors, supporting marketing campaigns and addressing eligibility inquiries. Implementation is scheduled for 2003.

The NCC is expected to result in increased collections and enhanced customer service to donors, hospitals and the public. In addition, it will yield significant savings over the next three to five years, and will continue to realize ongoing long-term savings.

Sudbury was selected as the NCC location due to its large bilingual workforce, cost effective lease rates, and supportive local government. In addition, its strategic central location allows for optimum scheduling of staff, considering all time zones across the country. The NCC will engage approximately 100 full-time employees.

Consolidation Efforts

CBS took a number of steps to consolidate its functions in fiscal year 2001/2002. These included the following:

- Sudbury's transmissible disease testing function was transferred to Toronto. In addition to providing savings, this move enabled CBS to take advantage of the larger pool of laboratory technologists in the Toronto area.
- Windsor's telerecruitment and manufacturing functions were transferred to London. Benefits included savings, increased standardization of the manufacturing process and a more effective telerecruitment program.
- Blood bank functions on Prince Edward Island were transferred to Queens Regional Health and Community Services, resulting in cost savings, standardization of processes and realignment of CBS's operations in the province.

Enhancements to Support Services

CBS now operates a single information services help desk serving CBS staff across the country, 24 hours a day. This consolidation has created a clear division of responsibilities, maximized the management of information services assets and strategies, and minimized duplication of work.

Other cost-saving initiatives implemented by CBS this year included the selection of a new Internet service provider, a review of cell phone utilization across the organization and the completion of a fleet vehicle validation review.

Leveraging CBS Investments

Partnerships are an important element of CBS's efforts to increase cost effectiveness. During fiscal year 2001/2002, CBS benefited from a number of such relationships, particularly in the areas of research and development (R&D) and marketing.

Research and Development

CBS's strategic plan for R&D puts a strong emphasis on relationships and partnerships. A key goal of the plan is to achieve national and international leadership in transfusion science through the establishment of a national research network.

One of the strategic partners identified in the plan is the Canadian Institutes of Health Research (CIHR). CBS has become an active partner with CIHR in research initiatives as well as a member of the CIHR Partnership Forum, a group of not-for-profit organizations that meet with federal funding agencies on a regular basis.

A major CBS/CIHR initiative during fiscal year 2001/2002 involved a Request for Proposal for research into blood utilization and conservation. By combining resources, CIHR and CBS were able to make more than \$4 million available for this research. Of 15 research proposals submitted and reviewed by peers, eight achieved the score required for funding under the partnership.

Another key R&D partnership for CBS involves participation in the University of British Columbia (UBC) Centre for Blood Research (CBR). The CBR's mission is to apply emerging methods of biotechnology to the study of blood and blood processing in an integrated, interdisciplinary manner. In January 2002, the Canada Foundation for Innovation announced that it would provide an infrastructure grant of more than \$6 million to support the CBR. The CBR also made an application for matching funds from the British Columbia Knowledge Development Fund. Additional funding was secured from CBS's federal government research allocation (\$1.5 million), Bayer (\$1.5 million) and UBC (\$33,250), providing the CBR with an anticipated total of more than \$15 million in infrastructure money. The money will be used to build and equip new research laboratories in Vancouver, where CBS scientists will work together with UBC researchers.

Marketing and Communications

The media have proven to be highly receptive to informing Canadians about the importance of blood donation. CBS received tremendous coverage during the year from television, print and radio media at both the national and local levels. For example, the launch of CBS's "Roll up your Sleeves, Canada!" campaign, with its ambitious challenge to Canadians, generated extensive national coverage. CBS's Chief Executive Officer appeared on Canada AM and CBC Newsworld live on September 28, the day of the launch.

The annual CTV Blood Donor Day is a prominent example of the benefits of a strong and positive relationship with media organizations. In 2001, promotion around CTV Blood Donor Day provided CBS with more than \$1 million in free television coverage, involving two weeks of public service announcements leading up to the event and extensive coverage of local activities taking place on the day itself.

Throughout the summer of 2001, CBS benefited from free broadcasting of its radio and television advertisements. The value of free air time for radio advertisements alone was \$110,000. In addition, a televised public service announcement featuring actor Jackie Chan appeared frequently in the fall at no cost to CBS.

In total, free airing of CBS's public service announcements on radio and television is valued at an estimated \$3 million annually — a significant contribution to building a better blood system.

Maxim

Donor, Ottawa

After learning that his girlfriend was a regular blood donor, Maxim decided to make blood donation a part of his lifestyle as well. His mother is also an avid blood donor, and passed this philosophy down to her son.

Although busy with university studies, he has been donating regularly for the past two years.

"I didn't donate blood before because it just never occurred to me that I could.

I now realize how much of a need there is for regular donors like me."



Joan

Employee, Calgary

Joan works as a Distribution Clerk for CBS, where she packs blood and blood products for shipment to hospitals as required, ensuring that these products arrive safely and efficiently. Having worked in the blood system for more than 11 years, Joan knows the importance of packaging blood properly for transportation.

“Working here has taught me about the importance of the blood system and how much people rely on it. I take my responsibilities very seriously.”



Safety is paramount at CBS. Ensuring a safe blood supply for Canadians means careful donor selection and sophisticated testing. It means applying rigorous systems and process controls across the organization. And it means developing science-based solutions through an investment in research and development. CBS pursues all of these avenues in carrying out its mission to provide Canadians with a safe, secure and high-quality supply of blood and blood products.

Donor Screening

The overriding priority of safeguarding the blood supply begins even before a unit of blood is collected. A thorough donor selection process safeguards the donor during the donation process and ensures that the recipient of any unit of blood is exposed to the least possible risk of a transmissible disease. The donor undergoes physical tests and completes a questionnaire on general health, the use of medications, travel history and other activities aimed at identifying risks of hepatitis, HIV and other potentially transmissible diseases.

New Deferral for Variant Creutzfeldt-Jakob Disease

On October 1, 2001, CBS implemented an expanded Health Canada deferral policy on variant Creutzfeldt-Jakob Disease (vCJD). The disease, often referred to as the human form of "mad cow disease," poses a theoretical risk to the blood supply from donors who have been exposed to products from cattle infected with bovine spongiform encephalopathy or mad cow disease.

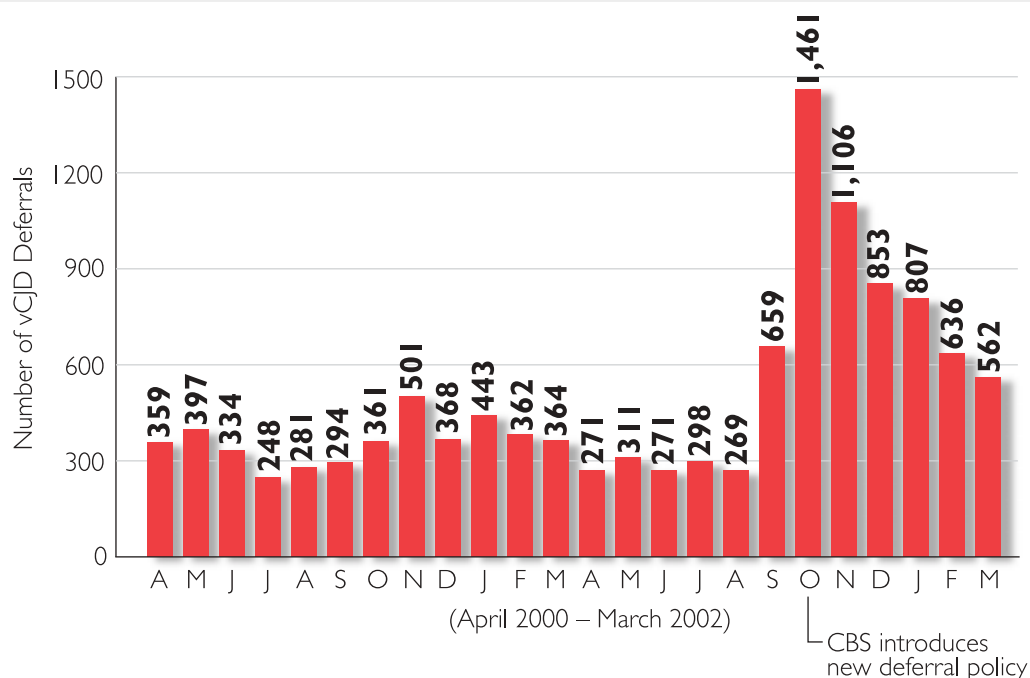
Under the new vCJD policy, Canadians are no longer eligible to donate blood or plasma if they have spent a cumulative three months or more in the United Kingdom (U.K.) since 1980, or if they have spent a cumulative three months or more in France since 1980, or if they have spent a cumulative five years or more in Western Europe outside the U.K. or France since 1980. In addition, people are no longer eligible to donate blood or plasma if they have had a blood transfusion in the U.K. since 1980.

CBS estimates that this new policy is resulting in the loss of about three per cent of donors, including donors who might incorrectly defer themselves upon learning of the new criteria. This amounts to a loss of 15,000 active donors or 30,000 donations, based on a donation rate of twice a year.

CBS is addressing this situation through the development of recruitment and retention plans designed to offset the impact of these deferrals. Activities during fiscal year 2001/2002 included a direct mail program aimed at active donors as well as donors who had not donated blood in

Fig.13 vCJD Deferrals

A new vCJD deferral policy was introduced on October 1, 2001, resulting in a substantial increase in deferrals. After an initial spike, the deferral rate gradually declined as the system adapted.



the past 36 months, direct mail programs for first-time donors who received temporary deferrals that no longer apply, and follow-up telephone calls to support these direct mail initiatives. Extensive television, radio and newspaper advertising also appeared across the country.

Consensus Conference on Donor Screening Criteria

CBS is committed to effective public participation in matters affecting the blood system in Canada. To this end, CBS has held a national forum and two national consensus conferences on topics of importance to Canadians. The purpose of a consensus conference is to develop a consensus statement that advances understanding of a technology or issue and that will be useful to health care professionals and the public at large.

In November 2001, CBS and Héma-Québec hosted a national consensus conference in Ottawa to solicit input on the donor selection process. The conference, entitled “Blood-Borne HIV and Hepatitis: Optimizing the Donor Selection Process,” addressed the many and complex issues of blood donor eligibility as they relate to the risk of transmission of HIV and hepatitis.

