

RESMED INC
Form 10-K/A
January 13, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended June 30, 2016

Commission file number: 001-15317

RESMED INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

98-0152841

(IRS Employer Identification No.)

9001 Spectrum Center Blvd.

San Diego, CA 92123

United States of America

(Address of principal executive offices)

(858) 836-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS

Common Stock, \$0.004 Par Value

Name of each exchange upon which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

Edgar Filing: RESMED INC - Form 10-K/A

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of registrant as of December 31, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of such stock on the New York Stock Exchange, was \$7,432,055,423. All directors, executive officers, and 10% stockholders of registrant are considered affiliates.

At July 28, 2016, registrant had 140,699,937 shares of Common Stock, \$0.004 par value, issued and outstanding. This number excludes 41,086,234 shares held by the registrant as treasury shares.

Portions of the registrant's definitive Proxy Statement to be delivered to stockholders in connection with the registrant's 2016 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report.

Table of Contents

Explanatory Note

ResMed Inc. (also referred to as the Company, we or our) is filing this Amendment No. 1 (the Amendment No. 1) to our Form 10-K for the fiscal year ended June 30, 2016, or the Form 10-K, originally filed with the Securities and Exchange Commission on August 5, 2016, for the purpose of correcting text within the Report of Independent Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm, which was prepared by KPMG LLP, or KPMG, previously incorrectly described the auditing standards used in its audit of the Company's consolidated financial statements as of June 30, 2016 and for the year then ended. KPMG has revised the text of its report to appropriately state that its audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The information set forth in our financial statements and the footnotes thereto in this Amendment No. 1 has not been modified or updated in any way from the information in our financial statements and the related footnotes included in the Form 10-K. This Amendment No. 1 speaks as of the original filing date of the Form 10-K and amends and restates only the Report of Independent Registered Public Accounting Firm in Item 8 of the Form 10-K to give effect to the change discussed above. The aforementioned changes have no effect on the other parts of the Form 10-K, the financial position of ResMed Inc. (and subsidiaries) as of June 30, 2016 and 2015, or the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2016.

Table of Contents

PART II

ITEM 8 CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated 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

<u>Report of Independent Registered Public Accounting Firm</u>	F1
<u>Consolidated Balance Sheets as of June 30, 2016 and 2015</u>	F2
<u>Consolidated Statements of Income for the years ended June 30, 2016, 2015 and 2014</u>	F3
<u>Consolidated Statements of Comprehensive Income for the years ended June 30, 2016, 2015 and 2014</u>	F4
<u>Consolidated Statements of Stockholders' Equity for the years ended June 30, 2016, 2015 and 2014</u>	F5
<u>Consolidated Statements of Cash Flows for the years ended June 30, 2016, 2015 and 2014</u>	F6
<u>Notes to Consolidated Financial Statements</u>	F7
<u>Schedule II Valuation and Qualifying Accounts and Reserves</u>	

Table of Contents

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) as of June 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2016, 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.

As discussed in note 3 to the consolidated financial statements, the Company has adopted, on a retrospective basis, FASB Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, and has classified all deferred tax assets, liabilities and associated allowances as non-current. The Company has also adopted FASB Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, and has recorded all excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement effective July 1, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 4, 2016, expressed an unqualified opinion on the effectiveness of the internal control over financial reporting of ResMed Inc.

/s/ KPMG LLP

San Diego, California

August 4, 2016

Table of Contents**RESMED INC. AND SUBSIDIARIES****Consolidated Balance Sheets****June 30, 2016 and 2015****(In thousands, except share and per share data)**

	June 30, 2016	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 731,434	\$ 717,249
Accounts receivable, net of allowance for doubtful accounts of \$12,555 and \$12,276 at June 30, 2016 and June 30, 2015, respectively	382,086	362,568
Inventories (note 5)	224,456	246,859
Prepaid expenses and other current assets	81,743	81,168
Total current assets	1,419,719	1,407,844
Non-current assets:		
Property, plant and equipment, net (note 6)	384,276	387,758
Goodwill (note 7)	1,059,245	264,261
Other intangible assets, net (note 7)	299,808	47,142
Deferred income taxes (note 14)	55,496	46,380
Other assets	40,391	28,389
Total non-current assets	1,839,216	773,930
Total assets	\$ 3,258,935	\$ 2,181,774
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 92,571	\$ 81,112
Accrued expenses (note 9)	156,805	132,976
Deferred revenue	50,009	36,097
Income taxes payable	39,166	16,278
Short-term debt (note 11)	300,000	
Total current liabilities	638,551	266,463
Non-current liabilities:		
Deferred revenue	40,281	19,284
Income taxes payable		1,754
Deferred income taxes (note 14)	9,061	6,372
Other long-term liabilities	1,211	

Edgar Filing: RESMED INC - Form 10-K/A

Long-term debt (note 11)	875,000	300,594
Total non-current liabilities	925,553	328,004
Total liabilities	1,564,104	594,467
Commitments and contingencies (notes 18 and 19)		
Stockholders' equity: (note 12)		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued		
Common stock, \$0.004 par value, 350,000,000 shares authorized; 181,747,157 issued and 140,660,923 outstanding at June 30, 2016 and 179,660,939 issued and 140,474,705 outstanding at June 30, 2015		
	563	562
Additional paid-in capital	1,303,238	1,228,795
Retained earnings	2,160,299	1,976,020
Treasury stock, at cost, 41,086,234 shares at June 30, 2016, and 39,186,234 shares at June 30, 2015	(1,546,611)	(1,444,554)
Accumulated other comprehensive (loss) income	(222,658)	(173,516)
Total stockholders' equity	1,694,831	1,587,307
Total liabilities and stockholders' equity	\$ 3,258,935	\$ 2,181,774

See accompanying notes to consolidated financial statements.

- F2 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Consolidated Statements of Income****Years Ended June 30, 2016, 2015 and 2014****(In thousands, except per share data)**

	June 30, 2016	June 30, 2015	June 30, 2014
Net revenue	\$ 1,838,713	\$ 1,678,912	\$ 1,554,973
Cost of sales (excluding amortization of acquired intangible assets)	772,216	667,516	565,187
Gross profit	1,066,497	1,011,396	989,786
Operating expenses:			
Selling, general and administrative	488,057	478,627	450,414
Research and development	118,651	114,865	118,226
Restructuring expenses (note 23)	6,914		6,326
Amortization of acquired intangible assets	23,923	8,668	9,733
Total operating expenses	637,545	602,160	584,699
Income from operations	428,952	409,236	405,087
Other income, net:			
Interest income	16,860	26,208	31,236
Interest expense	(11,206)	(5,778)	(6,129)
Other, net (note 13)	4,960	6,250	884
Total other income, net	10,614	26,680	25,991
Income before income taxes	439,566	435,916	431,078
Income taxes (note 14)	87,157	83,030	85,805
Net income	\$ 352,409	\$ 352,886	\$ 345,273
Basic earnings per share	\$ 2.51	\$ 2.51	\$ 2.44
Diluted earnings per share (note 4)	\$ 2.49	\$ 2.47	\$ 2.39
Dividend declared per share	\$ 1.20	\$ 1.12	\$ 1.00
Basic shares outstanding (000 s)	140,242	140,468	141,474
Diluted shares outstanding (000 s)	141,669	142,687	144,359

See accompanying notes to consolidated financial statements.

Table of Contents

RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended June 30, 2016, 2015 and 2014
(In US\$ thousands)

	Years Ended June 30,		
	2016	2015	2014
Net income	\$ 352,409	\$ 352,886	\$ 345,273
Other comprehensive (loss) income:			
Foreign currency translation (loss) gain adjustments	(49,142)	(325,073)	59,469
Comprehensive income	\$ 303,267	\$ 27,813	\$ 404,742

See accompanying notes to consolidated financial statements.

