TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
November 13, 2015

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2015

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant s Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: .)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: November 13, 2015

By /s/ Lora Ho
Lora Ho
Senior Vice President & Chief Financial Officer

Taiwan Semiconductor Manufacturing

Company Limited and Subsidiaries

Consolidated Financial Statements for the

Nine months Ended September 30, 2015 and 2014 and

Independent Accountants Review Report

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of September 30, 2015 and 2014 and the related consolidated statements of comprehensive income for the three months ended September 30, 2015 and 2014 and for the nine months ended September 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, Interim Financial Reporting, endorsed by the Financial Supervisory Commission of the Republic of China.

November 10, 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants review report and consolidated financial statements shall prevail.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, 2015		December 31, 2014		September 30, 2014		January 1, 2014	
	(Reviewed) (Note 3)		(Adjusted and Audited) (Note 3)		(Adjusted and Reviewed) (Note 3)		(Adjusted and Audited) (Note 3)	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Note 6)	$ 515,731,398	33	$ 358,449,029	24	$ 225,884,318	17	$ 242,695,447	19
Financial assets at fair value through profit or loss (Note 7)	98,835		192,045		69,164		90,353	
Available-for-sale financial assets (Note 8)	1,597,602		73,797,476	5	64,391,337	5	760,793	
Held-to-maturity financial assets (Note 9)	7,362,003	1	4,485,593				1,795,949	
Hedging derivative financial assets (Note 10)	96,153							
Notes and accounts receivable, net (Note 11)	96,611,632	6	114,734,743	8	113,999,433	8	71,649,926	6
Receivables from related parties (Note 32)	511,008		312,955		532,767		291,708	
Other receivables from related parties (Note 32)	128,490		178,625		161,962		221,576	
Inventories (Note 12)	65,066,214	4	66,337,971	5	65,336,989	5	37,494,893	3
Noncurrent assets held for sale (Note 30)			944,208					
Other financial assets (Note 33)	3,613,680		3,476,884		2,989,824		501,785	
Other current assets (Note 17)	2,844,481		3,656,110		2,864,405		2,984,224	

Total current assets	693,661,496	44	626,565,639	42	476,230,199	35	358,486,654	28
NONCURRENT ASSETS								
Available-for-sale financial assets (Note 8)							58,721,959	5
Held-to-maturity financial assets (Note 9)	2,571,357							
Financial assets carried at cost (Notes 13 and 31)	1,507,749		1,800,542		1,866,008		2,145,591	
Investments accounted for using equity method (Note 14)	26,935,985	2	28,255,737	2	26,985,165	2	28,321,241	2
Property, plant and equipment (Note 15)	830,825,109	53	818,198,801	55	824,309,879	61	792,665,913	63
Intangible assets (Note 16)	13,196,292	1	13,531,510	1	11,942,249	1	11,490,383	1
Deferred income tax assets (Note 4)	5,743,803		5,138,782		4,940,633	1	7,145,004	1
Refundable deposits (Note 32)	400,263		356,069		2,359,756		2,519,031	
Other noncurrent assets (Note 17)	1,376,756		1,202,006		1,273,661		1,469,577	
Total noncurrent assets	882,557,314	56	868,483,447	58	873,677,351	65	904,478,699	72
TOTAL	$ 1,576,218,810	100	$ 1,495,049,086	100	$ 1,349,907,550	100	$ 1,262,965,353	100
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Short-term loans (Note 18)	$ 33,564,120	2	$ 36,158,520	2	$ 35,883,358	3	$ 15,645,000	1
Financial liabilities at fair value through profit or loss (Note 7)	179,363		486,214		691,062		33,750	
Hedging derivative financial liabilities (Note 10)			16,364,241	1	9,769,897	1		
Accounts payable	18,057,750	1	21,878,934	2	20,418,733	1	14,670,260	1
Payables to related parties (Note 32)	1,128,121		1,491,490		1,290,677		1,688,456	
Salary and bonus payable	10,428,126	1	10,573,922	1	9,505,689	1	8,330,956	1

Accrued compensation/profit sharing to employees and bonus to directors and supervisors (Notes 22 and 29)	16,105,423	1	18,052,820	1	12,959,725	1	12,738,801	1
Payables to contractors and equipment suppliers	34,338,079	2	26,980,408	2	28,683,936	2	89,810,160	7
Income tax payable (Note 4)	24,464,158	2	28,616,574	2	19,412,953	1	22,563,286	2
Provisions (Note 19)	9,898,270	1	10,445,452	1	7,677,524	1	7,603,781	1
Liabilities directly associated with noncurrent assets held for sale (Note 30)			219,043					
Long-term liabilities - current portion (Note 20)	23,515,931	1						
Accrued expenses and other current liabilities (Note 21)	30,010,029	2	29,746,011	2	25,954,613	2	16,693,484	1
Total current liabilities	201,689,370	13	201,013,629	14	172,248,167	13	189,777,934	15
NONCURRENT LIABILITIES								
Hedging derivative financial liabilities (Note 10)					5,821		5,481,616	
Bonds payable (Note 20)	191,970,754	12	213,673,818	14	211,796,805	15	210,767,625	17
Long-term bank loans	35,000		40,000		40,000		40,000	
Deferred income tax liabilities (Note 4)	153,932		199,750					
Obligations under finance leases (Note 15)			802,108		773,743		776,230	
Net defined benefit liability (Note 4)	6,611,531		6,567,782		6,838,838	1	6,801,663	1
Guarantee deposits (Note 21)	23,208,034	2	25,538,475	2	160,419		151,660	
Others (Note 19)	1,555,245		885,192		798,772		694,901	
Total noncurrent liabilities	223,534,496	14	247,707,125	16	220,414,398	16	224,713,695	18
Total liabilities	425,223,866	27	448,720,754	30	392,662,565	29	414,491,629	33

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Capital stock (Note 22)	259,303,805	16	259,296,624	17	259,293,750	19	259,286,171	21
Capital surplus (Note 22)	56,298,728	4	55,989,922	4	55,944,799	4	55,858,626	4
Retained earnings (Note 22)								
Appropriated as legal capital reserve	177,640,561	11	151,250,682	10	151,250,682	12	132,436,003	11
Appropriated as special capital reserve							2,785,741	
Unappropriated earnings	644,577,881	41	553,914,592	37	473,751,730	35	383,670,168	30
	822,218,442	52	705,165,274	47	625,002,412	47	518,891,912	41
Others (Note 22)	13,138,191	1	25,749,291	2	16,865,491	1	14,170,306	1
Equity attributable to shareholders of the parent	1,150,959,166	73	1,046,201,111	70	957,106,452	71	848,207,015	67
NONCONTROLLING INTERESTS (Note 22)	35,778		127,221		138,533		266,709	
Total equity	1,150,994,944	73	1,046,328,332	70	957,244,985	71	848,473,724	67
TOTAL	$ 1,576,218,810	100	$ 1,495,049,086	100	$ 1,349,907,550	100	$ 1,262,965,353	100

The accompanying notes are an integral part of the consolidated financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2015 (Note 3)		2014 (Adjusted) (Note 3)		2015 (Note 3)		2014 (Adjusted) (Note 3)	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 24, 32 and 37)	$ 212,504,909	100	$ 209,049,734	100	$ 639,978,805	100	$ 540,285,390	100
COST OF REVENUE (Notes 12, 29 and 32)	110,188,424	52	103,471,256	49	328,509,564	51	273,136,725	51
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	102,316,485	48	105,578,478	51	311,469,241	49	267,148,665	49
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	19,271		(3,206)		735		13,442	
GROSS PROFIT	102,335,756	48	105,575,272	51	311,469,976	49	267,162,107	49
OPERATING EXPENSES (Notes 29 and 32)								
Research and development	16,486,365	8	15,207,282	8	49,880,041	8	40,885,511	7
General and administrative	4,296,668	2	4,612,193	2	13,126,301	2	14,676,344	3
Marketing	1,377,131	1	1,323,259	1	4,247,546	1	3,710,936	1

Total operating expenses	22,160,164	11	21,142,734	11	67,253,888	11	59,272,791	11
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 15,16 and 29)	(1,786,668)		(5,300)		(2,131,983)		(235,292)	
INCOME FROM OPERATIONS (Note 37)	78,388,924	37	84,427,238	40	242,084,105	38	207,654,024	38
NON-OPERATING INCOME AND EXPENSES								
Share of profits of associates and joint venture	925,854		1,036,725		2,876,252		3,040,159	1
Other income	1,066,001		688,325		3,492,533	1	2,618,607	
Foreign exchange gain, net (Note 36)	2,571,011	1	1,150,993	1	2,326,899		759,385	
Finance costs (Note 25)	(792,941)		(816,054)		(2,370,284)		(2,414,084)	
Other gains and losses (Note 26)	1,235,770	1	(1,110,583)		21,375,777	3	1,109,450	
Total non-operating income and expenses	5,005,695	2	949,406	1	27,701,177	4	5,113,517	1
INCOME BEFORE INCOME TAX	83,394,619	39	85,376,644	41	269,785,282	42	212,767,541	39
INCOME TAX EXPENSE (Notes 4 and 27)	8,077,319	4	9,076,017	4	36,071,170	5	28,969,205	5
NET INCOME	75,317,300	35	76,300,627	37	233,714,112	37	183,798,336	34
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 27)								
Items that may be reclassified subsequently to profit or loss								

Exchange differences arising on translation of foreign operations	13,245,566	6	3,410,878	1	7,597,640	1	3,190,117	1
Changes in fair value of available-for-sale financial assets	(3,622,659)	(1)	8,120		(20,455,403)	(3)	(438,481)	
Share of other comprehensive income (loss) of associates and joint venture	(354,145)		(36,019)		239,665		(42,040)	
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently	15,553		(2,622)		(2,551)		(13,745)	
Other comprehensive income (loss) for the period, net of income tax	9,284,315	5	3,380,357	1	(12,620,649)	(2)	2,695,851	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 84,601,615	40	$ 79,680,984	38	$ 221,093,463	35	$ 186,494,187	35
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	$ 75,329,224	35	$ 76,331,255	37	$ 233,736,649	37	$ 183,896,351	34
Noncontrolling interests	(11,924)		(30,628)		(22,537)		(98,015)	
	$ 75,317,300	35	$ 76,300,627	37	$ 233,714,112	37	$ 183,798,336	34
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	$ 84,613,016	40	$ 79,711,149	38	$ 221,125,549	35	$ 186,591,536	35
Noncontrolling	(11,401)		(30,165)		(32,086)		(97,349)	

interests											
	$	84,601,615	40	$	79,680,984	38	$	221,093,463	35	$	186,494,187	35

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent
EARNINGS PER SHARE (NT$, Note 28)				
Basic earnings per share	$ 2.91	$ 2.94	$ 9.01	$ 7.09
Diluted earnings per share	$ 2.91	$ 2.94	$ 9.01	$ 7.09

The accompanying notes are an integral part of the consolidated financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent							
					Others			
	Retained Earnings				Foreign Currency	Unrealized Gain/Loss from Available-		
ital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Translation Reserve	for-sale Financial Assets	Cash Flow Hedges Reserve	Total
55,989,922	$ 151,250,682	$	$ 553,261,982	$ 704,512,664	$ 4,502,113	$ 21,247,483	$ (305)	$ 25,749,291
			652,610	652,610				
55,989,922	151,250,682		553,914,592	705,165,274	4,502,113	21,247,483	(305)	25,749,291
	26,389,879		(26,389,879)					
			(116,683,481)	(116,683,481)				
	26,389,879		(143,073,360)	(116,683,481)				
			233,736,649	233,736,649				

					7,507,537	(20,118,301)	(336)	(12,611,100)
			233,736,649	233,736,649	7,507,537	(20,118,301)	(336)	(12,611,100)
130,974								
(26,537)								
230,222								
(25,853)								
56,298,728	$ 177,640,561	$	$ 644,577,881	$ 822,218,442	$ 12,009,650	$ 1,129,182	$ (641)	$ 13,138,191