The consensus conference provided a forum for input and discussion from leading Canadian and international authorities in the field. Independent scientists and stakeholder groups addressed public health, scientific, legal, cultural, and ethical principles around blood donor selection in Canada. The conference represented an important milestone for CBS, enabling groups with widely varying backgrounds to exchange viewpoints and discuss the complex issues surrounding donor selection.

The consensus panel's draft recommendations were based on the premise that the primary goal of the donor selection process is safety of the blood supply. The panel's recommendations are scheduled to be finalized in the spring of 2002.

Tests for Transmissible Diseases

In addition to screening every donor, CBS conducts infectious disease testing on every unit of donated blood. CBS has implemented some of the most advanced, internationally accepted test methods and technologies available for this purpose.

Nucleic Acid Amplification Testing

One of the most important enhancements CBS has made to its transmissible disease testing is the introduction of Nucleic Acid Amplification Testing (NAT). NAT reduces the window period between the time an individual is infected with a virus and when the virus is first detectable. Unlike previous tests that worked by detecting antibodies that form after exposure to a virus, NAT detects direct evidence of the virus itself, well before any antibodies can be detected.

CBS has been using NAT for hepatitis C testing since 1999. In May 2001, CBS began using NAT to detect HIV, the virus that causes AIDS. Studies indicate that NAT can detect low levels of HIV in blood three to five days earlier than current tests. NAT has been implemented for HIV as an investigational testing project to confirm its suitability prior to licensing by Health Canada.

Improving Process Controls

CBS's ability to control critical processes is fundamental to the safety of the blood supply. In fiscal year 2001/2002, CBS made several key improvements in this area.

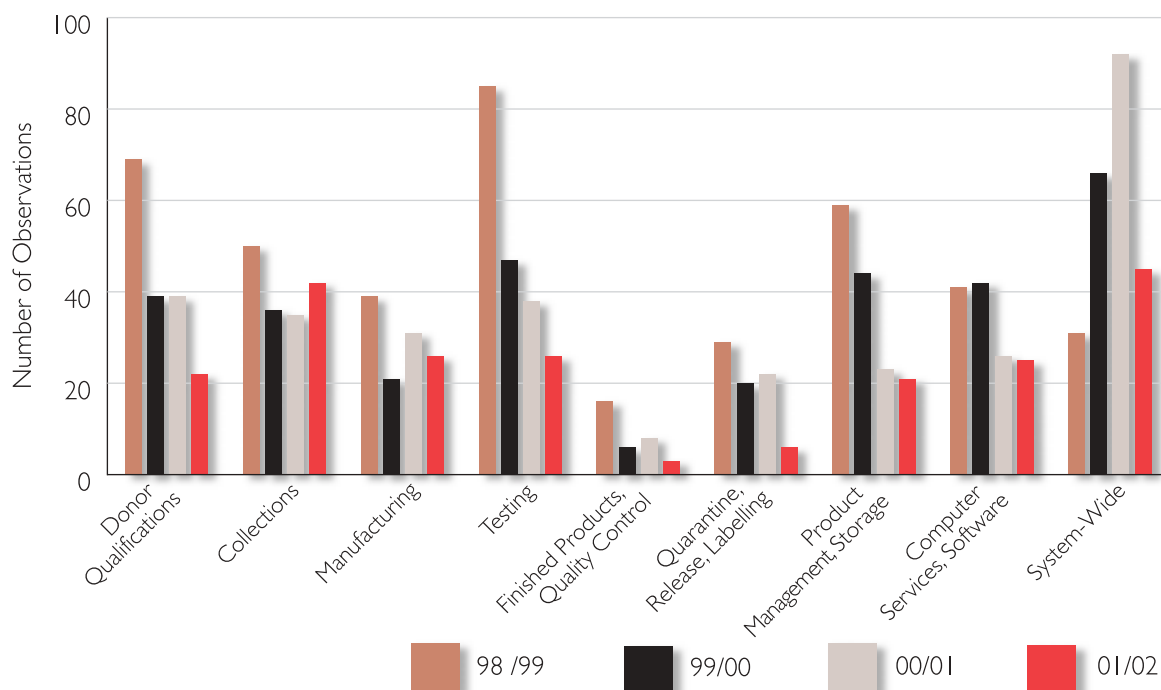
Good Manufacturing Practices

CBS adheres to Health Canada's Blood Establishment Regulation Division Good Manufacturing Practices (GMP) — the same regulatory requirements that pharmaceutical companies must follow. Health Canada's GMP provisions are harmonized with similar provisions in place throughout the industrialized world. Compliance with GMP is an important way that Health Canada and CBS provide for the safety, purity, potency and effectiveness of blood and blood products.

Regular independent audits carried out by Health Canada represent a vital tool for measuring process control performance and ensuring that CBS complies with GMP requirements. In fiscal year 2001/2002, Health Canada audited 17 CBS sites across the country, including Head Office in Ottawa. These audits resulted in significantly fewer observations than in the previous year and provided CBS with valuable feedback that was used to review and enhance process control and, ultimately, to improve safety through process performance evaluation.

Fig.14 Health Canada Audit Observations by Functional Area

Health Canada audit observations have declined over the past four years — a reflection of the ongoing improvements in process control at CBS.



Hemolysis Reduction

During the year, CBS took steps to investigate and reduce product discards resulting from the breakdown of red blood cells — a process known as hemolysis. CBS became aware of an increase in hemolysis following the introduction of pre-storage leukoreduction of whole blood in 1999. Pre-storage leukoreduction is the process used to filter white blood cells from whole blood at the time of component manufacture to reduce potential complications of transfusions in recipients.

An extensive study was undertaken to identify the root cause of the hemolysis problem and a series of corrective measures were implemented. As a result, instances of hemolysis were reduced by 57 per cent in 2001.

Research and Development

The deployment of an effective research and development (R&D) program is intrinsic to the safety and security of the blood system. CBS has set two overriding goals in the area of R&D. The first is to develop and implement an R&D program that enables CBS to ensure the safety, quality and supply of donor-derived and alternative blood products through innovative research in transfusion science. The second is to achieve national and international leadership in transfusion science R&D through the establishment of a national research network.

CBS's R&D program is fostering an innovative scientific community with ingenuity and drive. The diverse expertise these scientists bring to the area of transfusion science is leading CBS into a new era of research excellence and supporting CBS's continuing growth as a science-based, technology-driven provider of blood and blood products.

Hub and Spokes Model

CBS is growing its R&D program to operate in a "hub and spokes" model. The creation of research hubs permits the development of a critical mass of researchers working in one area of research. The spokes are formed by staff who are conducting related research but who are not physically located in a hub. The designated hubs and their teams are: Ottawa (Blood-Borne Infectious Diseases), Toronto (Transfusion Immunology), Hamilton (Transfusion Clinical Trials), Edmonton (Cryopreservation for Blood & Hematopoietic Stem Cells), and Vancouver (Blood Product Processing, Storage and Substitutes).

During fiscal year 2001/2002, CBS worked on a number of important R&D initiatives involving improved storage processes for blood products, replacement products for plasma-derived proteins, studies of known or potential blood-borne infectious agents, the immunology of blood transfusion and the development of substitutes for standard red cell and platelet products.

Intravenous Immune Globulin

CBS medical staff are also actively involved in a project to develop a comprehensive, systematic review of the use of intravenous immune globulin (IVIG), which will form the basis for new evidence-based guidelines for its utilization. The initiative is a joint project with the Thomas C. Chalmers Centre for Systematic Reviews, based at the Children's Hospital of Eastern Ontario Research Institute.

HIV Discovery

CBS made substantial progress in its research initiatives during the year — including a significant discovery related to HIV infection. CBS's Dr. Donald Branch, together with other researchers in Toronto and Winnipeg, discovered a new protein that helps HIV to infect cells. The protein, called VPAC1, is found on the surface of many cells, including those that can be infected by HIV. This discovery may lead to improved treatment in the prevention of HIV infection.

The research team found that VPAC1, when present, greatly facilitates HIV infection of cells. When very little of this protein is present or when it can be decreased on the surface of the cells, HIV infection is absent or decreased.

This and other research initiatives during the year represent a vital investment in building a safer blood system.

Research Ethics Board

In December 2001, CBS created the Research Ethics Board (REB), a multidisciplinary group established to review all research conducted by or on behalf of CBS and to advise CBS on bioethical issues. The REB was formed to enable CBS to act in accordance with the highest ethical standards, including, but not limited to, the *Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans*.

The REB consists of eight members who bring a diversity of expertise and viewpoints to the table. Members are knowledgeable in areas of research conducted by CBS;

knowledgeable in ethics, ethics related to biomedical research or medical ethics; or representative of the community served by CBS. The REB facilitates decision-making on ethical issues and also conducts periodic audits of CBS REB-approved research projects to assess compliance with approved protocols. The REB looks at CBS research involving donors, products or blood collected or manufactured by CBS and reviews all ethical issues referred to it.

Risk Management

Safety also means adopting an effective and systematic approach to managing risk. Among the objects of CBS, as contained in its Letters Patent, is the obligation "to develop and implement an appropriate risk management strategy for Canada in relation to blood and blood products." In addition, the Federal/Provincial/Territorial Memorandum of Understanding that led to the creation of CBS states that CBS will be responsible for the establishment of a health risk management regime.

In the fall of 2000, CBS adopted a risk management framework. Based on the framework, an implementation plan was developed and rolled out in the fall of 2001. This plan incorporates the following phases: (I) Investigation and Research; (II) Development of CBS's Risk Management Program; (III) Training and Implementation; and (IV) Monitoring and Evaluation. Phase I has been completed and Phase II is under way. Phase II will address elements such as risk management infrastructure, emergency/crisis management, risk management decision analysis, assessing and monitoring risks and controls, risk financing, and risk communication.

Progressive Excellence Program

CBS's membership in the National Quality Institute (NQI) provides a structured approach to the pursuit of excellence. During fiscal year 2001/2002, CBS reached an important milestone in the application of the NQI Framework for Business Excellence. CBS was certified for NQI's Progressive Excellence Program (PEP) Level One — the first of four levels involved in the application of the NQI Framework to the business excellence pursuits of CBS.

The NQI framework emphasizes the importance of a customer-focused, management-driven, prevention-based system that uses performance measures to help focus on continuous improvement. Each PEP level requires

demonstration of a progressively deeper and broader commitment to excellence and resulting achievement, as outlined in the PEP criteria. PEP Level One required that CBS demonstrate a commitment to continuous improvement and that CBS implement a long-term, strategic focus on excellence.