- F4 -

Table of Contents

RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended June 30, 2016, 2015 and 2014

(In thousands)

	Common Stock			Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Additional Paid-in Capital	Shares	Amount			
Balance, June 30, 2013	174,039	\$ 568	\$ 1,025,064	(32,026)	\$(1,083,845)	\$ 1,576,641	\$ 92,088	\$ 1,610,516
Common stock issued on exercise of options (note 12)	1,681	7	31,157					31,164
Common stock issued on vesting of restricted stock units, net of shares withheld for tax (note 12)	713	3	(11,302)					(11,299)
Common stock issued on employee stock purchase plan (note 12)	314	1	13,052					13,053
Treasury stock purchases		(18)		(4,416)	(208,065)			(208,083)
Tax benefit from exercise of options			16,211					16,211
Stock-based compensation costs			43,462					43,462
Other comprehensive income							59,469	59,469
Net income						345,273		345,273
Dividends declared						(141,518)		(141,518)

Balance,								
June 30, 2014	176,747	\$ 561	\$ 1,117,644	(36,442)	\$(1,291,910)	\$ 1,780,396	\$ 151,557	\$ 1,758,248
Common stock issued on exercise of options (note 12)	1,954	8	36,565					36,573
Common stock issued on vesting of restricted stock units, net of shares withheld for tax (note 12)	651	3	(11,406)					(11,403)
Common stock issued on employee stock purchase plan (note 12)	309	1	13,412					13,413
Treasury stock purchases		(11)		(2,744)	(152,644)			(152,655)
Tax benefit from exercise of options			24,868					24,868
Stock-based compensation costs			47,712					47,712
Other comprehensive income							(325,073)	(325,073)
Net income						352,886		352,886
Dividends declared						(157,262)		(157,262)
Balance,								
June 30, 2015	179,661	\$ 562	\$ 1,228,795	(39,186)	\$(1,444,554)	\$ 1,976,020	\$(173,516)	\$ 1,587,307
Common stock issued on exercise of options (note 12)	1,176	5	26,247					26,252
Common stock issued on vesting of restricted stock units, net of shares withheld for tax (note 12)	619	3	(12,388)					(12,385)

Common stock issued on employee stock purchase plan (note 12)	291	1	14,081					14,082
Treasury stock purchases		(8)		(1,900)	(102,057)			(102,065)
Tax benefit from exercise of options								
Stock-based compensation costs			46,503					46,503
Other comprehensive income							(49,142)	(49,142)
Net income						352,409		352,409
Dividends declared							(168,130)	(168,130)
Balance, June 30, 2016	181,747	\$ 564	\$ 1,303,238	(41,086)	\$ (1,546,611)	\$ 2,160,299	\$ (222,658)	\$ 1,694,831

See accompanying notes to consolidated financial statements.

Table of Contents**RESMED INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****Years ended June 30, 2016, 2015 and 2014****(In thousands)**

	June 30, 2016	June 30, 2015	June 30, 2014
Cash flows from operating activities:			
Net income	\$ 352,409	\$ 352,886	\$ 345,273
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	86,849	73,056	73,454
Stock-based compensation costs	46,408	47,855	43,457
Impairment of long lived assets	2,815		
Impairment of cost-method investments	750		
Changes in fair value of business combination contingent consideration	(2,986)	(132)	(6,283)
Gain on disposal of business		(709)	
Excess tax benefit from stock-based compensation arrangements		(24,959)	(16,335)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(27,307)	(28,259)	(35,108)
Inventories, net	30,492	(99,524)	(15,851)
Prepaid expenses, net deferred income taxes and other current assets	12,121	(22,849)	5,814
Accounts payable, accrued expenses and other liabilities	46,382	85,815	(3,153)
Net cash provided by operating activities	547,933	383,180	391,268
Cash flows from investing activities:			
Purchases of property, plant and equipment	(58,534)	(62,502)	(72,722)
Patent registration costs	(9,295)	(9,442)	(8,434)
Business acquisitions, net of cash acquired	(1,041,864)	(29,407)	(3,852)
Investments in cost-method investments	(8,965)	(10,750)	(10,850)
Proceeds from disposal of cost-method investments	468	937	
Purchases of foreign currency contracts		(700)	(1,477)
(Payment)/proceeds on maturity of foreign currency contracts	(7,564)	(31,207)	2,348
Net cash used in investing activities	(1,125,754)	(143,071)	(94,987)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	27,694	38,806	33,354
Excess tax benefit from stock-based compensation arrangements		24,959	16,335

Edgar Filing: RESMED INC - Form 10-K/A

Purchases of treasury stock	(102,058)	(160,300)	(202,169)
Payment of business combination contingent consideration	(1,228)	(458)	(1,117)
Proceeds from borrowings, net of borrowing costs	1,140,000	180,000	557,834
Repayment of borrowings	(283,694)	(181,536)	(560,035)
Dividends paid	(168,130)	(157,262)	(141,518)
Net cash used in financing activities	612,584	(255,791)	(297,316)
Effect of exchange rate changes on cash	(20,578)	(172,799)	30,717
Net (decrease) increase in cash and cash equivalents	14,185	(188,481)	29,682
Cash and cash equivalents at beginning of period	717,249	905,730	876,048
Cash and cash equivalents at end of period	\$ 731,434	\$ 717,249	\$ 905,730
Supplemental disclosure of cash flow information:			
Income taxes paid, net of refunds	\$ 68,966	\$ 48,533	\$ 90,183
Interest paid	\$ 11,206	\$ 5,778	\$ 6,129
Fair value of assets acquired, excluding cash	\$ 338,353	\$ 20,408	\$ 2,257
Liabilities assumed	(79,808)	(8,528)	(829)
Goodwill on acquisition	796,306	20,947	3,227
Deferred payments	120	(1,703)	(803)
Fair value of contingent consideration	(13,107)	(1,717)	
Cash paid for acquisition	\$ 1,041,864	\$ 29,407	\$ 3,852

See accompanying notes to consolidated financial statements.

- F6 -

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, Malaysia, France and the United States. Major distribution and sales sites are located in the United States, Germany, France, the United Kingdom, Switzerland, Australia, Japan, 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 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

We generally record revenue on product sales at the time of shipment, which is when title transfers to the customer. We do not record revenue on product sales which require customer acceptance until we receive acceptance. We initially defer service revenue received in advance from service contracts and recognize that deferred revenue ratably over the life of the service contract. We initially defer revenue we receive in advance from rental unit contracts and recognize that deferred revenue ratably over the life of the rental contract. Otherwise, we recognize revenue from rental unit contracts ratably over the life of the rental contract. We include in revenue freight charges we bill to customers. We charge all freight-related expenses 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 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. We record the costs of all such programs as an adjustment to revenue. Our products are predominantly therapy-based equipment and require no installation. Therefore, we have no installation obligations. For multiple-element arrangements, we allocate arrangement consideration to the deliverables by use of the relative selling price method. The selling price used for each deliverable

is based on vendor specific objective evidence.

We also generate revenue from time-based licensing of our software and associated services. In most instances, revenue is generated under sales agreements with multiple elements comprising subscription fees and professional services, which typically have contract terms of one to three years. We evaluate each element in these multiple-element arrangements to determine whether they represent a separate unit of accounting and recognize each element as the services are performed.

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit and other highly liquid investments and we state them at cost, which approximates market. We consider investments with original maturities of 90 days or less to be cash equivalents for purposes of the consolidated statements of cash flows.

Our cash and cash equivalents balance at June 30, 2016, include \$291.7 million in cash which is subject to notice periods of up to 90 days. These cash balances earn interest rates above normal term deposit rates otherwise available and are held at highly rated financial institutions.

- F7 -

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Inventories

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

(e) Property, Plant and Equipment

We record property, plant and equipment, including rental and demonstration equipment at cost. We compute depreciation expense using the straight-line method over the estimated useful lives of the assets. Useful lives are generally two to ten years except for buildings which are depreciated over an estimated useful life of 40 years and leasehold improvements, which we amortize over the lease term. We charge maintenance and repairs to expense as we incur them.

(f) Intangible Assets

We capitalize the registration costs for new patents and amortize the costs over the estimated useful life of the patent, which is generally five years. If a patent is superseded or a product is retired, any unamortized costs are written off immediately.

We amortize all of our other intangible assets on a straight-line basis over their estimated useful lives, which range from two to fifteen 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. We have not identified any impairment of intangible assets during any of the periods presented.

(g) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2016 using a quantitative assessment. In conducting our review of goodwill impairment, we identified eleven reporting units, being components of our operating segment. 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.

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 as the fair value for each reporting unit exceeded its carrying value.