55,858,626	$ 132,436,003	$ 2,785,741	$ 382,971,408	$ 518,193,152	$ (7,140,362)	$ 21,310,781	$ (113)	$ 14,170,306
			698,760	698,760				
55,858,626	132,436,003	2,785,741	383,670,168	518,891,912	(7,140,362)	21,310,781	(113)	14,170,306
	18,814,679		(18,814,679)					
		(2,785,741)	2,785,741					
			(77,785,851)	(77,785,851)				
	18,814,679	(2,785,741)	(93,814,789)	(77,785,851)				
			183,896,351	183,896,351				
					3,150,962	(455,751)	(26)	2,695,185
			183,896,351	183,896,351	3,150,962	(455,751)	(26)	2,695,185

25,908								
(2,273)								
90,327								
(27,789)								
55,944,799	$ 151,250,682	$	$ 473,751,730	$ 625,002,412	$ (3,989,400)	$ 20,855,030	$ (139)	$ 16,865,491

The accompanying notes are an integral part of the consolidated financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2015	**2014 (Adjusted)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 269,785,282	$ 212,767,541
Adjustments for:		
Depreciation expense	163,884,425	141,919,819
Amortization expense	2,365,320	1,914,239
Finance costs	2,370,284	2,414,084
Share of profits of associates and joint venture	(2,876,252)	(3,040,159)
Interest income	(2,875,858)	(1,974,366)
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	49,503	(13,482)
Impairment loss on property, plant and equipment	2,317,424	239,864
Impairment loss on intangible assets	58,514	
Impairment loss on financial assets	132,015	176,920
Gain on disposal of available-for-sale financial assets, net	(21,482,011)	(260,908)
Gain on disposal of financial assets carried at cost, net	(82,128)	(65,819)
Gain on disposal of investments accounted for using equity method	(2,305,323)	(2,028,643)
Loss from liquidation of subsidiaries		90
Realized gross profit on sales to associates	(735)	(13,442)
Loss on foreign exchange, net	2,492,659	1,200,859
Dividend income	(616,675)	(644,241)
Income from receipt of equity securities in settlement of trade receivables		(1,211)
Loss from hedging instruments	137,124	4,643,145
Loss (gain) arising from changes in fair value of available-for-sale financial assets in hedge effective portion	298,751	(4,163,555)
Gain from lease agreement modification	(428,388)	
Changes in operating assets and liabilities:		
Derivative financial instruments	(213,641)	678,501
Notes and accounts receivable, net	15,780,788	(42,349,537)
Receivables from related parties	(198,053)	(241,059)
Other receivables from related parties	51,115	4,897
Inventories	1,271,757	(27,842,096)
Other financial assets	1,049,004	(2,244,906)
Other current assets	925,665	137,831

Accounts payable	(3,106,992)	5,726,261
Payables to related parties	(363,369)	(397,779)
Salary and bonus payable	(145,796)	1,174,733
Accrued compensation/profit sharing to employees and bonus to directors and supervisors	(1,947,397)	220,924
Accrued expenses and other current liabilities	198,533	9,654,733
Provisions	(540,919)	73,286
Net defined benefit liability	43,749	37,175

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2015	**2014 (Adjusted)**
Cash generated from operations	$ 426,028,375	$ 297,703,699
Income taxes paid	(40,821,123)	(29,848,815)
Net cash generated by operating activities	385,207,252	267,854,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(3,628)	(91,405)
Financial assets carried at cost	(87,970)	(3,765)
Held-to-maturity financial assets	(19,301,111)	(1,396,723)
Property, plant and equipment	(172,993,344)	(236,115,030)
Intangible assets	(2,657,499)	(2,268,872)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	53,990,941	663,433
Held-to-maturity financial assets	13,900,000	3,200,000
Financial assets carried at cost	357,993	68,919
Investments accounted for using equity method	3,962,848	3,471,883
Property, plant and equipment	70,433	163,250
Cash received from other long-term receivables		83,840
Costs from entering into hedging transactions	(495,348)	(520,856)
Interest received	2,606,926	1,874,722
Other dividends received	616,675	644,241
Dividends received from investments accounted for using equity method	3,407,126	3,223,090
Refundable deposits paid	(267,994)	(49,868)
Refundable deposits refunded	227,253	73,851
Net cash inflow from disposal of subsidiary (Note 30)	601,047	
Net cash used in investing activities	(116,065,652)	(226,979,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(2,628,330)	20,610,319

Interest paid	(2,704,853)	(2,743,513)
Guarantee deposits received	557,639	13,213
Guarantee deposits refunded	(552,993)	(4,981)
Decrease in obligations under finance leases	(29,098)	(28,426)
Proceeds from exercise of employee stock options	33,891	33,487
Cash dividends	(116,683,481)	(77,785,851)
Decrease in noncontrolling interests	(42,719)	(58,571)
Net cash used in financing activities	(122,049,944)	(59,964,323)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2015	**2014 (Adjusted)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	$ 10,109,235	$ 2,277,600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,200,891	(16,811,129)
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF PERIOD	81,478	
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF PERIOD	358,449,029	242,695,447
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 515,731,398	$ 225,884,318

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 and 2014

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

On September 5, 1994, TSMC s shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities and operating segments information of TSMC and its subsidiaries (collectively as the Company) are described in Notes 4 and 37.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on November 10, 2015.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. Initial application of the amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards, International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IASs (SIC) (collectively, IFRSs) endorsed by the Financial Supervisory Commission (FSC) (collectively, 2013 Taiwan-IFRSs version)

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2015.

The Company believes that as a result of the adoption of aforementioned 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the following items have impacted the Company s consolidated financial statements.

1) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 for the Company s annual consolidated financial statements are more extensive than in the previous standards.

2) IFRS 13, Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The measurement requirements of IFRS 13 shall be applied prospectively from January 1, 2015. Please refer to Note 31 for related disclosures.

3) Amendments to IAS 1, Presentation of Items of Other Comprehensive Income

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that may not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis.

The items that may not be reclassified subsequently to profit or loss include actuarial gains or losses from defined benefit plans, the share of actuarial gains or losses from defined benefit plans of associates and joint venture as well as the related income tax on such items. Items that may be reclassified subsequently to profit or loss include exchange differences arising on translation of foreign operations, changes in fair value of available-for-sale financial assets, cash flow hedges, the share of other comprehensive income of associates and joint venture as well as the related income tax on items of other comprehensive income.

4) Amendments to IAS 19, Employee Benefits

The amendments to IAS 19 require the Company to calculate a net interest amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, require to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans.

The impact on the current period is summarized as follows:

Impact on Assets, Liabilities and Equity	**September 30, 2015**
Increase in investments accounted for using equity method	$ 471
Increase in deferred income tax assets	2,060
Increase in assets	$ 2,531

Increase in net defined benefit liability	$	17,169
Increase in liabilities	$	17,169
Decrease in retained earnings	$	(14,638)
Decrease in equity	$	(14,638)

Impact on Total Comprehensive Income		**Three Months Ended September 30, 2015**		**Nine Months Ended September 30, 2015**
Increase in cost of revenue	$	(3,658)	$	(11,021)
Increase in operating expense		(2,065)		(6,148)
Increase in share of profit of associate and joint venture		144		471
Decrease in income tax expense		686		2,060
Decrease in net income and other comprehensive income attributable to shareholders of the parent	$	(4,893)	$	(14,638)

The impact on the prior reporting periods is summarized as follows:

Impact on Assets, Liabilities and Equity	**As Originally Stated**	**Adjustments Arising from Initial Application**	**Adjusted**
December 31, 2014			
Noncurrent assets held for sale	$ 945,356	$ (1,148)	$ 944,208
Investments accounted for using equity method	28,251,002	4,735	28,255,737
Deferred income tax assets	5,227,128	(88,346)	5,138,782
Total effect on assets		$ (84,759)	
Liabilities directly associated with noncurrent assets held for sale	220,191	$ (1,148)	219,043
Net defined benefit liability	7,303,978	(736,196)	6,567,782
Total effect on liabilities		$ (737,344)	
Retained earnings	704,512,664	$ 652,610	705,165,274
Noncontrolling interests	127,246	(25)	127,221
Total effect on equity		$ 652,585	
September 30, 2014			
Investments accounted for using the equity method	26,979,558	$ 5,607	26,985,165
Deferred income tax assets	5,033,530	(92,897)	4,940,633

Total effect on assets		$ (87,290)	
Net defined benefit liability	7,612,862	$ (774,024)	6,838,838
Total effect on liabilities		$ (774,024)	
Retained earnings	624,315,567	$ 686,845	625,002,412
Noncontrolling interests	138,644	(111)	138,533
Total effect on equity		$ 686,734	

(Continued)

act on Assets, Liabilities and Equity	As Originally Stated	Adjustments Arising from Initial Application	Adjusted				
ary 1, 2014							
stments accounted for using the equity iod	$ 28,316,260	$ 4,981	$ 28,321,241				
rred income tax assets	7,239,609	(94,605)	7,145,004				
l effect on assets		$ (89,624)					
defined benefit liability	7,589,926	$ (788,263)	6,801,663				
l effect on liabilities		$ (788,263)					
ined earnings	518,193,152	$ 698,760	518,891,912				
controlling interests	266,830	(121)	266,709	M:1px solid #000000">-	-		
Functional Currency Entities:							
	2,652	6,450	3,246		75	-	-
ty	(1,986)	(4,296)	(3,932)		(1)	-	-
otal	666	2,154	(686)		74	-	-
unctional Currency Entities:							
	-	-	-		-	-	-
ty	-	(1,492)	(656)		-	-	-
otal	-	(1,492)	(656)		-	-	-

- 47 -

Table of Contents

The table below provides information about our foreign currency derivative financial instruments and presents the information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at June 30, 2010. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

(In thousands except exchange rates)	FY 2011	FY 2012	FY 2013	Total	Fair Value Assets / (Liabilities) Jun 30, 2010	2009
Foreign Exchange Call Options						
Receive AUD/Pay USD						
Option amount	$72,500	$55,000	$10,000	$137,500	$3,855	$5,903
Ave. contractual exchange rate	AUD 1 = USD 0.8245	AUD 1 = USD 0.9021	AUD 1 = USD 0.8200	AUD 1 = USD 0.8535		
Receive AUD/Pay Euro						
Option amount	$54,437	$19,573	$-	$74,010	$6,907	$1,894
Ave. contractual exchange rate	AUD 1 = Euro 0.5871	AUD 1 = Euro 0.6373	-	AUD 1 = Euro 0.5996		
Receive AUD/Pay GBP						
Option Amount	$-	$-	$-	$-	$-	$18
Ave. contractual exchange rate	-	-	-	-		

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents and debt. At June 30, 2010, we had total long-term debt, including the current portion of those obligations, of $121.7 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the year ended June 30, 2010, would not have a material impact on the fair value of our debt obligations. We have no interest rate hedging agreements.

Credit Market Risk

At June 30, 2010, we held a number of investment securities in AAA rated auction securities with UBS Financial Services Inc. (UBS). During November 2008, we accepted an offer that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. In accordance with the agreement reached with UBS during November 2008 we sold our securities back to UBS at full par value on June 30, 2010. We have recognized the full par value of the securities within Prepaid Expenses and Other Current Assets.

- 48 -

Table of Contents

ITEM 8 CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the financial statements set forth in Item 15 of Part IV of this report, Exhibits and Consolidated Financial Statement Schedules.

a) Index to Consolidated Financial Statements

b) Supplementary Data

Quarterly Financial Information (unaudited) The quarterly results for the years ended June 30, 2010 and 2009 are summarized below (in thousands, except per share amounts):

2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	$ 246,992	$ 275,134	$ 278,659	$ 291,572	$ 1,092,357
Gross profit	150,178	164,205	166,583	174,517	655,483
Net income/(loss)	42,102	45,983	48,834	53,166	190,085
Basic earnings per share	$ 0.56	$ 0.61	$ 0.65	$ 0.70	$ 2.52
Diluted earnings per share	$ 0.55	$ 0.60	$ 0.63	$ 0.68	$ 2.45

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	$ 217,931	$ 222,980	$ 227,865	$ 251,959	$ 920,735
Gross profit	127,127	131,024	138,943	156,708	553,802
Net income/(loss)	28,027	33,853	39,198	45,370	146,448
Basic earnings per share	$ 0.37	$ 0.45	$ 0.52	$ 0.60	$ 1.94
Diluted earnings per share	$ 0.36	$ 0.44	$ 0.51	$ 0.59	$ 1.90

Note: Per share amounts for each quarter are computed independently, and, due to the computation formula, the sum of the four quarters may not equal the year.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2010. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2010.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company s internal control over financial reporting includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of June 30, 2010. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management s assessment included an evaluation of the design of ResMed Inc. s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on our assessment and those criteria, management has concluded that the Company maintained effective internal control over financial reporting as of June 30, 2010.