Unrelated Bone Marrow Donor Registry

At any given time, some 250 Canadians are counting on CBS to find them a bone marrow donor through the Unrelated Bone Marrow Donor Registry. By the end of fiscal year 2001/2002, more than 219,000 Canadians were on the CBS Registry — generously agreeing to donate their bone marrow to anyone in need, if called upon to do so. Thanks to these individuals, and to the millions of potential donors on registries in other countries, 188 Canadians received bone marrow transplants in fiscal year 2001/2002.

During the year, CBS made several important enhancements to the Registry that provide for improved quality.

Bone Marrow Donor Information System

By the end of the fiscal year, CBS was in the final stages of development of a new donor information system scheduled to be launched in June 2002. The new system will replace obsolete systems now in use by the Registry across the country. Some of the benefits include improvements to the donor search process, the automation of a variety of manual processes, the ability to store and better manage more sophisticated donor typing information, and better tools for program management.

The new donor information system will serve as the basis for sustained and long-term improvement to the Registry.

Case Management Model

When CBS assumed responsibility for the Registry in 1998, a comprehensive organizational review of its operation was undertaken. This review and subsequent planning identified a significant opportunity to enhance and integrate two functions: the search for matching donors and the preparation (or work-up) of individuals who have been selected to donate.

In fiscal year 2001/2002, CBS developed a new case management team tasked with performing all searches

and work-ups. There are a number of benefits to this approach. For example, all donor health assessments, confirmatory testing and work-ups are done by registered nurses. The process is more efficient and comprehensive and provides better customer service to transplant centres, donors and patients. There is a standardized approach to the work-up function and overall quality of all processes has been improved.

A preliminary evaluation indicates that the transition has been very successful, and further evaluation is planned.

New Scientific Advisory Committee

A number of structural elements have been built into CBS to provide the organization with a strong safety orientation. One of these elements is the existence of advisory committees that give CBS access to independent expertise.

In fiscal year 2001/2002, CBS established a new Scientific Advisory Committee for the Unrelated Bone Marrow Donor Registry. The purpose of the new committee is to provide advice and recommendations to CBS on scientific, technical or clinical aspects of stem cell biology, transplantation and unrelated stem cell registry functions. The composition of the committee is designed to meet the scientific, technical and clinical advisory needs of the CBS Registry.

Catherine

Volunteer, Hamilton

Explaining that she likes to “keep busy” Catherine can be seen in a variety of activities at the clinic where she volunteers. From handing out information packages to donors, to ensuring questionnaires get filled out, to delivering juice and making donors comfortable, she often doesn't have time to tend to her knitting which she sometimes brings along with her.

“I really enjoy the fact that I am making a contribution. I know how much the nurses appreciate my help.”



Robert

Employee, Hamilton

Robert has worked with the blood system for more than 14 years, most recently as the CBS Coordinator for Donor Records and Business Systems. While he has worked in a variety of industries, he says he has not found any job to be quite as rewarding as the job he performs at CBS every day. "Recently a recipient came to visit us at work and told us that if it weren't for the jobs we are all doing, he wouldn't be alive today. That is what makes my job so meaningful."



Greater employee satisfaction

CBS's employees are the principal architects of change in the blood system. Providing them with the environment, knowledge and tools they require to succeed is a critical element of CBS's strategy — and an important investment in building a better blood system.

Prepare and Motivate the Workforce

During fiscal year 2001/2002, CBS took steps to ensure that employees understood the changes being made to the blood system and were equipped with the knowledge and skills to contribute positively to this process.

Internal Communications

The focus of CBS's internal communications strategy for fiscal year 2001/2002 was to design and implement a plan that supported the transformation of CBS to a customer-focused culture driven by quality and excellence.

Achieving this goal — and effecting the kind of significant change required at CBS — depends upon a strong, creative and cohesive leadership team. Recognizing this fact, CBS's new CEO held a Leadership Forum in October 2001, bringing together the Executive Management Team, Head Office Directors and Medical Directors, Centre Directors and Quality Managers from all locations. The Leadership Forum met in Ottawa to discuss the development of a business strategy for fiscal year 2002/2003 and to initiate a program of performance measurement and key performance indicators and targets.

These shared objectives, developed and supported by the Leadership Forum, provide all employees with a clear indication of priorities, an understanding of expectations, and a common, results-based method of measuring success.

In keeping with the corporate belief that open, honest and timely communications is a fundamental part of daily operations, CBS redesigned its main internal communications vehicles — its newsletters. In November, the first issue of CBS's newly re-designed internal newsletter, *On Target*, was distributed. This new publication replaced *Inside Circulation* and *Transformation Communiqué*, combining within one publication the most significant news related to current operations and the process of fundamental change.

CBS also undertook another important project to ensure staff are kept informed and up-to-date. Computer InfoStations were installed in central locations in each main donor clinic to give employees who do not have access to a personal computer at work the means to access the CBS Intranet and Internet Web sites.

Training and Education

CBS continued to invest considerable time and resources in staff training and development. A new employee handbook was introduced, along with a new employee orientation program involving a full day of presentations from CBS managers representing a broad spectrum of program areas. Another key tool in this regard is CBS's employee performance management program, which completed its first full year of operation in fiscal year 2001/2002. The program provides a formal process to identify key employee deliverables for the coming year, and to monitor and assess performance. An important element of the program is the identification of training objectives and a plan for achieving these objectives.

In addition to Customer Service Excellence training that was provided to staff during the year, CBS also offered a number of training opportunities to meet the needs of employees and, at the same time, respond to the priorities of the organization. One of the most successful was a Management Studies Certificate program that provided CBS managers and supervisors with high-quality, practical training focused on "people management" skills. During the year, some 425 management and supervisory staff took part in a nine-day training session.

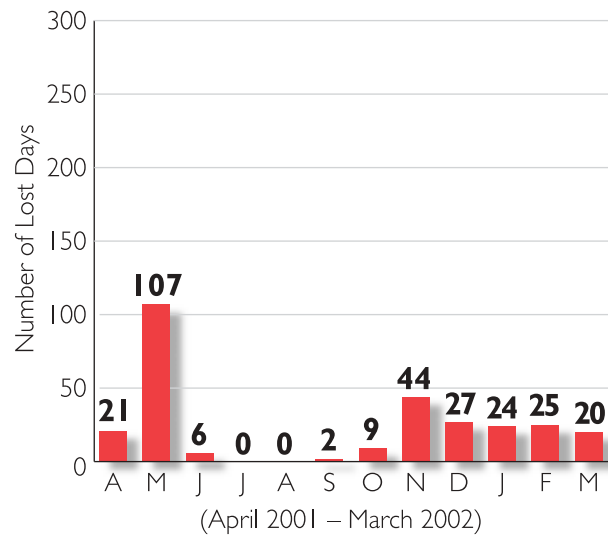
Occupational Health and Safety

CBS is committed to the well being and safety of its employees — and has made occupational health and safety (OH&S) a priority across the organization. In May 2001, CBS's OH&S team began implementation of a three-year strategic plan. This plan was created to build a comprehensive health and safety system and ensure compliance with basic legislative requirements within CBS.

CBS implemented a variety of OH&S measures during the year, including a number of relevant training packages for employees. The progress made in the area of OH&S has resulted in a reduction in assessment costs from the Workplace Safety and Insurance Board of Ontario. CBS's overall performance in OH&S continues to improve. The number of lost-time incidents has decreased — 45 incidents were reported last year compared with 55 in the previous year. In addition, 95 per cent of the incidents reported were minor in nature.

Fig.15 Occupational Health and Safety Lost Days by Month

CBS's overall performance in occupational health and safety continued to improve in fiscal year 2001/2002. The number of lost time incidents decreased compared with the previous year, and in July and August there were no lost days reported. Furthermore, 95 per cent of the incidents that were reported were minor in nature.



External Recognition

CBS takes advantage of external recognition programs as a means of assessing its performance, celebrating the successes of the organization and its employees, and demonstrating the quality of its work to internal and external customers.

CBS received a variety of external awards for the quality, creativity and strategic focus of its marketing and communications program.

Among the awards bestowed on CBS were: the Gold Winner Certificate by the 2001 Galaxy Awards for CBS's television campaign, "Since You Last Gave"; the Mercury 2001 Gold award for the "What's Your Type?" high school curriculum; a Crystal Award of Excellence by the 2001 Communicator Awards for CBS's audio production, "Camilla"; and a Questar 2002 Gold Award for CBS's video, "Honouring Our Lifeblood."

In addition, a number of Human Resources programs were nominated for various awards. The Benefits Administration Program received international recognition in a technical writing category.

Fostering Innovation and Creativity

A number of important steps were taken in Canada during fiscal year 2001/2002 to support professional development in the field of transfusion medicine and to establish it as an important career path for physicians.

The Royal College of Physicians and Surgeons of Canada approved a submission to recognize the Transfusion Medicine Fellowship Program as a sub-specialty within the category of "Accreditation Without Certification." The aim of the Transfusion Medicine Fellowship Program is to make available two years of support for physicians in Canada to acquire training in transfusion medicine through exposure to the work carried out at CBS and hospital Transfusion Services. It is intended that successful candidates will have a strong commitment to transfusion medicine in their future career plans.

This year also saw the launch of a revamped Post-doctoral Fellowship Award program which makes available a two-year training program for recent PhD graduates working in the CBS and R&D department laboratories. The purpose of the award is to foster careers related to transfusion science in Canada. This two-year award has the possibility of a one-year renewal and includes salary, a research allowance and a benefits plan.

The Morris A. Blajchman Award in Transfusion Science was also created this year to honour the contributions of Dr. Blajchman to transfusion science research and education. It is awarded to the highest rated applicant to the Graduate Fellowship Program.

Systems Improvement

This year resulted in a number of initiatives aimed at improving the processes between purchasing and accounts payable. A tracking system and process were developed to ensure the timely resolution of blocked and parked invoices. Policies and procedures were further developed for purchasing, accounts payable, payroll and

general accounting with the development and implementation of a policy and procedures manual. The SAP Inventory project was also successfully piloted at Head Office and is now used to track non-medical inventory.