(h) Foreign Currency

The consolidated financial statements of our non-U.S. subsidiaries, whose functional currencies are other than the U.S. dollar, are translated into U.S. dollars for financial reporting purposes. We translate assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar at period end exchange rates, but translate revenue and expense transactions at average exchange rates for the period. We recognize cumulative translation adjustments as part of comprehensive income, as detailed in the consolidated statements of comprehensive income, and include those adjustments in accumulated other comprehensive income in the consolidated balance sheets until such time the relevant subsidiary is sold or substantially or completely liquidated. We reflect gains and losses on transactions denominated in other than the functional currency of an entity in our results of operations.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(i) Research and Development

We record all research and development expenses in the period we incur them.

(j) Financial Instruments

The carrying value of financial instruments, such as 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 its 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 hedging instruments 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.

(k) 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 and Singapore manufacturing activities. We enter into foreign exchange contracts to hedge anticipated sales and manufacturing costs, principally denominated in Australian and Singapore dollars, and Euros. The terms of such foreign exchange contracts generally do not exceed three years.

We have determined our hedge program to be a non-effective hedge as defined. We record the foreign currency derivatives portfolio at fair value and include it in other assets and accrued expenses in our consolidated balance sheets. We do not offset the fair value amounts recognized for foreign currency derivatives. We classify purchases of foreign currency derivatives and proceeds received from the exercise of foreign currency derivatives as an investing activity within our consolidated statements of cash flows.

We record all movements in the fair value of the foreign currency derivatives within other income, net in our consolidated statements of income.

(l) 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. We measure deferred tax assets and liabilities using the enacted tax

rates we expect 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.

(m) 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 periodically evaluating individual customer receivables, considering a customer's financial condition, credit history and current economic conditions. We are also contingently liable, within certain limits, in the event of a customer default, to independent leasing companies in connection with customer leasing programs. We monitor the collection status of these installment receivables and provide for estimated losses separately under accrued expenses within our consolidated balance sheets based upon our historical collection experience with such receivables and a current assessment of our credit exposure.

- F9 -

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(n) 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 of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If assets are considered to be impaired, we recognize as the impairment the amount by which the carrying amount of the assets exceeds the fair value of the assets. We report assets to be disposed of at the lower of the carrying amount or fair value less costs to sell.

We recognized impairment charges of \$2.8 million, \$ Nil and \$ Nil in relation to long-lived assets during fiscal years ended June 30, 2016, 2015 and 2014, respectively.

(o) Contingencies

We record a liability in the consolidated financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded.

(3) New Accounting Pronouncements

In May, 2014, the FASB issued Accounting Standards Update (ASU), ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company beginning in the first quarter of fiscal year 2019. Early application is not permitted. We are currently assessing the impact on our financial condition, results of operations and cash flows as a result of the adoption of ASU 2014-09, however, we do not expect this updated standard to have a material impact on our consolidated financial statements and related disclosures.

In April, 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 will more closely align the presentation of debt issuance costs under U.S. GAAP with the presentation under comparable IFRS standards by requiring that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability. This accounting guidance is effective for us beginning in the first quarter of fiscal 2017. We do not expect this updated standard to have a material impact on our consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory which requires an entity to measure inventory within the scope of this ASU at the lower of cost and net realizable value. Net realizable value is

the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this guidance more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). This accounting guidance is effective for us beginning in the first quarter of fiscal 2018. We do not expect this updated standard to have a material impact on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires entities to classify all deferred tax assets and liabilities as non-current on the balance sheet. The standard may be adopted on either a prospective or retrospective basis. The standard is effective for fiscal years beginning after December 15, 2016, and early adoption is permitted. Effective March 31, 2016, we adopted ASU 2015-17 and applied the new standard retrospectively. As a result of applying ASU 2015-17 to the previously reported Consolidated Balance Sheet as of June 30, 2015, deferred income taxes within the total current assets decreased by approximately \$36.3 million and the deferred income taxes within the total non-current assets increased by approximately \$33.9 million, respectively; deferred income taxes within the total current liabilities decreased by approximately \$0.8 million and the deferred income taxes within total non-current liabilities decreased by approximately \$1.7 million, respectively. There was no effect on our stockholders' equity or to the consolidated statements of income as a result of this adoption.

- F10 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which requires companies to recognize additional tax benefits or expenses related to the vesting or settlement of employee share-based awards (the difference between the actual benefit for tax purposes and the tax benefit initially recognized for financial reporting purposes) as income tax benefit or expense in earnings, rather than in additional paid-in capital, in the reporting period in which they occur. This ASU also requires companies to classify cash flows resulting from employee share-based payments, including the additional tax benefits or expenses related to the vesting or settlement of share-based awards, as cash flows from operating activities rather than financing activities. Although this change will reduce some of the administrative complexities of tracking share-based awards, it will increase the volatility of our income tax expense and cash flows from operations. The new standard is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. We elected to early adopt this ASU during the fourth quarter of fiscal year 2016 and are therefore required to report the impacts as though the ASU had been adopted on July 1, 2015, the beginning of our fiscal year, and to reflect the tax benefit as a discrete item within each of the respective interim reporting periods. Accordingly, we recognized additional income tax benefits as an increase to earnings of \$11.2 million during the year ended June 30, 2016 and we also recognized additional income tax benefits as an increase to operating cash flows of \$14.5 million for the year ended June 30, 2016. The new accounting standard did not impact any periods prior to July 1, 2015, as we applied the changes on a prospective basis.

(4) Earnings Per Share

We compute basic earnings per share 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 number of outstanding stock options and restricted stock units not included in the computation of diluted earnings per share were 297,000, 62,000 and 273,000 for the years ended June 30, 2016, 2015 and 2014, respectively, as the effect would have been anti-dilutive.

Basic and diluted earnings per share for the years ended June 30, 2016, 2015 and 2014 are calculated as follows (in thousands except per share data):

	2016	2015	2014
Numerator:			
Net Income, used in calculating diluted earnings per share	\$ 352,409	\$ 352,886	\$ 345,273
Denominator:			
Basic weighted-average common shares outstanding	140,242	140,468	141,474
Effect of dilutive securities:			

Edgar Filing: RESMED INC - Form 10-K/A

Stock options and restricted stock units	1,427	2,219	2,885
Diluted weighted average shares	141,669	142,687	144,359
Basic earnings per share	\$ 2.51	\$ 2.51	\$ 2.44
Diluted earnings per share	\$ 2.49	\$ 2.47	\$ 2.39

(5) Inventories

Inventories were comprised of the following as of June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Raw materials	\$ 67,121	\$ 74,416
Work in progress	3,939	2,550
Finished goods	153,396	169,893
Total inventories	\$ 224,456	\$ 246,859

- F11 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(6) Property, Plant and Equipment, net**

Property, plant and equipment, net is comprised of the following as of June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Machinery and equipment	\$ 197,485	\$ 198,047
Computer equipment	154,105	125,423
Furniture and fixtures	40,776	38,511
Vehicles	9,060	5,371
Clinical, demonstration and rental equipment	79,641	80,911
Leasehold improvements	33,795	31,553
Land	54,338	54,915
Buildings	229,502	235,515
	798,702	770,246
Accumulated depreciation and amortization	(414,426)	(382,488)
Property, plant and equipment, net	\$ 384,276	\$ 387,758

(7) Goodwill and Other Intangible Assets, net**Goodwill**

Changes in the carrying amount of goodwill for the years ended June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Balance at the beginning of the period	\$ 264,261	\$ 289,312
Business acquisitions (note 22)	796,306	20,947
Foreign currency translation adjustments	(1,322)	(45,998)
Balance at the end of the period	\$ 1,059,245	\$ 264,261

As at June 30, 2016 we have not recorded any goodwill impairments.

Other Intangible Assets

Other intangibles, net are comprised of the following as of June 30, 2016 and June 30, 2015:

Edgar Filing: RESMED INC - Form 10-K/A

	2016	2015
Developed/core product technology	\$ 202,050	\$ 67,548
Accumulated amortization	(63,825)	(50,373)
Developed/core product technology, net	138,225	17,175
Trade names	47,897	2,500
Accumulated amortization	(3,832)	(2,206)
Trade names, net	44,065	294
Non-compete agreements	3,089	1,747
Accumulated amortization	(1,899)	(1,704)
Non-compete agreements, net	1,190	43
Customer relationships	118,528	30,538
Accumulated amortization	(26,783)	(19,308)
Customer relationships, net	91,745	11,230
In-process research and development	4,100	
Accumulated amortization		
In-process research and development, net	4,100	
Patents	74,034	66,585
Accumulated amortization	(53,551)	(48,185)
Patents, net	20,483	18,400
Total other intangibles, net	\$ 299,808	\$ 47,142

- F12 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

Intangible assets consist of developed/core product technology, trade names, non-compete agreements, customer relationships, and patents, and we amortize them over the estimated useful life of the assets, generally between two and fifteen years. There are no expected residual values related to these intangible assets. In-process research and development is amortized over the estimated the useful life of the assets, once the research and development efforts are completed. At least on an annual basis, we evaluate the in-process research and development balances for impairment.