KPMG LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of ResMed, Inc. included in this report, has issued an attestation report on the effectiveness of internal control over financial reporting.

Table of Contents

ResMed Inc. and Subsidiaries

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

ResMed Inc.:

We have audited ResMed Inc. s internal control over financial reporting as of June 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ResMed Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ResMed Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2010, and the related financial statement schedule, and our report dated August 16, 2010 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP
San Diego, California
August 16, 2010

ITEM 9B OTHER INFORMATION

None.

- 52 -

Table of Contents

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 11, 2010, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2010.

We have filed as exhibits to this Annual Report on Form 10-K for the year ended June 30, 2010, the certifications of its Chief Executive Officer and Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

On December 10, 2009, we submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

ITEM 11 EXECUTIVE COMPENSATION

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 11, 2010, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2010.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 11, 2010, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2010.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 11, 2010, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2010.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 11, 2010, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2010.

Table of Contents

PART IV

ITEM 15 EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(a)	Consolidated Financial Statements and Schedule The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the Index to Consolidated Financial Statements under Item 8 of this report.
(b)	Exhibit Lists
3.1	First Restated Certificate of Incorporation of Registrant, as amended (15)
3.2	Third Restated By-laws of Registrant (12)
3.3	Fourth Amended and Restated Bylaws of ResMed Inc. (17)
4.1	Form of certificate evidencing shares of Common Stock (1)
4.2	Rights agreement dated as of April 23, 1997 (2)
10.1*	1995 Stock Option Plan (1)
10.2*	1997 Equity Participation Plan (3)
10.3	Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended (1)
10.5	Loan Agreement between the Australian Trade Commission and ResMed Ltd dated May 3, 1994 (1)
10.6	Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA (4)
10.7	Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia (5)
10.8*	Employment Agreement dated May 14, 2002, between Servo Magnetics Inc. and Leslie Hoffman (6)
10.9	Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia (6)
10.10*	2003 Employee Stock Purchase Plan (7)
10.11	Loan Agreement between ResMed Limited and HSBC Bank Australia Limited (11)
10.12	Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005 (11)
10.13	First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.14	Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.15	Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A. (8)
10.16	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. (8)
10.17	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. (8)

Table of Contents

10.18	Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (9)
10.19	Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited (10)
10.20	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (10)
10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (10)
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc (10)
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited (10)
10.24*	ResMed Inc. 2006 Incentive Award Plan (16)
10.25*	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan (13)
10.26*	2006 Grant agreement for Board of Directors (13)
10.27*	2006 Grant agreement for Executive Officers (15)
10.28*	2006 Grant agreement for Australian Executive Officers (15)
10.29*	Form of Executive Agreement (14)
10.30	Second Amendment to Second Amended and Restated Revolving Loan Agreement dated January 28, 2008 (18)
10.31	Lease Agreement between ResMed Corp. and Poway Danielson, LP (19)
10.32	First Amended and Restated Syndicated Facility Agreement dated September 30, 2008 (20)
10.33	Amendment and Restatement Agreement, dated as of September 30, 2008, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited (20)
10.34	US Guarantee Consent Deed, dated as of September 17, 2008, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (20)
10.35	International Guarantee Consent Deed, dated as of September 30,2008, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (20)
10.36*	Amended and Restated 2006 Incentive Award Plan dated November 20, 2008 (21)
10.37	Departure of Directors or Certain Officers dated December 12, 2008 (22)
10.38	Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement (23)
10.39	Approval of new share repurchase program dated May 29, 2009 (24)
10.40	Form of Indemnification Agreements for our directors and officers (25)
10.41	Form of Access Agreement for directors (25)

Table of Contents

10.42*	Updated Form of Executive Agreement (9)
10.43	Second Amendment and Restatement Deed, dated as of September 30, 2009, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited (26)
10.44	Second US Guarantee Consent Deed, dated as of September 29, 2009, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (26)
10.45	Second International Guarantee Consent Deed, dated as of September 30, 2009, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH. (26)
10.46	ResMed Inc. 2009 Incentive Award Plan. (27)
10.47	ResMed Inc. 2009 Employee Stock Purchase Plan. (27)
10.48	Form of Restricted Stock Award Agreement. (27)
10.49	Fourth Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement. (28)
10.50	ResMed Inc. Deferred Compensation Plan. (29)
21.1	Subsidiaries of the Registrant (30)
23.1	Consent of Independent Registered Public Accounting Firm (30)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (30)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (30)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (30)

* Management contract or compensatory plan or arrangement

(1) Incorporated by reference to the Registrant s Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.

(2) Incorporated by reference to the Registrant s Registration Statement on Form 8-A12G filed on April 25, 1997.

(3) Incorporated by reference to the Registrant s 1997 Proxy Statement.

(4) Incorporated by reference to the Registrant s Report on Form 10-K dated June 30, 1998.

(5) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2001.

(6) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2002.

(7) Incorporated by reference to the Registrant s 2007 Definitive Proxy Statement dated October 13, 2007.

(8) Incorporated by reference to the Registrant s Form 8-K dated November 8, 2005.

(9) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2009.

(10) Incorporated by reference to the Registrant s Form 8-K dated June 8, 2006.

(11) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2005.

(12) Incorporated by reference to the Registrant s Report on Form 8-K dated February 23, 2007.

(13) Incorporated by reference to the Registrant s Report on Form 10-Q for the quarter ended December 31, 2006.

(14) Incorporated by reference to the Registrant s Report on Form 8-K dated July 9, 2007.

(15) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2007

(16) Incorporated by reference to the Registrant s Report on Form 8-K dated November 9, 2006.

(17) Incorporated by reference to the Registrant s Report on Form 8-K filed on December 14, 2007

(18) Incorporated by reference to the Registrant s Report on Form 8-K filed on February 6, 2008.

(19) Incorporated by reference to the Registrant s Report on Form 8-K filed on March 27, 2008.

(20) Incorporated by reference to the Registrant s Definitive Proxy Statement filed October 6, 2008.

(21) Incorporated by reference to the Registrant s Definitive Proxy Statement filed October 15, 2008.

Table of Contents

(22) Incorporated by reference to the Registrant s Report on Form 8-K filed on December 15, 2008.

(23) Incorporated by reference to the Registrant s Report on Form 8-K filed on March 5, 2009.

(24) Incorporated by reference to the Registrant s Report on Form 8-K filed on June 4, 2009.

(25) Incorporated by reference to the Registrant s Report on Form 8-K filed on June 24, 2009.

(26) Incorporated by reference to the Registrant s Report on Form 8-K filed on October 1, 2009.

(27) Incorporated by reference to the Registrant s Report on Form 8-K filed on November 23, 2009.

(28) Incorporated by reference to the Registrant s Report on Form 10-Q for the quarter ended March 31, 2010.

(29) Incorporated by reference to the Registrant s Report on Form 8-K filed on May 28, 2010.

(30) Filed herewith.

Table of Contents

RESMED INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

ResMed Inc.:

We have audited the accompanying consolidated balance sheets of ResMed Inc. and subsidiaries (the Company) as of June 30, 2010 and 2009, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2010. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ResMed Inc. and subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ResMed Inc. s internal control over financial reporting as of June 30, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 16, 2010, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

San Diego, California

August 16, 2010

Table of Contents

RESMED INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2010 and 2009

(In thousands, except share and per share data)

	June 30, 2010	June 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 488,776	$ 415,650
Accounts receivable, net of allowance for doubtful accounts of $7,826 and $7,381 at June 30, 2010 and 2009, respectively	226,911	212,096
Inventories (note 5)	185,642	157,431
Deferred income taxes (note 14)	40,227	44,368
Income taxes receivable	5,317	2,067
Prepaid expenses and other current assets (note 4 and 20)	38,468	21,672
Total current assets	985,341	853,284
Non-current assets:		
Property, plant and equipment, net (note 7)	387,148	377,613
Goodwill (note 8)	198,625	213,169
Other intangibles, net (note 8)	30,925	35,023
Deferred income taxes (note 14)	19,042	19,364
Other assets	5,316	5,261
Investment Securities (note 4 and 20)	-	4,254
Total non-current assets	641,056	654,684
Total assets	$ 1,626,397	$ 1,507,968
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 57,535	$ 48,293
Accrued expenses (note 9)	80,883	67,018
Deferred revenue	29,507	28,881
Income taxes payable	22,656	56,972
Deferred income taxes (note 14)	402	391
Current portion of long-term debt (note 10)	121,689	67,545
Total current liabilities	312,672	269,100
Non-current liabilities:		
Deferred income taxes (note 14)	10,793	11,137
Deferred revenue	12,755	15,238
Long-term debt (note 10)	-	94,191
Income taxes payable	2,641	3,110
Total non-current liabilities	26,189	123,676
Total liabilities	338,861	392,776
Commitments and contingencies (notes 17 and 18)	-	-
Stockholders equity: (note 12)		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-

Common stock, $0.004 par value, 200,000,000 shares authorized; issued and outstanding 75,672,704 at June 30, 2010 and 75,251,209 at June 30, 2009 (excluding 9,221,768 and 6,701,925 shares held as Treasury stock respectively)	303	303
Additional paid-in capital	660,487	522,980
Retained earnings	884,876	694,791
Treasury stock, at cost	(344,505)	(208,659)
Accumulated other comprehensive income (note 6)	86,375	105,777
Total stockholders equity	1,287,536	1,115,192
Total liabilities and stockholders equity	$ 1,626,397	$ 1,507,968

See accompanying notes to consolidated financial statements.

F2

Table of Contents

RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years Ended June 30, 2010, 2009 and 2008

(In thousands, except per share data)

	June 30, 2010	June 30, 2009	June 30, 2008
Net revenues	$ 1,092,357	$ 920,735	$ 835,397
Cost of sales	436,874	366,933	338,544
Voluntary product recall expenses (note 19)	-	-	3,103
Gross profit	655,483	553,802	493,750
Operating expenses:			
Selling, general and administrative	328,858	289,875	278,087
Research and development	75,202	63,056	60,524
Donations to research foundations	3,000	3,500	2,000
Amortization of acquired intangible assets	8,041	7,060	7,791
Restructuring expenses (note 11)	-	-	2,378
Total operating expenses	415,101	363,491	350,780
Income from operations	240,382	190,311	142,970
Other income:			
Interest income, net	14,029	10,205	10,058
Other, net (note 13)	6,178	1,168	4,827
Total other income, net	20,207	11,373	14,885
Income before income taxes	260,589	201,684	157,855
Income taxes (note 14)	70,504	55,236	47,552
Net income	$ 190,085	$ 146,448	$ 110,303
Basic earnings per share	$ 2.52	$ 1.94	$ 1.43
Diluted earnings per share (note 2-j)	$ 2.45	$ 1.90	$ 1.40
Basic weighted average shares outstanding	75,454	75,629	77,378
Diluted weighted average shares outstanding	77,549	77,113	78,712

See accompanying notes to consolidated financial statements.

