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CSL

ASX Announcement

For immediate release

2 June 2015

CSL Financial Reporting Simplification

CSL Limited (ASX:CSL; USOTC:CSLLY) – In February 2015, the Company announced its decision to publish simplified financial statements with effect from the 2015 financial year. To assist investors during the transition the Company is today lodging with the Australian Securities Exchange a set of financial statements for the year ended 30 June 2014 in the simplified format.

It is important to note that the primary financial statements - Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows - are unchanged from those originally published in August 2014.

Our goal is to make the notes to the financial statements more relevant and accessible to the users of the financial statements.

We have done this by:

- reorganising the order of the notes to the financial statements in a way that better reflects their importance to understanding CSL's business;
- moving accounting policy and significant judgement disclosures to the relevant note; and
- simplifying the language used in the document and introducing graphical presentation of data where possible.

We have also applied materiality criteria to each disclosure and have removed those items that are not material to an understanding of the financial performance of the CSL business.

The Company's auditors, EY, have reviewed the revised financial statements and have provided advice to the Company on compliance with accounting standards and other disclosure requirements.

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CSL Limited

CSL Financial Statements 30 June 2014

with streamlined Notes to the Financial Statements

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2014

	Notes	Consolidated Entity 2014 US$m	2013 US$m
Continuing operations			*restated*[1]
Sales revenue	2	**5,334.8**	4,950.4
Cost of sales		**(2,604.0)**	(2,391.4)
Gross profit		**2,730.8**	2,559.0
Other revenue	2	**189.5**	179.1
Research and development expenses	6	**(466.4)**	(426.8)
Selling and marketing expenses		**(505.0)**	(516.2)
General and administration expenses		**(291.6)**	(286.1)
Finance costs	2	**(53.0)**	(47.7)
Profit before income tax expense		**1,604.3**	1,461.3
Income tax expense	3	**(297.3)**	(249.9)
Net profit for the period		**1,307.0**	1,211.4
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, net of hedges on foreign investments	12	**148.2**	(85.3)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit plans, net of tax		**18.3**	(17.9)
Total of other comprehensive income/(expenses)		**166.5**	(103.2)
Total comprehensive income for the period		**1,473.5**	1,108.2

Earnings per share (based on net profit for the period)		**US$**	**US$ restated**
Basic earnings per share	**10**	2.701	2.429
Diluted earnings per share	**10**	2.691	2.421

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

[1] Restatement of the 2013 financial statements is associated with revisions to AASB 119 Employee Benefits. For more detail see About this Report section (g).

Consolidated Balance Sheet

As at 30 June 2014

	Notes	Consolidated Entity 2014 US$m	2013 US$m
CURRENT ASSETS			
Cash and cash equivalents	**14**	**608.7**	762.2
Trade and other receivables	**15**	**953.4**	850.5
Inventories	**4**	**1,644.5**	1,639.4
Current tax assets	**3**	**0.7**	6.7
Other financial assets		**0.3**	0.5
Total Current Assets		**3,207.6**	**3,259.3**
NON-CURRENT ASSETS			
Trade and other receivables	**15**	**8.2**	8.6
Other financial assets		**1.0**	1.0
Property, plant and equipment	**8**	**1,831.0**	1,587.2
Deferred tax assets	**3**	**299.1**	262.3
Intangible assets	**7**	**924.1**	855.7
Retirement benefit assets	**18**	**6.7**	-
Total Non-Current Assets		**3,070.1**	**2,714.8**
TOTAL ASSETS		**6,277.7**	**5,974.1**
CURRENT LIABILITIES			
Trade and other payables	**15**	**631.4**	647.9
Interest-bearing liabilities	**11**	**5.6**	5.7
Current tax liabilities	**3**	**114.6**	159.9
Provisions	**16**	**90.1**	88.4
Deferred government grants	**9**	**2.3**	0.9
Derivative financial instruments		**1.3**	3.8
Total Current Liabilities		**845.3**	**906.6**
NON-CURRENT LIABILITIES			
Trade and other payables	**15**	**19.4**	23.2
Interest-bearing liabilities	**11**	**1,884.7**	1,673.2
Deferred tax liabilities	**3**	**127.7**	115.0
Provisions	**16**	**36.0**	34.2
Deferred government grants	**9**	**40.9**	37.0
Retirement benefit liabilities	**18**	**161.7**	167.2
Total Non-Current Liabilities		**2,270.4**	2,049.8
TOTAL LIABILITIES		**3,115.7**	**2,956.4**
NET ASSETS		**3,162.0**	**3,017.7**
EQUITY			
Contributed equity	**12**	**(2,797.8)**	(1,978.3)
Reserves	**12**	**738.3**	578.3
Retained earnings	**10**	**5,221.5**	4,417.7
TOTAL EQUITY		**3,162.0**	**3,017.7**

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

Consolidated Entity	Notes	Contributed Equity US$m		Foreign currency translation reserve US$m		Share based payment reserve US$m		Retained earnings US$m		Total US$m	
		2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013** restated	**2014**	**2013** restated
As at the beginning of the year		**(1,978.3)**	(869.1)	**451.3**	536.6	**127.0**	96.3	**4,417.7**	3,723.6	**3,017.7**	3,487.4
Profit for the period		**-**	-	**-**	-	**-**	-	**1,307.0**	1,211.4	**1,307.0**	1,211.4
Other comprehensive income		**-**	-	**148.2**	(85.3)	**-**	-	**18.3**	(17.9)	**166.5**	(103.2)
Total comprehensive income for the full year		**-**	-	**148.2**	(85.3)	**-**	-	**1,325.3**	1,193.5	**1,473.5**	1,108.2
Transactions with owners in their capacity as owners											
Share based payments		**-**	-	**-**	-	**11.8**	30.7	**-**	-	**11.8**	30.7
Dividends		**-**	-	**-**	-	**-**	-	**(521.5)**	(499.4)	**(521.5)**	(499.4)
Share buy back		**(846.3)**	(1,135.6)	**-**	-	**-**	-	**-**	-	**(846.3)**	(1,135.6)
Share issues											
- Employee share scheme		**18.2**	36.1	**-**	-	**-**	-	**-**	-	**18.2**	36.1
Tax Adjustment[2]		**8.6**	(9.7)	**-**	-	**-**	-	**-**	-	**8.6**	(9.7)
As at the end of the year		**(2,797.8)**	(1,978.3)	**599.5**	451.3	**138.8**	127.0	**5,221.5**	4,417.7	**3,162.0**	3,017.7

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

[2] In the period ended 30 June 2014 the Group successfully resolved an outstanding tax matter with the ATO relating to equity raising costs. In the prior comparative period CSL had received amended assessment notices and had reversed the benefit originally recognised in the 2009 financial year. The successful resolution of the matter reinstates the original benefit.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Notes	Consolidated Entity 2014 US$m	2013 US$m
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**5,501.1**	5,104.7
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,761.8)**	(3,479.2)
		1,739.3	1,625.5
Income taxes paid		**(349.1)**	(298.2)
Interest received		**20.6**	33.9
Borrowing costs		**(50.1)**	(49.5)
Net cash inflow from operating activities		**1,360.7**	1,311.7
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment		**0.3**	0.4
Payments for property, plant and equipment		**(353.9)**	(433.2)
Payments for intangible assets		**(48.0)**	(16.9)
Receipts from other financial assets		**0.1**	0.2
Net cash outflow from investing activities		**(401.5)**	(449.5)
Cash flows from Financing Activities			
Proceeds from issue of shares		**17.8**	36.1
Dividends paid		**(521.5)**	(499.4)
Proceeds from borrowings		**200.0**	565.6
Repayment of borrowings		**(3.5)**	(171.3)
Payment for shares bought back		**(829.9)**	(1,150.1)
Payment for settlement of finance hedges		**-**	0.6
Net cash outflow from financing activities		**(1,137.1)**	(1,218.5)
Net decrease in cash and cash equivalents		**(177.9)**	(356.3)
Cash and cash equivalents at the beginning of the financial year		**759.8**	1,168.1
Exchange rate variations on foreign cash and cash equivalent balances		**24.4**	(52.0)
Cash and cash equivalents at the end of the financial year		**606.3**	759.8

The consolidated statement of cash flows should be read in conjunction with the accompanying notes

Contents

About this Report

Notes to the financial statements:

Corporate information

CSL Limited is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange. This financial report covers the financial statements for the consolidated entity consisting of CSL Limited and its subsidiaries (together referred to as the Group).

A description of the nature of the Group's operations and its principal activities is included in the directors' report.

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, International Financial Reporting Standards (IFRS) and the Corporations Act 2001. It presents information on a historical cost basis, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value. Amounts have been rounded off to the nearest hundred thousand dollars.

The report is presented in US Dollars, because this currency is the pharmaceutical industry standard currency for reporting purposes. It is the predominant currency of the Group's worldwide sales and operating expenses.

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of CSL Limited and its subsidiaries as at 30 June 2014. CSL has control of its subsidiaries when it is exposed to, and has the rights to, variable returns from its involvement with those entities and when it has the ability to affect those returns. A list of significant controlled entities (subsidiaries) at year-end is contained in note 17.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated as it is controlled by the Group.

c. Foreign currency

While the presentation currency of the Group is US dollars, entities in the Group may have other functional currencies, reflecting the currency of the primary economic environment in which the relevant entity operates. The parent entity, CSL Limited, has a functional currency of Australian dollars.

If an entity in the Group has undertaken transactions in foreign currency, these transactions are translated into that entity's functional currency using the exchange rates prevailing at the dates of the transactions. Where the functional currency of a subsidiary is not US dollars, the subsidiary's assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at balance date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity.

d. Other accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

e. Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and estimates of future events. Material judgements and estimates are found in the following notes:

f. The notes to the financial statements

The notes to these financial statements have been organised into logical groupings to help users find and understand the information they need. Where possible, related information has been provided in the same place. More detailed information (for example, valuation methodologies and certain reconciliations) has been placed at the rear of the document and cross-referenced where necessary. CSL has also reviewed the notes for materiality and relevance and provided additional information where it is helpful to an understanding of the Group's performance.

g. Significant changes in the current reporting period

The Group has adopted one accounting standard in the current period that required restatement of previous financial statements: AASB 119 Employee Benefits. The major changes were:

- the replacement of expected returns on plan assets. The new requirement is to recognise interest on the net defined benefit position using the discount rate used to measure plan liabilities. (This caused a $6.1m increase in defined benefit expense in the prior comparative period)

- a recognition of risk sharing in the calculation of the defined benefit obligation. (This caused a $12.3m reduction in the value of the defined benefit obligation as at 30 June 2013)

These changes have been applied retrospectively and the prior period comparables have been adjusted accordingly.

Other accounting standards adopted for the first time in the current period were AASB13 Fair Value Measurement (which had no impact on the financial statements other than additional disclosures), and AASB2011-4, which caused certain disclosures related to individual Key Management Personnel to be moved from the Financial Statements to the Remuneration Report.