Refer to note 22 of the consolidated financial statements for details of acquisitions made during the year.

Amortization expense related to identifiable intangible assets, including patents, for the year ended June 30, 2016 was \$30.2 million. Estimated annual amortization expense for the years ending June 30, 2017 through June 30, 2021, is shown below (in thousands):

Fiscal Year	Amortization expense
2017	\$ 53,121
2018	50,121
2019	48,396
2020	41,800
2021	35,164

(8) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at June 30, 2016 and June 30, 2015, included within our other long-term assets on our consolidated balance sheets, was \$33.8 million and \$25.6 million, respectively.

We periodically evaluate the carrying value of our cost-method investments, when events and circumstances indicate that the carrying amount of an asset may not be recovered. We determine the fair value of our cost-method investments to evaluate whether impairment losses shall be recorded using Level 3 inputs. These investments include our holdings in privately held service and research companies that are not exchange traded and therefore not supported with observable market prices. However, these investments are valued by reference to their net asset values which can be market supported and unobservable inputs including future cash flows. We have determined, that the fair value of our cost-method investments exceed their carrying values.

The following table shows a reconciliation of the changes in our cost-method investments during the years ended June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Balance at the beginning of the period	\$ 25,600	\$ 14,850

Edgar Filing: RESMED INC - Form 10-K/A

Investments	8,965	10,750
Impairment of cost-method investments	(750)	
Balance at the end of the period	\$ 33,815	\$ 25,600

- F13 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(9) Accrued Expenses**

Accrued expenses at June 30, 2016 and June 30, 2015 consist of the following (in thousands):

	2016	2015
Product warranties	\$ 15,043	\$ 9,823
Consulting and professional fees	11,948	4,412
Value added taxes and other taxes due	14,769	13,863
Employee related costs	83,407	80,086
Marketing and promotional programs	2,401	1,581
Business acquisition contingent consideration	10,450	1,584
Hedging instruments	243	1,954
SERVE-HF field safety notification expenses		4,320
Liability on receivables sold with recourse	4,615	4,155
Accrued interest	1,271	141
Other	12,658	11,057
	\$ 156,805	\$ 132,976

(10) Product Warranties

We include the liability for warranty costs in accrued expenses in our consolidated balance sheets. Changes in the liability for product warranty for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Balance at the beginning of the period	\$ 9,823	\$ 11,798
Fair value of warranty obligations acquired on business combination	971	
Warranty accruals for the period	15,014	7,818
Warranty costs incurred for the period	(10,667)	(7,649)
Foreign currency translation adjustments	(98)	(2,144)
Balance at the end of the period	\$ 15,043	\$ 9,823

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(11) Debt**

Long-term debt at June 30, 2016 and June 30, 2015 consists of the following (in thousands):

	June 30, 2016	June 30, 2015
Short-term debt	\$ 300,000	\$
Long-term debt	875,000	300,594
Total debt	\$ 1,175,000	\$ 300,594

Credit Facility

On October 31, 2013, we entered into a revolving credit agreement, as borrower, with lenders, including Union Bank, N.A., as administrative agent, joint lead arranger, swing line lender and letters of credit issuer, and HSBC Bank USA, National Association, as syndication agent and joint lead arranger. The credit facility terminates on October 31, 2018, when all unpaid principal and interest under the loans must be repaid. The outstanding principal amount due under the credit facility will bear interest at a rate equal to LIBOR plus 1.0% to 2.0% (depending on the then-applicable leverage ratio). At June 30, 2016, the interest rate that was being charged on the outstanding principal amount was 2.0%. A commitment fee of 0.15% to 0.25% (depending on the then-applicable leverage ratio) applies on the unused portion of the credit facility. The credit facility also includes a \$25 million sublimit for letters of credit.

In connection with the acquisition of Brightree LLC, we entered into a first amendment to our existing revolving credit agreement, on April 4, 2016, to increase the size of the revolving credit facility from \$700 million to \$1 billion, with an uncommitted option to increase the revolving credit facility by an additional \$300 million and make other modifications to provide for the acquisition of Brightree.

Our obligations under the revolving credit agreement (as amended) are unsecured but are guaranteed by certain of our direct and indirect U. S. subsidiaries, including ResMed Corp., ResMed Motor Technologies Inc., Birdie Inc., Inova Labs, Inc., Brightree, Brightree Services LLC, Brightree Home Health & Hospice LLC and Strategic AR LLC, under an unconditional guaranty. The credit agreement contains customary covenants, including certain financial covenants and an obligation that we maintain certain financial ratios, including a maximum leverage ratio of funded debt to EBITDA (as defined in the credit agreement) and an interest coverage ratio.

Part of the proceeds from the funding of the revolving credit facility were used to pay a portion of the acquisition consideration for the Brightree acquisition, as well as to pay fees and expenses in connection with the acquisition, the amendment to the revolving credit agreement and the term loan credit agreement (as described below).

At June 30, 2016, there was \$875.0 million outstanding under the revolving credit facility.

Term Loan

On April 4, 2016, in connection with the Brightree acquisition, we also entered into a credit agreement (the term loan credit agreement) providing a \$300 million senior unsecured one-year term loan credit facility.

Our obligations under the term loan credit agreement are unsecured but are guaranteed by certain of our direct and indirect U.S. subsidiaries, including ResMed Corp., ResMed Motor Technologies Inc., Birdie Inc., Inova Labs, Inc., Brightree, Brightree Services LLC, Brightree Home Health & Hospice LLC and Strategic AR LLC, under an unconditional guaranty. The term loan credit facility terminates on April 3, 2017, when all unpaid principal and interest under the loans must be repaid. The outstanding principal amount due under the term loan credit facility will bear interest at a rate equal to LIBOR plus 1.0% to 2.0% (depending on the then-applicable leverage ratio). At June 30, 2016, the interest rate that was being charged on the outstanding principal amount was 2.0%. The term loan credit agreement contains customary covenants, including certain financial covenants and an obligation that we maintain certain financial ratios, including a maximum ratio of funded debt to EBITDA (as defined in the term loan credit agreement) and an interest coverage ratio.

The proceeds from the funding of the term loan credit facility were used to pay a portion of the acquisition consideration for the Brightree acquisition, as well as to pay fees and expenses in connection with the acquisition, the amendment to the revolving credit agreement and the term loan credit agreement.

At June 30, 2016, there was \$300.0 million outstanding under the term loan credit agreement.

Table of Contents

RESMED INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(12) Stockholders' Equity

Common Stock. On February 21, 2014, our board of directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of our 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 and subject to applicable legal requirements. The 20.0 million shares the new program authorizes us to purchase are in addition to the shares we repurchased on or before February 21, 2014 under our previous programs. There is no expiration date for this program, and the program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. All share repurchases since February 21, 2014 have been executed in accordance with this program. We have temporarily suspended our share repurchase program due to recent acquisitions. Accordingly, we did not repurchase any shares during the six months ended June 30, 2016. However, we may, at any time, elect to resume the share repurchase program as the circumstances allow.

During the fiscal years 2016 and 2015, we repurchased 1.9 million and 2.7 million shares, respectively, at a cost of \$102.1 million and \$152.6 million, respectively. As of June 30, 2016, we have repurchased a total of 41.1 million shares at a cost of \$1.5 billion. 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, 2016, 13.6 million additional shares can be repurchased under the approved share repurchase program.

Preferred Stock. In April 1997, our 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, 2016.

Stock Options and Restricted Stock Units. We have granted stock options and restricted stock units to personnel, including officers and directors, in accordance with the ResMed Inc. 2009 Incentive Award Plan (the "2009 Plan"). These options and restricted stock units vest over one to four years and the options have expiration dates of seven years from the date of grant. We have granted the options with an exercise price equal to the market value as determined at the date of grant.

