As filed with the Securities and Exchange Commission on July 10, 1996

Registration No. 33-94610

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

RESMED INC.
(Exact name of registrant as specified in its charter)

Delaware	3842	98-0152841
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification No.)

82 WATERLOO ROAD, NORTH RYDE, NEW SOUTH WALES 2113, AUSTRALIA
61(2) 850-2300
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

<TABLE>
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<S> <C> <C>

DR. PETER C. FARRELL, PRESIDENT
5744 Pacific Center Blvd
San Diego, California 92121
(619) 622-2040
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to

DIANA L. DAY, ESQ.
Latham & Watkins
701 "B" Street
Suite 2100
San Diego, CA 92101-1234
(619) 236-1234
</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.[x]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[ ]

If this Form is a post-effective amendment pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[ ]

<TABLE>
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CALCULATION OF REGISTRATION FEE

<S>	<C>	<C>	<C>	<C>
TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE (2)
Common Stock, $.004 par value	197,000 shares	$ 13.00	$ 2,561,000	$ 833.10

<FN>

(1)Estimated in accordance with Rule 457 solely for the purpose of determining the registration fee.
(2) Previously paid.
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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

RESMED INC.

<TABLE>
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CROSS REFERENCE SHEET
Pursuant to Regulation S-K, Item 501(b)

<S> ITEM NUMBER AND HEADING IN FORM S-1 REGISTRATION STATEMENT	<C> LOCATION OR HEADING IN PROSPECTUS
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Facing Page; Cross Reference Sheet; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover Page of Prospectus; Outside Back Cover Page of Prospectus
3. Summary Information, Risk Factors, Ratio of Earnings to Fixed Charges	Prospectus Summary; Risk Factors
4. Use of Proceeds	Plan of Distribution
5. Determination of Offering Price	Outside Front Cover Page of Prospectus; Plan of Distribution
6. Dilution	Not Applicable
7. Selling Security Holders	Selling Stockholders
8. Plan of Distribution	Plan of Distribution
9. Description of Securities to be Registered	Description of Capital Stock
10. Interests of Named Experts and Counsel	Legal Matters; Experts
11. Information with Respect to Registrant	Prospectus Summary; Risk Factors; The Company; Dividend Policy; Price Range of Common Stock; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Principal Stockholders; Shares Eligible for Future Sale; Index to Consolidated Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

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PROSPECTUS

RESMED INC.

197,000 SHARES OF COMMON STOCK

This Prospectus relates to 197,000 shares (the "Shares") of Common Stock, $.004 par value, of ResMed Inc., a Delaware corporation ("ResMed" or the "Company") which may be offered for sale by certain persons (collectively the "Selling Stockholders") who have acquired or may acquire such shares upon exercise of stock options granted to such persons by the Company.

The Shares may be offered to the public from time to time by the Selling Stockholders. The Company will not receive any of the proceeds from the sale of the Shares by the Selling Stockholders. The Company will pay certain of the expenses of this offering. The Selling Stockholders will also bear certain costs of this offering, including the commissions and discounts of any underwriters, dealers and agents and any legal expenses of the Selling Stockholders. The Common Stock may be sold directly or through underwriters, dealers or agents in market transactions or privately-negotiated transactions. Such sales may be made at prevailing market prices at the time of sale, at prices related to such market prices, or at prices otherwise negotiated. See "Plan of Distribution."

The Company's Common Stock is traded in the NASDAQ National Market System

under the symbol "RESM."

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" ON PAGE 6 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Shares being offered hereby by the Selling Stockholders have not been registered for sale under the securities laws of any state or jurisdiction as of the date of this Prospectus. Brokers or dealers effecting transactions in the Shares should confirm the registration thereof under the securities laws of the state in which such transactions occur, or the existence of any exemption from registration.

The date of this Prospectus is July 10, 1996

AVAILABLE INFORMATION

The Company is subject to the informational requirements (File Number 0-26038) of the Securities Exchange Act of 1934, as amended (the "Exchange Act), and, in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 5th Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the Commission: New York Regional Office, 7 World Trade Center, New York, New York 10048 and Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60621. Copies of such material can be obtained at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, 450 5th Street, N.W., Washington, D.C. 20549.

No dealer, sales representative or any other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Selling Stockholders. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy any securities other than the registered securities to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The Company intends to furnish to its stockholders annual reports containing audited consolidated financial statements reported on by its independent certified public accountants and quarterly reports containing unaudited consolidated financial information for the first three quarters of each fiscal year.

SULLIVAN (Registered Trademark), VPAP (Registered Trademark), AutoSet (Trademark), Bubble Mask (Trademark), Bubble Cushion(Trademark) and SmartStart (Trademark) are trademarks of the Company.

SUMMARY

The following summary is qualified by the more detailed information including "Risk Factors," and Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Prospectus.

THE COMPANY

ResMed Inc. designs, manufactures and markets a diversified range of products for the diagnosis and treatment of a severe form of sleep disorder known as obstructive sleep apnea ("OSA"). OSA is a breathing disorder in which the upper airway frequently collapses during sleep. This results in cycles of subconscious awakenings which, in severe cases, can occur several hundred times per night. Sufferers of OSA typically experience two or more clinical symptoms of OSA, such as excessive daytime sleepiness or reduced cognitive function, including memory loss and lack of concentration. OSA

sufferers also may experience oxygen deaturation, an increase in heart rate and an elevation of blood pressure during the cycle of apneas. Several reports indicate OSA may be associated with increased risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack.

The primary treatment for OSA is continuous positive airway pressure ("CPAP") which involves the delivery of low positive airway pressure through a nasal mask worn by the OSA sufferer to pneumatically splint open the upper airway. When used as prescribed, nasal CPAP prevents upper airway collapse during sleep and is generally considered effective for treating symptoms of OSA. In 1986, the Company's founders formed a relationship with Dr. Colin Sullivan of the University of Sydney, the inventor of nasal CPAP for treating OSA. The Company, in collaboration with Dr. Sullivan, the Chairman of ResMed's Medical Advisory Board, has developed a range of products which are now marketed in 40 countries. The Company's primary products include small, portable air flow generators, which are used by the patient at home during sleep. These products deliver either CPAP or variable positive airway pressure ("VPAP"). VPAP provides different pressure levels for inhalation and exhalation. In addition, the Company markets proprietary nasal masks ("Bubble Masks"), humidifiers, air tubing, headgear and carry cases. The Company has also developed several proprietary features such as a delay timer to allow patients to fall asleep while air pressure from the air flow generator gradually builds to the prescribed level, and a SmartStart function which automatically starts and stops air flow with placement and removal of the mask. In addition to its conventional air flow generators, the Company is developing an autofeedback CPAP product known as AutoSet. This device automatically and continuously adjusts the delivered air pressure in response to abnormalities detected in the patient's breathing pattern.

While OSA has been diagnosed in a broad cross-section of the population, it is predominant among middle-aged men and people who are obese, smoke, consume alcohol in excess or use muscle relaxing drugs. In addition, patients who are being treated for certain other medical conditions, including people on dialysis treatment or suffering from diabetes, are medically predisposed to OSA. In 1993, the National Commission on Sleep Disorders Research estimated that approximately 20 million individuals in the U.S. suffer from sleep apnea, of whom approximately 6.5 million over 30 years of age suffer from moderate to severe OSA. However, there is a general lack of awareness of the disease among both the medical community and the general public, which has led to a corresponding failure to diagnose the disorder. It is estimated that less than 3% of those afflicted by OSA know the cause of their fatigue or other symptoms.

The Company's net revenues have grown from approximately $816,000 in fiscal 1990 to approximately $23.5 million in fiscal 1995. Net revenues for the nine months ended March 31, 1996 represented a 43% increase over net revenues for the nine months ended March 31, 1995. The Company believes that this growth is due, in part, to the increasing number of OSA patients receiving treatment. The Company expects that the market for OSA products will increase in the future due to several factors, including greater awareness in the medical community of OSA, an increase in the number and capacity of sleep clinics, and improved products for home diagnosis and treatment of OSA. The Company's strategy for the expansion of its business operations consists of three key elements: (i) continued product development and innovation; (ii) increased market penetration in the 40 countries in which the Company currently markets its products, particularly the United States, and expansion of its market presence beyond these regions; and (iii) increased public and clinical awareness of OSA and its effects.

The Company holds the rights to five issued United States patents and eleven issued foreign patents. In addition, the Company has eight pending United States patent applications and twenty foreign patent applications.

The Company's executive offices are located at 82 Waterloo Road, North Ryde, New South Wales 2113, Australia, and its telephone number is 61(2) 878-5244.

RISK FACTORS

An investment in the Common Stock involves a high degree of risk, including risks of intense competition, potential technological change resulting in product obsolescence, reliance on third parties for marketing, compliance with changing government regulation, reliance on adequate reimbursement by private and governmental insurance programs, and the risks associated with international operations. For a discussion of these and other risks to be considered, see "Risk Factors."

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SUMMARY CONSOLIDATED FINANCIAL DATA
(In thousands, except per share data)

NINE MONTHS

	YEAR ENDED JUNE 30,					ENDED MARCH 31,	
	1991	1992	1993	1994	1995	1995	1996
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Net revenues	$1,635	$3,356	$7,650	$13,857	$23,501	$16,755	$23,959
Gross profit	754	1,316	4,541	7,644	12,230	8,588	11,969
Income (loss) from operations	(409)	(95)	637	1,289	2,787	1,897	2,457
Net income (loss)	$ (115)	$ 315	$ 846	$ 1,232	$ 2,833	1,952	3,009
Net income (loss) per common and common equivalent share	$(0.04)	$ 0.08	$ 0.22	$ 0.34	$ 0.63	$ 0.45	$ 0.42
Weighted average common and common equivalent shares outstanding	2,896	3,773	3,914	3,639	4,450	4,310	7,179

CONSOLIDATED BALANCE SHEET DATA:	MARCH 31, 1996
Working capital	29,855
Total assets	44,349
Long-term debt, net of current maturities	861
Total stockholders' equity	37,516

Unless otherwise indicated, all information in this Prospectus reflects a five-for-two stock split of the Common Stock on March 13, 1995.