Our Current Performance

Note 1: Segment Information

The Group's segments represent strategic business units that offer different products and operate in different industries and markets. They are consistent with the way the CEO (who is the chief operating decision-maker) monitors and assesses business performance in order to make decisions about resource allocation. Performance assessment is based on EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). These measures are different from the profit or loss reported in the consolidated financial statements which is shown after net interest and tax expense. This is because decisions that affect net interest expense and tax expense are made at the Group level. It is not considered appropriate to measure segment performance at the net profit after tax level.

The Group's operating segments are:

- **CSL Behring** – manufactures markets and develops plasma therapies (plasma products and recombinants)
- **bioCSL** – manufactures and distributes non-plasma biotherapeutic products
- **CSL Intellectual Property** – captures revenue and associated expenses from the licensing of intellectual property generated by the Group to unrelated third parties, and research and development expenses on projects where the Group has yet to determine the ultimate commercialisation strategy

	CSL Behring		bioCSL		CSL Intellectual Property		Intersegment Elimination		Consolidated Entity	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	US$m	**US$m restated**	**US$m**	**US$m restated**	**US$m**	**US$m restated**	**US$m**	**US$m restated**	**US$m**	**US$m restated**
Sales to external customers	4,941.5	4,500.9	393.3	449.5	-	-	-	-	5,334.8	4,950.4
Other revenue / Other income (excl interest income)	5.9	3.5	16.5	10.9	144.7	134.3	-	-	167.1	148.7
Total segment revenue	4,947.4	4,504.4	409.8	460.4	144.7	134.3	-	-	5,501.9	5,099.1
Interest income									20.1	29.4
Unallocated revenue/income									2.3	1.0
Consolidated revenue									**5,524.3**	**5,129.5**
Segment EBIT	1,643.8	1,557.2	(6.0)	(2.0)	54.2	(0.4)	-	-	1,692.0	1,554.8
Unallocated revenue/income less unallocated costs									(54.8)	(75.2)
Consolidated EBIT									1,637.2	1,479.6
Interest income									20.1	29.4
Finance costs									(53.0)	(47.7)
Consolidated profit before tax									1,604.3	1,461.3
Income tax expense									(297.3)	(249.9)
Consolidated net profit after tax									1,307.0	1,211.4
Amortisation	29.4	31.1	-	-	-	-	-	-	29.4	31.1
Depreciation	126.5	120.7	19.5	26.8	7.0	7.6	-	-	153.0	155.1
Segment EBITDA	1,799.7	1,709.0	13.5	24.8	61.2	7.2	-	-	1,874.4	1,741.0
Unallocated revenue/income less unallocated costs									(54.8)	(75.2)
Unallocated depreciation and amortisation									12.5	15.4
Consolidated EBITDA									1,832.1	1,681.2
Segment assets	5,486.3	5,116.2	378.4	369.8	24.2	27.9	(32.5)	(54.2)	5,856.4	5,459.7
Other unallocated assets									1,573.2	1,560.8
Elimination of amounts between operating segments and unallocated									(1,151.9)	(1,046.4)
Total assets									6,277.7	5,974.1
Segment liabilities	2,118.8	2,103.1	116.1	121.1	3.6	4.2	(32.5)	(54.2)	2,206.0	2,174.2
Other unallocated liabilities									2,061.6	1,828.6
Elimination of amounts between operating segments and unallocated									(1,151.9)	(1,046.4)
Total liabilities									3,115.7	2,956.4
Other information – capital expenditure										
Payments for property, plant and equipment	330.6	407.3	7.8	16.6	6.1	9.3	-	-	344.5	433.2
Unallocated payments for property, plant and equipment									9.4	-
Payments for intangibles	48.0	16.9	-	-	-	-	-		48.0	16.9
Total capital expenditure									401.9	450.1

Inter-segment sales

Inter-segment sales are carried out on an arm's length basis and reflect current market prices.

Geographical areas of operation

The Group operates predominantly in Australia, the USA, and Germany. The rest of the Group's operations are spread across many countries and are collectively disclosed as 'Rest of World'.

Geographic areas	Australia		United States		Germany		Rest of world		Total	
	US$m		US$m		US$m		US$m		US$m	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
External sales revenue	**572.0**	630.3	**2,026.9**	1,868.2	**755.7**	739.4	**1,980.2**	1,712.5	**5,334.8**	4,950.4
Property, plant, equipment and intangible assets	**616.6**	563.3	**695.5**	587.8	**363.9**	276.7	**1,079.1**	1,015.1	**2,755.1**	2,442.9

Note 2: Revenue and Expenses

Revenue

	2014	2013
	US$m	US$m restated
Sales	**5,334.8**	4,950.4
Royalties	**120.7**	129.7
Finance revenue	**20.1**	29.4
Licence revenue	**25.0**	5.9
Other	**23.7**	14.1
Total revenue from continuing operations	**5,524.3**	5,129.5

Recognition and measurement of revenue

Revenue is recognised and measured at the fair value of the consideration that has been or will be received. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

Further information about each source of revenue and the criteria for recognition follows.

Sales: Revenue earned (net of returns, discounts and allowances) from the sale of products. Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Royalties: Income received or receivable from licensees of CSL intellectual property, where the amount payable is based on sales of product, is recognised as it accrues which is when the Group has a legally enforceable claim.

Finance revenue: Income from cash deposits is recognised as it accrues.

Licence revenue: Milestone income received or receivable from licensees of CSL intellectual property is recognised as it accrues.

Other: Rent, proceeds from sale of fixed assets and other income is recognised as it accrues.

Expenses

	2014	2013
	US$m	US$m restated
Finance costs	**53.0**	47.7
Depreciation and amortisation of fixed assets	**165.5**	170.5
Amortisation of intangibles	**29.4**	31.1
Total depreciation and amortisation expense	**194.9**	201.6
Write-down of inventory to net realisable value	**115.1**	46.0
Rental expenses relating to operating leases	**36.1**	32.9
Employee benefits expense	**1,194.3**	1,123.5

Recognition and measurement of expenses

Finance costs: includes interest expense and borrowing costs. These are recognised as an expense when incurred, except where borrowing costs are directly attributable to the acquisition or construction of a qualifying asset. In this case they are capitalised as part of the cost of the asset. Interest-bearing liabilities and borrowings are stated at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the borrowings' period using the effective interest method.

Depreciation and amortisation: Refer to Note 8 for details on depreciation and amortisation of fixed assets and Note 7 for details on amortisation of intangibles.

Write-down of inventory to net realisable value: is included in Cost of Sales in the statement of comprehensive Income. Refer to Note 4 for details of inventories.

Employee benefits expense: Refer to Note 5 for further details.

Rental expenses relating to operating leases: Operating leases are leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Goods and Services Tax and other foreign equivalents (GST)

Revenues, expenses and assets are recognised net of GST, except where GST is not recoverable from a taxation authority, in which case it is recognised as part of an asset's cost of acquisition or as part of the expense.

Note 3: Tax

	2014 US$m	2013 US$m restated
a. Income tax expense recognised in the statement of comprehensive income		
Current tax expense		
Current year	326.9	301.4
Deferred tax expense		
Origination and reversal of temporary differences	(21.8)	(47.2)
Total deferred tax expense	(21.8)	(47.2)
Over provided in prior years	(7.8)	(4.3)
Income tax expense	**297.3**	**249.9**
b. Reconciliation between tax expense and pre-tax net profit		
The reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	1,604.3	1,461.3
Income tax calculated at 30% (2013: 30%)	481.3	438.4
Effects of different rates of tax on overseas income	(165.5)	(169.9)
Research and development	(13.1)	(13.7)
Over provision in prior year	(7.8)	(4.3)
Other (non-assessable revenue)/non-deductible expenses	2.4	(0.6)
Income tax expense	297.3	249.9
c. Income tax recognised directly in equity		
Deferred tax benefit		
Share-based payments	6.2	11.3
d. Deferred tax assets and liabilities		
Deferred tax asset	299.1	262.3
Deferred tax liability	(127.7)	(115.0)
Net deferred tax asset/(liability)	171.4	147.3
Deferred tax balances reflect temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income		
Inventories	127.2	107.8
Property, plant and equipment	(64.7)	(58.7)
Intangible assets	(57.0)	(76.6)

	2014 US$m	2013 US$m restated
Trade and other payables	31.8	15.7
Recognised carry-forward tax losses	24.8	17.3
Retirement assets/(liabilities)	24.4	29.8
Research and development offsets	19.0	10.2
Trade and other receivables	(6.9)	0.9
Other assets	(3.4)	(0.7)
Interest bearing liabilities	-	0.1
Other liabilities and provisions	53.1	58.9
Tax bases not in net assets – share-based payments	2.7	26.6
	151.0	131.3
Amounts recognised in equity		
Capital raising costs	-	1.8
Share-based payments	20.4	14.2
	20.4	16.0
Net deferred tax asset/(liability)	171.4	147.3
e. Movement in temporary differences during the year		
Opening balance	147.3	87.4
Credited/(charged) to profit before tax	21.8	47.2
Credited/(charged) to other comprehensive income	(5.4)	4.2
Credited/(charged) to equity	6.2	11.3
Currency translation difference	1.5	(2.8)
Closing balance	171.4	147.3
Unrecognised deferred tax assets		
Deferred tax assets not recognised for the following*:		
Tax losses:		
No expiry date	0.6	0.6
	0.6	0.6

*Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available for utilisation in the entities that have recorded these losses.

Current taxes

Current tax assets and liabilities are the amount expected to be recovered from (or paid to) tax authorities, under the tax rates and laws in each jurisdiction. These include any rates or laws that are enacted or substantively enacted as at the balance sheet date.

Deferred taxes

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, only if it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred income tax assets is reviewed at balance sheet date. If it is no longer probable that taxable profit will be available to utilise them, they are reduced accordingly.

Deferred tax is measured using tax rates and laws that are enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled.

Income taxes attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or in equity, and not in the income statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set-off current tax assets against current tax liabilities and if they relate to the same taxable entity or group and the same taxation authority.

CSL Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group effective from 1 July 2003.

Key Judgements and Estimates - Tax

Management regularly assesses the risk of uncertain tax positions, and recognition and recoverability of deferred tax assets. To do this requires judgements about the application of income tax legislation in jurisdictions in which the Group operates. These judgements and assumptions, which include matters such as the availability and timing of tax deductions and the application of the arm's length principle to related party transactions, are subject to risk and uncertainty. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded as a credit or charge to the statement of comprehensive income.

Note 4: Inventories

	2014	2013
	US$m	**US$m restated**
Raw materials	383.1	367.1
Work in progress	588.1	564.7
Finished goods	673.3	707.6
Total inventories	1,644.5	1,639.4

Raw Materials

Raw materials comprise collected and purchased plasma, chemicals, filters and other inputs to production that will be further processed into saleable products but have yet to be allocated to manufacturing.

Work in Progress

Work in progress comprises all inventory items that are currently in use in manufacturing and intermediate products such as pastes generated from the initial stages of the plasma production process.

Finished Products

Material that is ready for sale and has passed all quality control tests.

Inventories generally have expiry dates and the Group provides for product that is short dated. Expiry dates for raw material are no longer relevant once the materials are used in production. At this stage the relevant expiry date is that applicable to the resultant intermediate or finished product.