The maximum number of shares of our common stock authorized for issuance under the 2009 Plan is 43.7 million. The number of securities remaining available for future issuance under the 2009 Plan at June 30, 2016 is 12.1 million. The number of shares of our common stock available for issuance under the 2009 Plan will be reduced by (i) 2.8 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 3 million shares of our common stock (except in a participant's initial year of hiring up to 4.5 million shares of our common stock may be granted).

At June 30, 2016, there was \$67.1 million in unrecognized compensation costs related to unvested stock-based compensation arrangements. This is expected to be recognized over a weighted average period of 2.2 years. The aggregate intrinsic value of the stock-based compensation arrangements outstanding and exercisable at June 30, 2016 was \$164.9 million and \$42.3 million, respectively. The aggregate intrinsic value of the options exercised during the

fiscal years 2016, 2015, and 2014 was \$40.4 million, \$80.2 million and \$50.2 million, respectively.

- F16 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

The following table summarizes option activity during the year ended June 30, 2016:

		Weighted Average Exercise Price	Remaining Contractual Term in Years
Outstanding at beginning of period	2,809,238	\$ 29.63	2.5
Granted	336,176	58.22	
Exercised*	(1,189,787)	22.68	
Forfeited	(31,398)	41.52	
Outstanding at end of period	1,924,229	\$ 38.70	3.2
Exercise price of granted options	\$ 58.22		
Options exercisable at end of period	1,367,907	\$ 32.31	

* Includes 13,747 shares netted for tax.

The following table summarizes the activity of restricted stock units, including performance restricted stock units, during year ended June 30, 2016:

		Weighted Average Grant-Fair Value	Remaining Contractual Term in Years
Outstanding at beginning of period	2,312,529	\$ 43.65	1.2
Granted	725,145	54.83	
Vested*	(835,255)	39.45	
Expired	(251,945)	38.22	
Forfeited	(88,964)	45.79	
Outstanding at end of period	1,861,510	\$ 50.52	1.4

* Includes 216,408 shares netted for tax.

Employee Stock Purchase Plan (the ESPP). Under the ESPP, we offer participants 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. At June 30, 2016, the number of shares remaining available for future issuance under the ESPP is 1.2 million shares.

During fiscal years 2016 and 2015, we issued 291,000 and 309,000 shares to our employees in two offerings and we recognized \$4.3 million and \$3.3 million, respectively, of stock compensation expense associated with the ESPP.

The following table summarizes the total stock-based compensation costs incurred and the associated tax benefit recognized during the years ended June 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Cost of sales - capitalized as part of inventory	\$ 2,731	\$ 2,605	\$ 2,621
Selling, general and administrative expenses	36,994	38,755	34,667
Research and development expenses	6,683	6,495	6,169
Stock-based compensation costs	46,408	47,855	43,457
Tax benefit*	(25,020)	(14,100)	(11,744)
Stock-based compensation costs, net of tax benefit	\$ 21,388	\$ 33,755	\$ 31,713

* Includes an additional tax benefit of \$11.2 million for the year ended June 30, 2016, associated with the early adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, discussed in Note 3 - New Accounting Pronouncements.

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(13) Other, net**

Other, net, in the consolidated statements of income is comprised of the following for the years ended June 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Gain (loss) on foreign currency transactions and hedging, net	\$ 4,169	\$ 5,068	\$ 590
Impairment of cost method investments	(750)		
Other	1,541	1,182	294
	\$ 4,960	\$ 6,250	\$ 884

(14) Income Taxes

Income before income taxes for the years ended June 30, 2016, 2015 and 2014, was taxed under the following jurisdictions (in thousands):

	2016	2015	2014
U.S.	\$ 1,785	\$ 11,431	\$ 2,556
Non-U.S.	437,781	424,485	428,522
	\$ 439,566	\$ 435,916	\$ 431,078

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

		2016	2015	2014
Current:	Federal	\$ 24,325	\$ 28,429	\$ 18,931
	State	5,805	695	1,334
	Non-U.S.	58,023	50,892	55,675
		88,153	80,016	75,940
Deferred:	Federal	5,640	(4,269)	(420)
	State	(1,644)	(180)	(81)
	Non-U.S.	(4,992)	7,463	10,366
		(996)	3,014	9,865

Edgar Filing: RESMED INC - Form 10-K/A

Provision for income taxes	\$ 87,157	\$ 83,030	\$ 85,805
----------------------------	-----------	-----------	-----------

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):

	2016	2015	2014
Taxes computed at statutory U.S. rate	\$ 153,848	\$ 152,570	\$ 150,877
Increase (decrease) in income taxes resulting from:			
State income taxes, net of U.S. tax benefit	2,573	348	794
Research and development credit	(5,138)	(4,821)	(5,395)
Tax effect of dividends	80,754	56,219	87,764
Change in valuation allowance	(5,882)	(614)	5,894
Effect of non-U.S. tax rates	(91,124)	(87,721)	(83,135)
Foreign tax credits	(44,835)	(36,725)	(73,975)
Stock-based compensation expense	(8,170)	3,158	3,431
Other	5,131	616	(450)
	\$ 87,157	\$ 83,030	\$ 85,805

- F18 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

The components of our deferred tax assets and liabilities at June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Deferred tax assets:		
Employee liabilities	\$ 15,514	\$ 11,663
Inventories	9,714	8,822
Provision for warranties	4,081	2,722
Provision for doubtful debts	3,708	3,779
Net operating loss carryforwards	33,881	13,262
Capital loss carryover	2,109	1,805
Stock-based compensation expense	15,460	18,173
Other	4,655	5,446
	89,122	65,672
Less valuation allowance	(10,807)	(14,647)
Deferred tax assets	78,315	51,025
Deferred tax liabilities:		
Unrealized foreign exchange gains	(1,016)	(512)
Property, plant and equipment	(4,383)	(2,291)
Goodwill and other intangibles	(26,481)	(8,214)
Deferred tax liabilities	(31,880)	(11,017)
Net deferred tax asset	\$ 46,435	\$ 40,008

We reported the net deferred tax assets and liabilities in our consolidated balance sheets at June 30, 2016 and 2015 as follows (in thousands):

	2016	2015
Non-current deferred tax asset	55,496	46,380
Non-current deferred tax liability	(9,061)	(6,372)
Net deferred tax asset	\$ 46,435	\$ 40,008

As of June 30, 2016, we had \$112.8 million of U.S. federal and state net operating loss carryforwards and \$80.1 million of non-U.S. net operating loss carryforwards, which expire in various years through 2021 or carry forward indefinitely.

The valuation allowance at June 30, 2016 relates to a provision for uncertainty of the utilization of net operating loss carryforwards of \$8.5 million and capital loss and other items of \$2.3 million. We believe that it is more likely than not that the benefits of deferred tax assets, net of any valuation allowance, will be realized.

A substantial portion of our manufacturing operations and administrative functions in Malaysia and Singapore operate under various tax holidays and tax incentive programs that will expire in whole or in part at various dates through June 30, 2020. The end of certain tax holidays may be extended if specific conditions are met. The net impact of these tax holidays and tax incentive programs increased our net earnings by \$19.2 million (\$0.14 per diluted share) for the year ended June 30, 2016 and \$18.9 million (\$0.13 per diluted share) for the year ended June 30, 2015.

At June 30, 2016, applicable U.S. federal income taxes and foreign withholding taxes have not been provided on the accumulated earnings of foreign subsidiaries that are expected to be permanently reinvested. The total amount of these undistributed earnings at June 30, 2016 amounted to approximately \$1.2 billion. If these earnings had not been permanently reinvested, deferred taxes of approximately \$286 million would have been recognized in the consolidated financial statements.

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 (that is, 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

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

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 Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of income. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets.

Based on all known facts and circumstances and current tax law, we believe the total amount of unrecognized tax benefits on June 30, 2016, is not material to our results of operations, financial condition or cash flows, and if recognized, would not have a material impact on our effective tax rate.

(15) Segment Information

We predominantly operate in a single operating segment, which is the sleep and respiratory disorders sector of the medical device industry. Due to the acquisition of Brightree LLC in April 2016, our operations now include the supply of business management software and services to medical equipment and home health providers. However, these operations, both in terms of revenue and profit, are not material to our global operations and therefore have not been separately reported.