Quality Systems Framework

In April 2001, CBS retained the services of KMI/Parexel, a leading international regulatory compliance service firm, to assist in the definition and design of its quality systems intentions. The design has involved CBS staff from all functional areas. The outcome of the design is a comprehensive framework of systems, which holds the promise to move CBS rapidly to an efficient, fully compliant organization. The CBS Quality Systems Framework embodies the following components:

- **Change Control System**
A standardized process for the identification, assessment, analysis, investigation and control of the risk that change represents in any milieu, and which is so important in the blood manufacturing field. This system applies directly to CBS's manufacturing environment.
- **Deviation Management System**
A standardized process for the identification, assessment, analysis, reporting (internal/external) and correction/prevention of deviations from standard practice/procedure.
- **Document Management System**
A standardized process to control the life cycle (creation, approval, distribution, implementation, review, removal and archiving) of all written work instructions or Standard Operating Procedures.
- **Training System**
A standardized process to ensure that staff members assigned to any part of the CBS manufacturing process have been suitably trained, have demonstrated competence to perform the task assigned, and fully understand the requirements and expectations of employment in a Good Manufacturing Practices (GMP) environment.
- **Validation System**
A standardized process to ensure that CBS facilities, equipment, materials, procedures, processes and staff

combine to perform as intended and in the context of the predictability of the CBS manufacturing process to produce standard products.

- **Supplier Qualification System**

A standardized process to ensure that materials/services considered mission critical to the CBS process are produced/provided by third-party sources in a manner that provides for a high degree of assurance that they will perform as expected each and every time they are used in the CBS manufacturing environment.

The first step — a standardized Change Control System — is being prepared for full implementation during the 2002/2003 fiscal year.

Each of these components is critical to the creation of a Quality Systems Framework that demonstrates CBS's commitment to quality and provides its staff with the tools to ensure safety and quality. They will certify that CBS is complying with GMP provisions that are required by federal law. Compliance with GMP forms the basis of the entire manufacturing process from beginning to end and, as such, must be followed each and every time a task is performed.

These and other enhancements to CBS procedures and systems contribute to employee productivity and efficiency.

Ken

Donor , Calgary

At 49, Ken is the youngest person to donate more than 600 times. He made his first donation when he was 17 years old. After 95 whole blood donations he entered the plasma program in order to donate more frequently. For him, donating blood or plasma is a simple way to help people. "I'd like to be able to keep donating until I have to quit. I would never stop. It's that important to me."



Facts at a glance 2001/2002

Number of permanent sites	43
Number of blood donor clinics held	13,204
Number of whole blood donations received	803,625
Number of apheresis platelet donations received	18,337
Number of apheresis plasma donations received	37,279
Number of active* CBS donors	456,228
Percentage of active* donors who are male	48%
Percentage of active* donors who are female	52%
Average frequency of whole blood donation per donor	1.99
Average frequency of platelet donation per donor	3.95
Average frequency of plasma donation per donor	10.48
Number of health facilities served by CBS	855
Number of employees	~ 4,600
Number of volunteers	~ 17,000
Number of hours worked by volunteers	~ 264,000
Number of Canadian unrelated bone marrow transplants	188
Potential bone marrow donors registered with CBS	218,848
Blood facts:	
Most common type	O Rh-Pos (31%)
Rarest type	AB Rh-Neg (0.7 %)
Highest groups in demand	O and A
Shelf life of different products:	
Red blood cells	42 days
Platelets	5 days
Fresh frozen plasma (for transfusion)	1 year
Source plasma (for fractionation)**	10 years

* Active donors refer to those donors who have donated blood in the past 18 months.

** Plasma can be "fractionated" or manufactured into many different blood products, including intravenous immune globulin (IVIG) and Factor VIII.

CBS is a national, not-for-profit charitable organization that manages the blood supply in all provinces and territories with the exception of Quebec and operates the country's Unrelated Bone Marrow Donor Registry. Staffed with more than 4,600 employees, CBS operates 43 permanent collection sites, 11 bone marrow donor centres and more than 13,000 donor clinics annually. Created in 1998, it is the successor to the Canadian Red Cross Blood Program and the Canadian Blood Agency (the former funding arm of Canada's blood supply system).

Who We Are

CBS is a charitable organization responsible for recruiting donors and collecting blood at 43 permanent collection sites and more than 13,000 blood donor clinics annually. CBS's Head Office is located in Ottawa.

CBS owns and operates all aspects of the blood system. We recruit blood donors, collect blood, and process it into the components and products that are administered to hundreds of thousands of patients every year. We oversee scientific investigations to make sure Canada is at the international forefront of research into blood safety. CBS also helps educate health professionals and the public, to make sure we all use our precious blood supply wisely.

In the decade before the establishment of CBS, blood collection declined. In 1999/2000, CBS set about changing that downward pattern by launching an aggressive recruitment campaign and implementing major changes to the donor experience. Since then, we have seen a steady increase in the number of blood donations. In 2001,

we launched the "Roll up your Sleeves, Canada!" challenge, aimed at recruiting more than 160,000 new, regular donors willing to donate at least twice a year, every year. By December 31, 2005, the number of regular blood donors must increase by roughly 40 per cent to meet a projected target of one million units of blood. This year, the upward trend continued with 803,625 units of whole blood collected by March 31, 2002.

CBS tests each unit of blood collected for a variety of transmissible disease markers, manufactures it into its components and derivative products, and distributes it to hospitals. Because of the rapid pace of change in transfusion science, CBS is also charged with ensuring that Canadian research and development into transfusion medicine remains at the cutting edge, and that public and professional education programs are established.

CBS also manages the Unrelated Bone Marrow Donor Registry, whose mission is to secure, in an expeditious way, donors for Canadian bone marrow transplant patients and

for patients abroad. Donors must be Human Leukocyte Antigen (HLA) compatible, healthy, and unrelated to the recipients. The Registry processes search requests from Canadian Transplant Centres and facilitates searches of international registries on behalf of Canadian patients.

Safety is the paramount concern of CBS. Because blood is a biopharmaceutical product, it must be manufactured with the same strict regulatory standards as any drug, using Good Manufacturing Practices (GMP) standards. The pursuit of safety, therefore, is properly reflected in every branch of the organizational structure, and drives every management and operational decision. CBS is committed to meeting national and international safety standards.

The federal government, through Health Canada's Blood Establishment Regulation Division (BERD), located within the Biologics and Genetic Therapies Directorate, is responsible for regulating the blood system. Health Canada, through its Centre for Infectious Disease Prevention and Control (CIDPC), tracks reports of disease or threats to the blood system and monitors international trends in pathogenic organisms that affect blood safety and management. Health Canada's Medical Devices Bureau regulates the diagnostic products of CBS's HLA and Serology labs.

CBS has established CBS Insurance Company Limited (CBSI), a captive insurance company wholly owned by CBS. This company currently provides primary coverage with respect to risks associated with the operation of the blood system. Additional coverage has been arranged by CBSI through reinsurance markets. While insurance markets are changing and have been affected by the events of September 11, CBSI remains strong and both operationally and financially stable.

Our Mission

Canadian Blood Services operates Canada's blood system in a manner that gains the trust, commitment and confidence of all Canadians by providing a safe, secure, cost-effective, affordable and accessible supply of high-quality blood, blood products and their alternatives.

Our Vision

Canadians have confidence in us.

Canadian Blood Services provides a safe, secure, cost effective, affordable and accessible supply of high-quality blood, blood products and their alternatives. Canada is self-sufficient in blood and we are working to be self-reliant in plasma. Emerging risks and best practices are monitored continuously. Our blood and blood products are safe and of high quality.

CBS has established and works to maintain effective relationships with all of our stakeholders.

Our arm's-length relationship with Provincial/Territorial and Federal governments enables us to operate within our business plan and with reliable funding. We are known for our financial stewardship of public funds.

We work with consumer groups to address strategic issues and meet their needs. We monitor our environment and other key indicators that enable us to anticipate changes and prepare for them.

CBS continues to help hospitals improve blood utilization and surveillance. We have found that educating consumers, donors, physicians and other health professionals is key to managing the utilization of blood and blood products.

Donors actively support us and our donor base is strong. Our volunteers continue to play a critical and meaningful role.

Through our work and support, the science of transfusion medicine is advanced. Our research program is leading to the development of alternative products in transfusion practices.

We are internationally recognized for our excellence and innovative programs and services.

Our employees view CBS as a great place to work. We have an environment that rewards creativity, teamwork and vision, and provides opportunities for personal and professional advancement.

We are proud of the contribution we make.

Tim

Volunteer, London

Having started volunteering at the age of 13, Tim enjoys the benefits that come from getting involved with his community. Now 18, Tim works in the clinic refreshment area, chatting with donors and making sure they are comfortable. Tim will be starting university in the fall but will continue to volunteer because he feels that CBS provides "a vital service to the community" and wants to contribute in any way he can. "Walking home after spending a few hours at CBS, I feel really happy that I've been able to help out."



Erika & David

Recipients, Calgary

Erika, now eight years old, received a blood transfusion when she was just two to treat a bleeding stomach.

Her brother, David, now five, is in remission from kidney cancer and required transfusions after undergoing surgery to remove one of his kidneys. Today both siblings are healthy and happy.

"Thanks to the transfusions they received, they are both enjoying life to its fullest.

For that, we will be forever grateful." — Chris, Erika and David's dad.



Highlights

It has been almost four years since Canadian Blood Services acquired substantially all of the assets comprising Canada's blood system (outside of Quebec) on September 28, 1998. Significant progress has been made to establish the infrastructure of systems and processes required to support the organization on a day-to-day basis.

The financial modules of our enterprise-wide system (SAP) have been in place for three years, providing financial management and control across the organization, and timely and accurate financial reporting. During the 2001/2002 fiscal year, the inventory functionality of SAP was deployed in the warehouse operations at Head Office. The inventory functionality includes automatic re-ordering of supplies maintained at Head Office using the Materials Requirements Planning (MRP) functions. The use of inventory functionality at Head Office sets the stage for a broader rollout across the organization. In addition, the Human Resource and payroll applications are scheduled to begin in the first quarter of 2002/2003.

This fiscal year, the organization introduced new performance measures that are consistent with the organization's strategic directions. The management reporting functions have been enhanced to fit with these new measures. In addition, the links between the financial statements and the internal management reports have been improved to provide a more complete picture of the organization's financial position.

Cost effectiveness and utilization are important principles for the blood system. CBS must ensure efficient and effective use of public resources. To accomplish this goal, CBS must provide services in a cost effective manner through active monitoring of performance and continual improvement of business processes.