RISK FACTORS

Certain statements in this Prospectus that are not historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following risks:

UNCERTAINTY OF MARKET ACCEPTANCE OF PRODUCTS

There can be no assurance that the Company will be able to enhance its existing products, introduce or acquire new products and maintain or expand its market share, gain market acceptance of its products or be able to develop or acquire additional products. Limited market growth or failure of the Company's products to achieve market acceptance would have a material adverse effect on the business, financial condition and results of operations of the Company.

INTENSE COMPETITION

The markets for the Company's products are highly competitive. The failure of the Company to meet the prices offered by its competitors, or offer products which either contain features similar to or more desirable than those products offered by its competitors or which are perceived as reliable by consumers could have a material adverse effect on the business, financial condition and results of operations of the Company. The United States market for products for the treatment of OSA is currently dominated by Respironics, Inc. ("Respironics"). Other competitors in this market include Healthdyne Technologies Inc. ("Healthdyne Technologies"), Nellcor Puritan Bennett Corporation ("Nellcor Puritan Bennett") and DeVilbiss Healthcare Inc. ("DeVilbiss"), a division of Sunrise Medical Inc. Most of the Company's competitors have greater financial, research, manufacturing and marketing resources than the Company. In addition, some of the Company's competitors sell additional lines of products, and therefore can bundle products to offer higher discounts, or offer rebates or other incentive programs to gain a competitive advantage. The Company's competitors may also employ litigation to gain a competitive advantage. The Company's inability to compete effectively against existing or future competitors would result in a material adverse effect on the Company's business, financial condition and results

of operations. See "Business - Obstructive Sleep Apnea," "- Competition" and "- Patents and Proprietary Rights and Related Litigation."

TECHNOLOGICAL CHANGE RESULTING IN PRODUCT OBSOLESCENCE

The market for products for the treatment of OSA is characterized by frequent product improvements and evolving technology. The Company's revenues and profitability could be adversely affected by technological change. The development of new or innovative CPAP product technology by others or the discovery of alternative treatments or a cure for OSA could result in the Company's products becoming obsolete or noncompetitive, which would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - The Market," "- Existing Therapies."

LIMITED COMMERCIAL EXPERIENCE

The Company has limited experience in manufacturing, marketing and selling its products. The Company's ability to expand its operations will depend in part upon its ability to further develop its distribution network, manufacturing capabilities and financial management systems, procedures and controls. There can be no assurance that the Company will be successful in managing any expansion of its operations. Failure to do so could result in a material adverse effect upon the Company's business, financial condition and results of operations. See "Business - Manufacturing" and "- Sales and Marketing."

UNCERTAINTY OF FINANCIAL PERFORMANCE; VARIABILITY OF QUARTERLY RESULTS

The Company's revenues and profitability are dependent principally on the sale of its air flow generators, nasal mask systems and accessories. There can be no assurance that the Company will be able to continue such sales or will be able to achieve continued revenue growth and profitability. The Company's results, including its net revenues and gross margins, have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from the absence of a backlog of orders for the Company's products, the introduction of new products by the Company or its competitors, the geographic mix of product sales, the success of the Company's marketing efforts in new regions, changes in third-party reimbursement, timing of regulatory actions, timing of orders by distributors, expenditures incurred for research and development, competitive pricing in different regions, seasonality, the cost and effect of promotional and marketing programs and the effect of foreign currency transaction gains or losses, among other factors. In addition, the Company's results of operations could be adversely affected by changes in tax laws in the various countries in which the Company conducts its operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

LIMITED MARKETING CAPABILITIES; RELIANCE ON HOME HEALTH CARE DEALERS

The Company markets its products to physicians and clinicians specializing in sleep disorders, to sleep clinics that diagnose OSA and to home health care dealers. The Company has limited resources to market to the more than 1,200 United States sleep clinics, and the more than 1,500 home health care dealer branch locations, most of which use, sell and/or recommend several brands of CPAP products. In general, OSA patients are influenced significantly by sleep clinics and home health care dealers when purchasing CPAP products. In the United States, when a sleep physician prescribes the use of CPAP products for home treatment of OSA (which prescription may or may not specify a brand of CPAP product), the patient purchases the product from a home health care dealer. Sleep clinic physicians may prescribe CPAP products for patients based on the brand of CPAP product that is used in the clinic to treat OSA. Even if a sleep physician prescribes a certain brand name of CPAP product, a home health care dealer may substitute a competitive CPAP product for the patient. Home health care dealers are experiencing price pressures as government and third-party reimbursement is declining for home care products. Home health care dealers are requiring price discounts from manufacturers such as the Company. There can be no assurance that physicians will continue to prescribe the Company's products, or that home health care dealers and patients will not substitute competing products when a prescription specifying the Company's product has been written. The Company's business, financial condition and results of operations could be materially adversely affected by the Company's failure to market effectively to sleep clinics and/or home health care dealers or to ensure that its products are properly marketed and/or sold by such third parties. No assurance can be given that the Company will have sufficient marketing capabilities in the future to sell its products profitably or at all. The Company expects to incur significant expenditures to develop an expanded direct sales force to market its products, and there can be no assurance that such efforts will be successful. See "Business -

Sales and Marketing."

LIMITED PROTECTION OF PATENTS AND PROPRIETARY RIGHTS

The Company relies on a combination of patents, trademarks, trade secrets and non-disclosure agreements to protect its proprietary technology, rights and know-how. There can be no assurance that the Company's patents will not be infringed upon, that the non-disclosure agreements will not be breached, that the Company would have adequate remedies for any such breach or infringement, or that the Company's trade secrets will not otherwise become known to or independently developed by competitors. The Company is pursuing infringement actions against one of its competitors (Respironics) and is investigating possible infringement by others. Litigation may be necessary to enforce patents issued to the Company, to protect the Company's proprietary rights, or to defend third-party claims of infringement by the Company of proprietary rights of others. Such litigation could result in substantial cost to the Company and a diversion of effort of the Company's personnel. There can be no assurance that any patents now or hereafter issued to, licensed by, or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others. Patent laws regarding the enforceability of patents vary from country to country. Therefore, there can be no assurance that patent issues will be uniformly resolved, or that local laws will provide the Company with consistent rights and benefits. In addition, there can be no assurance that others will not be issued patents which may prevent the sale of the Company's products or require licensing and the payment of fees or royalties by the Company in order for the Company to be able to market certain products.

POTENTIAL ADVERSE EFFECT OF RECENT AND PENDING PATENT LITIGATION

Recent and pending litigation involving Respironics has resulted in, and can be expected to continue to result in, substantial cost to the Company and a diversion of effort of the Company's personnel. The Company's original Australian patent, which was due to expire in 1998 and covered the CPAP method of treating, and the device for treatment of, OSA, was challenged by the Australian distributor for Respironics, and in May 1994, was revoked by an Australian appeals court in reliance on issues specific to Australian patent law. Such revocation will permit competitors to market CPAP products in Australia. Consequently, the Company expects its dominant market share in Australia will decrease. At June 30, 1994, the Company accrued approximately $300,000 for estimated additional costs associated with this litigation, which amount remained outstanding at March 31, 1996.

In January 1995, the Company filed a complaint for patent infringement in the United States District Court for the Southern District of California against Respironics. The complaint seeks monetary damages from, and injunctive relief against, Respironics resulting from its alleged infringement of three of the Company's patents related to the CPAP system, its delay timer feature and a Bubble Cushion type mask. In February 1995, Respironics filed a complaint against the Company in the United States District Court for the Western District of Pennsylvania seeking a declaratory judgment that Respironics does not infringe claims of these patents and that the Company's patents are invalid and unenforceable. The two actions have been combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996 the Company initiated a further action in Pennsylvania against Respironics regarding alleged infringement of the Company's continuation patent, granted June 4, 1996, related to the delay timer feature. An adverse ruling as to any of the four patents in suit could have an adverse effect on the Company's ability to enforce its patents against Respironics and others and enable others to gain a competitive advantage. See "Business - Patents and Proprietary Rights and Related Litigation."

On May 17, 1995, Respironics and its Australian distributor filed a Statement of Claim against the Company and Dr. Peter C. Farrell in the Federal Court of Australia, New South Wales District Registry. The Statement of Claim alleges that the Company engaged in unfair trade practices, including the misuse of the power afforded by its Australian patents and dominant market position in violation of the Australian Trade Practices Act. The Statement of Claim asserts damage claims in the aggregate amount of approximately $730,000, constituting lost profit on sales. There can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

DEPENDENCE ON KEY CUSTOMERS

Two distributors of the Company's products, one located in Australia and the other in Germany, accounted for approximately 10% and 15% of the Company's net revenues for the fiscal year ended June 30, 1995. In February, 1996, the Company entered into an agreement to acquire the German distributor. See "Recent Developments." There can be no assurance that the Australian distributor or any of the Company's customers will continue to do business

with the Company. The loss of the Australian distributor could adversely affect the Company's business, financial condition and results of operations. See "Business - Sales and Marketing."

DEPENDENCE ON SINGLE-SOURCE SUPPLIERS

The Company purchases two key components for its CPAP devices from two single-source suppliers. There can be no assurance that a replacement supplier could be located on a timely basis or that available inventories would be adequate to meet the Company's production needs during any prolonged interruption of supply. A reduction or stoppage in supply, or the Company's inability to develop alternate supply sources, if required, would limit its ability to manufacture its CPAP devices and therefore could adversely affect its business, financial condition and results of operations. See "Business - Manufacturing."

UNCERTAINTY OF INTERNATIONAL SOURCE OF SUPPLY

The Company's sole supplier for one product component is located in Europe. Operations in Europe are subject to the risks normally associated with foreign operations including, but not limited to, possible changes in export or import restrictions and the modification or introduction of other governmental policies with potentially adverse effects. See "Business - Sales and Marketing."