Sales of devices for each of the years ended June 30, 2016, 2015 and 2014 were \$1,064.2 million, \$975.9 million and \$846.7 million, respectively. Sales of masks and other accessories for each of the years ended June 30, 2016, 2015 and 2014 were \$745.6 million, \$703.0 million and \$708.3 million, respectively. Revenue information by geographic area for the years ended June 30, 2016, 2015 and 2014, is summarized below (in thousands):

	Revenue from external sources for the years ended June 30,		
	2016	2015	2014
North and Latin America	\$ 1,130,431	\$ 962,696	\$ 839,126
Germany	163,257	184,245	214,598
France	136,847	145,504	152,271
Rest of the World	408,178	386,467	348,978
Total	\$ 1,838,713	\$ 1,678,912	\$ 1,554,973

Long-lived assets of geographic areas are those assets used in our operations in each geographical area, and excludes goodwill, other intangible assets, and deferred tax assets. Long-lived assets by geographic area as of June 30, 2016, 2015 and 2014, is summarized below (in thousands):

Long lived assets at June 30,

Edgar Filing: RESMED INC - Form 10-K/A

	2016	2015	2014
North and Latin America	\$ 148,789	\$ 140,344	\$ 133,986
Australia	185,978	197,609	245,718
Rest of the World	49,509	49,805	54,573
Total	\$ 384,276	\$ 387,758	\$ 434,277

- F20 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(16) Stock-based Employee Compensation**

We measure the compensation expense of all stock-based awards at fair value on the grant date. We estimate the fair value of stock options and purchase rights granted under the ESPP using the Black-Scholes valuation model. The fair value of restricted stock units is equal to the market value of the underlying shares as determined at the grant date less the fair value of dividends that holders are not entitled to, during the vesting period. We recognize the fair value as compensation expense using the straight-line method over the service period for awards expected to vest.

We estimate the fair value of stock options granted under our stock option plans and purchase rights granted under the ESPP using the following assumptions:

	Fiscal Year Ended June 30,	
	2016	2015
Stock options:		
Weighted average grant date fair value	\$ 12.18	\$ 10.58
Weighted average risk-free interest rate	1.66%	1.60%
Expected option life in years	4.9	4.9
Dividend yield	2.06% - 2.09%	2.15% - 2.15%
Expected volatility	27%	27%
ESPP purchase rights:		
Weighted average grant date fair value	\$ 13.61	\$ 10.72
Weighted average risk-free interest rate	0.2%	0.1%
Expected option life in years	6 months	6 months
Dividend yield	1.96% - 2.14%	1.73% - 2.17%
Expected volatility	23% - 32%	22% - 26%

During the fiscal years ended June 30, 2016 and 2015, we granted 208,000 and 216,000, performance restricted stock units (PRSUs), which contain a market condition, with the ultimate realizable number of PRSUs dependent on relative total stockholder return over a three-year period, up to a maximum amount to be issued under the award of 200% of the original grant. The weighted average grant date fair value of PRSUs granted during the fiscal years 2016 and 2015 was estimated at \$53.11 and \$51.12 per PRSU, respectively, using a Monte-Carlo simulation valuation model.

(17) Employee Retirement Plans

We contribute to a number of employee retirement plans for the benefit of our employees. Details of the main plans are as follows:

(1) Australia - We contribute 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. We contribute to the plans at the rate of approximately 9.5% of the salaries of all Australian employees. Our total contributions to the plans for the years ended June 30, 2016, 2015 and 2014, were

\$9.1 million, \$9.9 million and \$9.9 million, respectively.

(2) United Kingdom - We contribute 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. We contribute to the plan at the rate of 5% of the salaries of all United Kingdom employees. Our total contributions to the plan were \$0.5 million, \$0.5 million and \$0.5 million in fiscal 2016, 2015, and 2014, respectively.

(3) United States - We sponsor 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 4% of the employee's salary. Our total contributions to the plan were \$3.3 million, \$3.2 million and \$2.9 million in fiscal 2016, 2015, and 2014, respectively.

(4) Switzerland - We sponsor a fixed return defined contribution fund for each permanent Swiss employee. As part of our contribution to the fund, we guarantee a fixed 2% net return on accumulated contributions per annum. We contribute to the plan at variable rates that have averaged 8% of salaries over the last three years. Our total contributions to the plan were \$0.4 million, \$0.4 million and \$0.4 million in fiscal 2016, 2015, and 2014, respectively.

- F21 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(18) Commitments**

We lease buildings, motor vehicles and office equipment under operating leases. We expense rental charges for operating leases 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, 2016, 2015 and 2014 were approximately \$17.4 million, \$17.0 million and \$16.5 million, respectively. At June 30, 2016 we had the following future minimum lease payments under non-cancelable operating leases (in thousands):

Fiscal Years	Operating Leases
2017	\$ 19,856
2018	15,280
2019	10,142
2020	5,738
2021	3,902
Thereafter	10,955
Total minimum lease payments	\$ 65,873

(19) Legal Actions and Contingencies**Litigation**

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, individually or in aggregate, have a material adverse effect on our consolidated financial statements taken as a whole.

Contingent Obligations Under Recourse Provisions

We use independent leasing companies to provide financing to certain customers for the purchase of our products. In some cases, we are contingently liable in the event of a customer default, to the leasing companies, within certain limits, for unpaid installment receivables transferred to the leasing companies. The gross amount of receivables sold, with recourse, during the fiscal years 2016 and 2015, amounted to \$67.1 million and \$31.5 million, respectively. The maximum potential amount of contingent liability under these arrangements at June 30, 2016 and June 30, 2015 were \$12.9 million, and \$7.2 million, respectively. The recourse liability recognized by us at June 30, 2016 and June 30, 2015, in relation to these arrangements was \$0.7 million and \$0.5 million, respectively.

SERVE-HF Field Safety Notification

On May 13, 2015 we announced the preliminary analysis of the data on SERVE-HF clinical trial designed to assess whether the treatment of moderate to severe predominant central sleep apnea with Adaptive Servo-Ventilation (ASV)

therapy could reduce mortality and morbidity in patients with symptomatic chronic heart failure. The preliminary headline results showed no significant difference with respect to all-cause mortality and hospitalization. However, the analysis of the data identified a statistically significant, 2.5 percent absolute, increased risk of cardiovascular mortality for those patients in the trial who received ASV therapy with moderate to severe predominant central sleep apnea and symptomatic chronic heart failure with reduced ejection fraction. During the year ended June 30, 2015 we recognized \$5.0 million in expenses associated with SERVE-HF field safety notification activities within cost of sales. During the year ended June 30, 2016, we released the remaining balance of \$2.8 million to cost of sales, as we have concluded the field safety notification activities.

- F22 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(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 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; and

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, as at June 30, 2016 and June 30, 2015, using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Balances at June 30, 2016				
Foreign currency hedging instruments, net	\$	\$ 4,185	\$	\$ 4,185
Business acquisition contingent consideration	\$	\$	\$ (10,450)	\$ (10,450)
Balances at June 30, 2015				
Foreign currency hedging instruments, net	\$	\$ 1,038	\$	\$ 1,038
Business acquisition contingent consideration	\$	\$	\$ (1,584)	\$ (1,584)

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

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.

Contingent consideration These liabilities include the fair value estimates of additional future payments that may be required for some of our previous business acquisitions based on the achievement of certain performance milestones. Each potential future payment is valued using the estimated probability of achieving each milestone, which is then discounted to present value.

The following is a reconciliation of changes in the fair value of contingent consideration during fiscal years ended June 30, 2016 and June 30, 2015 (in thousands):

	2016	2015
Balance at the beginning of the period	\$ (1,584)	\$ (480)
Acquisition date fair value of contingent consideration	(13,107)	(1,717)
Changes in fair value included in operating income	2,986	132
Payments	1,228	458
Foreign currency translation adjustments	27	23
Balance at the end of the period	\$ (10,450)	\$ (1,584)

We did not have any significant non-financial assets or liabilities measured at fair value on June 30, 2016 or June 30, 2015.

- F23 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(21) Derivative Instruments and Hedging Activities**

We transact business in various foreign currencies, including a number of major European currencies as well as the Australian and Singapore dollars. We have significant foreign currency exposure through both our Australian and Singaporean 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 cash flows. 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 mainly in Euros, Australian and Singapore dollars. 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. We have determined our hedge program to be a non-effective hedge as defined under the FASB issued authoritative guidance. 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 \$612.2 million and \$576.5 million at June 30, 2016 and June 30, 2015, respectively, to hedge foreign currency fluctuations. These contracts mature at various dates prior to June 30, 2019.