F3

Table of Contents

RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and Comprehensive Income

Years ended June 30, 2010, 2009 and 2008

(In thousands)

	Common Stock			Treasury Stock			Accumulated Other Comprehensive Income (Loss)		
	Shares	**Amount**	**Additional Paid-in Capital**	**Shares**	**Amount**	**Retained Earnings**		**Total**	**Comprehensive Income**
Balance, June 30, 2007	79,921	$ 311	$ 421,701	(2,305)	$ (43,497)	$ 436,954	$ 115,753	$ 931,222	
Common stock issued on exercise of options (note 12)	787	3	16,294					16,297	
Common stock issued on employee stock purchase plan (note 12)	143	1	5,546					5,547	
Treasury stock purchases		(11)		(2,571)	(99,490)			(99,501)	
Tax benefit from exercise of options			4,058					4,058	
Stock-based compensation costs			20,747					20,747	
Comprehensive income:									
Net income						110,303		110,303	110,303
Cumulative adjustment on implementation of FIN 48						1,086		1,086	
Other comprehensive income:									
Foreign currency translation adjustments							92,401	92,401	92,401
Unrealized gain/(loss) on investment securities							(385)	(385)	(385)
Comprehensive income									$ 202,319
Balance, June 30, 2008	80,851	$ 304	$ 468,346	(4,876)	$ (142,987)	$ 548,343	$ 207,769	$ 1,081,775	
Common stock issued on exercise of options (note 12)	924	4	20,289					20,293	
Common stock issued on employee stock purchase plan (note 12)	178	1	4,733					4,734	
Treasury stock purchases		(6)		(1,826)	(65,672)			(65,678)	
Tax benefit from exercise of options			4,051					4,051	
Stock-based compensation costs			25,561					25,561	
Comprehensive income:									
Net income						146,448		146,448	146,448
Other comprehensive income:									
Foreign currency translation adjustments							(101,631)	(101,631)	(101,631)
Unrealized gain/(loss) on investment securities							(361)	(361)	(361)
Comprehensive income									$ 44,456
Balance, June 30, 2009	81,953	$ 303	$ 522,980	(6,702)	$ (208,659)	$ 694,791	$ 105,777	$ 1,115,192	
Common stock issued on exercise of options (note 12)	2,779	9	88,584					88,593	
Common stock issued on employee stock purchase plan (note 12)	162	1	6,113					6,114	
Treasury stock purchases		(10)		(2,520)	(135,846)			(135,856)	

Tax benefit from exercise of options			13,186					13,186	
Stock-based compensation costs			29,624					29,624	
Comprehensive income:									
Net income						190,085		190,085	190,085
Other comprehensive income:									
Foreign currency translation adjustments							(20,148)	(20,148)	(20,148)
Unrealized gain/(loss) on investment securities							746	746	746
Comprehensive income									$ 170,683
Balance, June 30, 2010	84,894	$ 303	$ 660,487	(9,222)	$ (344,505)	$ 884,876	$ 86,375	$ 1,287,536	

See accompanying notes to consolidated financial statements.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2010, 2009 and 2008

(In thousands)

	June 30, 2010	June 30, 2009	June 30, 2008
Cash flows from operating activities:			
Net income	$ 190,085	$ 146,448	$ 110,303
Adjustments to reconcile net income to net cash provided by operating activities:			
Voluntary product recall expenses	-	-	3,103
Depreciation and amortization	61,563	53,963	59,485
Provision for warranties	3,197	2,219	(1,125)
Deferred income taxes	3,323	(26,658)	8,883
Foreign currency revaluation	(7,287)	16,829	(4,029)
Stock-based compensation costs	29,734	25,515	20,741
Tax benefit from stock options exercised	(13,169)	(3,870)	(3,813)
Gain on sale and leaseback of real property	-	-	(5,917)
Write-down of cost-method investments	250	1,306	3,250
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(24,742)	(32,897)	(16,083)
Inventories	(32,272)	(16,141)	9,605
Prepaid expenses and other current assets	(16,012)	20,916	10,642
Accounts payable, accrued expenses, income taxes and other liabilities	(6,457)	51,247	(57,209)
Net cash provided by operating activities	188,213	238,877	137,836
Cash flows from investing activities:			
Purchases of property, plant and equipment	(56,855)	(109,692)	(75,779)
Proceeds from disposal of property, plant and equipment	-	1,763	24,711
Capitalized interest	-	(1,610)	(1,233)
Purchases of investment securities	-	-	(6,500)
Proceeds from sale of maturing investment securities	1,050	-	21,450
Patent registration costs	(4,786)	(4,528)	(5,639)
Proceeds from disposal of business assets and contracts	454	3,005	2,542
Business acquisitions, net of cash acquired of $1,260	(10,660)	(2,394)	(856)
Purchases of cost-method investments	-	(2,267)	-
Purchases of foreign currency contracts	(1,725)	(2,439)	(2,049)
Proceeds from exercise of foreign currency contracts	14,211	8,863	5,500
Net cash used in investing activities	(58,311)	(109,299)	(37,853)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	95,222	24,892	21,627
Repayment of borrowings	(38,438)	(38,435)	(36,640)
Proceeds from borrowings, net of borrowing costs	-	80,137	44,000
Tax benefit from stock option exercises	13,169	3,870	3,813
Purchases of treasury stock	(131,082)	(68,593)	(96,557)
Net cash (used in) provided by financing activities	(61,129)	1,871	(63,757)
Effect of exchange rate changes on cash	4,353	(36,877)	27,060

Net increase in cash and cash equivalents	73,126	94,572	63,286
Cash and cash equivalents at beginning of the year	415,650	321,078	257,792
Cash and cash equivalents at end of the year	$ 488,776	$ 415,650	$ 321,078
Supplemental disclosure of cash flow information:			
Income taxes paid, net of refunds	$ 96,674	$ 16,926	$ 42,151
Interest paid, net of capitalized interest	2,196	5,016	5,520
Fair value of assets acquired in acquisitions, excluding cash	$ 7,937	$ 698	$ -
Liabilities assumed	(3,909)	(227)	-
Goodwill on acquisition	8,715	1,923	856
Fair value of contingent consideration	(2,083)	-	-
Cash paid for acquisition, including acquisition costs	$ 10,660	$ 2,394	$ 856

See accompanying notes to consolidated financial statements.

F5

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Organization and Basis of Presentation

ResMed Inc. (referred to herein as we , us , our or the Company) is a Delaware corporation formed in March 1994 as a holding company for the ResMed Group. Through our subsidiaries, we design, manufacture and market equipment for the diagnosis and treatment of sleep-disordered breathing and other respiratory disorders, including obstructive sleep apnea. Our manufacturing operations are located in Australia, Singapore, France and the United States. Major distribution and sales sites are located in the United States, Germany, France, the United Kingdom, Switzerland, Australia, Norway and Sweden.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from management s estimates.

(b) Revenue Recognition

Revenue on product sales is generally recorded upon shipment, at which time title and risk of loss transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from rental unit contracts is recognized ratably over the life of the rental contract. Revenue from sale of marketing or distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All shipping and handling related expenses are charged to cost of sales. Taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, are reported on a net basis (excluded from revenue).

We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products, other than returns for product defects or other warranty claims, nor do we recognize revenues if we offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit and other highly liquid investments and are stated at cost, which approximates market. Investments with original maturities of 90 days or less are considered to be cash equivalents for purposes of the consolidated statements of cash flows.

F6

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(d) Inventories

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. We review and provide for any product obsolescence in our manufacturing and distribution operations with assessments of individual products and components (based on estimated future usage and sales) being performed throughout the year.

(e) Property, Plant and Equipment

Property, plant and equipment, including rental equipment, is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to ten years except for buildings which are depreciated over an estimated useful life of 40 years and leasehold improvements which are amortized over the lease term. Maintenance and repairs are charged to expense as incurred.

We capitalize interest in connection with the construction of facilities. Actual construction costs incurred relating to facilities under active development qualify for interest capitalization. Interest capitalization ceases when the construction of a facility is complete and available for use. During the years ended June 30, 2010, 2009 and 2008, we capitalized $Nil, $1.6 million and $1.2 million, respectively, of interest relating to such construction costs.

(f) Intangible Assets

The registration costs for new patents are capitalized and amortized over the estimated useful life of the patent, generally five years. In the event of a patent being superseded or product retirement, the unamortized costs are written off immediately.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from three to nine years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No impairment of intangible assets has been identified during any of the periods presented.

(g) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2010. In conducting our review of goodwill impairment, we identified reporting units, being components of our operating segment, as each of the entities acquired and giving rise to the goodwill. The fair value for each reporting unit was determined based on estimated discounted cash flows. Our goodwill impairment review involved a two-step process as follows:

Step 1- Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit s fair value, move on to step 2. If a reporting unit s fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

F7

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Step 2- Allocate the fair value of the reporting unit to its identifiable tangible and non-goodwill intangible assets and liabilities. This will derive an implied fair value for the goodwill. Then, compare the implied fair value of the reporting unit s goodwill with the carrying amount of the reporting unit s goodwill. If the carrying amount of the reporting unit s goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess.

The results of Step 1 of our annual review indicated that no impaired goodwill exists.

(h) Foreign Currency

The consolidated financial statements of our non-U.S. subsidiaries, whose functional currencies are other than U.S. dollars, are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of comprehensive income, as detailed in Note 6, and are included in accumulated other comprehensive income in the consolidated balance sheets until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions denominated in other than the functional currency of the entity are reflected in operations.

(i) Research and Development

All research and development costs are expensed in the period incurred.

(j) Earnings per Share

Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and restricted stock units.

The weighted average shares used to calculate basic earnings per share were 75,454,000, 75,629,000 and 77,378,000 for the years ended June 30, 2010, 2009 and 2008, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options and restricted stock units during the periods presented. Stock options and restricted stock units had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 2,095,000, 1,484,000 and 1,334,000 for the years ended June 30, 2010, 2009 and 2008, respectively.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings per share were 498,000, 7,502,000 and 4,944,000 for the years ended June 30, 2010, 2009 and 2008, respectively, as the effect would have been anti-dilutive.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Basic and diluted earnings per share for the years ended June 30, 2010, 2009 and 2008 are calculated as follows (in thousands except per share data):

	2010	2009	2008
Numerator:			
Net income	$ 190,085	$ 146,448	$ 110,303
Denominator:			
Basic weighted-average common shares outstanding	75,454	75,629	77,378
Effect of dilutive securities:			
Stock options and restricted stock units	2,095	1,484	1,334
Diluted weighted average shares	77,549	77,113	78,712
Basic earnings per share	$ 2.52	$ 1.94	$ 1.43
Diluted earnings per share	$ 2.45	$ 1.90	$ 1.40

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, approximate their fair value because of their short-term nature. The carrying value of long-term debt approximates the fair value as the principal amounts outstanding are subject to variable interest rates that are based on market rates which are regularly reset. Foreign currency option contracts are marked to market and therefore reflect their fair value. We do not hold or issue financial instruments for trading purposes.

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(l) Foreign Exchange Risk Management

We enter into various types of foreign exchange contracts in managing our foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

The purpose of our foreign currency hedging activities is to protect us from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. We enter into foreign currency option contracts to hedge anticipated sales and manufacturing costs, principally denominated in Australian dollars, Euros and Pounds. The terms of such foreign currency option contracts generally do not exceed three years.

Our foreign currency derivatives portfolio represents a cash flow hedge program against the net cash flow of our international manufacturing operations. We have determined our hedge program to be a non-effective hedge. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets. Purchases of foreign currency derivatives and proceeds received from the exercise of foreign currency derivatives are classified as an Investing activity within the Consolidated Statements of Cash Flows.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

All movements in the fair value of the foreign currency derivatives are recorded within other income, net in our consolidated statements of income.

(m) Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Investment Securities

Management determines the appropriate classification of our investments in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. Debt securities for which we do not have the intent or ability to hold to maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income.

At June 30, 2010 and 2009, the investments in debt securities were classified on the accompanying consolidated balance sheets within prepaid expenses and other current assets and investment securities, respectively.

(o) Warranty

Estimated future warranty costs related to certain products are charged to operations in the period in which the related revenue is recognized. The liability for warranty costs are included in accrued expenses in our consolidated balance sheets.