Funding Provided to CBS from the Members

The Provincial and Territorial Ministers of Health provide operational funding to CBS. Budgets include measures to ensure that appropriate arrangements exist to indemnify CBS, its officers, directors and members of advisory bodies for uninsured liabilities and approved borrowing, and to maintain the capacity within CBS to respond in a timely manner to health and safety emergencies.

The Federal/Provincial/Territorial Memorandum of Understanding provides that the Members are responsible for the approval of Business Plans submitted by the Board of Directors.

CBS Insurance

CBS Insurance Company Limited (CBSI) was established in September 1998 to provide insurance coverage up to \$250 million with respect to risks associated with the operation of the blood system. Additional coverage of \$750 million has been arranged through reinsurance markets. Thus, CBS has an aggregate coverage of \$1 billion.

As part of the initial agreement, the Members have agreed to provide a final contribution of \$35 million in September 2002. A bank letter of credit facility, renewable on an annual basis, has been arranged to provide standby bridge financing of that amount of the contributions which remains to be funded.

Consolidated Financial Statements for March 31, 2002

The consolidated financial statements include the operations of the blood system and the results of the Corporation's wholly-owned insurance company, CBS Insurance Company Limited (CBSI).

Financial Results for the Period

The financial statement presentation of expenses on the statement of operations shows expenses incurred by activity rather than by nature of the expense in order to better reflect the operations of the Corporation. An operating expense summary with additional details of the nature of expenses incurred by each activity has been provided in the notes to the financial statements.

Total operating revenues, recognized in the period ended March 31, 2002, were \$791.5 million (2001 – \$688.4 million), which includes current period operating revenue of \$640.9 million (2001 – \$578.3 million), amortization of deferred contributions relating to capital assets, the disposal of capital assets and operations, sales of fractionated product to Héma-Québec, UBMDR revenues, and investment income.

CBS uses the deferral method of revenue recognition, which means that contributions that are restricted for a specific purpose are deferred and recognized as revenue in the same period in which the expense is incurred.

The total expenses before the insurance expense were \$790.8 million (2001 – \$686.2 million). The increase of \$104.6 million was in line with our operating goals and budget.

For the fiscal year ending March 31, 2002, fractionated program expenditures totalled \$312.7 million, up \$31.5 million (11.2%) from the \$281.2 million reported last year. Fractionated product prices and usage continue to grow. CBS and the provinces and territories have formed two working groups, one focusing on policy and one focusing on technical issues, to address utilization issues, which will lead to decreased utilization and consequently reduce cost. The rate of growth in shipments of IVIG between 2000/2001 and 2001/2002 was 10%, which is lower than the rate of growth ranging from 18% to 20% in previous years. Another significant development in 2001/2002 is that the shipments of recombinant Factor VIII were lower than previous years due to product shortages.

The excess of revenue over expenses before insurance expense was \$0.7 million (2001 – \$2.3 million) which represents the operating results of the blood system. The insurance income of \$3.6 million (2001 – \$1.5 million) from CBSI leaves CBS with a consolidated excess of revenue over expenses in the amount of \$4.3 million (2001 – \$3.7 million).

Consolidated Financial Statements of Canadian Blood Services

For the year ended March 31, 2002

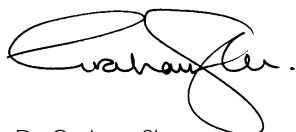
Management Report to the Members of Canadian Blood Services

The consolidated financial statements contained in this report have been prepared by management in accordance with Canadian generally accepted accounting principles. The integrity and reliability of the data in these financial statements are management's responsibility. Management is also responsible for ensuring that all other information in this report is consistent, where appropriate, with the financial statements.

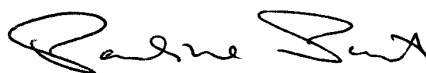
Management maintains a system of internal control to provide reasonable assurance as to the reliability of the financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and 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 on a regular basis.



Dr. Graham Sher
Chief Executive Officer



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

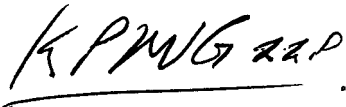
June 7, 2002

Auditors' Report to the Members

We have audited the consolidated statement of financial position of Canadian Blood Services as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied, on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that extends across most of the width of the signature.

Chartered Accountants
Ottawa, Canada
May 31, 2002

Canadian Blood Services Consolidated Statement of Financial Position

As at March 31, 2002 with comparative figures for 2001
(In thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 83,014	\$ 86,244
Investments, captive insurance operations (note 4)	135,763	100,722
Members' contributions receivable	10,535	34,247
Other amounts receivable	29,669	17,650
Inventory	77,851	80,215
Prepaid expenses	10,539	12,214
	<u>347,371</u>	<u>331,292</u>
Capital assets (note 5):		
Land, buildings, software and equipment	131,511	130,755
Right to the blood supply system	32,123	33,003
	<u>163,634</u>	<u>163,758</u>
	<u>\$ 511,005</u>	<u>\$ 495,050</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 79,521	\$ 85,644
Provision for future insurance claims	102,850	70,607
Current portion of long-term debt (note 6)	1,000	1,000
	<u>183,371</u>	<u>157,251</u>
Long-term debt (note 6)	21,000	22,000
Deferred contributions (note 7):		
Expenses of future periods	112,730	127,117
Capital assets	133,510	132,587
Captive insurance	17,260	17,260
	<u>263,500</u>	<u>276,964</u>
Net assets:		
Invested in capital assets (note 8a)	9,199	9,289
Restricted for captive insurance purposes (note 8b)	29,580	25,967
Unrestricted net assets	4,355	3,579
	<u>43,134</u>	<u>38,835</u>
Contingencies (note 13)		
Commitments (note 14)		
	<u>\$ 511,005</u>	<u>\$ 495,050</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Frederick E. Hyndman, Director



Gary Chatfield, Director

Canadian Blood Services Consolidated Statement of Operations

Year ended March 31, 2002 with comparative figures for 2001
(In thousands of dollars)

	2002	2001 (Restated)
Revenues:		
Member contributions – blood operations	\$ 328,231	\$ 297,140
Member contributions – fractionation	312,687	281,200
	<u>640,918</u>	<u>578,340</u>
Amortization of deferred contributions:		
Relating to capital assets	15,090	12,847
Relating to capital asset disposal	235	672
Relating to operations	22,140	8,897
Total contributions recognized as revenue	<u>678,383</u>	<u>600,756</u>
Other revenues:		
Héma-Québec, fractionated product	94,360	77,225
UBMDR revenue	4,965	4,951
Investment income (note 9)	1,828	3,959
Other income	11,976	1,594
Total revenues	<u>791,512</u>	<u>688,485</u>
Expenses:		
Blood/Plasma centres	237,725	220,235
Field support	32,051	28,309
Head office	43,361	37,449
Research and development	6,011	4,267
UBMDR	9,370	8,348
Projects – CBS funded	17,429	12,889
	<u>345,947</u>	<u>311,497</u>
Fractionation program	312,687	281,200
Total operating expenses (note 10)	<u>658,634</u>	<u>592,697</u>
Other expenses:		
Héma-Québec, cost of fractionated product	94,360	77,225
Amortization of capital assets	15,090	12,847
Projects – transition	11,299	1,365
Projects – externally funded	3,162	1,462
Miscellaneous	8,281	614
Total expenses	<u>790,826</u>	<u>686,210</u>
Excess of revenues over expenses before insurance income	686	2,275
Net insurance income of CBSI (note 12)	3,613	1,461
Excess of revenues over expenses	<u>\$ 4,299</u>	<u>\$ 3,736</u>

See accompanying notes to consolidated financial statements.

Canadian Blood Services Consolidated Statement of Changes in Net Assets

Year ended March 31, 2002 with comparative figures for 2001
(In thousands of dollars)

	Invested in capital assets	Restrictive for captive insurance	Unrestricted	2002	2001
Balance, beginning of year	\$ 9,289	\$ 25,967	\$ 3,579	\$ 38,835	\$ 35,099
Excess of revenues over expenses	–	3,613	686	4,299	3,736
Change in investment in capital assets	(90)	–	90	–	–
Balance, end of year	\$ 9,199	\$ 29,580	\$ 4,355	\$ 43,134	\$ 38,835

See accompanying notes to consolidated financial statements.

Canadian Blood Services Consolidated Statement of Cash Flows

Year ended March 31, 2002 with comparative figures for 2001
(In thousands of dollars)

	2002	2001 (Restated)
Cash and cash equivalents provided by (used for):		
Operating activities:		
Excess of revenues over expenses	\$ 4,299	\$ 3,736
Items not involving cash and cash equivalents:		
Amortization of capital assets	15,090	12,847
Amortization of deferred contributions	(37,465)	(22,416)
Loss on sale of assets	38	461
Provision for permanent impairment of investment value	1,000	-
Provision for future insurance claims	32,243	32,240
	<u>15,205</u>	<u>26,868</u>
Increase in investments	(36,041)	(33,938)
Decrease (increase) in members' contributions receivable	23,712	(29,943)
Increase in other amounts receivable	(12,019)	(3,484)
Decrease (increase) in inventory	2,364	(18,621)
Decrease in prepaid expenses	1,675	2,341
Increase (decrease) in accounts payable and accrued liabilities	(6,123)	22,931
Increase in deferred contributions related to expenses of future periods	7,753	15,827
Increase in deferred contributions related to captive insurance	-	47
	<u>(3,474)</u>	<u>(17,972)</u>
Financing and investing activities:		
Increase in deferred contributions related to capital assets	16,248	16,261
Contributions related to land	287	211
Purchase of capital assets	(15,291)	(16,352)
Decrease in long-term debt	(1,000)	(1,000)
	<u>244</u>	<u>(880)</u>
Decrease in cash and cash equivalents	(3,230)	(18,852)
Cash and cash equivalents, beginning of year	86,244	105,096
Cash and cash equivalents, end of year	<u>\$ 83,014</u>	<u>\$ 86,244</u>

See accompanying notes to consolidated financial statements.

Canadian Blood Services

Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

1. Nature of the organization and operations:

Canadian Blood Services/Société canadienne du sang ("CBS" or the "Corporation") owns and operates the national blood supply system for Canada, except Quebec, 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.