The following table summarizes the amount and location of our derivative financial instruments as of June 30, 2016 and June 30, 2015 (in thousands):

	June 30, 2016	June 30, 2015	Balance Sheet Caption
Foreign currency hedging instruments	\$ 2,346	\$ 1,644	Other assets - current
Foreign currency hedging instruments	2,082	1,348	Other assets - non current
Foreign currency hedging instruments	(243)	(1,954)	Accrued expenses
	\$ 4,185	\$ 1,038	

The following table summarizes the amount and location of gains (losses) associated with our derivative financial instruments and other foreign-currency-denominated transactions for the fiscal year ended June 30, 2016 and June 30, 2015, respectively (in thousands):

Income Statement Caption

	Gain /(Loss) Recognized		
	Year Ended June 30,		
	2016	2015	
Foreign currency hedging instruments	\$ (5,192)	\$ (29,419)	Other, net
Other foreign-currency-denominated transactions	9,361	34,487	Other, net
	\$ 4,169	\$ 5,068	Other, net

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. We minimize counterparty credit risk by entering into derivative transactions with major financial institutions and we do not expect material losses as a result of default by our counterparties.

- F24 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

(22) Business Combinations

Brightree

On April 4, 2016 we completed the acquisition of Brightree LLC (Brightree), a provider of cloud-based clinical and business management software for the post-acute care industry, for a total purchase consideration paid of \$802 million. This acquisition has been accounted for as a business combination using purchase accounting and included in our consolidated financial statements from April 4, 2016. The acquisition was funded through cash on-hand, funds available from the existing revolving credit facility, an increase in the size of our revolving credit facility from \$700 million to \$1 billion and we also entered into a \$300 million senior unsecured one-year term loan credit facility.

We have not completed the purchase price allocation in relation to this acquisition as certain appraisals associated with the valuation of intangible assets are not yet complete. We do not believe that the completion of this work will materially modify the preliminary purchase price allocation. We expect to complete our purchase price allocation during the quarter ending December 31, 2016. The cost of the acquisition was allocated to the assets acquired and liabilities assumed based on estimates of their fair values at the date of acquisition. The goodwill recognized as part of these acquisitions, which is deductible for tax purposes, mainly represents the synergies that are unique to our combined businesses and the potential for new products and services to be developed in the future. The preliminary fair values of assets acquired and liabilities assumed, and the estimated useful lives of intangible assets acquired are as follows (in thousands):

	Brightree	Intangible assets - useful life
Current assets	\$ 13,868	
Property, plant and equipment	1,045	
Tradenames	28,700	10 years
In-process research and development	4,100	n/a
Developed technology	114,700	5 to 6 years
Customer relationships	51,000	10 to 15 years
Goodwill	602,090	
Assets acquired	\$ 815,503	
Current liabilities	(9,399)	
Deferred revenue	(4,571)	
Deferred tax liabilities		
Total liabilities assumed	\$ (13,970)	
Net assets acquired	\$ 801,533	

The acquisition is considered a material business combination and accordingly unaudited pro forma information presented below for the fiscal years ended June 30, 2016 and 2015, include the effects of pro forma adjustments as if the acquisition of Brightree occurred on July 1, 2014. The pro forma results were prepared using the acquisition method of accounting and combine our historical results and Brightree's for the fiscal years ended June 30, 2016 and 2015, including the effects of the business combination, primarily amortization expense related to the fair value of identifiable intangible assets acquired, interest expense associated with the financing obtained by us in connection with the acquisition, and the elimination of incurred acquisition-related costs.

- F25 -

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

The pro forma financial information presented below is not necessarily indicative of the results of operations that would have been achieved if the acquisition occurred at the beginning of the earliest period presented, nor is it intended to be a projection of future results.

Unaudited Proforma Consolidated Results (In thousands, except per share information)	Years Ended June 30,	
	2016	2015
Revenue	\$ 1,931,257	\$ 1,780,727
Net income attributable to stockholders	\$ 354,565	\$ 347,563
Basic earnings per share	\$ 2.53	\$ 2.47
Diluted earnings per share	\$ 2.54	\$ 2.44

The unaudited pro forma consolidated results for the years ended June 30, 2016, and 2015 reflect primarily the following pro forma pre-tax adjustments:

Addition of net amortization expense related to the fair value of identifiable intangible assets acquired of \$19.9 million and \$26.2 million for the years ended June 30, 2016 and June 30, 2015, respectively.

Addition of net interest expense associated with debt that was issued to finance the acquisition of \$16.1 million and \$16.5 million for the years ended June 30, 2016 and June 30, 2015, respectively.

Elimination of pre-tax acquisition-related costs totaling \$4.1 million from the results for the year ended June 30, 2016.

Addition of net income tax expense of \$1.3 million for the year ended June 30, 2016 and elimination of net income tax expense of \$3.1 million for the year ended June 30, 2015, respectively.

Although Brightree and its U.S. subsidiaries had historically elected to be treated as a partnership for U.S. Federal and state income tax purposes, and therefore, no income tax expense or benefit was previously recognized by Brightree in the U.S., the pro forma financial information assumes that Brightree's historical income tax expense is based on a U.S. statutory rate of 37%. Brightree's historical income tax expense was a benefit of \$1.2 million and \$0.4 million for the twelve months ended June 30, 2016 and 2015, respectively. The effective tax rate of the combined company could be significantly different depending on post-acquisition activities, such as the tax treatment applicable to each entity and the geographical mix of taxable income affecting state and foreign taxes, among other factors.

Other Acquisitions

On October 2, 2015 we completed the acquisition of 100% of the shares in Curative Medical Technology Inc., a leading provider of non-invasive ventilation and sleep-disordered breathing medical devices and accessories in China. Curative Medical has its manufacturing base in Suzhou, China, offices in Beijing, Germany and the United States, and a distributor network throughout China and in other select markets.

On November 6, 2015 we completed the acquisition of 100% of the shares in Maribo Medico A/S, a distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders in Denmark and the Nordics.

On November 30, 2015 we completed the acquisition of 100% of the shares in Bennett Precision Tooling Pty Ltd, an Australian based company that designs and manufactures tools specializing in applications for Liquid Silicon Rubber.

On January 29, 2016 we completed the acquisition of 100% of the shares in Inova Labs Inc. (Inova Labs), a medical device company specializing in the development and commercialization of innovative oxygen therapy products.

These acquisitions have been accounted for as business combinations using purchase accounting and are included in our consolidated financial statements from their respective acquisition dates. The acquisitions, individually and collectively, are not considered a material business combination and accordingly pro forma information is not provided. The acquisitions were funded through cash on-hand and by drawing on our existing credit facility.

Except for the purchase price allocation associated with the Inova Labs acquisition, we have completed the purchase price allocation in relation to all these acquisitions. We expect to complete our purchase price allocation for Inova Labs during the quarter ending December 31, 2016. We do not believe that the completion of this work will materially modify the preliminary

Table of Contents**RESMED INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

purchase price allocation for Inova Labs. The cost of the acquisitions was allocated to the assets acquired and liabilities assumed based on estimates of their fair values at the date of acquisition. The goodwill recognized as part of these acquisitions, which is not deductible for tax purposes, mainly represents the synergies that are unique to our combined businesses and the potential for new products and services to be developed in the future.

The fair values of assets acquired and liabilities assumed, and the estimated useful lives of intangible assets acquired are as follows (in thousands):

	All Other	Intangible assets - useful life
Current assets	\$ 49,370	
Property, plant and equipment	5,294	
Tradenames	17,400	7 years
Non-compete	1,400	5 years
Developed technology	20,515	5 years
Customer relationships	37,303	5 to 8 years
Goodwill	194,216	
 Assets acquired	 \$ 325,498	
Current liabilities	(21,147)	
Debt assumed	(21,201)	
Deferred revenue	(4,283)	
Deferred tax liabilities	(19,207)	
 Total liabilities assumed	 \$ (65,838)	
 Net assets acquired	 \$ 259,660	

During the year ended June 30, 2016, we recorded \$5.3 million in acquisition-related expenses.

(23) Restructuring Expenses

During the year ended June 30, 2016 we incurred restructuring expenses of \$6.9 million (\$5.2 million, net of tax) associated with rationalizing our European research & development operations and manufacturing facilities. The restructure cost consisted primarily of severance payments and an asset write-down of a legacy manufacturing facility. We recorded and paid the full amount of \$6.9 million in the year ended June 30, 2016, within our operating expenses and separately disclosed the amount as restructuring expenses.