Changes in the liability for product warranty for the year ended June 30, 2010 are as follows (in thousands):

Balance at July 1, 2009	$ 8,295
Warranty accruals for the year ended June 30, 2010	14,908

Warranty costs incurred for the year ended June 30, 2010	(11,691)
Foreign currency translation adjustments	(5)
Balance at June 30, 2010	$ 11,507

(p) Impairment of Long-Lived Assets

We periodically evaluate the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison

F10

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(q) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at June 30, 2010 and June 30, 2009 was $1.7 million and $2.2 million, respectively. We review the carrying value of these investments at each balance sheet date. In fiscal 2010 and 2009, we recognized $0.3 million and $1.3 million, respectively, of impairment losses related to our cost-method investments, which include investments in privately held service companies, research companies and public companies. The expense associated with this impairment has been included in the other income, net line within the consolidated statements of income. These were based on the determination that the declines in the fair value of these investments were other-than temporary. We have determined, subsequent to the impairment charge, that the fair value of our remaining investments exceed their carrying values.

(r) Stock-based Employee Compensation

We have granted stock options and restricted stock units to personnel, including officers and directors, under the ResMed Inc. 2009 Incentive Award Plan (the 2009 Plan), the 2006 Incentive Award Plan, as amended (the 2006 Plan) and the Amended and Restated ResMed Inc. 2006 Incentive Award Plan (the 2006 Amended Plan). These options and restricted stock units have expiration dates of seven years from the date of grant and vest over one or four years. We granted the options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers, the right to purchase shares of our common stock at a discount under the ResMed Inc. 2009 Employee Stock Purchase Plan (the ESPP).

We measure the compensation expense of all stock-based awards at fair value on the date of grant and recognize the compensation expense over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the straight-line method for stock-based awards. The fair value of restricted stock units is equal to the market value of the underlying shares as determined at the date of grant.

The fair value of stock options granted under our stock option plans and purchase rights granted under the ESPP is estimated on the date of the grant using the Black-Scholes valuation model assuming no dividends and using the following assumptions:

	Years ended June 30		
	2010	**2009**	**2008**
Stock Options:			
Weighted average grant date fair value	$ 16.06	$ 10.58	$ 12.87

Weighted average risk-free interest rate	2.2%	1.9%	2.6-4.6%
Dividend yield	-	-	-
Expected option life in years	4.0-5.0	4.0-4.8	4.0-4.8
Volatility	32-40%	27-38%	27-28%

F11

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

	Years ended June 30		
	2010	**2009**	**2008**
ESPP Purchase rights:			
Weighted average risk-free interest rate	0.2%	1.3%	1.7-5.0%
Dividend yield	-	-	-
Expected option life	6 months	6 months	6 months
Volatility	23-55%	33-55%	23-33%

Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from tradeable options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as the addition of the implied volatility is more representative of our future stock price trends. While there is a tradeable market of options on our common stock less emphasis is placed on the implied volatility of these options due to the relative low volumes of these traded options and the difference in the terms compared to our employee options. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

(s) Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering a customer s financial condition, credit history and current economic conditions.

(3) New Accounting Pronouncements

In September 2009, the FASB amended the authoritative guidance on revenue recognition for arrangements with multiple deliverables and arrangements that include software elements. This new guidance permits prospective or retrospective adoption. We will prospectively adopt this guidance from July 1, 2010 and do not believe it will have a material impact on our consolidated financial statements.

In January 2010, the FASB issued authoritative guidance requiring new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The FASB also clarified existing fair-value measurement disclosure guidance about the level of disaggregation, inputs, and valuation techniques. The disclosure requirements related to the Level 3 reconciliation will be effective July 1, 2011. The remaining guidance has been adopted and the impact was not material to the Company s consolidated financial statements and financial disclosures.

(4) Investment Securities

We held a number of investment securities in AAA rated auction securities with UBS which had various maturities between July 2039 and November 2047. During November 2008, we accepted an offer that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. In accordance

F12

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Investment Securities, Continued

with the agreement reached with UBS during November 2008 we sold our securities back to UBS at full par value on June 30, 2010. At June 30, 2010, we have reclassified the investment securities to Prepaid Expenses and Other Current Assets at June 30, 2010.

(5) Inventories

Inventories were comprised of the following as of June 30, 2010 and 2009 (in thousands):

	2010	**2009**
Raw materials	$ 63,120	$ 53,392
Work in progress	2,427	2,500
Finished goods	120,095	101,539
	$ 185,642	$ 157,431

(6) Comprehensive Income

Comprehensive income, net of tax, was comprised of the following as of June 30, 2010 and 2009 (in thousands):

	2010	**2009**
Foreign currency translation (losses)	$ 86,375	$ 106,523
Unrealized gain/(loss) on investment securities	-	(746)
Comprehensive income	$ 86,375	$ 105,777

We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

(7) Property, Plant and Equipment

Property, plant and equipment is comprised of the following as of June 30, 2010 and 2009 (in thousands):

	2010	**2009**
Machinery and equipment	$ 106,279	$ 88,146
Computer equipment	99,069	90,243

Furniture and fixtures	33,873	33,297
Vehicles	2,702	2,661
Clinical, demonstration and rental equipment	66,394	63,227
Leasehold improvements	18,735	19,404
Land	57,785	56,224
Buildings	240,475	232,530
	625,312	585,732
Accumulated depreciation and amortization	(238,164)	(208,119)
Property, Plant and Equipment, net	$ 387,148	$ 377,613

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(8) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the year ended June 30, 2010, were as follows:

(In thousands)	**2010**
Balance at July 1, 2009	$ 213,169
Foreign currency translation adjustments	(23,259)
Business acquisition	8,715
Balance at June 30, 2010	$ 198,625

On October 1, 2009, we acquired 100% of the outstanding shares of Laboratoires Narval SA. Based in France, Laboratoires Narval manufactures and distributes a mandibular repositioning device (MRD) that offers a solution to patients for snoring and obstructive sleep apnea (OSA), especially for those with mild OSA. With this acquisition, we add another therapy to supplement our existing positive airway pressure-based solutions, providing a broader offering for this patient group. The total purchase price was EUR 8 million in cash with potential contingent consideration cash payments of EUR 2 million based on the achievement of certain revenue milestones. In relation to the potential contingent consideration, we have recognized a liability of EUR 1.4 million, which is based on the expectation that 70% of the revenue milestones will be achieved. The acquisition is not considered a material business combination. The acquisition of Laboratoires Narval has been accounted for using purchase accounting and is included in our consolidated financial statements from October 1, 2009. We have not incurred any material acquisition-related costs in connection with the acquisition of Laboratoires Narval.

Patents and other intangibles is comprised of the following as of June 30, 2010 and June 30, 2009:

(In thousands)	**June 30, 2010**	**June 30, 2009**
Developed/core product technology	$ 35,167	$ 34,388
Accumulated amortization	(22,413)	(20,215)
Developed/core product technology, net of accumulated amortization	12,754	14,173
Trade names	2,159	2,200
Accumulated amortization	(1,547)	(1,103)
Trade names, net of accumulated amortization	612	1,097
Customer relationships	13,854	15,560
Accumulated amortization	(8,316)	(7,363)
Customer relationships, net of accumulated amortization	5,538	8,197
Patents	37,146	31,830
Accumulated amortization	(25,125)	(20,274)
Patents, net of accumulated amortization	12,021	11,556
Patents and other intangibles, net of accumulated amortization	$ 30,925	$ 35,023

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Goodwill and Other Intangible Assets, Continued

Intangible assets consist of patents, customer relationships, trade names and developed/core product technology and are amortized over the estimated useful life of the assets, generally between three and nine years. There are no expected residual values related to these intangible assets.

Amortization expense related to identifiable intangible assets, including patents, for the year ended June 30, 2010 was $8.0 million. Estimated annual amortization expense for the years ending June 30, 2011 through June 30, 2015, is shown below (in thousands):

Fiscal Year	**Amortization expense**
2011	$ 11,139
2012	9,686
2013	4,320
2014	3,102
2015	467

(9) Accrued Expenses

Accrued expenses at June 30, 2010 and 2009 consist of the following (in thousands):

	2010	**2009**
Product warranties	$ 11,507	$ 8,295
Consulting and professional fees	8,115	5,352
Value added taxes and other taxes due	8,013	8,075
Employee related costs	42,675	37,530
Marketing and promotional programs	1,065	2,009
Customer advance	626	1,210
Office rent	1,347	2,014
Other	7,535	2,533
	$ 80,883	$ 67,018

(10) Long-term Debt

Long-term debt at June 30, 2010 and 2009 consists of the following (in thousands):

	2010	**2009**

Current long-term debt	$ 121,689	$ 67,545
Non-current long-term debt	-	94,191
Total long-term debt	$ 121,689	$ 161,736

Revolving Facility

On April 30, 2010, ResMed Inc., and our wholly-owned subsidiaries, ResMed Corp., ResMed EAP Holdings Inc. and ResMed Motor Technologies Inc., entered into a Fourth Amendment to the March 1,

F15

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

2006 Second Amended and Restated Revolving Loan Agreement (the Loan Agreement) with Union Bank, N.A (formerly Union Bank of California, N.A). The Loan Agreement was modified in order that the minimum fixed charge coverage ratio was revised to exclude all indebtedness owing to Union Bank, N.A.

The entire outstanding principal amount must be repaid in full before March 1, 2011. The outstanding principal amount due under the revolving facility will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At June 30, 2010, there was $64.1 million outstanding under this revolving facility, which was bearing interest at a rate of approximately 1.1%.

The obligations of ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. under the Loan Agreement are secured by substantially all of the personal property of each of ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc., and are guaranteed by ResMed Inc. under an Amended and Restated Continuing Guaranty and Pledge Agreement, which guaranty is secured by a pledge of the equity interests in ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. held by ResMed Inc. The Loan Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Inc. maintain certain financial ratios, including a maximum ratio of total debt to EBITDA (as defined in the Loan Agreement), a fixed charge coverage ratio, a minimum tangible net worth, and a minimum ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. EBITDA.

The entire principal amount of the revolving facility and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Loan Agreement. Events of default include, among other items, failure to make payments when due, the occurrence of a material default in the performance of any covenants in the Loan Agreement or related amendments or a 35% or more change in control of ResMed Inc., ResMed Corp., ResMed Motor Technologies Inc. or ResMed EAP Holdings Inc. At June 30, 2010, we were in compliance with our debt covenants.

Syndicated Facility

On June 8, 2006, our wholly owned Australian subsidiary, ResMed Limited, entered into a Syndicated Facility Agreement with HSBC Bank Australia Limited as original financier, facility agent and security trustee, that provides for a loan in three tranches (the Syndicated Facility Agreement).

Tranche A is a Euro (EUR) 50 million five-year term loan facility that refinanced all amounts outstanding under a previous facility. Tranche A bears interest at a rate equal to LIBOR for outstanding principal amounts denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the ResMed Group) for the most recently completed fiscal year for the applicable interest period. The total outstanding principal amount of Tranche A must be repaid in full on June 8, 2011. At June 30, 2010, the Tranche A facility loan had an amount outstanding of EUR 15.0 million, equivalent to approximately U.S. dollars (USD) 18.4 million, which was bearing interest at a rate of approximately 1.2%.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for outstanding principal amounts denominated in EUR, Australian dollars, USD or British Pounds Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At June 30, 2010 there was USD 9.0 million outstanding under the Tranche B loan facility, which was bearing interest at a rate of approximately 1.1%.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

Tranche C was a USD 60 million term loan facility that could only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which would ultimately be paid to ResMed Inc. Tranche C bore interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount was repaid in full during the year ended June 30, 2009. At June 30, 2010, the Tranche C loan facility was no longer available.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility for a total commitment of up to 3 million British Pounds Sterling. At June 30, 2010, there were no amounts outstanding under either of these facilities.

On September 30, 2008, our wholly-owned Australian subsidiary, ResMed Limited, agreed to amend and restate the Syndicated Facility Agreement entered into on June 8, 2006. The amended and restated agreement (First Amended and Restated Syndicated Facility Agreement) with the Hong Kong and Shanghai Banking Corporation, Sydney Branch as financier and HSBC Bank Australia Limited as facility agent and security trustee, provided for an additional Tranche D term loan facility in the amount of USD 50 million.