Inventories are carried at the lower of cost or net realisable value. Cost includes direct material and labour and an appropriate proportion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Net realisable value is the estimated revenue that can be earned from the sale of a product less the estimated costs of both completion and selling. The Group assesses net realisable value of plasma derived products on a basket of products basis given their joint product nature.

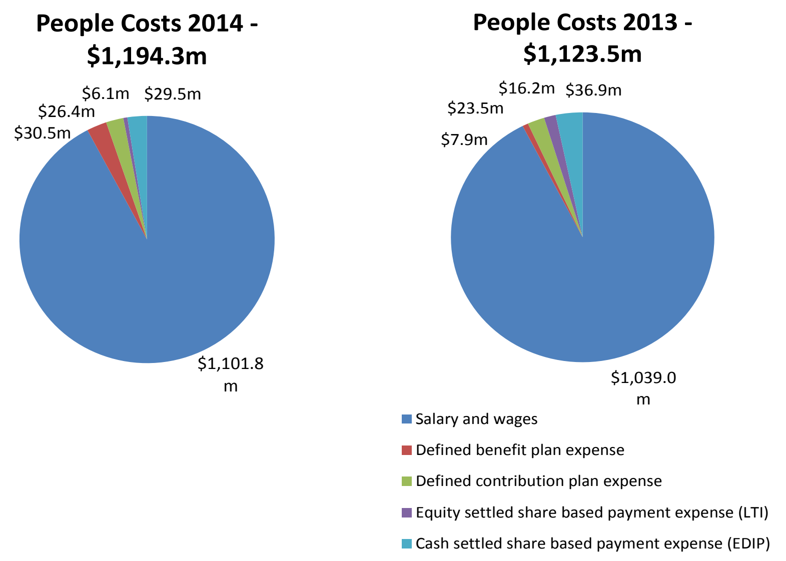
Key judgements and estimates - Inventory

Various factors affect the assessment of recoverability of the carrying value of inventory, including regulatory approvals and future demand for the Group's products. These factors are taken into account in determining the appropriate level of provisioning for inventory.

Note 5: People Costs

i. Employee benefits

Employee benefits include salaries and wages, annual leave and long-service leave, defined benefit and defined contribution plans and share-based payments incentive awards.



a. Salaries and wages

Wages and salaries include non-monetary benefits, annual leave and long service leave. These are recognised and presented in different ways in the financial statements:

- The liability for annual leave and the portion of long service leave expected to be paid within twelve months is recognised in the current provision for employee benefits at the amount expected to be paid.
- The liability for long service leave expected to be paid after one year is recognised in the non-current employee benefits provision. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

b. Defined benefit plans

	2014	2013
	US$m	US$m restated
Expenses/(gains) recognised in the statement of comprehensive income are as follows:		
Current service costs	24.7	22.5
Net Interest cost	5.7	6.1
Past service costs #	0.1	(20.7)
Total included in employee benefits expense	30.5	7.9

 # past service costs arise as a consequence of a reduction in plan benefits and the introduction of employee risk sharing in one group plan.

Defined benefit pension plans provide either a defined lump sum or ongoing pension benefits for employees upon retirement, based on years of service and final average salary.

Liabilities or assets in relation to these plans are recognised in the balance sheet, measured as the present value of the obligation less the fair value of the pension fund's assets at that date, adjusted for future taxes.

Present value is based on expected future payments to the reporting date, calculated by independent actuaries using the projected unit credit method. Past service costs are recognised in income on the earlier of the date of plan amendments or curtailment, and the date that the Group recognises restructuring related costs.

Key judgements and estimates – People Costs

The determination of certain employee benefit liabilities requires an estimation of future employee service periods and salary levels and the timing of benefit payments. These assessments are made based on past experience and anticipated future trends. The expected future payments are discounted using the rate applicable to high quality corporate bonds (where a deep market exists) and government bond rates in Australia. Discount rates are matched to the expected payment dates of the liabilities.

c. Defined contribution plans

The Group makes contributions to various defined contribution pension plans and the Group's obligation is limited to these contributions. The amount recognised as an expense for the year ended 30 June 2014 was $26.4m (2013: $23.5m).

d. Equity settled share-based payments expense

Share-based payments expenses arise from the following plans that award long-term incentives:

- Global Employee Share Plan (GESP).
- Employee Performance Rights Plan.
- LTI options plan.

Detailed information about the terms and conditions of the share-based payments arrangements is presented in note 20.

Recognition and measurement

Outstanding share-based payment equity instruments

The number and weighted average exercise price for each share-based payment scheme outstanding is as follows. All options and rights are settled by physical delivery of shares.

	Options		Performance Rights		GESP		Total
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price #	
Outstanding at the beginning of the year	1,905,404	A$33.45	1,031,276	A$0.00	68,515	A$50.40	3,005,195
Granted during the year	-	-	150,656	A$0.00	138,643	A$56.99	289,299
Exercised during the year	373,841	A$33.87	276,511	A$0.00	134,934	A$53.86	785,286
Forfeited during the year	13,889	A$33.15	9,975	A$0.00	-	-	23,864
Lapsed during the year	655	A$37.91	-	-	-	-	655
Closing balance at the end of the year	1,517,019	A$33.35	895,446	A$0.00	72,224	A$56.57	2,484,689
Exercisable at the end of the year	197,346	A$36.62	100,165	A$0.00			297,511

 # The exercise price at which GESP plan shares are issued is calculated at a 15% discount to the lower of the ASX market price on the first and last dates of the contribution period. Accordingly the exercise price and the final number of shares to be issued is not yet known (and may differ from the assumptions and fair values disclosed below). The number of shares which may ultimately be issued from entitlements granted on 1 March 2014 has been estimated based on information available as at 30 June 2014.

The weighted average share price at the dates of exercise, by equity instrument type, is as follows:

	2014	2013
Options	A$66.85	A$48.46
Performance Rights	A$67.96	A$50.10
GESP	A$53.86	A$50.84

e. Cash-settled share-based payments expense

On 1 October 2013, 364,233 notional shares were granted to employees under the Executive Deferred Incentive Plan (EDIP) (2012: 421,250). The notional shares will generate a cash payment to participants in three years' time, provided they are still employed by the company and receive a satisfactory performance review over that period. The amount of the cash payment will be determined by reference to the CSL share price immediately before the three year anniversary of grant.

The October 2010 EDIP grant vested during the period ended 30 June 2014 and an amount of $28m was paid to employees (2013: $Nil). The carrying amount of the liability at 30 June 2014 is $49.7m (2013: $47.3m) measured at fair value. Fair value is determined by reference to the CSL share price at balance date, adjusted for expected future dividends that will be paid between balance date and vesting date.

ii. Key management personnel disclosures

The remuneration of Directors and key management personnel is disclosed in section 17 of the Directors' Report on page 52 of the annual report and has been audited.

a. Total compensation for key management personnel

	US$ 2014	US$ 2013
Total of short term remuneration elements	12,512,354	18,038,296
Total of post-employment elements	543,812	644,096
Total of other long term elements	1,506,695	1,913,093
Total of share-based payments	4,971,575	14,567,816
Total of all remuneration elements	19,534,436	35,163,301

Our Future

Note 6: Research & Development

The Group conducts research and development activities to support future development of products to serve our patient communities, to enhance our existing products and to develop new therapies.

All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful. At the point of approval the total cost of development has largely been incurred.

For the year ended 30 June 2014, the research costs expensed were $466.4m (2013: $426.8m). Further information about the Group's research and development activities can be found on the CSL website.

Note 7: Intangible Assets

	Goodwill		Intellectual property		Software		Intangible capital work in progress		Total	
Year	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Cost	731.1	687.5	363.2	331.8	105.5	91.4	27.1	9.8	1,226.9	1,120.5
Accumulated depreciation	-	-	(244.5)	(220.4)	(58.3)	(44.4)	-	-	(302.8)	(264.8)
Net carrying amount	**731.1**	**687.5**	**118.7**	**111.4**	**47.2**	**47.0**	**27.1**	**9.8**	**924.1**	**855.7**
Movement										
Net carrying amount at the beginning of the year	687.5	682.2	111.4	131.6	47	42.1	9.8	9.4	855.7	865.3
Additions	10.1	-	18.2	0.2	0.5	0.7	26.1	13.7	54.9	14.6
Transfers from intangible capital work in progress	-	-	-	(0.7)	12.5	18.6	(12.5)	(17.9)	-	-
Transfers from property, plant and equipment	-	-	-	-	-	-	3.4	4.6	3.4	4.6
Disposals		-		(2.1)		-		-		(2.1)
Amortisation for the year[3]	-	-	(16.3)	(16.7)	(13.1)	(14.4)	-	-	(29.4)	(31.1)
Currency translation differences	33.5	5.3	5.4	(0.9)	0.3	-	0.3	-	39.5	4.4
Net carrying amount at the end of the year	**731.1**	**687.5**	**118.7**	**111.4**	**47.2**	**47.0**	**27.1**	**9.8**	**924.1**	**855.7**

[3] The amortisation charge is recognised in general and administration expenses in the statement of comprehensive income

Goodwill

Any excess of the fair value of the purchase consideration of an acquired business over the fair value of the identifiable net assets (minus incidental expenses) is recorded as goodwill.

Goodwill is allocated to each of the cash-generating units (the business unit which represents the lowest level within the Group at which goodwill is monitored) expected to benefit from the combination. The aggregate carrying amounts of goodwill allocated to each business unit are as follows:

	2014 $m	2013 $m
CSL Behring	719.7	676.3
CSL Intellectual Property	11.4	11.2
Closing balance of goodwill as at 30 June	731.1	687.5

Goodwill is not amortised, but is measured at cost less any accumulated impairment losses. Impairment occurs when a business unit's recoverable amount falls below the carrying value of its net assets.

The results of the impairment test show that each business unit's recoverable amount exceeds the carrying value of its net assets, inclusive of goodwill. Consequently, there is no goodwill impairment as at 30 June 2014.

In addition, it is not considered a reasonable possibility for a change in assumptions to occur that would lead to impairment.

Intellectual property

Intellectual property acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment.

The $18.2m of additions in the 2014 (2013: $0.2m) comprise a Distribution Agreement for an in-licensed product ($10m) and software licences ($8.2m) paid in advance. The distribution agreement has a ten year life and the software licences will be transferred to projects once they are used and will have the same useful life as the underlying project.

All Intellectual Property has a finite life.

Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset.

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life of the asset. The amortisation period and method is reviewed at each financial year end as a minimum.

Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

Intangible assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Key judgements and estimates

The impairment assessment process requires management to make significant judgements. Determining whether goodwill has been impaired requires an estimation of the recoverable amount of the cash generating units using a value in use discounted cash flow methodology. This is calculated using cash flow projections based on operating budgets and a three-year strategic business plan, after which a terminal value, based on management's view of the longer term growth profile of the business is applied. Cash flows have been discounted using an implied pre-tax discount rate of 9.4% (2013: 9.5%) which is calculated with reference to external analyst views, long-term government bond rates and the company's pre0tax cost of debt. In the context of intangible assets of indefinite life, this requires an estimation of the discounted net cash inflows that may be generated through the use or sale of the intangible asset. The determination of cash flows over the life of an asset requires judgement in assessing the future demand for the Group's products, any changes in the price and cost of those products and of other costs incurred by the Group.