LIMITATIONS ON THIRD-PARTY REIMBURSEMENT; PRICE CONTROLS

The cost of medical care is funded, in substantial part, by government insurance programs, such as Medicare and Medicaid in the United States, and private and corporate health insurance plans. The Company's success is dependent upon the ability of the Company's customers to obtain adequate reimbursement from such third-party payors for purchasing the Company's products. Third-party payors may deny reimbursement if they determine that the prescribed device has not received appropriate United States Food and Drug Administration ("FDA") or other governmental regulatory clearances, is not used in accordance with cost-effective treatment methods as determined by the payor, or is experimental, unnecessary or inappropriate. Third-party payors are increasingly challenging the prices charged for medical products and services. Also, the trend towards managed

health care in the United States and the concurrent growth of HMOs, which could control or significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care, may all result in lower prices for the Company's products. The cost containment measures that health care providers are instituting in the face of the uncertainty and the ultimate effect of any health care reform could have an adverse effect on the Company's ability to sell its products and may have a material adverse effect on the Company's business, financial condition and results of operations. In some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of the Company's products, subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia, the United Kingdom and Japan, there is currently limited or no reimbursement for devices that treat OSA. There can be no assurance that the Company's products will be considered cost-effective by third-party payors, that reimbursement will be available or, if currently available, will continue to be available, or that changes in payors' reimbursement policies will not adversely affect the Company's ability to sell its products on a profitable basis, if at all. See "Business - Third-Party Reimbursement."

DEPENDENCE ON INTERNATIONAL SALES

Sales outside North America accounted for approximately 56%, 53% and 47% of the Company's net revenues in fiscal 1993, 1994 and 1995, respectively, and 49% for the nine months ended March 31, 1996. The Company expects that such sales will continue to account for a significant portion of the Company's net revenues in the future. The Company's sales are subject to certain inherent risks of global operations, including international monetary conditions, tariffs, import licenses, trade policies, domestic and foreign tax policies and foreign medical device manufacturing regulations. See "Business - Sales and Marketing," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UNCERTAINTY OF CURRENCY FLUCTUATIONS

The Company's international operations, conducted in various foreign currencies, could be adversely affected by fluctuations in currency exchange rates as well as changes in duty rates. The Company has had foreign currency transaction gains and losses in recent periods. A significant fall in the value of the United States dollar against certain international currencies could have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COSTS AND UNCERTAINTIES OF COMPLIANCE WITH AND CHANGES IN GOVERNMENT REGULATION

The development, manufacture and marketing of the Company's products are subject to extensive and rigorous regulation by the FDA and by other governmental agencies and relevant foreign agencies. The process of obtaining and maintaining FDA and other required regulatory approvals for medical device products is generally lengthy and expensive, and the outcome is often unpredictable. There can be no assurance that the Company's current market clearances can be maintained or that approvals will be granted for the Company's future products on the basis of 510(K) clearances. The regulatory process may delay the marketing of new products for lengthy periods, result in substantial additional costs and furnish an advantage to competitors. Moreover, regulatory approvals, if granted, may include significant limitations on the indicated uses for which a product may be marketed. The FDA actively enforces regulations prohibiting marketing of products for non-indicated uses.

The Company is subject to FDA Good Manufacturing Practices ("GMP") and extensive record keeping and reporting requirements for sales in the United States. The Company's manufacturing facilities are subject to periodic inspections by United States federal agencies and may be subject to similar inspections by corresponding foreign agencies. To date, the Company's manufacturing facilities in Australia have not been inspected by the FDA. Failure to comply with applicable regulatory requirements can result in, among other things, import detentions, fines, civil penalties, suspensions or losses of approvals, recalls or seizures of products, operating restrictions and criminal prosecutions.

The Company has experienced delays in the importation of certain product accessories manufactured outside the United States due to certain tariff classifications and restrictions. Changes in existing regulations or the manner in which they are implemented or the adoption of new regulations could prevent the Company from obtaining, or delay the timing of, future regulatory approvals. No assurance can be given that new legislation or regulations, changes in the interpretation or enforcement of existing regulations, or other regulatory factors will not have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - Government Regulation."

RISK OF PRODUCT RECALL

The FDA and similar governmental authorities in other countries have the authority to require the recall of products in the event of material deficiencies or defects in design or manufacture. A government mandated or voluntary product recall by the Company could occur as a result of component failures, manufacturing errors or design defects. Any recall of products could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - Government Regulation."

POTENTIAL PRODUCT LIABILITY CLAIMS

The Company is subject to potential product liability claims as a result of the design, manufacture and marketing of medical devices. Claims alleging product liability may involve large potential damages and significant defense costs. There can be no assurance that the Company's insurance coverage will be adequate or that all such claims will be covered by the Company's insurance. Insurance varies in cost, can be difficult to obtain and may not be available in the future on terms acceptable to the Company, if at all. A successful claim against the Company in excess of the available insurance coverage could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - Product Liability Insurance."

DEPENDENCE ON KEY PERSONNEL

The Company is substantially dependent upon the continued services of a limited number of key employees and consultants. The loss of the services of any one of these individuals could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, the future success of the Company will depend, among other factors, on the Company's ability to continue to hire and retain the necessary qualified scientific, technical and managerial personnel. The Company competes for such personnel with numerous other companies, academic institutions and other organizations. See "Management."

LIMITING EFFECT OF CERTAIN CHARTER AND DELAWARE LAW PROVISIONS ON MARKET PRICE OF COMMON STOCK

The Board of Directors has the authority to issue up to 2,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by the stockholders. The rights of the holders of Common Stock

will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes may have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of the Common Stock and the voting and other rights of the holders of the Common Stock. The Company has no present plans to issue shares of Preferred Stock. The Company's Board of Directors is divided into three classes, serving for staggered three year terms. As such, at each annual meeting of stockholders, not more than one class of the Company's directors is elected. Because it will require at least two annual meetings to elect directors constituting a majority of the Company's board of directors, such classification could discourage, delay or prevent a merger, tender offer or proxy contest involving the Company. Further, certain provisions of Delaware law could discourage, delay or prevent a merger, tender offer or proxy contest involving the Company. See "Management," "Description of Capital Stock Preferred Stock" and " Delaware Anti-Takeover Statute."

POTENTIAL VOLATILITY OF STOCK PRICE

The stock markets have experienced price and volume fluctuations that have particularly affected medical technology companies, resulting in changes in the market prices of the stocks of many companies which may not have been directly related to the operating performance of those companies. Such broad market fluctuations may adversely affect the market price of the Common Stock. In addition, the market price of the Common Stock may be highly volatile. Factors such as variations in the Company's financial results, announcements of technological innovations or new products by the Company or its competitors, government regulation, developments with respect to patents, proprietary rights or litigation, and general market conditions may have a significant adverse effect on the market price of the Common Stock.

ABSENCE OF FUTURE DIVIDENDS

The Company currently intends to retain all future earnings, if any, for use in the operation of its business, and does not anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy."

POTENTIAL LACK OF ENFORCEABILITY OF U.S. SECURITIES LAWS AGAINST CERTAIN INSIDERS

Two of the Company's five directors and all but two of its officers named herein reside outside the United States (principally in Australia). All or a substantial portion of the assets of these persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon such persons or to enforce against them judgments of United States courts in respect of any liabilities relating to the contents of this Prospectus or otherwise predicated on Federal securities laws. In addition, the Company has been advised by its Australian counsel that there is doubt as to the enforceability of judgments of United States courts or the ability of stockholders to pursue claims based on the contents of this Prospectus or otherwise predicated on United States Federal securities laws against these persons in Australian courts.

RECENT DEVELOPMENTS

On February 7, 1996, ResMed-Priess GmbH (i.Gr.) ("ResMed-Priess"), a wholly-owned subsidiary of ResMed, and Dieter W Priess Medizinische technische Gerate, a registered German trader ("Priess"), consummated a transaction in which ResMed-Priess purchased certain assets of Priess for approximately $10.35 million, pursuant to that certain Purchase Agreement dated February 7, 1996 between ResMed-Priess and Priess. Pursuant to the terms of the Purchase Agreement, $6.35 million of the purchase price was payable in cash upon consummation of the transaction, and the remaining $4.0 million is a contingent purchase price which may be payable over a five year period if certain sales targets are achieved. The purchased assets include, among other things, intangible assets and all of Priess' tangible personal property and inventory used in connection with its medical device distribution and service business. ResMed intends to continue to use the assets acquired in the ongoing distribution business. The funds used to acquire Priess' assets were obtained from ResMed's initial public offering of common stock which was consummated in June 1995.

The unaudited pro forma condensed statements of operations of the combined company for the fiscal year ended June 30, 1995, with pro forma adjustments as if the transaction had taken place on July 1, 1994, show net revenues for the combined company of $29,381,000 and net income of $3,547,000.

The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the actual results that would have occurred had the purchase been consummated on the applicable date

indicated. Moreover, they are not intended to be indicative of future results of operations or financial position.

DIVIDEND POLICY

The Company has paid cash dividends of $0.03 and $0.04 per common share during the fiscal years ended June 30, 1993 and 1994, respectively. The Company did not pay dividends for the fiscal year ended June 30, 1995. The Company currently intends to retain all future earnings, if any, for use in the operation of its business, and does not anticipate paying any cash dividends in the foreseeable future.

PRICE RANGE OF COMMON STOCK

In June 1995, the Company completed its initial public offering of its common stock. Since June 2, 1995, the Company's Common Stock has been traded through the National Market System of the NASDAQ Stock Market.

The following table sets forth the high and low closing prices of the Common Stock as reported by NASDAQ for the periods indicated.