On September 30, 2009, ResMed Limited, agreed to amend and restate for a second time the Syndicated Facility Agreement. The second amended and restated agreement (Second Amended and Restated Syndicated Facility Agreement) provides for the extension of our Tranche D term loan facility in the amount of USD 50 million for an additional 12 month period and to increase the interest rate applicable to the Tranche D portion of the loan facility. The financier continues to have the right to assign part or all of its rights and/or obligations under the Second Amended and Restated Syndicated Facility Agreement to other financial institutions. The extended Tranche D loan facility bears interest at a rate equal to LIBOR for outstanding principal amounts denominated in USD, plus a margin of 2.25% or 2.50%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount of the additional loan facility must be repaid in full by September 30, 2010. At June 30, 2010, there was USD 30.0 million outstanding under the Tranche D loan facility, which was bearing interest at a rate of approximately 2.6%.

The Syndicated Facility Agreement is secured by a pledge of one hundred percent of the shares of ResMed Inc. s subsidiary, ResMed Paris SAS (formerly Saime SAS), pursuant to a pledge agreement. The Syndicated Facility Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Limited maintains certain financial ratios, including a minimum debt service cover ratio, a maximum ratio of total debt to EBITDA and a minimum tangible net worth. The entire principal amount of the loan and any accrued, but unpaid, interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Syndicated Facility Agreement. Events of default include, among other items, failure to make payments when due, breaches of representations, warranties or covenants, the occurrence of certain insolvency events, the occurrence of an event or change which could have a material adverse effect on ResMed Limited and its subsidiaries, and if ResMed Inc. ceases to control ResMed Limited, ResMed Corp., ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited, Take Air Medical Handels-GmbH or ResMed Paris SAS.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

The obligations of ResMed Limited under the loan facility are subject to two guarantee and indemnity agreements, one on behalf of ResMed Inc. and its U.S. subsidiary, ResMed Corp., and another on behalf of ResMed s international subsidiaries, ResMed SAS (other than Tranche C), ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH. At June 30, 2010, we were in compliance with our debt covenants.

Prepayment Facility

During the year ended June 30, 2010, ResMed EPN Limited, our wholly-owned UK subsidiary, obtained access to a Prepayment Facility with HSBC Invoice Finance (UK) Limited that provides for a cash advance facility up to a total commitment of 5 million British Pounds Sterling. These advances are limited to 75% of secured outstanding sales invoices. At June 30, 2010, there were no amounts outstanding under this facility.

We expect to satisfy all of our short-term liquidity requirements through a combination of cash on hand and cash generated from operations. All of our contractual debt matures during the year ending June 30, 2011.

(11) Restructuring Expenses

Restructuring expenses consisted predominantly of expenses associated with the Company s decision to streamline European management including the closure of part of the European headquarters in Basel, Switzerland and two regional offices in the Netherlands during fiscal 2008. Following is a summary of the restructuring liabilities that were recorded during the years ended June 30, 2008, June 30, 2009 and June 30, 2010 (in thousands):

	Accrued employee costs	Other accrued costs	Total accrued costs
Balance at June 30, 2007	$ 32	$ 16	$ 48
Restructuring expenses	976	1,402	2,378
Cash payments	(915)	(1,386)	(2,301)
Foreign currency translation	4	66	70
Balance at June 30, 2008	$ 97	$ 98	$ 195
Cash payments	(97)	(98)	(195)
Balance at June 30, 2009	$ -	$ -	$ -

(12) Stockholders Equity

Common Stock. On May 27, 2009, our Board of Directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 10.0 million shares of ResMed Inc. common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant. This program cancels and replaces our previous share repurchase program previously authorized on June 6, 2002 for 8.0 million shares. The new program authorizes us to purchase shares in addition to the shares we repurchased under our previous program. There is no expiration date for this program. All share repurchases after May 29, 2009 will be executed in accordance with this program.

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(12) Stockholders Equity, Continued

During fiscal years 2010 and 2009, we repurchased 2,519,843 and 1,826,307 shares at a cost of $135.8 million and $65.7 million, respectively. At June 30, 2010, we have repurchased a total of 9.2 million shares at a cost of $344.5 million, of which 6.6 million shares were repurchased pursuant to the repurchase program approved on June 6, 2002 and 2.6 million were repurchased pursuant to the new repurchase program approved on May 27, 2009. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share. At June 30, 2010, there is a remaining 7.4 million shares that can be repurchased under the approved share repurchase program.

Stock Split. On August 5, 2010, our Board of Directors declared a two-for-one split of our common stock to be payable in the form of a 100% stock dividend. Shareholders will receive one additional share of common stock for every share held on August 17, 2010. Common stock issued and outstanding, giving retroactive effect to the stock split at June 30, 2010 would have been 151.3 million. Pro forma earnings per share, giving retroactive effect to the stock split, is as follows (in millions, except for per share information):

	2010	2009	2008
Basic weighted-average common shares outstanding, as reported	75,454	75,629	77,378
Basic weighted-average common shares outstanding, pro forma	150,908	151,258	154,756
Basic earnings per share, as reported	$ 2.52	$ 1.94	$ 1.43
Basic earnings per share, pro forma	$ 1.26	$ 0.97	$ 0.71
Diluted weighted-average common shares outstanding, as reported	77,549	77,113	78,712
Diluted weighted-average common shares outstanding, pro forma	155,098	154,226	157,424
Diluted earnings per share, as reported	$ 2.45	$ 1.90	$ 1.40
Diluted earnings per share, pro forma	$ 1.23	$ 0.95	$ 0.70

Preferred Stock. In April 1997, the Board of Directors authorized 2,000,000 shares of $0.01 par value preferred stock. No such shares were issued or outstanding at June 30, 2010.

Employee Stock Purchase Plan (ESPP). The ESPP was approved at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009, as an amendment to the previously approved employee stock purchase plan. Under the ESPP, participants are offered the right to purchase shares of our common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of time determined by the Board of Directors Compensation Committee of no less than 3 months and no more than 27 months. The purchase price for our common stock under the ESPP will be the lower of 85% of the fair market value of our common stock on the date of grant or 85% of the fair market value of our common stock on the date of purchase. An individual participant cannot subscribe for more than $25,000 in common stock during any calendar year. As part of the approval of the ESPP at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009, the number of shares of our common stock available for grant under the ESPP increased by 600,000 shares, from 500,000 shares to 1,100,000 shares. The number of securities remaining available for future issuance under the ESPP at June 30, 2010 is 540,000. During fiscal year 2010, we issued 162,000 shares to our employees in two offerings and we recognized $1.9 million of stock compensation expense associated with the ESPP.

Stock Options and Restricted Stock Units (RSU s). We have granted stock options and RSU s to personnel, including officers and directors, in accordance with the 2006 Plan, the 2006 Amended Plan and the 2009 Plan, which was approved at the annual meeting of the stockholders of ResMed Inc. on November 18, 2009. These options and restricted stock units have expiration dates of seven years from the date of grant and vest over one or four years. We have granted the options with an exercise price equal to the market value as determined at the date of grant.

F19

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Stockholders Equity, Continued

The maximum number of shares of our common stock authorized for issuance under the 2009 Plan is 11,460,825. The number of securities remaining available for future issuance under the 2009 Plan at June 30, 2010 is 3,529,178. The number of shares of our common stock available for issuance under the 2009 Plan will be reduced by (i) two and four tenths (2.4) shares, an increase from two and one tenth (2.1) shares, for each one share of common stock delivered in settlement of any full-value award, which is any award other than a stock option, stock appreciation right or other award for which the holder pays the intrinsic value and (ii) one share for each share of common stock delivered in settlement of all other awards. The maximum number of shares, which may be subject to awards granted under the 2009 Plan to any individual during any calendar year, may not exceed 1,500,000 shares of our common stock (except in a participant s initial year of hiring up to 2,250,000 shares of our common stock may be granted).

At June 30, 2010, there was $57.1 million in unrecognized compensation costs related to unvested stock-based compensation arrangements. This is expected to be recognized over a weighted average period of 2.7 years. The aggregate intrinsic value of the stock-based compensation arrangements outstanding and exercisable at June 30, 2010 was $235.5 million and $118.2 million, respectively. The weighted average remaining contractual terms of options outstanding and exercisable at June 30, 2010 was 4.44 years and 3.92 years, respectively. The aggregate intrinsic value of the options exercised during the years ended June 30, 2010, 2009 and 2008 was $65.3 million, $17.8 million and $18.7 million, respectively. The following table summarizes option activity during the year ended June 30, 2010, 2009 and 2008:

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Outstanding at beginning of year	10,799,302	$ 34.82	9, 9,683,816	$ 34.69	8,406,483	$ 31.43
Granted	560,707	50.44	2,490,950	31.81	2,469,650	42.34
Exercised	(2,779,166)	31.88	(923,964)	21.96	(786,523)	20.72
Forfeited	(162,875)	41.27	(451,500)	42.09	(405,794)	41.70
Outstanding at end of year	8,417,968	$ 36.70	10,799,302	$ 34.82	9,683,816	$ 34.69
Exercise price range of granted options	$ 40.39-$68.68		$ 31.04-$43.35		$ 38.63-$51.31	
Options exercisable at end of year	4,513,723	$ 34.62	5,453,047	$ 31.61	4,884,485	$ 26.76

The following table summarizes the activity of RSU s during the year ended June 30, 2010:

	2010	Weighted Average Price	Weighted Average Remaining Term to Vest in Years
Outstanding at beginning of year	-	$ -	-
Granted	542,313	51.78	
Exercised	-	-	
Forfeited	(5,943)	51.08	
Outstanding at end of year	536,370	$ 51.79	1.97

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Stockholders Equity, Continued

The following table summarizes the total stock-based compensation costs incurred and the associated tax benefit recognized during the year ended June 30, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Cost of sales - Capitalized as part of inventory	$ 1,354	$ 996	$ 988
Selling, general and administrative expenses	25,682	21,704	17,797
Research and development expenses	2,698	2,815	1,956
Stock-based compensation costs	29,734	25,515	20,741
Tax benefit	(8,985)	(7,016)	(6,633)
Stock-based compensation costs, net of tax benefit	$ 20,749	$ 18,626	14,108

(13) Other, net

Other, net in the consolidated statements of income is comprised of the following for the years ended June 30, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Gain on foreign currency transactions and hedging	$ 6,981	$ 2,388	$ 1,121
Gain on sale of real property	-	-	5,917
Impairment of cost method investments	(250)	(1,306)	(3,250)
Gain/(loss) on sale of business assets and contracts	-	(176)	230
Other	(553)	262	809
	$ 6,178	$ 1,168	$ 4,827

(14) Income Taxes

Income before income taxes for the years ended June 30, 2010, 2009 and 2008, was taxed under the following jurisdictions (in thousands):

	2010	2009	2008
U.S.	$ (17,043)	$ (13,755)	$ 31,783
Non-U.S.	277,632	215,439	126,072
	$ 260,589	$ 201,684	$ 157,855

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

The provision for income taxes is presented below (in thousands):

	2010	2009	2008
Current:			
Federal	$ 8,348	$ 4,129	$ 11,077
State	1,561	1,386	994
Non-U.S.	57,272	76,379	26,598
	67,181	81,894	38,669
Deferred:			
Federal	2,053	(10,277)	(2,379)
State	(176)	(765)	(143)
Non-U.S.	1,446	(15,616)	11,405
	3,323	(26,658)	8,883
Provision for income taxes	$ 70,504	$ 55,236	$ 47,552

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal income tax rate of 35% to pretax income as a result of the following (in thousands):

	2010	2009	2008
Taxes computed at statutory U.S. rate	$ 91,206	$ 70,590	$ 55,249
Increase (decrease) in income taxes resulting from:			
State income taxes, net of U.S. tax benefit	886	346	1,578
Non-deductible expenses	594	748	910
Research and development credit	(6,942)	(4,916)	(5,646)
Tax effect of dividends	35,795	55,575	2,346
Change in valuation allowance	733	(9,435)	1,474
Effect of non-U.S. tax rates	(27,975)	(17,559)	(7,493)
Foreign tax credits	(24,816)	(43,271)	(2,230)
Stock-based compensation expense	2,080	2,488	627
Other	(1,057)	670	737
	$ 70,504	$ 55,236	$ 47,552

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

Deferred tax assets and liabilities are classified as current or non-current according to the classification of the related asset or liability. The components of our deferred tax assets and liabilities at June 30, 2010 and 2009 are as follows (in thousands):

	2010	2009
Deferred tax assets:		
Employee benefit obligations	$ 5,472	$ 4,460
Inventories	5,913	3,857
Provision for warranties	3,379	2,181
Provision for doubtful debts	1,880	1,689
Net operating loss carryforwards	2,577	2,479
Foreign tax credits	3,055	2,355
Patent costs	922	1,597
Capital loss carryover	349	290
Intercompany profit in inventories	25,240	26,638
Stock-based compensation expense	18,671	17,515
Unrealized foreign exchange losses	-	860
Property, plant and equipment	-	1,240
Other	1,629	3,277
	69,087	68,438
Less valuation allowance	(5,159)	(4,706)
Deferred tax assets	63,928	63,732
Deferred tax liabilities:		
Unrealized foreign exchange gains	(3,642)	-
Property, plant and equipment	(1,747)	-
Goodwill and other intangibles	(10,465)	(11,528)
Deferred tax liabilities	(15,854)	(11,528)
Net deferred tax asset	$ 48,074	$ 52,204

The net deferred tax assets and liabilities have been reported in the consolidated balance sheets at June 30, 2010 and 2009 as follows (in thousands):

	2010	2009
Current deferred tax asset	$ 40,227	$ 44,368
Non-current deferred tax asset	19,042	19,364
Current deferred tax liability	(402)	(391)
Non-current deferred tax liability	(10,793)	(11,137)
Net deferred tax asset	$ 48,074	$ 52,204

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

At June 30, 2010, we had $6,487,000 of U.S. net operating loss carryforwards and $9,372,000 of non-U.S. net operating loss carryforwards, which expire in various years through 2023 or carry forward indefinitely. We also have foreign tax credit carryforwards of $3,055,000. The foreign tax credit carryforwards have expiration dates through 2020.