Note 8: Property, Plant and Equipment

	Land		Buildings		Leasehold improvements		Plant and equipment		Leased property, plant and equipment		Capital work in progress		Total	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Cost	23.9	23.5	335.9	312.3	153.1	99.8	1,900.1	1,735.7	37.9	33.9	662.5	496.3	3,113.4	2,701.5
Accumulated depreciation	-	-	(116.2)	(98.6)	(38.3)	(33.2)	(1,107.4)	(964.1)	(20.5)	(18.4)	-	-	(1,282.4)	(1,114.3)
Net carrying amount	23.9	23.5	219.7	213.7	114.8	66.6	792.7	771.6	17.4	15.5	662.5	496.3	1,831.0	1,587.2
Movement														
Net carrying amount at the start of the year	23.5	25.6	213.7	208.7	66.6	57.4	771.6	769.0	15.5	15.9	496.3	304.3	1,587.2	1,380.9
Transferred from capital work in progress	-	-	12.6	25.6	56.8	16.6	123.2	143.0	-	-	(196.0)	(189.8)	(3.4)	(4.6)
Other Additions	-	-	0.4	-	0.7	1.6	11.7	15.8	5.0	2.4	352.2	403.1	370.0	422.9
Disposals	-	-	-	(0.7)	(4.2)	(1.3)	(28.8)	(23.7)	(2.2)	(1.2)	-	-	(35.2)	(26.9)
Depreciation / amortisation for the year	-	-	(13.7)	(13.7)	(9.4)	(7.3)	(139.4)	(146.7)	(3.0)	(2.8)	-	-	(165.5)	(170.5)
Depreciation / amortisation on disposals	-	-	-	0.6	4.2	1.2	28.2	23.2	1.7	0.8	-	-	34.1	25.8
Currency translation differences	0.4	(2.1)	6.7	(6.8)	0.1	(1.6)	26.2	(9.0)	0.4	0.4	10.0	(21.3)	43.8	(40.4)
Net carrying amount at the end of the year	23.9	23.5	219.7	213.7	114.8	66.6	792.7	771.6	17.4	15.5	662.5	496.3	1,831.0	1,587.4

Property, plant and equipment

Land, buildings, capital work in progress and plant and equipment assets are recorded at historical cost less, where applicable, depreciation and amortisation.

Depreciation is on a straight-line basis over the estimated useful life of the asset. However certain assets are being depreciated using a diminishing value method over a period of 3 years as this method better matches their utilisation over their estimated useful life.

Buildings	5 – 40 years
Plant and equipment	3 – 15 years
Leasehold improvements	5 – 10 years

Assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Items of property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their use or disposal.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

Gains and losses on disposals of items of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income when realised.

Assets under Finance Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. A finance lease is capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term

Leasehold improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Note 9: Deferred Government Grants

	US$m	US$m
	2014	**2013**
Current deferred income	2.3	0.9
Non-current deferred income	40.9	37.0
Total deferred government grants	43.2	37.9

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to an expense item are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate. Government grants received for which there are no future related costs are recognised in the statement of comprehensive income immediately. Government grants relating to the purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are released to the statement of comprehensive income on a straight line basis over the expected useful lives of the related assets.

Returns, Risk & Capital Management

Note 10: Shareholder Returns

This note provides the background to our commentary in the "Dividends and Financial Results" section in our Annual Report on page 10.

Dividends

Dividends are paid from the retained earnings of CSL Limited, as the parent entity of the Group. (See Note 20B in Appendix for the Group's retained earnings). During the year, the parent entity reported profits of A$1,055.4m (2013: A$1,398.8m).

The parent entity's retained earnings as at 30 June 2014 were A$4,243.2m (2013: A$3,749.7m). Of the parent entity profit, A$562.6m (the equivalent of US$521.5m) was distributed to shareholders as a dividend, with a further A$307.0m (the equivalent of US$284.9m) being determined as a dividend payable subsequent to the balance date.

FY13	US$m	US$m
Paid: Final ordinary dividend of US$0.52 per share, unfranked, paid on 4 October 2013 (2013: A$0.47 per share, unfranked)	255.8	247.1
FY14		
Paid: Interim ordinary dividend of US$0.53 per share, unfranked, paid on 4 April 2014 (2013: US$0.50 per share, unfranked)	265.7	252.3
Total paid	**521.5**	**499.4**
Determined, but not paid at year end: Final ordinary dividend of $0.60 per share, unfranked, expected to be paid on 3 October 2014 based on the share on issue at reporting date. The aggregate amount of the proposed dividend will depend on actual number of shares on issue at dividend record date.	284.9	253.4
Total dividends	**806.4**	**752.8**

The distribution in respect of the 2014 financial year represents a US$1.13 dividend paid for FY2014 on each ordinary share held. These dividends are approximately 41.8% of the Group's basic earnings per share ("EPS") of US$2.701 for the 2014 financial year.

Earnings per Share

CSL's basic and diluted EPS are calculated using the Group's net profit for the financial year of US$1,307.0m (2013: US$1,211.4m).

	2014	2013
Basic EPS	**US$2.701**	**US$2.249**
Weighted average number of ordinary shares	483,822,940	498,606,572
Diluted EPS	**US$2.691**	**US$2.421**
Adjusted weighted average number of ordinary shares, represented by:	485,624,270	500,315,524
Weighted average ordinary shares	*483,822,940*	*498,606,572*
Plus:		
Employee share options	*823,106*	*755,853*
Employee performance rights[4]	*960,813*	*935,133*
Global employee share plan	*17,411*	*17,966*

Diluted EPS differs from Basic EPS as the calculation takes into account the conversion of potential ordinary shares arising from employee share schemes operated by the Group.

On-market Share Buyback

During the year, the Group carried out an on-market share buyback of up to A$950m as an element of its capital management.

The on-market buyback was chosen as the most effective method to return capital to shareholders after consideration of the various alternatives. The on-market buyback provides the Group with maximum flexibility and allows shareholders to choose whether to participate through normal equity market processes.

[4] Subsequent to 30 June 2014, 4,025 shares were issued, as required under the Employee Performance Rights Plan. There have been no other ordinary shares issued since the reporting date and before the completion of this financial report.

The Group's contributed equity is represented by the Share Buyback Reserve of (US$2,797.8m) (2013: (US$1,978.3m)). The Group's ordinary share contributed equity has been reduced to nil from previous share buybacks.

Contributed Equity

The following table illustrates the movement in the Group's contributed equity.[5]

	2014		2013	
	Number of shares	US$m	Number of shares	US$m
Opening balance at 1 July	487,352,182	(1,978.3)	506,929,847	(869.1)
Shares issued to employees via (see also Note 20B):				
Performance Options Plan	373,841	11.6	853,680	30.4
Performance Rights Plan (for nil consideration)	276,511	-	364,264	-
Global Employee Share Plan (GESP)	134,934	6.6	171,111	5.7
Share buy-back, inclusive of cost	(13,349,199)	(846.3)	(20,966,720)	(1,135.6)
Tax Adjustment[6]	-	8.6	-	(9.7)
Closing balance	474,788,269	(2,797.8)	487,352,182	(1,978.3)

[5] Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where the Group reacquires its own shares, for example as a result of a share buy-back, those shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid to acquire the shares, including any directly attributable transaction costs net of income taxes, is recognised directly as a reduction in equity.

[6] In the period ended 30 June 2014 the Group successfully resolved an outstanding tax matter with the ATO relating to equity raising costs. In the prior comparative period CSL had received amended assessment notices and had reversed the benefit originally recognised in the 2009 financial year. The successful resolution of the matter reinstates the original benefit.

Note 11: Financial Risk Management

CSL holds financial instruments that arise from the Group's need to access financing, from the Group's operational activities and as part of the Group's risk management activities.

The Group is exposed to financial risks associated with its financial instruments. Financial instruments comprise cash and cash equivalents, receivables, payables, bank loans and overdrafts, unsecured notes, lease liabilities and derivative instruments.

The primary risks these give rise to are:

- Foreign exchange risk.
- Interest rate risk.
- Credit risk.
- Funding and liquidity risk.
- Capital management risk.

These risks, and the strategies used to mitigate them, are outlined below.

	Source of Risk	Risk Mitigation
a. Foreign exchange risk	The Group is exposed to foreign exchange risk because of its international operations. These risks relate to future commercial transactions, assets and liabilities denominated in other currencies and net investments in foreign operations.	Where possible CSL takes advantage of natural hedging (i.e., the existence of payables and receivables in the same currency). Where this is not possible CSL's policy is to hedge contractual commitments denominated in a foreign currency by entering into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at predetermined exchange rates.
b. Interest rate risk	The Group is exposed to interest rate risk through its primary financial assets and liabilities.	The Group mitigates interest rate risk on borrowings primarily by entering into fixed rate arrangements, which are not subject to interest rate movements in the ordinary course. If necessary, CSL also hedges interest rate risk using derivative instruments. As at 30 June 2014, no derivative financial instruments hedging interest rate risk were outstanding (2013: Nil).
c. Credit risk	The Group is exposed to credit risk from financial instruments contracts and trade and other receivables. The maximum exposure to credit risk at balance date is the carrying amount, net of any provision for impairment, of each financial asset in the balance sheet.	The Group mitigates credit risk from financial instruments contracts by only entering into transactions with counterparties who have sound credit ratings and with whom the Group has a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Group minimises the credit risk associated with trade and other debtors by undertaking transactions with a large number of customers in various countries. Creditworthiness of customers is reviewed prior to granting credit, using trade references and credit reference agencies.
d. Funding and liquidity risk	The Group is exposed to funding and liquidity risk from operations and from external borrowing. One type of this risk is credit spread risk, which is the risk that in refinancing its debt, CSL may be exposed to an increased credit spread. Another type of this risk is liquidity risk, which is the risk of not being able to refinance debt obligations or meet other cash outflow obligations when required. Liquidity and re-financing risks are not significant for the Group, as CSL has a prudent gearing level and strong cash flows.	The Group mitigates funding and liquidity risks by ensuring that: • The Group has sufficient funds on hand to achieve its working capital and investment objectives • By focusing on improving operational cash flow and maintaining a strong balance sheet • Short-term liquidity, long-term liquidity and crisis liquidity requirements are effectively managed, minimising the cost of funding and maximising the return on any surplus funds through efficient cash management • It has adequate flexibility in financing to balance short-term liquidity requirements and long-term core funding and minimise refinancing risk
e. Capital Risk Management	The Group's objectives when managing capital are to safeguard its ability to continue as a going concern while providing returns to shareholders and benefits to other stakeholders. Capital is defined as the amount subscribed by shareholders to the Company's ordinary shares and amounts advanced by debt providers to any Group entity.	The Group aims to maintain a capital structure, which reflects the use of a prudent level of debt funding. The aim is to reduce the Group's cost of capital without adversely affecting the credit margins applied to the Group's debt funding. Each year the Directors determine the dividend taking into account factors such as liquidity and the availability of franking credits. Refer to Note 10 for details of share buybacks.