CBS was incorporated on February 16, 1998 under Part II of the Canada Corporations Act. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada). The Members of the Corporation, the Ministers of Health of the Provinces and Territories of Canada except Quebec, provide contributions to fund the operation of the blood supply system. CBS operates in a regulated environment, pursuant to the requirements of the Federal Food and Drugs Act, with licensing required from the Blood Establishment Regulation Division of Health Canada.

As a result of the Krever Commission of Inquiry on the Blood System of Canada, the Federal, Provincial and Territorial Ministers of Health agreed in 1996 to create CBS as the new national authority to operate Canada's blood system. On September 28, 1998, Héma-Québec, for Quebec, and CBS for the balance of Canada, acquired the blood system assets from the Canadian Red Cross Society and from this date, assumed their respective responsibilities for the management and operation of the blood system.

2. Significant accounting policies:

(a) *Financial statement presentation:*

The consolidated financial statements of CBS include the results of operations of the blood system and the accounts of the Corporation's wholly owned insurance company, CBS Insurance Company Limited (CBSI).

Contributions received from the Members to fund the capital requirements of CBSI are recorded as a direct increase in net assets restricted for captive insurance purposes. Contributions received to fund premiums together with investment income earned on these contributions and other components of the captive insurance operations are included on a net basis as insurance income or expense in the consolidated statement of operations and separately disclosed in the consolidated statement of changes in net assets. The portion of contributions received that relates to future operations is included in deferred contributions on the consolidated statement of financial position.

(b) *Use of estimates:*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses in the financial statements. Estimates and assumptions also may affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(c) *Revenue recognition:*

The Corporation follows the deferral method of accounting for contributions, which include donations and government contributions.

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

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

2. Significant accounting policies (continued):

(c) *Revenue recognition (continued):*

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

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

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

(d) *Donated goods and services:*

Donors are not paid for the blood or plasma collected in Canada. Additionally, a substantial number of volunteers contribute a significant amount of time each year in support of the activities of CBS. The value of such contributed goods and services is not quantified in the financial statements.

(e) *Investments:*

Investments in marketable fixed interest securities are carried at amortized cost. Investments in marketable equity securities are carried at cost. Where a decline in value of marketable securities is considered to be other than temporary the carrying value is reduced.

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

Short-term investments, consisting of certificates of deposit and commercial paper, are carried at fair value. Any appreciation in value is recorded as interest income. Dividends are recorded as income when declared.

(f) *Inventory:*

Inventory consists of fractionated blood and blood products and supplies related to the collection of blood. Fractionation inventory is recorded at average cost and is charged to expense upon distribution to hospitals; supplies are recorded at average cost and charged to expense on usage.

(g) *Capital assets:*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

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

Equipment purchased on acquisition of the blood supply system in 1998 is being amortized on a straight-line basis over 5 years.

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

2. Significant accounting policies (continued):

(g) *Capital assets (continued):*

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

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

(h) *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 balance sheet date. Gains and losses resulting from the adjustment are included in income.

(i) *Employee future benefits:*

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other non-pension post-retirement benefits.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

Market values are used to value plan assets for the purpose of calculating the expected return on plan assets.

Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the accrued pension benefit obligation or value of plan assets are amortized over the average remaining service life of the employees.

3. Cash and cash equivalents:

Cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits (i.e., bankers' acceptances and commercial paper), with an original maturity of ninety days or less.

Cash and cash equivalents include \$949 (2001 – \$829) that is restricted for captive insurance operations.

4. Investments:

All of the investments are restricted for captive insurance operations.

The amortized cost and fair market value of marketable securities are as follows:

	2002 Amortized cost	2002 Fair value	2001 Amortized cost	2001 Fair value
Short-term notes	\$ 895	\$ 895	\$ –	\$ –
Fixed interest securities	111,601	108,049	82,384	83,671
Equity securities	23,267	23,929	18,338	16,979
	\$ 135,763	\$ 132,873	\$ 100,722	\$ 100,650

The fixed interest securities have contractual maturities from 5 to 10 years at rates ranging from approximately 3.0% to 5.5%

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

5. Capital assets:

	Cost	Accumulated amortization	2002 Net book value	2001 Net book value
Land	\$ 9,199	\$ –	\$ 9,199	\$ 9,289
Building	89,850	6,598	83,252	83,275
Machinery and equipment	27,484	10,779	16,705	16,768
Furniture and office equipment	8,912	2,920	5,992	5,190
Motor vehicles	6,692	1,802	4,890	4,475
Computer equipment	13,378	9,667	3,711	5,316
Computer software	9,193	3,953	5,240	3,318
Leasehold improvements	2,936	867	2,069	1,565
Assets under construction	453	–	453	1,559
	168,097	36,586	131,511	130,755
Right to the blood supply system	35,204	3,081	32,123	33,003
	\$ 203,301	\$ 39,667	\$ 163,634	\$ 163,758

Cost and accumulated amortization at March 31, 2001 amounted to \$188,531 and \$24,773 respectively.

6. Credit facilities:

CBS has entered into the following credit facilities that are secured by the assets of the Corporation:

(a) Mortgage loan:

The Corporation has entered into a mortgage agreement to finance the purchase of the Winnipeg Blood Transfusion Service Centre (WBTSC).

	2002	2001
Mortgage loan bearing interest at prime less 0.75%, requiring minimum annual principal repayments of \$1,000 with the balance due in 2010	\$ 22,000	\$ 23,000
Less current portion	1,000	1,000
	\$ 21,000	\$ 22,000

The Corporation is party to an interest rate swap contract which has the effect of converting the floating rate of interest to a fixed rate of 6.8% over the full term of the loan.

(b) Operating line of credit:

A bank line of credit of \$25,000 has been arranged for working capital of blood operations for purposes of public health and safety not anticipated in the annual budget. At March 31, 2002, no amounts had been borrowed under this facility.

(c) Letter of credit:

To meet certain regulatory capital requirements related to its captive insurance subsidiary, the Corporation has established a committed, stand-by letter of credit facility of \$95,000. Under the terms of this credit arrangement, the facility is to be reduced by \$35,000 in September 2002. This corresponds with scheduled additional capital contributions by the Members (note 12b).

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

7. Deferred contributions:

(a) *Expenses of future periods:*

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

	2002	2001
Balance, beginning of year	\$ 127,117	\$ 120,187
Add amount received related to future periods	9,063	14,786
Less amounts recognized as revenue in the year	(22,140)	(8,897)
Less capital assets purchased from deferred contributions	(2,456)	(1,025)
Add income earned on resources restricted for transition	1,146	2,066
	<u>\$ 112,730</u>	<u>\$ 127,117</u>

The capital assets purchased represent capital assets purchased with contributions that were deferred at March 31, 2001.

(b) *Capital assets:*

Funds received to purchase capital assets are recorded as deferred revenues – capital assets on the consolidated statement of financial position. They are included in revenues on the consolidated statement of operations, on the same basis as the amortization expense.

	2002	2001
Balance, beginning of year	\$ 132,587	\$ 129,845
Capital assets purchased	15,291	16,352
Less capital assets financed by long-term debt	(43)	(1,091)
Less capital assets sold	(235)	(672)
Capital funding received for repayment of WBTSC loan	1,000	1,000
Less amounts amortized to revenue	(15,090)	(12,847)
	<u>\$ 133,510</u>	<u>\$ 132,587</u>

Included in capital assets purchased of \$15,291 are: \$2,456 (2001 – \$1,025) of capital assets that were purchased using contributions deferred for expenses of future periods at March 31, 2001 and \$43 (2001 – \$1,091) of capital assets financed by long-term debt.

(c) *Captive insurance:*

Deferred contributions represent externally restricted contributions to fund future operations of CBSI.

	2002	2001
Balance, beginning of year	\$ 17,260	\$ 17,213
Contributions	35,000	35,000
Less amounts amortized to revenue (note 12c)	(35,000)	(34,953)
	<u>\$ 17,260</u>	<u>\$ 17,260</u>

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

8. Net assets:

(a) The change in investment in capital assets is calculated as follows:

	2002	2001
Balance, beginning of year	\$ 9,289	\$ 9,289
Less disposal of land	(90)	-
	\$ 9,199	\$ 9,289

(b) All of the 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 operation of the blood system.

Investment income earned on the assets restricted for insurance captive purposes is also externally restricted for these purposes (note 12).

9. Investment income:

	2002	2001
Income earned on unrestricted funds	\$ 1,828	\$ 3,959
Income earned on resources restricted for captive insurance	6,764	4,850
Income earned on resources restricted for transition	1,146	2,066
	9,738	10,875
Less amounts deferred	(1,146)	(2,066)
Less amount included in net insurance income (note 12c)	(6,764)	(4,850)
	\$ 1,828	\$ 3,959

Income earned on resources restricted for captive insurance is net of a \$1,000 (2001 – \$Nil) provision for permanent impairment of investment value.

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

10. Operating Expense Summary:

	Blood/ Plasma centres	Field support	Corporate services (Head Office)	R & D	UBMDR	Projects (CBS Funded)	Fractionation	2002 Total operating expenses	% of Subtotal
Cost of goods sold	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,036	\$307,488	\$308,524	46.8
Staff costs	141,191	23,946	20,744	3,886	1,927	2,346	1,032	195,072	29.6
Medical supplies	63,752	1,358	(189)	652	247	2,015	-	67,835	10.3
Clinic costs	5,389	24	741	6	24	18	-	6,202	0.9
Travel	1,187	1,900	1,655	164	110	978	85	6,079	0.9
Administrative services	9,292	1,075	11,293	199	252	1,694	4,287	28,092	4.3
Professional fees	1,452	2,760	4,436	293	754	8,820	305	18,820	2.9
Other purchased services	4,506	546	2,601	116	52	126	117	8,064	1.2
Property expenses	10,009	56	2,335	33	111	11	-	12,555	1.9
Equipment	954	155	271	28	35	40	2	1,485	0.2
Miscellaneous expenses (income)	(7)	231	(526)	(11)	6	-	(629)	(936)	(0.1)
Research and development	-	-	-	645	-	-	-	645	0.1
UBMDR search and transplant costs	-	-	-	-	5,852	-	-	5,852	0.9
Royalties	-	-	-	-	-	345	-	345	0.1
	\$237,725	\$32,051	\$43,361	\$6,011	\$9,370	\$17,429	\$312,687	\$658,634	100.0%

Operating Expense Summary: Prior year

	Blood/ Plasma centres	Field support	Corporate services (Head Office)	R & D	UBMDR	Projects (CBS Funded)	Fractionation	2001 Total operating expenses	% of Subtotal
Cost of goods sold	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96	\$279,560	\$279,656	47.2
Staff costs	128,147	20,327	17,325	1,740	1,876	2,336	605	172,356	29.3
Medical supplies	58,969	1,226	(127)	128	255	105	-	60,556	10.2
Clinic costs	4,694	2	784	1	22	219	-	5,722	1.0
Travel	1,243	2,086	1,764	116	162	654	43	6,068	1.0
Administrative services	10,485	1,057	9,754	211	626	396	1,539	24,068	4.1
Professional fees	1,370	2,581	3,225	186	346	8,120	285	16,113	2.7
Other purchased services	4,644	588	2,045	75	89	576	178	8,195	1.4
Property expenses	9,776	67	3,143	13	157	223	-	13,379	2.3
Equipment	967	130	329	29	15	164	2	1,636	0.3
Miscellaneous expenses (income)	(60)	245	(793)	1	(128)	-	(1,012)	(1,747)	(0.3)
Grant expense	-	-	-	1,767	-	-	-	1,767	0.0
UBMDR search and transplant costs	-	-	-	-	4,928	-	-	4,928	0.8
	\$220,235	\$28,309	\$37,449	\$4,267	\$8,348	\$12,889	\$281,200	\$592,697	100.0%

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

11. Employee benefits:

CBS sponsors a number of defined benefit plans and a defined contribution plan providing pension, other retirement and post-retirement employee benefits to most of its employees.