<TABLE>
<CAPTION>

<S>	<C>	<C>
	HIGH	LOW
Fiscal 1995		
Fourth Quarter (June 2 - June 30)	$12.00	$ 9.75
Fiscal 1996		
First Quarter	$18.00	$ 12.00
Second Quarter	$17.75	$ 10.50
Third Quarter	$14.25	$ 10.50
Fourth Quarter (April 1 - June 30)	$17.25	$ 12.50

<FN>

On May 31, 1996, the closing bid price of the Common Stock as reported by NASDAQ was $17.25. As of such date, there were 125 holders of record of the Common Stock.

</TABLE>

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Prospectus and Management's Discussion and Analysis of Financial Condition and Results of Operations. The selected consolidated financial data presented below under the captions "Consolidated Statement of Operations Data" and "Consolidated Balance Sheet Data" as of June 30, 1995 and 1994 and for the years then ended, are derived from the consolidated financial statements of ResMed Inc., formerly ResCare Medical Systems, Ltd., and subsidiaries, which financial statements have been audited by KPMG Peat Marwick LLP, independent certified public accountants. The selected consolidated financial data presented below, under the captions "Consolidated Statement of Operations Data" and "Consolidated Balance Sheet Data" for, and as of the end of, each of the years in the three-year period ended June 30, 1993, are derived from the consolidated financial statements of ResMed Inc. and subsidiaries, which financial statements have been audited by Price Waterhouse, independent accountants. The consolidated financial statements as of June 30, 1995, 1994 and 1993, and for each of the years in the three-year period ended June 30, 1995, and the reports thereon, are included elsewhere in this prospectus. The data presented below under the heading "Consolidated Statement of Operations Data" and "Consolidated Balance Sheet Data" for the year ended June 30, 1991 and as of June 30, 1991 and 1992 have been derived from audited consolidated financial statements that are not included herein. The data presented below under the headings "Consolidated Statement of Operations" and "Consolidated Balance Sheet Data" as of and for the nine months ended March 31, 1995 and 1996 are derived from unaudited consolidated financial statements of ResMed Inc. and subsidiaries included herein. The unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial information set forth therein, in accordance with generally accepted accounting principles. The results of operations for the nine months ended March 31, 1996 are not necessarily indicative of the results to be expected for any future period or for the entire year.

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,					NINE MONTHS ENDED MARCH 31,	
	1991	1992	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Net revenues	$1,635	$3,356	$7,650	$13,857	$23,501	$16,755	$23,959
Cost of sales	881	2,040	3,109	6,213	11,271	8,167	11,990
Gross profit	754	1,316	4,541	7,644	12,230	8,588	11,969
Selling, general and administrative expenses	766	744	3,084	4,809	7,447	5,248	7,501
Research and development expenses	397	667	820	1,546	1,996	1,443	2,011
Total operating expenses	1,163	1,411	3,904	6,355	9,443	6,691	9,512
Income (loss) from operations	(409)	(95)	637	1,289	2,787	1,897	2,457
Interest income, net	50	65	61	98	205	121	814
Government grants	244	311	432	440	527	253	434
Other, net	-	34	75	4	262	333	594
Total other income	294	410	568	542	994	707	1,842
Income (loss) before income taxes	(115)	315	1,205	1,831	3,781	2,604	4,299
Income taxes	-	-	(359)	(599)	(948)	(652)	(1,290)
Net income (loss)	$ (115)	$ 315	$ 846	$ 1,232	2,833	$ 1,952	$ 3,009
Net income (loss) per common and common equivalent share	$(0.04)	$ 0.08	$ 0.22	$ 0.34	$ 0.63	$ 0.45	$ 0.42
Cash dividends per common share	$ -	$ -	$ 0.03	$ 0.04	$ -	$ -	$ -
Weighted average common and common equivalent shares outstanding	2,896	3,773	3,914	3,639	4,450	4,310	7,179

</TABLE>

<TABLE>
<CAPTION>

	JUNE 30,					MARCH 31,
	1991	1992	1993	1994	1995	1996
	(IN THOUSANDS)					(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:						
Working Capital	$1,166	$1,501	$2,589	$5,010	$27,354	$29,855
Total assets	2,004	2,886	5,173	9,608	35,313	44,349
Long-term debt, net of current maturities	262	218	163	386	787	861
Total stockholders' equity	1,257	1,689	2,895	5,630	28,867	37,516

</TABLE>

MANAGEMENTS DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

ResMed Inc., a Delaware corporation, was formed in March 1994 as a holding company for its Australian, European and United States operating subsidiaries. Its Australian subsidiaries, RHL and ResCare Limited, were originally organized in 1989 by Dr. Peter Farrell to acquire from Baxter Center for Medical Research Pty Limited ("Baxter"), the rights to certain technology relating to nasal CPAP treatment of OSA, as well as Baxter's existing CPAP device business. Baxter had sold CPAP devices in Australia since 1988, having acquired the rights to the technology in 1987 from Dr. Colin Sullivan of the University of Sydney, who invented nasal CPAP for the treatment of OSA.

The Company designs, manufactures and markets nasal CPAP equipment for the diagnosis and treatment of obstructive sleep apnea. The Company's net revenues are generated from the sale of its various nasal CPAP devices, nasal mask systems, accessories and other products, and, to a lesser extent, from royalties. The Company receives other income through licensing fees and certain Australian government grants.

Prior to 1990, the Company engaged independent subcontractors to manufacture its CPAP products and marketed its products in several countries primarily through independent distributors. In 1990, the Company executed an exclusive distribution agreement with Medtronic, Inc. ("Medtronic") for the sale of its products in North America. In May 1992, the Company terminated this arrangement with Medtronic, acquired certain inventory maintained by Medtronic, employed four of Medtronic's sales employees, and issued stock options to Medtronic, which were subsequently repurchased by the Company in October 1993. After such termination, the Company established a direct sales force in the United States and developed a network of independent sales

representatives. In early 1992, the Company commenced manufacturing operations, consisting primarily of assembly activities, at its Sydney, Australia facility. This facility was expanded in December 1994.

The Company has in the past been, and is currently engaged in significant patent litigation relating to the enforcement and defense of certain of its patents. Such litigation has required, and can be expected to continue to require in the near future, significant expenditures for legal fees and other related costs, as well as a diversion of the efforts of the Company's personnel. The Company's original Australian patent, which was due to expire in 1998 and covered the CPAP method of treating, and the device for treatment of OSA, was challenged by the Australian distributor for Respironics, and in May 1994, was revoked by an Australian appeals court in reliance on issues specific to Australian patent law. Consequently, the Company expects its dominant market share in Australia will decrease. At June 30, 1994, the Company accrued approximately $300,000 for estimated additional costs associated with this litigation, which amount remained outstanding at March 31, 1996. In January 1995, the Company filed a complaint for patent infringement in the United States against Respironics. The complaint seeks monetary damages from, and injunctive relief against Respironics resulting from its alleged infringement of three of the Company's patents. In February 1995, Respironics filed a complaint against the Company seeking a declaratory judgment that Respironics does not infringe claims of these patents and that the Company's patents are invalid and unenforceable. The two actions have been combined and are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996 the Company initiated a further action in Pennsylvania against Respironics regarding alleged infringement of the Company's continuation patent, granted June 4, 1996, related to the delay timer feature. An adverse ruling as to any of the four patents in suit could have an adverse effect on the Company's ability to enforce its patents against Respironics and others and enable others to gain a competitive advantage. An adverse ruling could have an adverse effect on the Company's ability to enforce its patents and proprietary rights to gain a competitive advantage. On May 17, 1995, Respironics and its Australian distributor filed a Statement of Claim against the Company and Dr.

Peter C. Farrell in the Federal Court of Australia. The Statement of Claim alleges that the Company engaged in unfair trade practices, including the misuse of the power afforded by its Australian patents and dominant market position in violation of the Australian Trade Practices Act. The Statement of Claim asserts damage claims in the aggregate amount of approximately $730,000, constituting lost profit on sales. While the Company intends to defend this action, there can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

The Company has invested significant resources in research and development and product enhancement. Since 1989, the Company has developed several innovations to the original CPAP device to increase patient comfort and to improve ease of product use. The Company recently has been developing products for automated treatment and monitoring of OSA, such as its AutoSet product line. The Company's research and development expenses are subsidized in part by grants from the Australian federal government. The Company also receives grants from the Australian federal government to support marketing efforts to increase Australian export sales, and for incorporation of computer components into its products.

The Company's income tax rate is governed by the laws of the regions in which the Company's income is recognized. To date, a substantial portion of the Company's income has been subject to income tax in Australia where the statutory rate rose from 33% to 36% in July 1995. During the past few years, the Company's effective tax rate has fluctuated from approximately 25% to approximately 33%. These fluctuations have resulted from, and future effective tax rates will depend upon, numerous factors, including the amount of research and development expenditures for which a 150% Australian tax deduction is available, the level of non-deductible expenses, and the use of available net operating loss carryforward deductions and other tax credits or benefits available to the Company under applicable tax laws.

SALES BY GEOGRAPHIC REGION

The Company currently markets its products in 40 countries through direct sales personnel, independent manufacturers' representatives and distributors. The Company is subject to increasing competition in the United States, where prices for the Company's products are generally lower than in most of the Company's other markets. The following table sets forth the percentage of the Company's net revenues in each of the geographic regions reflected below.
<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1995	1996

<S>	<C>	<C>	<C>	<C>	<C>
North America	44%	47%	53%	53%	51%
Europe	31	30	29	28	33
Australia/Rest of World	25	23	18	19	16
	100%	100%	100%	100%	100%

</TABLE>

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated (i) percentage of net revenues represented by certain line items in the Company's Consolidated Statement of Operations and (ii) the percentage changes from the preceding periods.