Risk management approach

The Group uses sensitivity analysis (together with other methods) to measure the extent of financial risks and decide if they need to be mitigated.

If so, the Group's policy is to use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to support its objective of achieving financial targets while seeking to protect future financial security.

The aim is to reduce the impact of short-term fluctuations in currency or interest rates on the Group's earnings.

Derivatives are exclusively used for this purpose and not as trading or other speculative instruments.

a. Foreign exchange risk

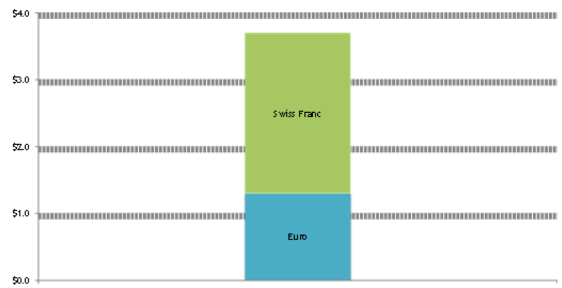
The objective is to match the contracts with committed future cash flows from sales and purchases in foreign currencies to protect the Group against exchange rate movements. Contracts to buy and sell foreign currencies are also entered into from time to time to offset purchase and sale obligations.

The Group reduces its foreign exchange risk on net investments in foreign operations by denominating external borrowings in currencies that match the currencies of its foreign investments.

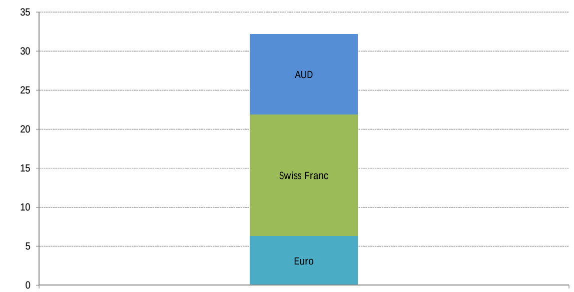
Due to the international nature of the Group's operations it incurs foreign exchange risk in most group entities. In order to manage the stand alone financial results of group entities, these entities enter into forward exchange contracts with financial institutions. Many of the exposures managed in this way arise from inter-company transactions which eliminate on consolidation.

The total value of forward exchange contracts in place at reporting date is $1.0bn (2013: $0.9bn). These contracts are entered into with a rolling monthly maturity thereby mitigating significant fair value risk. The contracts are placed with financial institutions and expose the Group to counterparty credit risk. This risk is managed by only dealing with financial institutions with counterparties with sound credit ratings and by imposing caps on the exposure to any single counterparty.

Sensitivity analysis - USD values (US$m)



Profit after tax – sensitivity to general movement of 1%
This calculation is based on changing the actual exchange rate of US Dollars to all other currencies during the year by 1% and applying these adjusted rates to the translation of the foreign currency denominated financial statements of various Group entities.



Equity – sensitivity to general movement of 1%
Any change in equity is recorded in the Foreign Currency Translation Reserve.

This calculation is based on changing the actual exchange rate of US Dollars to all other currencies as at 30 June 2014 by 1% and applying these adjusted rates to the net assets (excluding investments in subsidiaries) of the foreign currency denominated financial statements of various Group entities. The potential movement in the Australian dollar is material to equity as a result of the assets, including cash, held by Australian Dollar denominated entities. However it is not material to profit & loss.

b. Interest rate risk

At 30 June 2014 it is estimated that a general movement of one percentage point in the interest rates applicable to investments of cash and cash equivalents would have changed the Group's profit after tax by approximately $4.2m.This calculation is based on applying a 1% movement to the total of the Group's cash and cash equivalents at year end.

At 30 June 2014 it is estimated that a general movement of one percentage point in the interest rates applicable to floating rate unsecured bank loans would have changed the Group's profit after tax by approximately $3.9m. This calculation is based on applying a 1% movement to the total of the Group's unsecured bank loans at year end.

As at 30 June 2014, the Group had the following bank facilities, unsecured notes and finance leases:

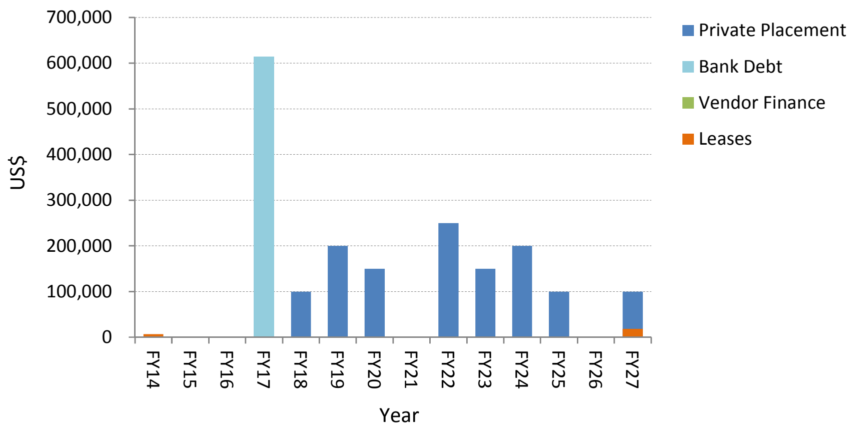
- Three revolving committed bank facilities. These facilities mature in November 2016. Interest on the facilities is paid quarterly in arrears at a variable rate. As at the reporting date the Group had $191.5 million in undrawn funds available under these facilities

- US$1,250.0 million of Senior Unsecured Notes in the US Private Placement market. The notes mature in March 2018 (US$100m), November 2018 (US$200m), March 2020 (US$150m), November 2021 (US$250m), March 2023 (US$150m), November 2023 (US$200m), March 2025 (US$100m) and November 2026 (US$100m). The weighted average interest rate on the notes is fixed at 3.41%

- Finance leases with an average lease term of 11 years (2013: 12 years). The weighted average discount rate implicit in the leases is 5.19% (2013: 5.85%). The Group's lease liabilities are secured by leased assets of $15.5 million (2013: $15.5m). In the event of default, leased assets revert to the lessor

The Group is in compliance with all debt covenants. The maturity profile of the Group's debt is shown in the chart below.

Maturity Profile of Debt by Facility



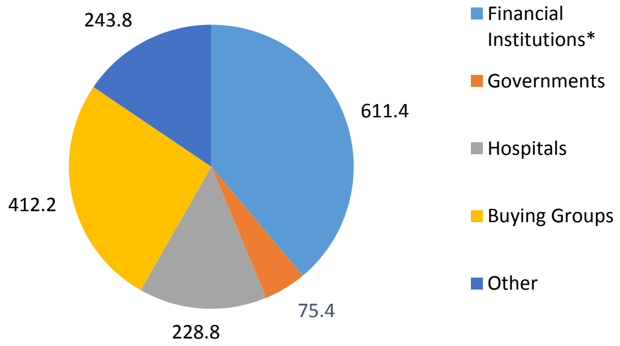
c. Credit Risk

The Group only invests its cash and cash equivalent financial assets with financial institutions having a credit rating of at least 'A' or better, as assessed by independent rating agencies.

	Fixed interest rate maturing													
	Floating rate [7]		1 year or less		Over 1 year to 5 years		Over 5 years		Non-interest bearing		Total		Average interest Rate	
	US$m		US$m		US$m		US$m		US$m		US$m		%	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial Assets								-						
Cash and cash equivalents	608.7	762.2	-	-	-	-	-	-	-	-	608.7	762.2	1.6%	3.0%
Trade and other receivables	-	-	-	-	-	-	-	-	961.6	859.1	961.6	859.1	-	-
Other financial assets	-	-	-	-	-	-	-	-	1.3	1.5	1.3	1.5	-	-
	608.7	762.2	-	-	-	-	-		962.9	860.6	1,571.6	1,622.8		
Financial Liabilities								-						
Trade and other payables	-	-	-	-	-	-	-	-	650.8	671.1	650.8	671.1	-	-
Bank loans – unsecured	613.9	406.6	-	-	-	-	-	-	-	-	613.9	406.6	1.1%	1.0%
Bank overdraft – unsecured	2.4	2.4	-	-	-	-	-		-	-	2.4	2.4	0.0%	2.2%
Senior unsecured notes	-	-	-	-	300.0	-	945.0	1,243.5	-	-	1,245.0	1,243.5	3.4%	3.4%
Lease liabilities	-	-	3.2	3.3	6.3	7.3	19.5	15.8	-	-	29.0	26.4	5.2%	5.9%
Other financial liabilities	-	-	-		-		-	-	1.3	3.8	1.3	3.8	-	-
	616.3	409.0	3.2	3.3	306.3	7.3	964.5	1,259.3	652.1	674.9	2,542,4	2,353.8	-	-

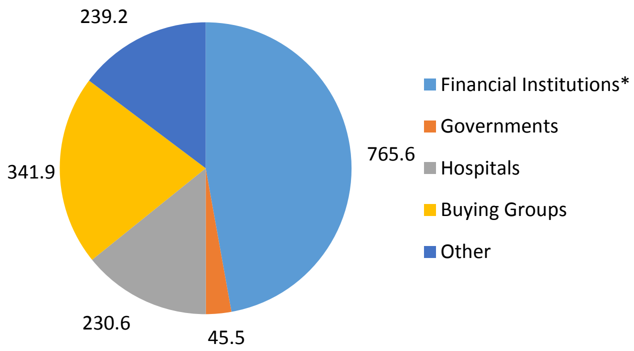
[7] Floating interest rates represent the most recently determined rate applicable to the instrument at balance sheet date. All interest rates on floating rate financial assets and liabilities are subject to reset within the next six months

Credit quality of financial assets (30 June 2014)



US$608.7m of the assets held with financial institutions is held as cash or cash equivalents, with US$1.4 of trade and other receivables and US$1.3m of other financial assets. All financial assets held with non-financial institutions are trade and other receivables.

Credit quality of financial assets (30 June 2013)



US$762.2m of the assets held with financial institutions were held as cash or cash equivalents, with US$1.9m of trade and other receivables and US$1.5m of other financial assets. All financial assets held with non-financial institutions were trade and other receivables.

Financial assets are considered impaired where there is evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if a financial asset is impaired include ageing and timing of expected receipts and the credit worthiness of counterparties. Where required, a provision for impairment is created for the difference between the financial asset's carrying amount and the present value of estimated future receipts. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

The Group has not renegotiated any material collection/repayment terms of any financial assets in the current financial year.

Government or government-backed entities (such as hospitals) often account for a significant proportion of trade receivables. As a result, the Group carries receivables from a number of Southern European governments. The credit risk associated with trading in these countries is considered on a country-by-country basis and the Group's trading strategy is adjusted accordingly. The factors taken into account in determining the credit risk of a particular country include recent trading experience, current economic and political conditions and the likelihood of continuing support from agencies such as the European Central Bank. An analysis of trade receivables that are past due and, where required, the associated provision for impairment, is as follows. All other financial assets are less than 30 days overdue.