Information about the Corporation's defined benefit plans as at March 31, 2002 is as follows:

	2002		2001	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Accrued benefit obligation	\$ 56,425	\$ 9,603	\$ 10,774	\$ 8,121
Fair value of plan assets	55,702	–	9,666	–
Funded status – plan deficit	\$ (723)	\$ (9,603)	\$ (1,108)	\$ (8,121)
Accrued benefit liability	\$ (2,263)	\$ (4,822)	\$ (1,730)	\$ (3,224)

Included in the accrued benefit obligation for other benefit plans is \$4,781 (2001 – \$4,897), which represents the unamortized transitional obligation. This amount is being amortized over the expected remaining service life of the employee group covered by the plans.

The significant weighted-average actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2002		2001	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Discount rate	7.25%	7.5%	7.75%	7.5%
Expected long-term rate of return benefit liability	7.25%	–	8.0%	–

The expected rate of compensation increase for the year ended March 31, 2002 was 6.25% (2001 – 5.0%).

The rate is expected to change as follows: 2003 – 7.0%; 2004 – 6.0%; 2005 – 5.5%; 2006 – 5.0%; 2007 – 4.5%; and 2008 – 4.25%.

For measurement purposes, a 7.5% annual increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease to 4.5% over ten years and remain at that level thereafter.

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

11. Employee benefits (continued):

Other information about the Corporation's defined benefit plans for the year ended March 31, 2002 is as follows:

	2002		2001	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Employer contributions	\$ 3,329	\$ –	\$ 2,782	\$ –
Employee contributions	2,395	–	1,821	–
Benefits paid	684	248	–	287

The net expense for the Corporation's benefit plans for the year ended March 31, 2002 is as follows:

	2002		2001	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Defined benefit plans	\$ 3,717	\$ –	\$ 3,364	\$ 1,596
Defined contribution plans	4,011	1,846	4,024	–
	\$ 7,728	\$ 1,846	\$ 7,388	\$ 1,596

An agreement to transfer pension assets and liabilities from the Canadian Red Cross Society Pension Plan ("CRCS Plan") to the Canadian Blood Services Pension Plans in respect of pensionable service prior to September 28, 1998, for CRCS Plan members who transferred to CBS pursuant to the acquisition of the blood supply system was approved by the Ontario Superior Court on May 19, 2000. The actual transfer is subject to review by the Financial Services Commission of Ontario. Upon approval, the assets and accrued benefit obligations transferred will be recorded in the respective plans.

12. Insurance:

- (a) The Corporation has established a wholly-owned captive insurance company, CBS Insurance Company Limited ("CBSI"), to provide insurance coverage up to \$250,000 with respect to risks associated with the operation of the blood system. Additional coverage of \$750,000 has been arranged through reinsurance markets. Thus CBS has an aggregate coverage of \$1,000,000.
- (b) As part of the initial agreement, the members of CBS have agreed to provide a final contribution of \$35,000 in September 2002. A bank letter of credit facility, renewable on an annual basis, has been arranged to provide standby bridge financing of that amount of the contributions which remains to be funded (note 6c).

Canadian Blood Services Notes to Consolidated Financial Statements

Year ended March 31, 2002
(In thousands of dollars)

12. Insurance (continued):

(c) Insurance income includes the results of operations of CBSI on a net basis which are summarized as follows:

	2002	2001
Contribution received	\$ 35,000	\$ 35,000
Change in deferred contributions	–	(47)
	35,000	34,953
Investment income	6,764	4,850
	41,764	39,803
Expenses:		
Increase in provision for future insurance claims	32,250	32,250
Net reinsurance costs	4,249	4,242
General and administrative	458	305
Claims administration	70	65
Letter of credit fees	1,124	1,480
	38,151	38,342
Net insurance income	\$ 3,613	\$ 1,461

The increase in provision for future claims expense is an actuarially based estimate of the cost of settling claims relating to insured events (both reported and unreported) that have occurred to March 31, 2002. A significant proportion of both the future claims expense for the period and the related cumulative estimated liability at March 31, 2002, of \$102,850 covers the manifestation of blood diseases, which is inherently difficult to assess and quantify. It is reasonably possible that changes in future conditions in the near term could require a change in the amount estimated.

13. Contingencies:

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

14. Commitments:

At March 31, 2002, the Corporation had the following contractual commitments:

- (a) Future minimum payments under operating leases of approximately \$11,921, with payments in each of the next five years of: 2003 – \$4,777; 2004 – \$3,250; 2005 – \$1,741; 2006 – \$1,140; 2007 – \$658 and thereafter \$355.
- (b) Research and development project grants of approximately \$7,534.

15. Related party transactions:

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

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for 2002.

Corporate Members

As of April, 2002

The Honourable Gerald Smith

Minister of Health and
Community Services
Minister Responsible for
the Strategic Social Plan
*Government of Newfoundland
and Labrador*

The Honourable Jamie Ballem

Minister of Health and Social Services
Province of Prince Edward Island

The Honourable Jamie Muir

Minister of Health
(Minister Responsible for the
Emergency Measures Act)
Province of Nova Scotia

The Honourable Elvy Robichaud

Minister of Health and Wellness
Province of New Brunswick

The Honourable Tony Clement

Minister of Health and
Long-term Care
Province of Ontario

The Honourable David Chomiak

Minister of Health
(Minister Responsible for Sport)
Province of Manitoba

The Honourable John Nilson

Minister of Health
Minister Responsible for Seniors
Province of Saskatchewan

The Honourable Gary Mar

Minister of Health and Wellness
Province of Alberta

The Honourable Colin Hansen

Minister of Health Services
Province of British Columbia

The Honourable Sue Edelman

Minister of Health and Social Services
(Minister Responsible for the Yukon
Worker's Compensation Health
and Safety Board)
Government of Yukon Territory

The Honourable J. Michael Miltenberger

Minister of Health and Social Services
(Minister Responsible for Persons
with Disabilities)
(Minister Responsible for Seniors)
Government of the Northwest Territories

The Honourable Ed Picco

Minister of Health and Social Services
Minister Responsible for
Nunavut Power
Minister Responsible for Homelessness
Government of Nunavut

Provincial/Territorial Contacts

As of April, 2002

Gerald White

Newfoundland and Labrador

Joyce Thompson

Prince Edward Island

Jeff Scott

Nova Scotia

Pierre Léveillé

New Brunswick

David Reeleder

Ontario

Carol Renner

Manitoba

George Peters

Saskatchewan

David Alexander

Alberta

Nichola Manning

British Columbia

Violet van Hees

Yukon

Don Maychruk

Nunavut

Denise Canuel

Northwest Territories

Board of Directors

As of March 31, 2002

Chair

Gary Chatfield

Mississauga, Ontario

Executive Committee

Finance and Audit Committee

Human Resources Committee

Safety, Science & Ethics Committee

Vice Chair

Dr. Verna M. Skanes

St. John's, Newfoundland and Labrador

Executive Committee

Safety, Science & Ethics Committee

Consumer Interest Representatives

Adélaïde La Plante

Moncton, New Brunswick

Finance and Audit Committee

National Liaison Committee

Linda M. Rankin

Ottawa, Ontario

Executive Committee

Safety, Science & Ethics Committee

National Liaison Committee

Medical, Scientific, Technical, Business and Public Health Representatives

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Winnipeg, Manitoba

Human Resources Committee

Safety, Science & Ethics Committee

Dr. T. Douglas Kinsella

Kingston, Ontario

Executive Committee

Human Resources Committee

Safety, Science & Ethics Committee

Rod MacLennan

Truro, Nova Scotia

Human Resources Committee

Safety, Science & Ethics Committee

Dr. Mark D. Minden

Toronto, Ontario

Safety, Science & Ethics Committee

Dr. Harvey Schipper

Toronto, Ontario

Safety, Science & Ethics Committee

Regional Representatives

Atlantic

Frederick E. Hyndman

Charlottetown, Prince Edward Island

Executive Committee

Finance and Audit Committee

CBSI Board of Directors

Ontario

William H. Glead

Toronto, Ontario

Human Resources Committee

Finance and Audit Committee

CBSI Board of Directors

Alberta, Saskatchewan, Manitoba, Northwest Territories and Nunavut

Neil R. Wilkinson

Edmonton, Alberta

Finance and Audit Committee

Human Resources Committee

British Columbia and Yukon

Leah Hollins

Victoria, British Columbia

Executive Committee

Human Resources Committee

Finance and Audit Committee

Advisory Committees

As of March 31, 2002

National Liaison Committee

CO-CHAIRS

Adélaïde La Plante

Canadian Blood Services
Board of Directors
Moncton, New Brunswick

Linda Rankin

Canadian Blood Services
Board of Directors
Ottawa, Ontario

PARTICIPANTS

Dr. Ramiro Arellano

Physicians and Nurses for
Blood Conservation
Halifax, Nova Scotia

Clayton Bye

Community Liaison Committee
Representative, Winnipeg
Kenora, Ontario

Wendy Chaulk

Community Liaison Committee
Representative, St. John's
Mount Pearl, Newfoundland and Labrador