<TABLE>
<CAPTION>

						PERIOD TO PERIOD CHANGE		
	YEAR ENDED JUNE 30,			NINE MONTHS ENDED MARCH 31,		YEAR ENDED JUNE 30,		NINE MONTHS ENDED MARCH 31, 1995 TO NINE MONTHS ENDED
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	1993	1994	1995	1995	1996	1993 TO 1994	1994 TO 1995	MARCH 31, 1996
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	81.1%	69.6%	43.0%
Cost of sales	40.6	44.8	48.0	48.7	50.0	99.8	81.4	46.8
Gross profit	59.4	55.2	52.0	51.3	50.0	68.3	60.0	39.4
Operating expenses:								
Selling, general and administrative	40.3	34.8	31.6	31.3	31.3	55.9	54.9	42.9
Research and development	10.7	11.1	8.5	8.6	8.4	88.5	29.1	39.6
Total operating expenses	51.0	45.9	40.1	39.9	39.7	62.8	48.6	42.2
Income (loss) from operations	8.4	9.3	11.9	11.4	10.3	102.4	116.2	29.5
Total other income	7.4	3.9	4.2	4.2	7.6	(4.6)	83.4	160.5
Income before income taxes	15.8	13.2	16.1	15.6	17.9	52.0	106.5	65.0
Net income	11.1%	8.9%	12.1%	11.7%	12.6%	45.6%	130.0%	54.1%

</TABLE>

NINE MONTHS ENDED MARCH 31, 1996 AND MARCH 31, 1995.

Net Revenues. Net revenues increased for the nine months ended March 31, 1996 to $24.0 million from $16.8 million for the nine months ended March 31, 1995, an increase of $7.2 million or 43%. This increase was primarily attributable to an increase in unit sales of the Company's flow generators and accessories in North America and Europe and additional revenues generated in Europe from the Priess business since the February 7, 1996 acquisition. Net revenues increased in North American to $12.1 million from $8.8 million, and, increased in Europe to $8.0 million from $4.7 million. In addition net revenues were affected favorably by a product mix shift to new, higher-priced products such as Sullivan VPAP. This favorable effect was partially offset by a decrease in the selling prices of the Company's products in most geographic markets.

Gross Profit. Gross profit increased for the nine months ended March 31, 1996 to $12.0 million from $8.6 million for the nine months ended March 31, 1995, an increase of $3.4 million or 39%. The increase resulted primarily from increased unit sales during the nine months ended March 31, 1996. Gross profit as a percentage of net revenues decreased for the nine months ended March 31, 1996 to 50% from 51.3% in the nine months ended March 31, 1995. This decrease was primarily due to an increase in the value of the Australian dollar relative to the United States dollar during the period and, to a lesser extent, to product mix changes.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the nine months ended March 31, 1996 to $7.5 million from $5.2 million for the nine months ended March 31, 1995, an increase of $2.3 million or 43%. As a percentage of net revenues, selling, general and administrative expenses remained static at 31% for the nine months ended March 31, 1996 and 1995.

Research and Development Expenses. Research and development expenses increased in the nine months ended March 31, 1996 to $2.0 million from $1.4 million for the nine months ended March 31, 1995, an increase of approximately $568,000 or 39%. As a percentage of net revenues, research and development expenses remained relatively consistent for the nine months ended March 31, 1996 and the nine months ended March 31, 1995.

Other Income. Other income increased for the nine months ended March 31,

1996 to $1.8 million from $707,000 for the nine months ended March 31, 1995, an increase of $1.1 million or 161%. This increase reflects increased interest income of $693,000 relating to the initial public offering of the Company, additional government grant incomes, which increased to $434,000 from $253,000 for the nine months ended March 31, 1995 and the receipt of $242,000 from Teijin Limited of Japan for certain marketing rights for respiratory and related products in Japan.

Income Taxes. The Company's effective income tax rate for the nine months ended March 31, 1996 increased to approximately 30% from approximately 25% for the nine months ended March 31, 1995. This increase was primarily due to an increase in the Australian corporate tax rate from 33% to 36% on July 1, 1995, an effective German corporate taxation rate of 51%, partially offset by additional research and development expenses incurred in Australia for which the Company receives a 150% deduction for tax purposes.

FISCAL YEARS ENDED JUNE 30, 1995 AND JUNE 30, 1994

Net Revenues. Net revenues increased in fiscal 1995 to $23.5 million from $13.9 million in fiscal 1994, an increase of $9.6 million or 69.6%. This increase was primarily attributable to an increase in unit sales of the Company's flow generators and accessories in North America, where net revenues increased to $12.5 million from $6.5 million, and to a lessor extent, in Europe, where net revenues increased to $6.8 million from $4.2 million. In addition, net revenues were affected favorably by a product mix shift to new, higher-priced products such as Sullivan VPAP. This favorable effect was partially offset by a decrease in the selling prices of the Company's products in most geographic areas.

Gross Profit. Gross profit increased in fiscal 1995 to $12.2 million from $7.6 million in fiscal 1994, an increase of $4.6 million or 60.0%. This increase resulted primarily from increased unit sales during fiscal 1995. Gross profit as a percentage of net revenues declined in fiscal 1995 to 52.0% from 55.2% in fiscal 1994, primarily as a result of an increasing percentage of the Company's sales occurring in the United States, where prices for the Company's products are lower than elsewhere in the world. In addition, gross profit as a percentage of net revenues declined due to an increase in the value of the Australian dollar relative to the United States dollar during the period. This increased the relative cost of manufacturing which occurs in Australia. Also contributing to the decrease was the introduction of a new lower margin humidifier manufactured by a third party for the Company.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in fiscal 1995 to $7.4 million from $4.8 million in fiscal 1994, an increase of $2.6 million or 54.9%. Selling, general and administrative expenses as a percentage of net revenues declined in fiscal 1995 to 31.7% from 34.7% in fiscal 1994. The dollar increase was due primarily to an increase to 58 from 34 in the number of sales and administrative personnel, and other expenses related to the increase in the Company's sales. Rent and leasehold expenses also increased primarily due to a substantial increase in the size of the Company's Australian facilities. In addition, fiscal 1994 included $311,000 of expenses associated with the grant of compensatory stock options and the establishment of a $300,000 reserve for estimated costs associated with the Company's Australian patent litigation. The decrease in selling, general and administrative expenses as a percentage of net revenues was primarily due to increased efficiencies related to increased sales.

Research and Development Expenses. Research and development expenses increased in fiscal 1995 to $2.0 million from $1.5 million in fiscal 1994, an increase of $500,000 or 29.1%. Research and development expenses as a percentage of net revenues decreased to 8.5% in fiscal 1995 from 11.2% in fiscal 1994. The dollar increase in the amount of research and development expenditures was due primarily to an increase in the number of research and development personnel to approximately 30 in 1995 from 20 in 1994. This increase was also attributable to higher payments for consulting fees relating to product development efforts.

Other Income. Other income increased in fiscal 1995 to $994,000 from $542,000 for fiscal 1994, an increase of $452,000 or 84.4%. This increase was due primarily to the recognition of income for the receipt in December 1994 of an upfront payment of $189,000 from a Japanese company for the exclusive rights to market certain respiratory and related products in the Japanese market that are under development by the Company. In addition, government grants for fiscal 1995 increased to $527,000 from $440,000 for fiscal 1994 as a result of government computer grant claims of $357,000 recognized by the Company on receipt of a favorable Australian government ruling in April 1995.

Income Taxes. The Company's effective income tax rate for fiscal 1995 was decreased to approximately 25.1% as compared to 32.7% for fiscal 1994. This increase was primarily due to the Company's use of net operating loss carryforward deductions available to offset United States income, and the additional research and development expenses in Australia for which the Company receives a 150% deduction for tax purposes.

FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

Net Revenues. Net revenues increased in fiscal 1994 to $13.9 million from $7.7 million in fiscal 1993, an increase of $6.2 million or 81.1%. This increase was primarily attributable to an increase in unit sales of the Company's products, primarily in North America, where sales increased to $6.5 million from $3.4 million, and Europe, where sales increased to $4.2 million from $2.3 million. Increases in net revenues also resulted in part from the introduction of the SULLIVAN III in the last quarter of fiscal 1993. The average selling prices for the Company's products declined slightly between these periods.

Gross Profit. Gross profit increased in fiscal 1994 to $7.6 million from $4.5 million in fiscal 1993, an increase of $3.1 million or 68.3%. Gross profit as a percentage of net revenues declined in fiscal 1994 to 55.2% from 59.4% in fiscal 1993, as a result of an increasing percentage of the Company's sales occurring in the United States, where prices for the Company's products are lower than in most of the Company's other markets.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in fiscal 1994 to $4.8 million from $3.1 million in fiscal 1993, an increase of $1.7 million or 55.9%. Selling, general and administrative expenses as a percentage of net revenues declined in fiscal 1994 to 34.7% from 40.3% in fiscal 1993. The dollar increase was due primarily to the increase from 22 to 34 in the number of sales and administrative personnel, primarily relating to the expansion of the Company's United States and international sales, marketing and promotional activities. In addition, the Company incurred approximately $200,000 of expenses, including legal fees, in connection with an unconsummated business combination transaction and established a $300,000 reserve for estimated costs associated with the Company's Australian patent litigation. Costs associated with the granting of compensatory stock options increased to $311,000 in fiscal 1994 from $142,000 in fiscal 1993. The decrease in selling, general and administrative expenses as a percentage of net revenues was primarily due to increased efficiencies related to increased sales.

Research and Development Expenses. Research and development expenses increased in fiscal 1994 to $1.5 million from $820,000 in fiscal 1993, an increase of $680,000 or 88.5%. Research and development expenses as a percentage of net revenues increased slightly to 11.2% in fiscal 1994 from 10.7% in fiscal 1993. The increase in the amount of research and development expenditures was due primarily to an increase from 17 to 29 in the number of research and development personnel during fiscal 1994. This increase was also attributable to costs associated with the development of new product prototypes and the payment of consulting fees relating to product development efforts.

Other Income. Other income, consisting of primarily government grants, remained relatively constant, aggregating $542,000 in fiscal 1994 as compared to $568,000 in fiscal 1993.