The valuation allowance at June 30, 2010 relates to a provision for uncertainty as to the utilization of foreign tax credits of $3,055,000, net operating loss carryforwards for certain non-U.S. countries of $1,562,000 and capital loss items of $542,000. We believe that it is more likely than not that the benefits of deferred tax assets, net of any valuation allowance, will be realized.

We have not provided for U.S. income and foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries indefinitely invested outside the United States as of June 30, 2010. The total amount of these undistributed earnings at June 30, 2010 amounted to approximately $667 million. Should we repatriate foreign earnings, we would have to adjust the income tax provision in the period management determined that we would repatriate earnings.

In accounting for uncertainty in income taxes, we recognize a tax benefit in the financial statements for an uncertain tax position only if management s assessment is that the position is more likely than not (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term tax position refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for annual periods.

The following table indicates the changes to our unrecognized tax benefits for the year ended June 30, 2010 and June 30, 2009. The term unrecognized tax benefits , UTB, refers to the differences between a tax position taken or expected to be taken in a tax return and the benefit measured and recognized in the consolidated financial statements.

	2010	**2009**
Gross UTB balance	$ 3,360	$ 4,108
Additions for tax positions of current year	307	1,033
Additions/(Reductions) for tax positions of prior years	129	(67)
Reductions due to lapse of applicable statute of limitations	(1,040)	(1,714)
Foreign exchange movement	77	-
Gross UTB balance	$ 2,833	$ 3,360

Included in the balance at June 30, 2010, are tax positions of $1.4 million that, if recognized, would affect our effective tax rate. Also included in the balance is $1.2 million of temporary differences, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

For fiscal year ending June 30, 2010, the Company recognized a benefit of $0.1 million ($0.1 million, net of tax benefit) of interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2010, we have accrued approximately $0.8 million ($0.5 million net of tax benefit) for interest and penalties related to uncertain tax positions.

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examination for tax years prior to fiscal year 2006, and no longer subject to state income tax examinations for the tax years prior to fiscal year 2005. With few exceptions, including the German tax assessment, we are no longer subject to foreign income tax examinations for fiscal years before 2003. During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested and appealed to the German tax authority office. As the outcome of the appeal cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution.

Within the next 12 months, we anticipate a potential decrease of approximately $1.4 million in the unrecognized tax benefit due to statute of limitations expiration relating to the timing of certain amortization deductions of $0.8 million and $0.6 million for other items. These potential decreases will potentially impact the effective tax rate by $0.6 million, which includes the potential reduction in accrued interest. We do not anticipate any other significant changes within the next 12 months.

(15) Employee Retirement Plans

The Company contributes to a number of employee retirement plans for the benefit of its employees. Details of the main plans are as follows:

(1) Australia - The Company contributes to defined contribution plans for each employee resident in Australia. All Australian employees, after serving a qualifying period, are entitled to benefits on retirement, disability or death. Employees may contribute additional funds to the plans. The Company contributes to the plans at the rate of 9% of the salaries of all Australian employees. Total Company contributions to the plans for the years ended June 30, 2010, 2009 and 2008, were $6,508,230, $4,186,000 and $5,907,000, respectively.

(2) United Kingdom - The Company contributes to a defined contribution plan for each permanent United Kingdom employee. All employees, after serving a three-month qualifying period, are entitled to benefit on retirement, disability or death. Employees may contribute additional funds to the plan. The Company contributes to the plan at the rate of 5% of the salaries of all United Kingdom employees. Total Company contributions to the plan were $210,351, $164,000 and $273,000 in fiscal 2010, 2009 and 2008, respectively.

(3) United States - The Company sponsors a defined contribution plan available to substantially all domestic employees. Company contributions to this plan are based on a percentage of employee contributions to a maximum of 3% of the employee s salary. Total Company contributions to the plan were $1,969,176, $1,756,000 and $1,259,000 in fiscal 2010, 2009 and 2008, respectively.

(4) Switzerland - The Company sponsors a fixed return defined contribution fund for each permanent Swiss employee. As part of the Company s contribution to the fund, the Company guarantees a fixed 3% net return on accumulated contributions per annum. The Company contributes to

the plan at variable rates that have averaged 10% of salaries over the last three years. Total Company contributions to the plan were $311,252, $375,000 and $343,000 in fiscal 2010, 2009 and 2008, respectively.

Table of Contents

ResMed Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(16) Segment Information

The Company operates solely in the sleep-disordered breathing sector of the respiratory medicine industry. The Company therefore believes that, given the single market focus of its operations and the inter-dependence of its products, the Company operates as a single operating segment. The Company assesses performance and allocates resources on the basis of a single operating entity.

Sales of flow generators for the years ended June 30, 2010, June 30, 2009 and June 30, 2008 were $633.6 million, $532.1 million and $484.4 million, respectively. Sales of mask systems, motors and other accessories for the years ended June 30, 2010, June 30, 2009 and June 30, 2008 were $458.8 million, $388.6 million and $351.2 million, respectively.

Financial information by geographic area for the years ended June 30, 2010, 2009 and 2008, is summarized below (in thousands):

	U.S.A	Germany	Australia	France	Rest of World	Total
2010						
Revenue from external customers	$ 590,402	155,957	26,099	118,511	201,388	$ 1,092,357
Long lived assets	$ 142,039	17,938	215,026	4,646	7,499	$ 387,148
2009						
Revenue from external customers	$ 493,402	132,220	21,037	106,343	167,733	$ 920,735
Long lived assets	$ 142,074	20,434	204,529	4,370	6,206	$ 377,613
2008						
Revenue from external customers	$ 409,646	132,218	22,783	100,740	170,010	$ 835,397
Long lived assets	$ 72,799	18,612	243,290	6,414	15,942	$ 357,057

Net revenues from external customers are based on the location of the customer. Long-lived assets of geographic areas are those assets used in the Company s operations in each geographical area and excludes intangibles, deferred tax assets and goodwill.

(17) Commitments

The Company leases buildings, motor vehicles and office equipment under operating leases. Rental charges for operating leases are expensed on a straight-line basis over the lease term taking into account rent concessions or holidays. Rent expenses under operating leases for the years ended June 30, 2010, 2009 and 2008 were approximately $10.2 million, $14.9 million and $9.1 million, respectively. At June 30, 2010 the Company had the following future minimum lease payments under non-cancelable operating leases (in thousands):

Years	**Operating Leases**
2011	$ 11,193
2012	7,861
2013	4,684
2014	1,877
2015	1,642
Thereafter	1,195
Total minimum lease payments	$ 28,452

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(17) Commitments, Continued

Excluding lease commitments, details of contractual obligations at June 30, 2010 are as follows (in thousands):

		Payments Due by Period					
In $000 s	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Long-Term Debt	$ 121,689	$ 121,689	$ -	$ -	$ -	$ -	$ -
Purchase Obligations	$ 103,023	94,789	2,971	2,969	2,294	-	-
Total Contractual Obligations	$ 224,712	$ 216,478	$ 2,971	$ 2,969	$ 2,294	$ -	$ -

Details of other commercial commitments at June 30, 2010 are as follows:

	Total Amounts	Amount of Commitment Expiration Per Period					
In $000 s	**Committed**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Standby Letters of Credit	$ 175	$ 143	$ -	$ -	$ -	$ -	$ 32
Other	$ 11	11	-	-	-	-	-
Guarantees*	$ 84,967	65,715	14,507	996	540	554	2,655
Total Commercial Commitments	$ 85,153	$ 65,869	$ 14,507	$ 996	$ 540	$ 554	$ 2,687

* The above guarantees mainly relate to security provided as part of our Syndicated Facility Agreement and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

(18) Legal Actions and Contingencies

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not have a material adverse effect on our consolidated financial statements taken as a whole.

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested and appealed to the German tax authority office. As the outcome of the appeal cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution.

In February 2007, the University of Sydney commenced legal action in the Federal Court of Australia against us, claiming breach of a license agreement and infringement of certain intellectual property. The claim has been amended to include an allegation of breach of confidentiality. The university is seeking various types of relief, including an injunction against manufacturing, supplying, offering for sale, selling or exporting certain mask devices, payment of license fees, damages or an account of profits, interest, costs and declaration of a constructive trust over and assignment of certain intellectual property. In October 2007, we filed a defense denying the university s claim, as well as a cross-claim against the university seeking an order for rectification of the contract and alleging the university violated the Australian Trade Practices Act. The matter is ongoing. We have not recognized a liability in relation to this matter at June 30, 2010 and we do not expect the outcome of this matter to have a material adverse effect on our consolidated financial statements.

F27

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(18) Legal Actions and Contingencies, Continued

In January 2010, Vaughn Medical Equipment Repair Service, L.L.C., filed a complaint in the U.S. District court in Louisiana, against us and other defendants, alleging, among other things, anti-competitive conduct, conspiracy, defamation and tortious interference. We have filed our initial response to the suit, asking the court to dismiss the case. We do not expect the outcome of this matter to have a material adverse effect on our consolidated financial statements.

(19) Voluntary Product Recall Expenses

On April 23, 2007, we initiated a worldwide voluntary recall of approximately 300,000 units of our early production S8 flow generators used for the treatment of obstructive sleep apnea. In S8 devices manufactured between July 2004 and May 15, 2006, there is a remote potential for a short circuit in the power supply connector. The initial estimated cost of this action was $59.7 million which was recognized as a charge to cost of sales in the consolidated statement of income year ended June 30, 2007. During the years ended June 30, 2010 and June 30, 2009, we recognized $Nil additional charges, respectively. These costs represented our best estimate of probable costs based on available data and accounted for factors such as expected return rates for the affected units, unit replacement costs, legal, consulting, logistical and temporary contractor expenses directly associated with the recall. We expect negligible additional costs associated with the recall and at June 30, 2010 there is no remaining recall accrual.