	Trade receivables which are:				**Provision for impairment**	
	Not impaired		**Impaired**			
	2014 US$m	**2013 US$m**	**2014 US$m**	**2013 US$m**	**2014 US$m**	**2013 US$m**
Trade and other receivables:						
current but not overdue	703.8	619.6	2.3	-	2.3	-
less than 30 days overdue	67.5	41.6	1.3	-	1.3	-
between 30 and 90 days overdue	46.6	42.1	1.2	-	1.2	-
more than 90 days overdue	10.1	34.3	42.3	40.9	42.3	40.9
	828.0	**737.6**	**47.1**	**40.9**	**47.1**	**40.9**

d. Funding and liquidity risk

The following table analyses the Group's financial liabilities. It catagorises them into relevant maturity periods, taking into account the remaining period at the reporting date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

	2014	2013
Interest-bearing liabilities and borrowings	**US$m**	**US$m**
Current		
Bank overdrafts – Unsecured	2.4	2.4
Lease liability – Secured	3.2	3.3
	5.6	5.7
Non-current		
Bank loans – Unsecured	613.9	406.6
Senior Unsecured Notes - Unsecured	1,245.0	1,243.5
Lease liability - Secured	25.8	23.1
	1,884.7	1,673.2

Interest-bearing liabilities and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities is materially the same as the fair value. The following methods and assumptions were used to determine the net fair values of financial assets and liabilities.

Cash

The carrying value of cash equals fair value, due to the liquid nature of cash.

Trade and other receivables/payables

The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to be equal to its fair value.

Derivatives

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at reporting date. The gain or loss on re-measurement is recognised in the statement of comprehensive income. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Interest bearing liabilities

Fair value is calculated based on the discounted expected principal and interest cash flows, using rates currently available for debt of similar terms, credit risk and remaining maturities.

The Group also has external loans payable that have been designated as a hedge of its investment in foreign subsidiaries (known as a net investment hedge).

An effective hedge is one that meets certain criteria. Gains or losses on the net investment hedge that relate to the effective portion of the hedge are recognised in equity. Gains or losses relating to the ineffective portion, if any, are recognised in the consolidated statement of comprehensive income.

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: Items traded with quoted prices in active markets for identical liabilities
- Level 2: Items with significantly observable inputs other than quoted prices in active markets
- Level 3: Items with unobservable inputs (not based on observable market data)

All derivatives are classified as level 2 financial liabilities.

There were no transfers between Level 1 and 2 during the year and no material Level 3 fair value movements during the year.

Note 12: Equity and Reserves

a. Contributed Equity

Ordinary shares issued and fully paid	-	-
Share buy-back reserve	(2,797.8)	(1,978.3)
Total contributed equity	**(2,797.8)**	**(1,978.3)**

Ordinary shares receive dividends as declared and, in the event of winding up the company, participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

Due to share buy-backs being undertaken at higher prices than the original subscription prices, the balance for ordinary share contributed equity has been reduced to nil, and a reserve created to reflect the excess value of shares bought over the original amount of subscribed capital. Refer to note 10 for further information about on-market share buy-backs.

Information relating to employee performance option plans and GESP, including details of shares issued under the scheme, is set out in Note 5.

b. Reserves

Movement in reserves

	Share-based payments reserve (i)		**Foreign currency translation reserve (ii)**		**Total**	
	2014 $m	**2013 $m**	**2014 $m**	**2013 $m**	**2014 $m**	**2013 $m**
Opening balance	127.0	96.3	451.3	536.6	578.3	632.9
Share-based payments expense	6.1	16.2	-	-	6.1	16.2
Deferred tax on share-based payments	5.7	14.5	-	-	5.7	14.5
Net exchange gains / (losses) on translation of foreign subsidiaries, net of hedge	-	-	148.2	(85.3)	148.2	(85.3)
Closing balance	138.8	127.0	599.5	451.3	738.3	578.3

Nature and purpose of reserves

i. Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance rights and global employee share plan rights issued to employees.

ii. Foreign currency translation reserve

Where the functional currency of a subsidiary is not US dollars, its assets and liabilities are translated on consolidation to US dollars using the exchange rates prevailing at balance date, and its profit and loss is translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and in the foreign currency translation reserve in equity. Exchange differences arising from borrowings designated as hedges of net investments in foreign entities are also included in this reserve.

Note 13: Commitments and Contingencies[8]

a. Commitments

Operating leases entered into relate predominantly to leased land and rental properties. The leases have varying terms and renewal rights. Rental payments under the leases are predominantly fixed, but generally contain inflation escalation clauses.

Finance leases entered into relate predominantly to leased plant and equipment. The leases have varying terms but lease payments are generally fixed for the life of the agreement. In some instances, at the end of the lease term the Group has the option to purchase the equipment.

No operating or finance lease contains restrictions on financing or other leasing activities.

Commitments in relation to non-cancellable operating leases, finance leases and capital expenditure contracted but not provided for in the financial statements are payable as follows:

	Operating Leases		Finance Leases		Capital Commitments		Total	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Not later than one year	39.8	31.6	4.4	4.5	99.3	101.5	143.5	137.6
Later than one year but not later than five years	123.0	101.1	10.2	11.4	1.1	6.1	134.3	118.6
Later than five years	259.4	233.0	24.6	21.5	-	-	284.0	254.5
Sub-total	422.2	365.7	39.2	37.4	100.4	107.6	561.8	510.7
Future finance charges	-	-	(10.2)	(11.0)	-	-	(10.2)	(11.0)
Total	**422.2**	**365.7**	**29.0**	**26.4**	**100.4**	**107.6**	**551.6**	**499.7**

The present value of finance lease liabilities is as follows:

	2014 $m	2013 $m
Not later than one year	3.2	3.3
Later than one year but not later than five years	6.3	7.3
Later than five years	19.5	15.8
	29.0	**26.4**

b. Contingent assets and liabilities

Litigation

On 7 October 2013 the Group announced that it had signed an agreement to settle the US antitrust class action litigation for $64m. The plaintiffs had claimed that the Group and a competitor, along with an industry trade association, conspired to restrict output and fix and raise prices of certain plasma-derived therapies in the U.S. The settlement was approved by the U.S. Federal Court as fair and reasonable on 22 January 2014 and become final on 31 March 2014. The settlement amount has been included as an expense and was paid during the financial year.

The Group is involved in other litigation in the ordinary course of business.

[8] Commitments and contingencies are disclosed net of the amount of GST (or equivalent) recoverable from, or payable to, a taxation authority

Efficiency of Operation

Note 14: Cash and Cash Equivalents, Cash Flows

	2014 US$m	2013 US$m restated
Reconciliation of cash and cash equivalents		
Cash at bank and on hand	393.0	203.5
Cash deposits	215.7	558.7
Less bank overdrafts	(2.4)	(2.4)
Total cash and cash equivalents	**606.3**	**759.8**
Reconciliation of Profit after tax to Cash Flows from Operations		
Profit after tax	1,307.0	1,211.4
Non-cash items in profit after tax		
Depreciation, amortisation and impairment charges	194.9	201.6
(Gain)/loss on disposal of property, plant and equipment	-	0.6
Share-based payments expense	6.2	53.1
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(90.1)	(14.1)
(Increase)/decrease in inventories	31.2	(162.8)
(Increase)/decrease in retirement benefit assets	(6.5)	-
Increase/decrease in net tax assets and liabilities	(51.8)	(47.1)
Increase/(decrease) in trade and other payables	(23.6)	85.6
Increase/(decrease) in provisions	5.2	(31.8)
Increase/(decrease) in retirement benefit liabilities	(11.8)	15.2
Net cash inflow from operating activities	1,360.7	1,311.7
Non-cash financing activities		
Acquisition of plant and equipment by means of finance leases	5.0	2.4

Cash, cash equivalents and bank overdrafts

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. They are made up of:

- Cash on hand.
- At call deposits with banks or financial institutions.
- Investments in money market instruments with original maturities of six months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash at the end of the financial year is net of bank overdraft amounts.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities that are recoverable from or payable to a taxation authority are presented as part of operating cash flows.

Note 15: Trade Receivables and Payables

a. Trade and other receivables

	US$ 2014	US$ 2013
Current		
Trade receivables	875.1	778.5
Less: Provision for impairment loss	(47.1)	(40.9)
	828.0	737.6
Sundry receivables	86.3	77.2
Prepayments	39.1	35.7
Carrying amount of current trade and other receivables[9]	953.4	850.5
Non-Current		
Related parties - Loans to employees	0.1	0.2
Long term deposits/other receivables	8.1	8.4
Carrying amount of non-current trade and other receivables[9]	8.2	8.6

Trade and other receivables are initially recorded at fair value and are generally due for settlement within 30 to 60 days from date of invoice Collectability is regularly reviewed at an operating unit level. Debts which are known to be uncollectible are written off when identified. A provision for impairment loss, is recognised when there is objective evidence that all amounts due may not be fully recovered. The provision amount is the difference between the receivable's carrying amount and the present value of estimated future cash flows that may ultimately be recovered. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. When a trade receivable for which a provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision.

[9] The carrying amount disclosed above is a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable disclosed above. Refer to Note 11 for more information on the risk management policy of the Group and the credit quality of trade receivables.

Other current receivables are recognised and carried at the nominal amount due. Non-current receivables are recognised and carried at amortised cost. They are non-interest bearing and have various repayment terms.

As at 30 June 2014, the Group had made provision for impairment of $47.1m (2013: $40.9m).

	2014	2013
	$m	$m
Opening balance at 1 July	40.9	46.2
Additional allowance/(utilised/written back)	4.5	(7.2)
Currency translation differences	1.7	1.9
Closing balance at 30 June	47.1	40.9

Other receivables

Non-trade receivables do not include any impaired or overdue amounts and it is expected they will be received when due. The Group does not hold any collateral in respect to other receivable balances.

	2014 $m	2013 $m
Current		
Trade payables	**213.9**	261.1
Accruals and other payables	**387.2**	362.7
Share-based payments (EDIP)	**30.3**	24.1
Carrying amount of current trade and other payables	**631.4**	647.9
Non-current		
Share-based payments (EDIP)	**19.4**	23.2
Carrying amount of non-current trade and other payables	**19.4**	23.2

b. Trade and other payables

Trade and other payables represent amounts owed to suppliers for goods and services provided to the Group prior to the end of the financial year that are unpaid. Trade and other payables are non-interest bearing and have various repayment terms but are usually paid within 30 to 60 days of recognition.

Key judgements and estimates

In applying the Group's accounting policy to trade and other receivables with governments and related entities in South Eastern Europe as set out in note 11, significant judgement is involved in first assessing whether or not trade or other receivable amounts are impaired and thereafter in assessing the extent of impairment.

Receivables and payables include the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included in other receivables or payables in the balance sheet.