Income Taxes. The Company's effective income tax rate for fiscal 1994 was approximately 32.7% as compared to 29.8% for fiscal 1993. This increase was due to several factors including an increase in non-deductible expenses.

QUARTERLY RESULTS

The Company's results, including net revenues and gross margins, have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from the absence of a backlog of orders for the Company's products, the introduction of new products by the Company or its competitors, the geographic mix of product sales, the success of the Company's marketing efforts in new regions, changes in third-party reimbursement, timing of regulatory actions, timing of orders by distributors, expenditures incurred for research and development, competitive pricing in different regions, seasonality, the cost and effect of promotional and marketing programs and the effect of foreign currency transaction gains or losses, among other factors.

The following table sets forth certain selected financial information of the Company for its seven most recent fiscal quarters. In the opinion of the Company's management, this unaudited information has been prepared on the same basis as the audited financial information, and includes all adjustments (consisting only of normal, recurring adjustments) necessary to present this information fairly when read in conjunction with the Company's Consolidated Financial Statements and Notes thereto contained elsewhere in this Prospectus:

<TABLE>
<CAPTION>

THREE MONTHS ENDED

	SEP. 30, 1994	DEC. 31, 1994	MAR. 31, 1995	JUNE 30, 1995	SEP. 30, 1995	DEC. 31, 1995	MAR. 31, 1996
			(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	$4,273	$6,102	$6,380	$6,746	$6,703	$7,896	$9,360
Cost of sales	2,108	3,013	3,046	3,104	3,212	4,004	4,774
Gross profit	2,165	3,089	3,334	3,642	3,491	3,892	4,586
Selling, general and administrative expenses	1,377	1,915	1,956	2,199	2,130	2,469	2,902
Research and development expenses	441	446	556	553	680	691	640
Total operating expenses	1,818	2,361	2,512	2,752	2,810	3,160	3,542
Income from operations	347	728	822	890	681	732	1,044
Interest income, net	25	60	36	84	257	274	283
Government grants	107	78	68	274	135	170	129
Other income (expense), net	-	189	144	(71)	150	91	353
Total other income	132	327	248	287	542	535	765
Income before income taxes	479	1,055	1,070	1,177	1,223	1,267	1,809
Income taxes	120	265	267	296	343	345	602
Net income	$ 359	$ 790	$ 803	$ 881	$ 880	$ 922	$1,207

</TABLE>

<TABLE>
<CAPTION>

AS A PERCENTAGE OF NET REVENUES

	SEP. 30, 1994	DEC. 31, 1994	MAR. 31, 1995	JUNE 30, 1995	SEP. 30, 1995	DEC. 31, 1995	MAR. 31, 1996
			(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	100%	100%	100%	100%	100%	100%	100%
Cost of sales	49	49	48	46	48	51	51
Gross profit	51	51	52	54	52	49	49
Selling, general and administrative expenses	32	32	30	33	32	31	31
Research and development expenses	11	7	9	8	10	9	7
Total operating expenses	43	39	39	41	42	40	38
Income from operations	8	12	13	13	10	9	11
Interest income, net	-	1	1	1	4	4	3
Government grants	3	1	1	4	2	2	1
Other income (expense), net	-	3	2	(1)	2	1	4
Total other income	3	5	4	4	8	7	8
Income before income taxes	11	17	17	17	18	16	19
Income taxes	3	4	4	4	5	4	6
Net income	8%	13%	13%	13%	13%	12%	13%

</TABLE>

Although net revenues have generally increased over time, net revenues have historically fluctuated on a quarterly basis as a result of seasonality of demand, the timing of new product introductions and entry into new markets. Government grant proceeds have fluctuated on a quarterly basis, in part due to limitations on grant amounts that are dependent upon Company expenditures and due to the timing of application for such grants.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1996 and June 30, 1995, the Company had cash and cash equivalents and marketable securities of approximately $22.1 million and $23.8 million, respectively. The Company's working capital approximated $29.9 million and $27.4 million at March 31, 1996 and June 30, 1995, respectively. The increase in working capital balances reflects the increase in cash balances arising from increased selling activity, the receipt of approximately $5 million from the exercise of 153,000 stock options and the exercise by the underwriters of the Company's initial public offering of their full over allotment of 450,000 shares at a net offering price of $10.23 per share. These increases were offset by the payment of $6.5 million to acquire the Priess business.

During the nine months ended March 31, 1996, the Company's operations

generated $961,000 cash from operations, primarily as a result of increased profit from operations offset partially by increases in both inventory for new product introductions and accounts receivable due to increased sales. During the nine months ended March 31, 1995 approximately $127,000 of cash was generated from operations.

The Company's capital expenditures for the nine month period ended March 31, 1996 and 1995 aggregated $7.4 million ad $1.1 million, respectively. The majority of the expenditures in the nine month period ending March 31, 1996 relate to the purchase of Priess, the purchase of production tooling and equipment and, to a lesser extent, office furniture, computers and research and development equipment. As a result of these capital expenditures, the Company's March 31, 1996 balance sheet reflects net property plant and equipment of approximately $3.0 million at March 31, 1996, compared to $2.0 million at June 30, 1995.

The results of the Company's international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect the Company's consolidated net sales and gross profit margins from international operations. The Company is exposed to the risk that the dollar-value equivalent of anticipated cash flows will be adversely affected by the changes in foreign currency exchange rates. The Company attempts to manage this risk by entering into foreign currency option contracts.

In May 1993, the Australian federal government agreed to lend the Company approximately $800,000 over a six-year term. Such loan bears no interest for the first three years and will bear interest at the rate of 3.8% thereafter until maturity. The outstanding principal balance of such loan was $787,000 and $861,000 at June 30, 1995 and March 31, 1996, respectively.

NEW ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. ("SFAS") 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," effective for fiscal years beginning after December 15, 1995. SFAS 121 provides guidance for recognition and measurement of impairment of long-lived assets, certain identifiable intangibles and goodwill related both to assets to be held and used and assets to be disposed of. The adoption of SFAS 121 is not expected to have a material effect on the Company's financial position or results of operations.

In October 1995, the Financial Accounting Standards Board issued SFAS 123, "Accounting for Stock-Based Compensation," effective for fiscal years beginning after December 15, 1995. Under the provisions of SFAS 123, the Company is encouraged, but not required, to measure compensation costs related to its employee stock compensation under the fair value method. If the Company elects not to recognize compensation expense under this method, it is required to disclose the pro forma effects based on the SFAS 123 methodology. The Company anticipates adopting the pro forma method of disclosure under SFAS 123.

BUSINESS

The Company designs, manufactures and markets nasal CPAP equipment for the diagnosis and treatment of obstructive sleep apnea ("OSA").

OBSTRUCTIVE SLEEP APNEA

OSA is a breathing disorder in which an individual experiences a temporary collapse of the upper airway during sleep. This restricts breathing and severely disrupts the individual's sleep. Sleep is a complex neurological process that includes two distinct states: non-rapid eve movement (non-REM) sleep and rapid eye movement (REM) sleep. REM sleep, which occupies about 20-25% of sleep in adults, is characterized by a high level of brain activity, bursts of rapid eye movement, increased heart and respiration rates, and paralysis of many muscles. Non-REM sleep is subdivided into four stages that generally parallel sleep depth: stage 1 is the lightest and stage 4 is the deepest. The inability of an individual to experience adequate amounts of REM and deeper levels (stages 3 and 4) of non-REM sleep results in daytime tiredness and reduced cognitive function, both of which are characteristic of OSA.

The upper airway has no rigid support and is held open by active contraction of upper airway muscles. Normally, during REM sleep and deeper levels of non-REM sleep, upper airway muscles relax and the airway narrows. Individuals with narrow upper airways or poor muscle tone are prone to upper airway closure during sleep (an "apnea"), resulting in an inability to breathe, or near closure (an "hypopnea") which causes snoring and breathing difficulties. These breathing irregularities result in a lowering of blood oxygen concentration, and after 10 seconds or more, the brain reacts to the lack of oxygen and signals the body to respond. Typically, the individual subconsciously arouses from REM sleep or from Stages 3 or 4 of non-REM sleep

to Stages 1 or 2 of non-REM sleep, causing the throat muscles to contract, thus opening the airway. After a few gasping breaths, blood oxygen levels increase and the individual can resume a deeper sleep until the cycle repeats itself. The cycle of complete or partial upper airway closure with subconscious arousal to lighter levels of sleep can be repeated as many as several hundred times during six to eight hours of sleep. Sufferers of OSA typically experience 10 or more such cycles per hour and experience two or more clinical symptoms of OSA, such as excessive daytime sleepiness or reduced cognitive function. These awakenings greatly impair the quality of sleep, although the individual is not normally aware of these disruptions.

Sleep fragmentation and the loss of the deeper levels of sleep caused by OSA can lead to excessive daytime sleepiness, reduced cognitive function (including memory loss and lack of concentration) and irritability. OSA has been associated with employment difficulties, marital discord, impotence and other adverse effects. Patients with OSA have been shown to have impaired daytime performance in a variety of cognitive functions including problem solving, response speed and visual motor coordination. Certain studies have linked OSA to increased occurrences of traffic and workplace accidents. OSA sufferers also may experience an increase in heart rate and an elevation of blood pressure during the cycle of apneas. Several reports indicate that the oxygen denaturation, increased heart rate and elevated blood pressure caused by OSA may be associated with increased risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack.

THE MARKET

In its "Wake Up America" report to Congress in 1993, the National Commission on Sleep Disorders Research estimated that approximately 40 million individuals in the United States suffer from chronic disorders of sleep and wakefulness, such as sleep apnea, insomnia and narcolepsy. According to this report, sleep apnea is the most common sleep disorder, affecting approximately 20 million individuals in the United States. Nearly 6.5 million of these persons over the age of 30 experience moderate to severe forms of sleep apnea. However, there is a general lack of awareness of OSA among both the medical community and the general public, which has led to a corresponding failure to diagnose the disorder. It is estimated that less than 3% of those persons afflicted by OSA know the cause of their fatigue or other symptoms. Healthcare professionals are often unable to diagnose OSA because they are unaware that such nonspecific symptoms as fatigue, snoring and irritability are characteristic of OSA.