Dr. Stephen Couban

Canadian Blood & Marrow
Transplant Group
Halifax, Nova Scotia

James Davies

Arthritis Society
Ottawa, Ontario

Glen Dietz

Community Liaison Committee
Representative, London
London, Ontario

Diane Finkle

Canadian Cancer Society
Ottawa, Ontario

Kate Gagliardi

Canadian Society for
Transfusion Medicine
Ancaster, Ontario

Eleanor Holmgren

Canadian Association
of Transplantation
Ottawa, Ontario

James Kreppner

Canadian Hemophilia Society
Toronto, Ontario

Kathie Leigh

Community Liaison Committee
Representative, London
London, Ontario

Howard Leung

Thalassemia Foundation of Canada
Mississauga, Ontario

Dr. Robin Moore-Orr

Anemia Institute
St. John's, Newfoundland and Labrador

Tina Morgan

Canadian Immunodeficiencies
Patient Organization
Mississauga, Ontario

Morley Reid

Community Liaison Committee
Representative, St. John's
Blaketown, Newfoundland and Labrador

Dr. David Rush

Canadian Society of Transplantation
Winnipeg, Manitoba

Lorna Stevens

Neutropenia Support Association
Winnipeg, Manitoba

Howard Waldner

Canadian Healthcare Association
Calgary, Alberta

Shane Wood

Community Liaison Committee
Representative, Winnipeg
Winnipeg, Manitoba

Community Liaison Committee — London

Joan Beavers

Volunteer

Glen Dietz

Donor/Blood Bank Transfusion
Specialist/National Liaison
Committee Representative

Heather Fisher

Canadian Transplant Association

Wesley Fuerth

Recipient

Barbara Garvin

Canadian Cancer Society

Mary Gillet

Partner/London Health
Sciences Centre

Lisa Howe

Mother of Recipient

Margo James

Mother of Recipient/
Clinic Organizer

Bud Jardine

Volunteer

Johanna Kerr

Donor/Clinic Organizer

Advisory Committees (continued)

Kathie Leigh
Blood Bank Transfusion
Specialist/National Liaison
Committee Representative

Bud Martin
Clinic Organizer/Mason

Ruth McCallum
Clinic Organizer

Jim McPherson
Heart and Stroke Foundation

Ron Pauls
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The College of Physicians
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David and Lisa Beaugard
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Clayton Bye
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Warren and Marie Champagne
Parents of Recipient

Ken Donaldson
Volunteer

Thom Irving
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Susan Rogers
Heart and Stroke Foundation

Dr. Morel Rubinger
Adult Hemophilia
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Shane Wood
Health and Recreation Services,
Red River College/National Liaison
Committee Representative

Advisory Committees (continued)

Research & Development Advisory Committee*

EXTERNAL

Dr. Paul C. Hébert

Professor, Medicine (Critical Care)
and Epidemiology
Chair, Transfusion and
Critical Care Research
Ottawa Health Research Institute
and University of Ottawa Clinical
Epidemiology Program
General Campus
Ottawa, Ontario, Canada

Dr. Lawrence T. Goodnough

Professor of Pathology
and Internal Medicine
Department of Pathology
Washington University
School of Medicine
St. Louis, Missouri, U.S.A.

Dr. Réal Lemieux

Héma-Québec
Saint-Laurent, Quebec, Canada

Dr. David Lillicrap

Department of Pathology
Richardson Laboratory
Queens University
Kingston, Ontario, Canada

Dr. Sherrill Slichter

Puget Sound Blood Center
Seattle, Washington, U.S.A.

Dr. Jeremy Sugarman

Director, Center for the Study of
Medical Ethics and Humanities
Duke University Medical Center
Durham, North Carolina, U.S.A.

Dr. Marilyn J. Telen

Chief, Division of Hematology
Duke University, Medical Center
Durham, North Carolina, U.S.A.

Dr. Alan Williams

Senior Scientist
American Red Cross
Holland Laboratory
Rockville, Maryland, U.S.A.

HEALTH CANADA

Dr. Michael Coulthart

Chief, Division of Host
Genetics & Prion Diseases
Bureau of Microbiology
Canadian Science Centre
for Human & Animal Health
Winnipeg, Manitoba, Canada

Scientific Advisory Committee*

Dr. Celso Bianco

Executive Vice President
America's Blood Centers
Washington, D.C., U.S.A.

Dr. Anneke Brand

Bloedbank Leiden-Haaglanden
Locatie Den Haag
Leyweg, Netherlands

Dr. Michael Busch

Vice President, Research
and Scientific Services
Blood Centers of the Pacific
Irwin Center
San Francisco, California, U.S.A.

Dr. G. H. Growe

Medical Director, Blood
Transfusion Service
Section Head, Hematopathology
Vancouver General Hospital
Vancouver, British Columbia, Canada

Nancy Heddle

McMaster University Medical Centre
Hamilton, Ontario, Canada

Dr. Jeffrey McCullough

Director, Biomedical
Engineering Institute
Professor, Laboratory
Medicine & Pathology
University of Minnesota
Minneapolis, Minnesota, U.S.A.

Dr. Gail Rock (Chairperson)

Chief, Division of Hematology
and Transfusion Medicine
Department of Laboratory Medicine
The Ottawa Hospital
Civic Campus
Ottawa, Ontario, Canada

Dr. Lorna Williamson

University of Cambridge
Division of Transfusion Medicine
East Anglia Centre
Cambridge, U.K.

* As of April 1, 2002, the Research & Development
Advisory Committee combined with the Scientific
Advisory Committee to form the Scientific and
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Advisory Committees (continued)

Unrelated Bone Marrow Donor Registry Scientific Advisory Committee

Beverly Campbell

Director, Unrelated Bone Marrow Donor Registry
Canadian Blood Services (Ex-Officio)
Ottawa, Ontario

Dr. Martin Champagne

Director, Blood and Marrow Transplant Program
Hôpital Ste-Justine
Montreal, Quebec

Dr. Stephen Couban

Director, Blood and Marrow Transplant Program
Queen Elizabeth II Health Sciences Centre
Halifax, Nova Scotia

Dr. John Doyle

Director, Blood and Marrow Transplant Program
Toronto Hospital for Sick Children
Toronto, Ontario

Dr. Mindy Goldman

Senior Director, Medical Affairs
Héma-Québec (Ex-Officio)
Montreal, Quebec

Dr. Heather Hume

Executive Medical Director, Transfusion Medicine
Canadian Blood Services (Chair) (Ex-Officio)
Ottawa, Ontario

Dr. Jeff Lipton

Princess Margaret Hospital
Toronto, Ontario

Sheryl McDiarmid

Transplant Centre Coordinator
The Ottawa Hospital
General Campus
Ottawa, Ontario

Dr. Tom Nevill

Vancouver General Hospital
Vancouver, British Columbia

Dr. Peter Nickerson

Immunogenetics Laboratory Director
Canadian Blood Services (Ex-Officio)
Winnipeg, Manitoba

Diane Roy

Director, Bone Marrow Registry
Héma-Québec (Ex-Officio)
Montreal, Quebec

Dr. Morel Rubinger

Blood and Marrow Transplant Program Director, CancerCare
Winnipeg, Manitoba

Dr. James Russell

President, Canadian Blood and Marrow Transplant Group
Calgary, Alberta

Dr. Anne Smith

Medical Officer, Unrelated Bone Marrow Donor Registry
Canadian Blood Services
Kingston, Ontario

Dr. Sofia Tavoularis

Director, HLA
Canadian Blood Services (Ex-Officio)
Ottawa, Ontario

Dr. Judy Wade

Toronto, Ontario

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Toll Free:

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(1 888 236-6283)
www.bloodservices.ca

BC and Yukon

4750 Oak Street
Vancouver, British Columbia
V6H 2N9
Tel.: (604) 879-6001
Fax: (604) 875-8004

Calgary

737-13th Avenue S.W.
Calgary, Alberta
T2R 1J1
Tel.: (403) 410-2700
Fax: (403) 410-2798

Edmonton

8249-114th Street
Edmonton, Alberta
T6G 2R8
Tel.: (780) 431- 0202
Fax: (780) 431-0461

Regina

2571 Broad Street
Regina, Saskatchewan
S4P 3B4
Tel.: (306) 347-1600
Fax: (306) 347-1602

Saskatoon

325-20th Street East
Saskatoon, Saskatchewan
S7K 0A9
Tel.: (306) 651-6600
Fax: (306) 651-6601

Winnipeg

777 William Avenue
Winnipeg, Manitoba
R3E 3R4
Tel.: (204) 789-1000
Fax: (204) 775-9215

Toronto

67 College Street
Toronto, Ontario
M5G 2M1
Tel.: (416) 974-9900
Fax: (416) 974-9851

London

850 Commissioners Road East
London, Ontario
N6C 2V5
Tel.: (519) 681-6781
Fax: (519) 690-3960

Hamilton

299 Main Street East
Hamilton, Ontario
L8N 1H8
Tel.: (905) 645-6555
Fax: (905) 540-5803

Sudbury

235 Cedar Street
Sudbury, Ontario
P3B 1M8
Tel.: (705) 674-2636
Fax: (705) 674-7165

Thunder Bay

1165 Barton Street
Thunder Bay, Ontario
P7B 5N3
Tel.: (807) 625-8400
Fax: (807) 625-8424

Ottawa

85 Plymouth Street
Ottawa, Ontario
K1S 3E2
Tel.: (613) 560-7440
Fax: (613) 560-7226

Halifax

1940 Gottingen Street
P.O. Box 2085
Halifax, Nova Scotia
B3J 3B7
Tel.: (902) 474-8200
Fax: (902) 474-8206

New Brunswick

405 University Avenue
P.O. Box 1259
Saint John, New Brunswick
E2L 4G7
Tel.: (506) 648-5012
Fax: (506) 648-5077

Prince Edward Island

85 Fitzroy Street
Charlottetown, Prince Edward Island
C1A 1R6
Tel.: (902) 892-3700
Fax: (902) 892-3710

Newfoundland and Labrador

7 Wicklow Street
St. John's, Newfoundland
A1B 3Z9
Tel.: (709) 758-5300
Fax: (709) 758-5324

Head Office

1800 Alta Vista Drive
Ottawa, Ontario
K2G 4J5
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