Note 16: Provisions

	Employee benefits		Other		Total	
	2014 $m	**2013 $m**	**2014 $m**	**2013 $m**	**2014 $m**	**2013 $m**
Current	86.1	81.6	4.0	6.8	90.1	88.4
Non-current	35.4	33.4	0.6	0.8	36.0	34.2

Provisions

Provisions are recognised when all three of the following conditions are met:

- The Group has a present legal or constructive obligation arising from past transactions or events.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions recognised reflect management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Other Notes

Note 17: Related Party Transactions

Ultimate controlling entity

The ultimate controlling entity is CSL Limited, otherwise described as the parent company.

Related party transactions

The parent company entered into the following transactions during the year with related parties in the Group.

Wholly owned subsidiaries

- Loans were advanced and repayments received on the long term intercompany accounts.
- Interest was charged on outstanding intercompany loan account balances.
- Sales and purchases of products.
- Licensing of intellectual property.
- Provision of marketing services by controlled entities.
- Management fees were received from a controlled entity.
- Management fees were paid to a controlled entity.

The transactions were undertaken on commercial terms and conditions.

Payment for intercompany transactions is through intercompany loan accounts and may be subject to extended payment terms.

Partly owned subsidiaries

No transactions occurred during the year.

Ownership interests in related parties

All transactions with subsidiaries have been eliminated on consolidation.

Subsidiaries

The following table lists the Group's material subsidiaries.

		Percentage owned	
Company	**Country of Incorporation**	**2014 %**	**2013 %**
CSL Limited	Australia		
Subsidiaries of CSL Limited:			
CSL Behring (Australia) Pty Ltd	Australia	100	100
CSL Behring LLC	USA	100	100
CSL Plasma Inc	USA	100	100
CSL Behring GmbH	Austria	100	100
CSL Behring AG	Switzerland	100	100
CSL Behring Recombinant Facility AG	Switzerland	100	100

b. Key management personnel transactions with the Group

Key management personnel, and their related entities, have conducted the following transactions with the Group. These transactions occur as part of a normal supplier relationship on 'arm's length' terms.

- Supply of commercial energy from Origin Energy Limited. Mr John Akehurst is a Director of Origin Energy Limited.
- Supply of commercial energy from Energy Australia. Ms Christine O'Reilly is a Director of Energy Australia.
- A contract relating to the provision of health insurance services to CSL employees in Australia with Medibank Private Limited. Ms Christine O'Reilly is a Director of Medibank Private Limited.

Note 18 A: Detailed Information – People Costs

i. Defined benefit plans

The Group sponsors a range of defined benefit pension plans that provide either a lump sum or ongoing pension benefit for its worldwide employees upon retirement. Entities of the Group who operate defined benefit plans contribute to the respective plans in accordance with the Trust Deeds, following the receipt of actuarial advice.

Surplus/deficit for each defined benefit plan operated by the Group is as follows:

	June 2014 $m			June 2013 (restated) $m		
Pension Plan	**Plan Assets**	**Accrued benefit**	**Plan surplus/ deficit**	**Plan Assets**	**Accrued benefit**	**Plan surplus/ deficit**
CSL Pension Plan (Australia) - provides a lump sum benefit upon exit	35.6	(31.2)	4.4	33.7	(34.3)	(0.6)
CSL Behring AG Pension Plan(Switzerland) - provides an ongoing pension	416.5	(414.2)	2.3	347.7	(357.9)	(10.2)
CSL Behring Union Pension Plan (USA) – provides an ongoing pension	60.0	(65.5)	(5.5)	54.8	(68.9)	(14.1)
CSL Behring GmbH Supplementary Pension Plan (Germany) – provides an ongoing pension	-	(129.9)	(129.9)	-	(116.0)	(116.0)
CSL Behring GmbH Pension Plan (Germany) – provides an ongoing pension	-	(2.2)	(2.2)	-	(2.0)	(2.0)
CSL Behring KG Pension Plan (Germany) – provides an ongoing pension	-	(8.6)	(8.6)	-	(7.7)	(7.7)
CSL Plasma GmbH Pension Plan (Germany) – provides an ongoing pension	-	(0.2)	(0.2)	-	(0.2)	(0.2)
CSL Behring KK Retirement Allowance Plan (Japan) – provides a lump sum benefit upon exit	-	(13.1)	(13.1)	-	(14.7)	(14.7)
CSL Behring S.A. Pension Plan (France) - provides a lump sum benefit upon exit	-	(0.7)	(0.7)	-	(0.4)	(0.4)
CSL Behring S.p.A Pension Plan (Italy) - provides a lump sum benefit upon exit	-	(1.5)	(1.5)	-	(1.3)	(1.3)
Total	**512.1**	**(667.1)**	**(155.0)**	**436.2**	**(603.4)**	**(167.2)**

In addition to the plans listed above, CSL Behring GmbH employees are members of two multi-employer plans administered by an unrelated third party. CSL Behring and their employees make contributions to the plans and receive pension entitlements on retirement. Participating employers may have to make additional contributions in the event that the plans have insufficient assets to meet their obligations. However, there is insufficient information available to determine this amount on an employer by employer basis. The contributions made by CSL Behring are based on actuarial assumptions and designed to be sufficient to meet the obligations of the plans. Contributions made by CSL Behring are expensed in the year in which they are made.

ii. Movements in Accrued benefits and assets

During the financial year the value of accrued benefits increased by $63.7m The increase is attributable to the service cost charged to the statement of comprehensive income of $30.5m. It represents the increased benefit entitlement of members arising from an additional year of service and salary increases, which are taken into account in the calculation of the accrued benefit. Foreign currency movements also affect the value of accrued benefits, however these movements are taken to the Foreign Currency Translation Reserve.

In the prior year the value of accrued benefits increased by $56.7m. Service costs contributed only $5.5m of the increase as a credit arose from a reduction in plan benefits. The increase was largely attributable to movements in the discount rate used to value the liability, which are taken directly to equity.

Plan assets increased by $75.9m during the financial year ($50.8m in 2013). $18.0m (2013: $10.8m) of the increase was attributable to employer contributions and $36.8m (2013: $49.8m) to investment returns earned on plan assets. The remainder of the increase in the current year is largely attributable to foreign currency movements which are taken directly to the Foreign Currency Translation Reserve. The principal actuarial assumptions at balance date are:

	2014 %	**2013** %
Discount rate	2.4%	2.5%
Future Salary increases	2.3%	2.2%
Furure pension increases	0.4%	0.4%

iii. Sensitivity Analysis

The variable with the most significant impact on the defined benefit obligation is the discount rate applied in the calculation of accrued benefits. A decrease in the average discount rate applied to the calculation of accrued benefits of 0.25% would increase the defined benefit obligation by $16.3m. An increase in the average discount rate of 0.25% would reduce the defined benefit obligation by $15.1m.

The defined benefit obligation will be discharged over an extended period as members exit the plans. The plan actuaries have estimated that the following payments will be required to satisfy the obligation. The actual payments will depend on the pattern of employee exits from the Group's plans.

Year ended 30 June 2015	$20.1m
Between two and five years	$91.1m
Between five and ten years	$136.7m
Beyond ten years	$419.2m

i. Share-based payments

Share-based long term incentives (LTI) issued in October 2009

LTI grants made in 2009 were made up of performance options, tested against an earnings per share (EPS) hurdle, and performance rights, tested against a relative total shareholder return (TSR) hurdle. Each instrument was granted in three tranches with 25% of the grant vesting over two years, 35% vesting over three years, and 40% vesting over four years. Each tranche was subject to retesting if the hurdle was not achieved.

Share-based long term incentives (LTI) issued between October 2010 and October 2011

Changes were made to the terms and conditions of performance rights and performance options granted since October 2010. The number of employees who received grants was also reduced following the introduction of the Executive Deferred Incentive Plan (EDIP). Employees receiving a grant under plan received 80% of their entitlement in performance rights and 20% in performance options. Subject to performance hurdles being satisfied, 50% of the LTI award will vest after 3 years, with the remaining 50% vesting after the fourth anniversary of the award date. Earnings per share and total shareholder return measures are applied to both performance rights and performance options as detailed in the Remuneration Report.

Company provided loans are not available to fund the exercise of performance options under the plan.

Share-based long term incentives (LTI) issued since October 2012 (LTI)

LTI grants in October 2010 and 2011 were made up of performance rights and performance options. Changes were made to the plan in October 2012 so that LTI grants would subsequently be made up of solely performance rights. The hurdles for this and future grants were to be set and measured in US dollars in line with the Group's presentation currency. Subject to performance hurdles being satisfied, 50% of the LTI award will vest after three years, with the remaining 50% vesting after the fourth anniversary of the award date.

Other changes included an adjustment to graduated vesting for the compound EPS hurdle and moving to measuring relative TSR by comparison with an international index of Pharma and Biotech companies, rather than using an ASX comparator group.

Global Employee Share Plan (GESP)

The Global Employee Share Plan (GESP) allows employees to make contributions from after tax salary up to a maximum of A$3,000 per six month contribution period. The employees receive the shares at a 15% discount to the applicable market rate, as quoted on the ASX on the first day or the last day of the six-month contribution period, whichever is lower.

Recognition and measurement

The fair value of options or rights is recognised as an employee benefit expense with a corresponding increase in equity. Fair value is independently measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Fair value is independently determined using a combination of the Binomial and Black Scholes valuation methodologies, taking into account the terms and conditions on which the options and rights were granted. The fair value of the options granted excludes the impact of any non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest.

At each reporting date, the number of options and rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options and rights that are expected to vest. No expense is recognised for options and rights that do not ultimately vest, except where vesting is conditional upon a market condition and that market condition is not met.

ii. Valuation assumptions and fair values of equity instruments granted

The model inputs for performance rights and GESP awards granted during the year ended 30 June 2014 included:

	Fair Value[10]	Share Price	Exercise Price	Expected volatility[11]	Life assumption	Expected dividend yield	Risk free interest rate
Performance Rights (by grant) date)	**A$**	**A$**	**A$**				
1 October 2013 – Tranche 1	$49.86	$64.53	Nil	21.0%	3 years	2.0%	3.11%
1 October 2013 – Tranche 2	$49.00	$64.53	Nil	21.0%	3 years	2.0%	3.31%
1 April 2014 – Tranche 1	$51.59	$69.47	Nil	21.0%	2.5 years	2.0%	3.25%
1 April 2014 – Tranche 2	$51.04	$69.47	Nil	21.0%	3.5 years	2.0%	3.47%
GESP (by grant date)[12]							
1 September 2013	$11.57	$69.00	$57.43	21.0%	6 months	2.0%	2.41%
1 March 2014	$15.11	$71.68	$56.57	21.0%	6 months	2.0%	2.41%

Recognition and measurement

The fair value of the cash-settled notional shares is measured by reference to the CSL share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period. The ultimate cost of these transactions will be equal to the fair value at settlement date. The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is carried out as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined.
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date.
- All changes in the liability are recognised in employee benefits expense for the period.
- The fair value of the liability is determined by reference to the CSL Limited share price at reporting date, adjusted for the dividend yield and the number of days left in the vesting period.
- The following table lists the inputs to the valuation models used during the year for EDIP purposes.