While OSA has been diagnosed in a broad cross-section of the population, it is predominant among middle-aged men and those who are obese, smoke, consume alcohol in excess or use muscle-relaxing drugs. In addition, patients who are being treated for certain other conditions, including those undergoing dialysis treatment or suffering from diabetes, are medically predisposed to OSA.

Generally, an individual seeking treatment for the symptoms of OSA is referred by a general practitioner to a specialist, such as a pulmonologist, neurologist or psychiatrist for further evaluation. The diagnosis of OSA typically requires monitoring the patient during sleep at either a sleep clinic or the patient's home. During overnight testing, respiratory parameters and sleep patterns are monitored along with other vital signs, such as blood pressure, heart rate and blood oxygen levels. These tests allow sleep clinicians to detect any sleep disturbances such as apneas, hypopneas or subconscious awakenings.

The Company estimates that there are currently more than 1,200 sleep clinics in the United States, a substantial portion of which are affiliated with hospitals. Sleep clinics generally range in size from one to six beds. The number of sleep clinics has expanded significantly from approximately 100 such facilities in 1985. The Company believes that despite the increase in sleep clinics, testing facilities currently remain inadequate to address the large population of undiagnosed OSA sufferers.

EXISTING THERAPIES

Prior to 1981, the primary treatment for OSA was a tracheotomy, a surgical procedure to cut a hole in the patient's windpipe to create a channel for airflow. More recently, surgery has involved either uvulopalatopharyngoplasty ("UPPP"), in which surgery is performed on the upper airway to remove excess tissue and to streamline the shape of the airway, or mandibular advancement, in which the lower jaw is moved forward to widen the patient's airway. UPPP alone has a poor success rate; however, when performed in conjunction with mandibular advancement, a greater success rate has been claimed. This combined procedure, performed by highly specialized surgeons, is expensive and involves prolonged and often painful recovery periods.

Nasal continuous positive airway pressure ("CPAP") was first used as a treatment for OSA in 1980 by Dr. Colin E. Sullivan, the Chairman of the Company's Medical Advisory Board. CPAP systems were commercialized for

treatment of OSA in the United States in the mid-1980s. Today, use of nasal CPAP, although not a medical cure for OSA, is generally acknowledged as the most effective and least invasive treatment for OSA, allowing the individual to enjoy a more normal sleep pattern. The Company estimates that during 1994, CPAP treatment was prescribed for over 100,000 new patients in the United States.

During nasal CPAP treatment, a patient sleeps with a nasal mask connected to a small portable air flow generator that delivers room air at a predetermined positive pressure. The patient breathes in air from the air flow generator and breathes out through an exhaust port in the mask. Continuous air pressure applied in this manner acts as a pneumatic splint to keep the upper airway open and unobstructed. Upon diagnosis of OSA and the decision to prescribe CPAP treatment for an OSA sufferer, the physician must determine an appropriate pressure setting for the CPAP device. This pressure titration (adjustment) procedure typically occurs in the sleep clinic while the patient sleeps using the CPAP device and a technician manually increases the pressure until sleeping and breathing are normalized. After determination of the proper therapeutic pressure, the patient is prescribed a nasal CPAP device set to that pressure for home use.

CPAP is a treatment and not a cure for OSA, and, therefore, must be used on a nightly basis for life. Patient compliance has been a major factor in the efficacy of CPAP treatment. Early generations of CPAP units provided limited patient comfort and convenience. Patients experienced soreness from the repeated use of nasal masks and had difficulty falling asleep with the CPAP device operating at the prescribed pressure. Recently, product innovations to improve patient comfort and compliance have been developed. These include more comfortable mask systems, delay timers which gradually raise air pressure allowing the patient to fall asleep more easily, and bi-level air flow generators which provide different air pressures for inhalation and exhalation.

BUSINESS STRATEGY

The Company believes that the number of OSA patients receiving treatment will increase in the future due to several factors, including increased awareness of OSA, an increase in the number and capacity of sleep clinics, and improved products for the diagnosis and treatment of OSA at home. The Company's strategy for the expansion of its business operations consists of the following key elements:

Continue Product Development and Innovation. The Company believes that it is a leading innovator in nasal CPAP technology for the treatment of OSA and that its continued product development and innovation will be a key factor in its success. Since its founding, the Company has introduced product advancements and improvements designed to increase patient comfort and encourage compliance, such as delay timers, heated humidifiers, and pliable Bubble Masks. The Company is currently developing automatic CPAP devices, such as AutoSet, that are designed to continually adjust CPAP pressure to meet the individual patient's needs, eliminating the need for manual pressure titration.

Expand Market Presence. The Company currently markets its products in 40 countries through a network of independent distributors, the Company's direct sales force and manufacturers' representatives. The Company intends to increase its sales and marketing efforts in its current markets, particularly in the United States, as well as to continue expansion into new countries.

Increase Public and Clinical Awareness. The Company intends to promote awareness of the prevalence of, and treatment alternatives for, OSA with three main groups: (1) populations with predispositions to OSA; (2) primary care physicians and other specialists, such as cardiologists and anesthesiologists; and (3) special interest groups, such as sleep disorder support groups. The Company is working with other physicians to discover other medical applications of nasal CPAP, including the treatment of post-operative surgery patients and pediatric patients, such as premature babies and infants at risk for Sudden Infant Death Syndrome.

PRODUCTS

The Company designs, manufactures and markets nasal CPAP equipment for the diagnosis and treatment of OSA. These products consist of air flow generators, which are small, portable devices that provide a preset positive airway pressure, and air delivery systems that include nasal masks, tubing and headsets that connect the airflow generator to the patient. In addition, the Company markets accessories to improve patient comfort, convenience and compliance, such as heated humidifiers.

AIR FLOW GENERATORS.

The Company manufactures and markets a broad range of air flow generators which are sold to the end user at prices which vary from approximately $600 to $3,000, depending upon the model, features and country of sale. Air flow

generators accounted for approximately 63%, 61% and 67% of the Company's net revenues in 1993, 1994 and 1995 respectively.

CPAP. The Company's CPAP air flow generators consist of the APD2, the SULLIVAN III, SULLIVAN IV and SULLIVAN V series. The APD2 was introduced in 1991 to replace an earlier model, the APD1. The SULLIVAN III and SULLIVAN IV are enhancements to the APD2 that were introduced in 1993 and 1994, respectively. The SULLIVAN V series of flow generators were introduced in July 1995 and replaced the APD2, SULLIVAN III and SULLIVAN IV models. The SULLIVAN V weighs less than 4.5 pounds, is about four inches high and conveniently fits under most beds. Each model continuously delivers a fixed pressure air flow to the patient.

VPAP. In 1994, the Company introduced the SULLIVAN VPAP (Variable Positive Airway Pressure) in the United States which it believes will improve patient comfort by applying different air pressure for inhalation and exhalation. In March 1996 the Company released the SULLIVAN VPAP II and Sullivan Comfort variable pressure flow generators to further enhance its variable Positive Airway Pressure devices. The SULLIVAN VPAP is expected to be particularly beneficial for those patients needing high levels of air pressure for inhalation as well as less resistance for exhalation.

Air Flow Generators Under Development. The Company is developing the AutoSet CPAP device for home use which is designed to automatically adjust air pressure as needed on a breath by breath basis. The Company currently markets a similar device for use in sleep clinics (AutoSet Clinical) outside of the United States. While conventional CPAP units operate at a fixed CPAP pressure, the actual pressure required for effective treatment of OSA can vary depending on factors such as weight change, alcohol consumption, sedative use and body position. The AutoSet is designed to detect the patient's level of airway resistance and continually adjust the air pressure to the appropriate therapeutic level throughout the night. The Company is developing a version of the AutoSet which will record airway resistance and actual levels of therapeutic air pressure during home use for later review by sleep physicians for diagnostic purposes.

The following table lists the Company's air flow generator products.

PRODUCT	FEATURES	DATE OF COMMERCIAL INTRODUCTION
APD2	Fixed-pressure portable device	April 1991*
SULLIVAN III	Microprocessor-controlled, fixed-pressure portable device with tamper resistant key pad for easier pressure setting	May 1993**
SULLIVAN VPAP	Dual-pressure portable device, provides different pressure levels for inhalation and exhalation	June 1994
SULLIVAN IV	Fixed-pressure portable device with reduced noise levels	October 1994***
SULLIVAN V	Reduced size fixed pressure portable device	July 1995
SULLIVAN VPAP II	Dual pressure portable device with reduced noise and improved pressure dynamics	March 1996
Sullivan Comfort	Limited feature dual pressure device	March 1996
AutoSet	Microprocessor-controlled, automatically and continually adjusts pressure in response to a patient's changing breathing patterns throughout sleep period, stores data for subsequent analysis	In development
Pediatric CPAP	Microprocessor-controlled, fixed-pressure, portable device for infants and children	In development

* Received FDA clearance in May 1991.
** Received FDA clearance in March 1994.
*** The Sullivan IV is currently being sold only outside of the United States.

The Company provides optional features including a delay timer, which allows the patient to select the time over which a gradual transition to full therapeutic pressure is achieved, allowing the patient to fall asleep more easily. Another feature, of the SmartStart function, automatically starts airflow when the patient breathes into the mask and stops airflow upon removal of the mask. This feature, in conjunction with an installed hour meter, records the number of hours a patient receives therapy, thereby permitting physicians to monitor patient compliance. Most units come equipped with a carry bag for enhanced portability. In addition, every unit has international electric voltage compatibility.