Following is a summary of the liabilities related to the voluntary product recall that were recorded during the years ended June 30, 2008, June 30, 2009 and June 30, 2010 (in thousands):

	Total accrued costs
Balance at June 30, 2007	$ 45,098
Voluntary product recall expenses	3,103
Cash payments	(48,477)
Foreign currency translation	1,304
Balance at June 30, 2008	$ 1,028
Cash payments	(948)
Foreign currency translation	(80)
Balance at June 30, 2009	$ -

(20) Fair Value Measurements

In determining the fair value measurements of our financial assets and liabilities, we consider the principal and most advantageous market in which we transact and consider assumptions that market participants would use when pricing the financial asset or liability. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchies of inputs used to determine fair value are as follows:

Level 1: Input prices quoted in an active market for identical financial assets or liabilities;

Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) Fair Value Measurements, Continued

Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor supported by an active market

The following table summarizes our financial assets and liabilities at June 30, 2010 using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 488,776	$ -	$ -	$ 488,776
Investment securities	-	3,950	-	3,950
Cost-method investments	-	-	1,748	1,748
Foreign currency options	-	10,762	-	10,762
	$ 488,776	$ 14,712	$ 1,748	$ 505,236

The following table summarizes our financial assets and liabilities at June 30, 2009 using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 415,650	$ -	$ -	$ 415,650
Investment securities	-	4,254	-	4,254
Cost-method investments	-	-	2,201	2,201
Foreign currency options	-	7,815	-	7,815
	$ 415,650	$ 12,069	$ 2,201	$ 429,920

We determine the fair value of our financial assets as follows:

Cash and cash equivalents - The valuation used for our cash, short-term deposits and other money market funds are based on the amounts invested due to their short term nature and there is an active market for these financial instruments.

Investment securities - These securities represent our auction rate securities as described in Note 4. At June 30, 2010, we held a number of investment securities in AAA rated auction securities with UBS. During November 2008, we accepted an offer that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. In accordance with the agreement reached with UBS, we sold our securities back to UBS at full par value on June 30, 2010. We have recognized the full par value amount of the securities within Prepaid Expenses and Other Current Assets. At June 30, 2009, we had investments totaling $5.0 million at par value with an estimated fair value of $4.3 million. The value of these securities are calculated by third party valuation models based on observable market prices and inputs including future cash flows, yields and spreads.

Cost-method investments - These investments include our holdings in privately held service companies and research companies that are not exchange traded and, therefore, are not supported with observable market prices. However, these investments are valued by reference to their net asset values which can be market supported and observable inputs including future cash flows.

Foreign currency options - These financial instruments are valued using third party valuation models based on market observable inputs, including interest rate curves, on market spot currency prices, volatilities and credit risk.

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(20) Fair Value Measurements, Continued

The following table shows a reconciliation of the year ended June 30, 2010 for fair value measurements using significant unobservable inputs (thousands):

Balance at July 1, 2009	$ 2,201
Disposal	(216)
Impairment	(250)
Foreign currency translation	13
Balance at June 30, 2010	$ 1,748

We did not have any significant non-financial assets or liabilities measured at fair value on June 30, 2010 or 2009.

(21) Subsequent Events

On August 5, 2010 we announced that our Board of Directors has approved a two-for-one split of its common stock, payable in the form of a 100 percent stock dividend. Shareholders of record will receive one additional share of common stock for every share held on August 17, 2010.

(22) Derivative Instruments and Hedging Activities

We transact business in various foreign currencies, including a number of major European currencies as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditures. The terms of such foreign currency hedging contracts generally do not exceed three years. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures denominated in Euros, Australian dollars and British Pounds. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments.

We do not designate these foreign currency contracts as hedges. All movements in the fair value of the foreign currency instruments are recorded within other income, net in our consolidated statements of income. We do not enter into financial instruments for trading or speculative purposes.

We held foreign currency instruments with notional amounts totaling $211.5 million and $191.7 million at June 30, 2010 and June 30, 2009, respectively, to hedge foreign currency fluctuations. These contracts mature at various dates prior to June 30, 2013.

The fair value and effect of derivative instruments on our consolidated financial statements were as follows:

	Asset Derivatives	**June 30, 2010**		**Gain recognized in Income on Derivatives**
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Location of gain recognized in Income on Derivatives	Year Ended June 30, 2010
Foreign Exchange Contracts	Other Assets	$10,762	Other, net	$15,575

F30

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(22) Derivative Instruments and Hedging Activities, Continued

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign currency derivatives at June 30, 2010 and June 30, 2009 was $10.8 million and $7.8 million, respectively, which represents the positive fair value of our foreign currency derivatives. These values are included in the current and non-current balances of other assets on the consolidated balance sheets. We minimize counterparty credit risk by entering into derivative transactions with major financial institutions and, as such, we do not expect material losses as a result of default by our counterparties.

Table of Contents

SCHEDULE II

RESMED INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED JUNE 30, 2010, 2009 AND 2008

(in thousands)

	Balance at Beginning of Period	Charged to costs and expenses	Other (deductions)	Balance at end of period
Year ended June 30, 2010				
Applied against asset account				
Allowance for doubtful accounts	$ 7,381	2,323	(2,175)	$ 7,529
Year ended June 30, 2009				
Applied against asset account				
Allowance for doubtful accounts	$ 4,935	4,070	(1,624)	$ 7,381
Year ended June 30, 2008				
Applied against asset account				
Allowance for doubtful accounts	$ 4,704	1,238	(1,007)	$ 4,935

See accompanying report of independent registered public accounting firm.

Table of Contents

RESMED INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED August 16, 2010

ResMed Inc.

/s/ KIERAN T. GALLAHUE
Kieran T. Gallahue
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ KIERAN T. GALLAHUE	President and Chief Executive Officer	August 16, 2010
Kieran T. Gallahue	(Principal Executive Officer)	
/s/ BRETT A. SANDERCOCK	Chief Financial Officer	August 16, 2010
Brett A. Sandercock	(Principal Financial Officer and	
	Principal Accounting Officer)	
/s/ PETER C. FARRELL	Executive Chairman of the Board	August 16, 2010
Peter C. Farrell		
/s/ CHRISTOPHER G. ROBERTS	Director	August 16, 2010
Christopher G. Roberts		
/s/ MICHAEL A. QUINN	Director	August 16, 2010
Michael A. Quinn		

/s/ GARY W. PACE Gary W. Pace	Director	August 16, 2010
/s/ RICHARD SULPIZIO Richard Sulpizio	Director	August 16, 2010
/s/ RON TAYLOR Ron Taylor	Director	August 16, 2010
/s/ JOHN P. WAREHAM John P. Wareham	Director	August 16, 2010

Table of Contents

RESMED INC. AND SUBSIDIARIES

EXHIBIT INDEX

The following documents are filed as part of this report:

(a)	Consolidated Financial Statements and Schedules The index to the consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the Index to Consolidated Financial Statements under Item 8 of this report.
(b)	Exhibit Lists
3.1	First Restated Certificate of Incorporation of Registrant, as amended (15)
3.2	Third Restated By-laws of Registrant (12)
3.3	Fourth Amended and Restated Bylaws of ResMed Inc. (17)
4.1	Form of certificate evidencing shares of Common Stock (1)
4.2	Rights agreement dated as of April 23, 1997(2)
10.1*	1995 Stock Option Plan (1)
10.2*	1997 Equity Participation Plan (3)
10.3	Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended (1)
10.5	Loan Agreement between the Australian Trade Commission and ResMed Ltd dated May 3, 1994 (1)
10.6	Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA (4)
10.7	Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia (5)
10.8*	Employment Agreement dated May 14, 2002, between Servo Magnetics Inc. and Leslie Hoffman (6)
10.9	Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia (6)
10.10*	2003 Employee Stock Purchase Plan (7)
10.11	Loan Agreement between ResMed Limited and HSBC Bank Australia Limited (11)
10.12	Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005 (11)
10.13	First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.14	Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.15	Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A. (8)
10.16	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. (8)
10.17	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc. (8)
10.18	Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (9)
10.19	Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited (10)

10.20	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (10)
10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (10)
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc (10)
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited (10)
10.24*	ResMed Inc. 2006 Incentive Award Plan (16)
10.25*	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan (13)
10.26*	2006 Grant agreement for Board of Directors (13)
10.27*	2006 Grant agreement for Executive Officers (15)
10.28*	2006 Grant agreement for Australian Executive Officers (15)
10.29*	Form of Executive Agreement (14)
10.30	Second Amendment to Second Amended and Restated Revolving Loan Agreement dated January 28, 2008 (18)
10.31	Lease Agreement between ResMed Corp. and Poway Danielson, LP (19)
10.32	First Amended and Restated Syndicated Facility Agreement dated September 30, 2008 (20)
10.33	Amendment and Restatement Agreement, dated as of September 30, 2008, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited (20)
10.34	US Guarantee Consent Deed, dated as of September 17, 2008, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (20)
10.35	International Guarantee Consent Deed, dated as of September 30,2008, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (20)
10.36*	Amended and Restated 2006 Incentive Award Plan dated November 20, 2008 (21)
10.37	Departure of Directors or Certain Officers dated December 12, 2008 (22)
10.38	Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement (23)
10.39	Approval of new share repurchase program dated May 29, 2009 (24)
10.40	Form of Indemnification Agreements for our directors and officers (25)
10.41	Form of Access Agreement for directors (25)
10.42*	Updated Form of Executive Agreement (9)
10.43	Second Amendment and Restatement Deed, dated as of September 30, 2009, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited (26)
10.44	Second US Guarantee Consent Deed, dated as of September 29, 2009, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (26)

Table of Contents

10.45	Second International Guarantee Consent Deed, dated as of September 30, 2009, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH. (26)
10.46	ResMed Inc. 2009 Incentive Award Plan. (27)
10.47	ResMed Inc. 2009 Employee Stock Purchase Plan. (27)
10.48	Form of Restricted Stock Award Agreement. (27)
10.49	Fourth Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement. (28)
10.50	ResMed Inc. Deferred Compensation Plan. (29)
21.1	Subsidiaries of the Registrant (30)
23.1	Consent of Independent Registered Public Accounting Firm (30)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (30)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (30)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (30)

* Management contract or compensatory plan or arrangement
(1) Incorporated by reference to the Registrant s Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.
(2) Incorporated by reference to the Registrant s Registration Statement on Form 8-A12G filed on April 25, 1997.
(3) Incorporated by reference to the Registrant s 1997 Proxy Statement.
(4) Incorporated by reference to the Registrant s Report on Form 10-K dated June 30, 1998.
(5) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2001.
(6) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2002.
(7) Incorporated by reference to the Registrant s 2003 Definitive Proxy Statement dated October 13, 2007.
(8) Incorporated by reference to the Registrant s Form 8-K dated November 8, 2005.
(9) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2009.
(10) Incorporated by reference to the Registrant s Form 8-K dated June 8, 2006.
(11) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2005.
(12) Incorporated by reference to the Registrant s Report on Form 8-K dated February 23, 2007.
(13) Incorporated by reference to the Registrant s Report on Form 10-Q for the quarter ended December 31, 2006.
(14) Incorporated by reference to the Registrant s Report on Form 8-K dated July 9, 2007.
(15) Incorporated by reference to the Registrant s Report on Form 10-K for the year ended June 30, 2007
(16) Incorporated by reference to the Registrant s Report on Form 8-K dated November 9, 2006.
(17) Incorporated by reference to the Registrants Report on Form 8-K filed on December 14, 2007
(18) Incorporated by reference to the Registrants Report on Form 8-K filed on February 6, 2008.
(19) Incorporated by reference to the Registrants Report on Form 8-K filed on March 27, 2008.
(20) Incorporated by reference to the Registrant s Definitive Proxy Statement filed October 6, 2008.
(21) Incorporated by reference to the Registrant s Definitive Proxy Statement filed October 15, 2008.
(22) Incorporated by reference to the Registrant s Report on Form 8-K filed on December 15, 2008.
(23) Incorporated by reference to the Registrant s Report on Form 8-K filed on March 5, 2009.
(24) Incorporated by reference to the Registrant s Report on Form 8-K filed on June 4, 2009.
(25) Incorporated by reference to the Registrant s Report on Form 8-K filed on June 24, 2009.
(26) Incorporated by reference to the Registrant s Report on Form 8-K filed on October 1, 2009.
(27) Incorporated by reference to the Registrant s Report on Form 8-K filed on November 23, 2009.
(28) Incorporated by reference to the Registrant s Report on Form 10-Q for the quarter ended March 31, 2010.
(29) Incorporated by reference to the Registrant s Report on Form 8-K filed on May 25, 2010.
(30) Filed herewith.