	2014			**2013**		
Grant date	**October 2013**	**October 2012**	**October 2011**	**October 2013**	**October 2012**	**October 2011**
Fair value of grants at reporting date	A$64.36	A$65.32	A$66.30	-	A$58.89	A$58.89
Dividend yield (%)	1.5%	1.5%	1.5%	-	2.0%	2.0%

[10] Options and rights granted are subject to a service condition. Since October 2010 grants of performance rights and options now consist of a market vesting condition TSR hurdle and a non market vesting condition EPS hurdle equally applied to each grant.
[11] The expected volatility is based on the historic volatility (calculated based on the remaining life assumption of each equity instrument), adjusted for any expected changes.
[12] The fair value of GESP equity instruments is estimated based on the assumptions prevailing on the grant date. In accordance with the terms and conditions of the GESP plan, shares are issued at the lower of the ASX market price on the first and last dates of the contribution period.

Note 18 B: Detailed Information – Shareholder Returns

	Consolidated Entity	
	2014	**2013**
Note	**US$m**	**US$m restated**
Retained earnings		
Opening balance at 1 July	4,417.7	3,723.6
Net profit for the year	1,307.0	1,211.4
Dividends	(521.5)	(499.4)
Actuarial gain/(loss) on defined benefit plans	23.7	(22.1)
Deferred tax on actuarial gain/(loss) on defined benefit plans	(5.4)	4.2
Closing balance at 30 June	5,221.5	4,417.7
Performance Options Plan		
Options exercised under Performance Option plans as follows		
• 43,220 issued at A$17.48 (2013: 97,762 issued at A$17.48)	0.7	1.8
• 113,385 issued at A$35.46 (2013: 342,918 issued at A$35.46)	3.6	12.6
• nil issued at A$36.23 (2013: 3,240 issued at A$36.23)	-	0.1
• 139,087 issued at A$37.91 (2013: 393,166 issued at A$37.91)	4.8	15.4
• 656 issued at A$32.50 (2013: 7,104 issued at A$32.50)	-	0.2
• 77,493 issued at A$33.45 (2013: 2,550 issued at A$33.45)	2.5	0.1
• nil issued at A$29.34 (2013: 6,940 issued at A$29.34)	0.0	0.2
	11.6	30.4
Global Employee Share Plan (GESP)		
Shares issued to employees under Global Employee Share Plan (GESP)		
• 68,515 issued at A$50.40 on 6 September 2013	3.1	2.8
• 66,419 issued at A$57.43 on 7 March 2014	3.5	2.9
	6.6	5.7

Note 19: Auditors Remuneration

During the year the following fees were paid or were payable for services provided by CSL's auditor and by the auditor's related practices:

Audit Services	2014 $	2013 $
Ernst & Young	865,366	900,811
Ernst & Young related practices	2,492,591	2,313,038
Total remuneration for audit services	3,357,957	3,213,849
Other services		
Ernst & Young		
- compliance and other services	-	56,452
Ernst & Young related practices		
- compliance and other services	86,245	114,135
Total remuneration for non-audit services	86,245	170,587
Total remuneration for all services rendered	3,444,202	3,384,436

Note 20: Deed of Cross Guarantee

On 22 October 2009, a deed of cross guarantee was executed between CSL Limited and some of its wholly owned entities, namely CSL International Pty Ltd, CSL Finance Pty Ltd, CSL Biotherapies Pty Ltd (now bioCSL (Australia) Pty Ltd) and Zenyth Therapeutics Pty Ltd. During the prior year, bioCSL Pty Ltd, CSL Behring (Australia) Pty Ltd and CSL Behring (Privigen) Pty Ltd were added to the deed. Under this deed, each company guarantees the debts of the others. By entering into the deed, these specific wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The entities that are parties to the deed represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by CSL Limited, they also represent the 'Extended Closed Group'. A consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2014 and a consolidated balance sheet as at that date for the Closed Group is set out below.

Income Statement	**Consolidated Closed Group**	
	2014	**2013**
	A$m	**A$m**
Continuing operations		
Sales revenue	720.7	697.3
Cost of sales	(484.4)	(447.3)
Gross profit	236.3	250.0
Sundry revenues	113.6	16.4
Dividend income[13]	1,145.6	18,746.1
Interest income	18.7	27.8
Research and development expenses	(175.2)	(188.5)
Selling and marketing expenses	(60.3)	(73.0)
General and administration expenses	(103.1)	(130.7)
Finance costs	31.5	36.5
Profit before income tax expense	1,207.1	18,684.6
Income tax (expense)/benefit	(11.0)	28.3
Profit for the year	1,196.1	18,712.9

[13] Dividend income in 2013 includes an amount resulting from a gain on the sale of an entity, at fair value, from one Group company to another. This transaction eliminates on consolidation at the CSL Group level but not at the Closed Group level presented in this note. The gain was paid as a dividend to CSL International Pty Ltd, a member of the Closed Group.

Balance sheet	2014 A$m	2013 A$m
Current assets		
Cash and cash equivalents	**349.8**	621.1
Trade and other receivables	**104.0**	117.6
Inventories	**175.9**	196.6
Total Current Assets	**629.7**	935.3
Non-current assets		
Trade and other receivables	**15.4**	45.3
Other financial assets	**19,006.1**	19,006.1
Property, plant and equipment	**609.4**	584.3
Deferred tax assets	**83.4**	67.9
Intangible assets	**45.0**	24.1
Retirement benefit assets	**4.6**	-
Total Non-Current Assets	**19,763.9**	**19,727.7**
Total assets	**20,393.6**	20,663.0
Current liabilities		
Trade and other payables	**164.2**	190.9
Provisions	**41.6**	46.9
Deferred government grants	**2.3**	1.0
Total Current Liabilities	**208.1**	**238.8**
Non-current liabilities		
Trade and other payables	**21.6**	15.5
Deferred tax liabilities	**10.6**	14.9
Provisions	**13.3**	13.0
Deferred government grants	**43.4**	39.9
Retirement benefit liabilities	**-**	0.6
Total Non-Current Liabilities	**88.9**	**83.9**
Total liabilities	**297.0**	322.7
Net assets	**20,096.6**	20,340.3
Equity		
Contributed equity	**(2,351.5)**	(1,464.7)
Reserves	**158.2**	152.7
Retained earnings	**22,289.9**	21,652.3
TOTAL EQUITY	**20,096.6**	**20,340.3**

Summary of movements in consolidated retained earnings of the Closed Group	2014 A$m	2013 A$m
Retained earnings at beginning of the financial year	**21,652.3**	3,415.8
Net profit	**1,196.1**	18,712.9
Actuarial gain/(loss) on defined benefit plans, net of tax	**4.1**	1.8
Dividends provided for or paid	**(562.6)**	(478.2)
Retained earnings at the end of the financial year	**22,289.9**	21,652.3

Note 21: Parent Equity Information

		2014 A$m	2013 A$m
	Information relating to CSL Limited ('the parent entity')		
(a)	**Summary financial information**		
	The individual financial statements for the parent entity show the following aggregate amounts:		
	Current assets	140.9	32.5
	Total assets	2,222.6	2,636.8
	Current liabilities	94.4	149.0
	Total liabilities	203.6	229.4
	Contributed equity	(2,351.5)	(1,464.7)
	Share-based payments reserve	127.3	122.4
	Retained earnings	4,243.2	3,749.7
	Net Assets & Total Equity	**2,019.0**	**2,407.4**
	Profit or loss for the year	1,055.4	1,398.8
	Total comprehensive income	1,056.2	1,400.0

(b) Guarantees entered into by the parent entity

The parent entity provides certain financial guarantees in the ordinary course of business. No liability has been recognised in relation to these guarantees as the fair value of the guarantees is immaterial. These guarantees are mainly related to debt facilities of the Group. In addition the parent entity provides guarantees to some subsidiaries in respect of certain receivables from other group companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013. For information about guarantees given by the parent entity, please refer above and to Note 20.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any material contractual commitments for the acquisition of property, plant and equipment as at 30 June 2014 or 30 June 2013.

Note 22: Subsequent Events

Other than as disclosed elsewhere in these statements, there are no matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, results of those operations or the state of affairs of the Group in subsequent financial years.

Note 23: New and Revised Accounting Standards

a. New and revised standards and interpretations adopted by the Company

The Group has adopted, for the first time, certain standards and amendments that require restatement of previous financial statements. These include AASB 10 Consolidated Financial Statements, AASB 119 Employee Benefits, AASB 2011-4 and AASB 13 Fair Value Measurement. As required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below.

AASB 119 Employee Benefits

AASB 119 includes a number of amendments to the accounting for defined benefit plans. These are:

- Actuarial gains and losses can only be recognised in other comprehensive income (OCI) and are permanently excluded from profit and loss. This is consistent with the Group's previous accounting for this item.

- Expected returns on plan assets are no longer recognised in profit or loss. Instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss. This is calculated using the discount rate used to measure the defined benefit obligation.

- Unvested past service costs are now recognised in profit or loss at the earlier of when a change to the plan occurs or when the related restructuring or termination costs are recognized.

- A recognition of risk sharing in the calculation of the defined benefit obligation.

There are also new disclosures such as quantitative sensitivity disclosures.

The transition to AASB 119 had an impact on the net defined benefit plan obligations and contribution expense due to the adoption of risk sharing and the differences in accounting for interest on plan assets.

The effect of the adoption of AASB119 has been applied retrospectively and the prior period comparatives have been adjusted accordingly in Note 18A. The effect of the adoption of this standard on the financial statements was to increase defined benefit contribution expense by $6.1m in the prior comparative period and to reduce the defined benefit obligation arising from the CSL Behring AG Pension Plan (the only Group plan that includes risk sharing) by $12.3m as at 30 June 2013.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under IFRS for all fair value measurements. AASB 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of AASB 13 has not materially affected the fair value measurements carried out by the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2011-4

AASB 2011-4 amends the disclosure requirements for individual Key Management Personnel. Certain disclosures have been removed from the financial statements and are now included in the Remuneration Report.

b. New and revised standards and interpretations not yet adopted by the Company

Certain new and revised accounting standards and interpretations have been published that are not mandatory for the June 2014 reporting period. An assessment of the impact of these new standards and interpretations is set out below.

New Standards and Amendments to Australian Accounting Standards applicable to subsequent financial years

Year ended 30 June 2015:

- AASB 1031: Materiality
- AASB 2012-3, Interpretation 21 (Levies)
- AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5, Investment Entities
- AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1, Amendments to Australian Accounting Standards

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group’s financial result is determined or to the extent of disclosures included in future financial reports.

Year ended 30 June 2017: Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation

This standard will clarify that revenue based methods to calculate depreciation and amortization are not considered appropriate. This will not result in a change to the manner in which the Group’s financial result is determined as no such method is currently in use.

Year ended 30 June 2018: IFRS 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue received from customers. Management are currently assessing the impact of the new standard.

Year ended 30 June 2019: AASB 9: Financial Instruments

This standard will change the classification and measurement of financial assets. It is not expected to result in a material change to the manner in which the Group’s financial result is determined or to the extent of disclosures included in future financial reports.