During the year ended June 30, 2014 we completed a reorganization of our commercial and research and development teams. As a result of this reorganization we incurred restructuring expenses of \$6.3 million (\$4.2 million, net of tax). We recorded and paid the full amount of \$6.3 million in the year ended June 30, 2014, within our operating expenses and separately disclosed the amount as restructuring expenses.

- F27 -

Table of Contents

Schedule II

RESMED INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED JUNE 30, 2016, 2015 AND 2014

(in thousands)

	Balance at Beginning of Period	Charged to costs and expenses	Other (deductions)	Balance at end of period
Year ended June 30, 2016				
Applied against asset account				
Allowance for doubtful accounts	\$ 12,276	3,383	(3,104)	\$ 12,555
Year ended June 30, 2015				
Applied against asset account				
Allowance for doubtful accounts	\$ 10,971	3,559	(2,254)	\$ 12,276
Year ended June 30, 2014				
Applied against asset account				
Allowance for doubtful accounts	\$ 9,912	5,306	(4,247)	\$ 10,971

See accompanying report of independent registered public accounting firm.

Table of Contents

RESMED INC. AND SUBSIDIARIES

SIGNATURES

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

DATED January 12, 2017

ResMed Inc.

/s/ **BRETT A. SANDERCOCK**

Brett A. Sandercock

Chief financial officer

(Principal Financial Officer and

Principal Accounting Officer)

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 our consolidated financial statements and schedules are set forth in the Index to Consolidated Financial Statements under Item 8 of this report.
- (b) Exhibit Lists
 - 2.1 Agreement and Plan of Merger, dated February 19, 2016, by and among ResMed Corp., Eagle Acquisition Sub LLC, Brightree LLC, Shareholder Representative Services LLC and ResMed Inc. ^{(18)**}
 - 3.1 First Restated Certificate of Incorporation of ResMed Inc., as amended. ⁽¹⁶⁾
 - 3.2 Fifth Amended and Restated Bylaws of ResMed Inc. ⁽¹³⁾
 - 4.1 Form of certificate evidencing shares of Common Stock. ⁽¹⁾
 - 10.1 Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended. ⁽¹⁾
 - 10.2* ResMed Inc. 2006 Incentive Award Plan. ⁽⁶⁾
 - 10.3* Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan. ⁽³⁾
 - 10.4* 2006 Grant agreement for Board of Directors. ⁽³⁾
 - 10.5* 2006 Grant agreement for Executive Officers. ⁽⁵⁾
 - 10.6* 2006 Grant agreement for Australian Executive Officers. ⁽⁵⁾
 - 10.7* Form of Executive Agreement. ⁽⁴⁾
 - 10.8* Amended and Restated 2006 Incentive Award Plan dated November 20, 2008. ⁽⁷⁾
 - 10.9 Form of Indemnification Agreements for our directors and officers. ⁽⁸⁾
 - 10.10 Form of Access Agreement for directors. ⁽⁸⁾
 - 10.11* Updated Form of Executive Agreement. ⁽²⁾⁽¹²⁾
 - 10.12 ResMed Inc. 2009 Incentive Award Plan. ⁽⁹⁾
 - 10.13 ResMed Inc. 2009 Employee Stock Purchase Plan. ⁽⁹⁾
 - 10.14 Amendment No. 1 to the ResMed Inc. 2009 Employee Stock Purchase Plan. ⁽¹⁴⁾
 - 10.15 Form of Restricted Stock Award Agreement. ⁽⁹⁾
 - 10.16 ResMed Inc. Deferred Compensation Plan. ⁽¹⁰⁾
 - 10.17 Credit Agreement, dated as of October 31, 2013, among ResMed Inc., the lenders Union Bank, N.A., as administrative agent, joint lead arranger, swing line lender and letters of credit issuer and HSBC Bank USA, National Association, as syndication agent and joint lead arranger. ⁽¹⁷⁾
 - 10.18

Edgar Filing: RESMED INC - Form 10-K/A

First Amendment to Credit Agreement dated as of April 4, 2016, by and among ResMed, as borrower, the lenders party thereto, Union Bank, N.A., as administrative agent, joint lead arranger, swing line lender and letter of credit issuer and HSBC Bank USA, National Association, as syndication agent and joint lead arranger. ⁽¹⁹⁾

- 10.19 Term Loan Credit Agreement dated April 4, 2016, among ResMed Inc, as borrower, the lenders, Union Bank, N.A., as administrative agent, joint lead arranger and joint book runner, HSBC Bank USA, National Association, as joint lead arranger and joint book runner and HSBC Bank Australia Limited, as joint lead arranger and joint book runner. ⁽²⁰⁾
- 10.20 Unconditional Guaranty entered into as of April 4, 2016, by each of ResMed Corp., ResMed Motor Technologies Inc., Birdie Inc., Inova Labs, Inc., Brightree LLC, Brightree Services LLC, Brightree Home Health & Hospice LLC and Strategic AR LLC., in favor of Union Bank, N.A., as administrative agent. ⁽²¹⁾
- 10.21 Form of Restricted Stock Unit Award Agreement for Executive Officers. ⁽¹¹⁾
- 10.22 Form of Restricted Stock Unit Award Agreement for Directors. ⁽¹¹⁾
- 10.23 Form of Stock Option Grant for Executive Officers. ⁽¹¹⁾
- 10.24 Form of Stock Option Grant for Directors. ⁽¹¹⁾
- 10.25 Form of Performance-Based Restricted Stock Unit Award Agreement for Executive Officers. ⁽¹⁵⁾
- 21.1 Subsidiaries of the Registrant. ⁽²²⁾
- 23.1 Consent of Independent Registered Public Accounting Firm. ⁽²²⁾
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002. ⁽²³⁾
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002. ⁽²³⁾
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ⁽²³⁾
- 101 The following materials from ResMed Inc. s Annual Report on Form 10-K for the fiscal year ended June 30, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Stockholders Equity and Comprehensive Income, (iv) the Consolidated Statements of Cash Flows and (v) related notes.

* Management contract or compensatory plan or arrangement

** Exhibits and schedules have been omitted as authorized by Item 601(b)(2) of Regulation S-K. The Registrant will supplementally furnish copies of any of the omitted exhibits and schedules if the SEC requests; provided, however, that the Registrant may request confidential treatment for any exhibits or schedules it furnishes, under Rule 24b-2 of the Exchange Act.

Table of Contents

- (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 Report on Form 10-K for the year ended June 30, 2009.
- (3) Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2006.
- (4) Incorporated by reference to the Registrant's Report on Form 8-K filed on July 13, 2007.
- (5) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2007.
- (6) Incorporated by reference to the Registrant's Report on Form 8-K filed on November 15, 2006.
- (7) Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed on October 15, 2008.
- (8) Incorporated by reference to the Registrant's Report on Form 8-K filed on June 24, 2009.
- (9) Incorporated by reference to the Registrant's Report on Form 8-K filed on November 23, 2009.
- (10) Incorporated by reference to the Registrant's Report on Form 8-K filed on May 25, 2010.
- (11) Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended September 30, 2011.
- (12) Incorporated by reference to the Registrant's Report on Form 8-K filed on July 2, 2012.
- (13) Incorporated by reference to the Registrant's Report on Form 8-K/A filed on September 17, 2012.
- (14) Incorporated by reference to Appendix A of the Registrant's Definitive Proxy Statement filed on October 4, 2012.
- (15) Incorporated by reference to the Registrant's Report on Form 8-K filed on November 21, 2012.
- (16) Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 2013.
- (17) Incorporated by reference to Exhibits 10.1 and 10.2 to the Registrant's Report on Form 8-K filed on November 5, 2013.
- (18) Incorporated by reference to Exhibit 2.1 to the Registrant's Report on Form 8-K filed on February 22, 2016.
- (19) Incorporated by reference to Exhibit 10.1 to the Registrant's Report on Form 8-K filed on April 4, 2016.
- (20) Incorporated by reference to Exhibit 10.2 to the Registrant's Report on Form 8-K filed on April 4, 2016.
- (21) Incorporated by reference to Exhibit 10.3 to the Registrant's Report on Form 8-K filed on April 4, 2016.
- (22) Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2016.
- (23) Filed with this report.