MASK SYSTEMS. The Company's mask system includes the mask frame, a nasal

cushion, and headgear to secure the nasal cushion to the face. Mask systems and components accounted for approximately 26%, 23% and 21% of the Company's net revenues in 1993, 1994 and 1995, respectively.

The Company's Bubble Mask includes a patented Bubble Cushion which represents a significant advance in patient comfort. Introduced in 1991, the Bubble Cushion contains a silicone membrane which readily adjusts to a patient's facial contours. Air pressure seals the thin membrane around the patient's nose, thereby minimizing air leakage and the possibility of skin irritation from repeated usage. The Company's headgear includes the ResCap which has a five-point attachment method of stabilizing the Bubble Cushion on the patient's nose.

Typically, patients replace masks or mask cushions every 12 to 18 months, at a cost of approximately $100-$200 depending upon the model and market. Bubble Masks are available in a variety of sizes and are sold independently of the Company's air flow generators either as replacement products or with other manufacturers' air flow generators. The Company also manufactures the Bubble Mask on an OEM basis for Puritan-Bennett, one of its competitors.

ACCESSORIES AND OTHER PRODUCTS.

In order to enhance patient comfort, convenience and compliance, the Company also markets a variety of other products and accessories. These products include humidifiers which connect directly with the CPAP and VPAP air flow generator to moisten (humidify) and, if desired, heat air delivered to the patient. This prevents the drying of nasal passages which can cause discomfort upon repeated use of the system. Other optional accessories include carry bags to carry portable flow generators, replacement filters, and tubing that connects the mask to the air flow generator.

CLINICAL SUPPORT

The Company also manufactures products that are used primarily in sleep clinics and hospitals to measure key respiratory parameters. These products consist of CPAP devices together with additional diagnostic tools to assist clinicians in the diagnosis, titration (measurement) and establishment of therapeutic pressures necessary to treat OSA sufferers.

CPAP CLINICAL INTERFACE. Introduced in October 1991, the LCU/RCU is a diagnostic and monitoring device that is used by clinicians to measure and adjust the pressures being delivered by a CPAP device to a patient undergoing a sleep study. The clinical interface allows the physician to conduct this review and adjustment from a remote location within the sleep lab. In the United States, clinical interface devices are typically provided to clinics by the Company without charge in order to increase clinical awareness and interest in the Company's products.

AUTOSET CLINICAL. The Company's AutoSet Clinical is the clinical version of AutoSet allowing real-time observation and review by the clinician of respiratory parameters during a sleep study. AutoSet Clinical incorporates a PC-based monitoring device which permits real-time diagnosis of patient airway resistance. This device may also be used in the therapeutic mode for automatic breath--by-breath adjustment to maintain an open airway. AutoSet Clinical is currently marketed only outside the United States. The Company submitted an application for 510(k) clearance with the FDA in May 1995.

PRODUCT DEVELOPMENT

The Company is committed to an ongoing program of product advancement and development. During the past year, the Company has introduced several new products, including SULLIVAN VPAP II, Sullivan Comfort, SULLIVAN V and improved nasal masks. Currently, the Company's product development efforts are focused on automated CPAP systems, improved mask systems and a manufacturing cost-reduction program for existing products.

In December 1994, the Company entered into a marketing rights agreement with a Japanese company for such company to market certain respiratory and related products under development by the Company in Japan. The Company received an up-front fee in exchange for such rights.

The Company consults with physicians at major sleep centers throughout the world to identify technology trends in the treatment of OSA. Some of these physicians currently serve on the Company's Medical Advisory Board. New product ideas are also identified by the Company's marketing staff, direct sales force, network of distributors and manufacturers' representatives. Typically, new product development is then performed by the Company's internal development staff in collaboration with Dr. Sullivan and his colleagues at the Royal Prince Alfred Hospital, the University of Sydney, and other research groups around the world.

SALES AND MARKETING

The Company currently markets its products in 40 countries using a network of distributors, independent manufacturers' representatives and its direct sales force. The Company attempts to tailor its marketing approach to each national market, based on regional awareness of OSA as a health problem, physician referral patterns, consumer preferences and local reimbursement policies.

NORTH AMERICA. In the United States, the Company's marketing activities are conducted through a field sales organization comprised of 18 direct sales employees, including three regional sales managers, and nine independent manufacturers' representatives organizations. The Company's United States field sales organization markets and sells the Company's products primarily to more than 1,500 home health care dealer branch locations throughout the United States. The Company also promotes and markets its products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed CPAP treatment are typically referred by the diagnosing sleep clinic to a home health care dealer to fill the prescription. The home health care dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, will fit the patient with the appropriate mask and set the flow generator pressure to the prescribed level. In the United States, sales employees and manufacturers' representatives are managed by the three regional sales managers and the Company's national sales manager. A marketing manager, responsible for marketing in the United States and Canada, is based in the Company's office in San Diego. The Company's Canadian sales are conducted through a Canadian distributor. Sales in North America accounted for 53% of the Company's total net revenues for the fiscal year ended June 30, 1995 and 51% for the nine months ended March 31, 1996.

EUROPE. The Company markets its products in most major European countries. In countries other than the United Kingdom and Germany, the Company uses independent distributors to sell its products. These distributors have been selected in each country based on their knowledge of respiratory medicine as well as a commitment to nasal CPAP therapy. In the United Kingdom, the Company has an office which is responsible for coordination of all European distributors and who, in conjunction with a United Kingdom sales manager, conducts direct sales in the United Kingdom. In addition, the Company uses a consultant in Switzerland to assist in sales and marketing efforts for selected European countries. Sales in Europe accounted for 29% of the Company's total net revenues for the fiscal year ended June 30, 1996 and 33% for the nine months ended March 31, 1996.

AUSTRALIA/REST OF WORLD. Prior to May 1994, the Company was the exclusive source of nasal CPAP air flow generator units in Australia as a result of its ownership of Dr. Sullivan's original nasal CPAP patent. This patent, which was due to expire in 1998 and covered the CPAP method of treating, and the device for treatment of, OSA, was challenged by the Australian distributor for Respironics and in May 1994 was revoked by an Australian appeals court in reliance on issues specific to Australian patent law. Such revocation will permit competitors to market CPAP products in Australia. Consequently, the Company expects its dominant market share in Australia will decrease. The Company has expanded its direct sales effort during 1994 and sales are currently conducted through its independent distributors and its direct sales force of four people. Marketing in the rest of the world is the responsibility of the Vice President of Sales and Marketing based in Sydney, Australia. Sales in Australia and the rest of the world accounted for 18% of the Company's total net revenues for the fiscal year ended June 30, 1995 and 16% for the nine months ended March 31, 1996.

Two distributors of the Company's products located, one in Australia, Medical Gases of Australia, and one in Germany, Priess Med Technik, accounted for 10% and 16% of the Company's net revenues for the fiscal year ended June 30, 1995. In February, 1996, the Company entered into an agreement to acquire Priess Med Technik. See "Recent Developments." There can be no assurance that the Australian distributor or any of the Company's customers will continue to do business with the Company.

MANUFACTURING

The Company performs its manufacturing operations at its facility in Sydney, Australia. Although the Company has not been inspected by the FDA, the Company believes it is in substantial compliance with all such FDA requirements including following FDA Good Manufacturing Practices for medical devices. The Company has recently expanded its manufacturing facilities in Australia and intends to further expand such facilities or to establish manufacturing facilities in the United States in the future. The timing of such expenditure and the decision to expand the existing facilities or establish additional facilities will depend upon the level of demand for the Company's products, the geographic mix of such demand and the relative costs of such establishment or expansion.

The Company's manufacturing operations consist primarily of assembly and testing of the Company's air flow generators, masks and accessories. Of the numerous raw materials, parts and components purchased for assembly of the Company's diagnostic and therapeutic sleep disorder products, most are

off-the-shelf items, available from multiple vendors. Several components, such as printed circuit boards and plastic mouldings, are produced by third parties to meet certain specifications established by the Company. Two key components of each of the Company's CPAP devices are purchased from single source suppliers. While the Company maintains an inventory of these components, there can be no assurance that such inventories would be adequate to meet the Company's production needs during any prolonged interruption of supply. The Company's supplier for one such component is located in Europe. Operations in Europe are subject to the risks normally associated with foreign operations including, but not limited to, possible changes in export or import restrictions and the modification or introduction of other governmental policies with potentially adverse effects. The Company is currently qualifying additional sources of supply for these components. However, the Company's inability to develop alternative supply sources, if required, or a reduction or stoppage in supply, could adversely affect its ability to manufacture its CPAP devices and therefore its business, financial condition and results of operations. The Company's quality control group performs tests at various steps in the manufacturing cycle to ensure compliance with the Company's specifications.

The Company generally manufactures to its internal sales forecasts and fills orders as received and as a result has no significant backlog of orders for its products. The Company uses management information systems fully integrate its manufacturing planning, billing and accounting systems. The systems operate on local area computer networks that run commercially available software packages allowing management real-time information and monitoring of daily operations.

SERVICE AND WARRANTY

The Company offers one-to-two year limited warranties on its air flow generator products. Warranties on mask systems are for 90 days. In most markets, the Company relies on its distributors to repair the Company's products, with parts supplied by the Company. In the United States, home health care dealers generally arrange shipment of products to the Company's San Diego facility for repair.

The Company has received returns of its products from the field for various reasons. The Company believes that the level of returns it has experienced to date is consistent with levels typically experienced by manufacturers of similar devices.

PATENTS AND PROPRIETARY RIGHTS AND RELATED LITIGATION

The Company owns or has licensed rights to five issued United States patents and eleven issued foreign patents. In addition, the Company has eight pending United States patent applications and twenty foreign patent applications. Some of these patents and patent applications relate to significant aspects and features of the Company's products. These include United States patents relating to CPAP devices, a delay timer system, the Bubble Mask and an automated means of varying air pressure based upon a patient's changing needs during nightly use, such as employed in the Company's AutoSet device.

The Company relies on a combination of patents, trade secrets, non-disclosure agreements and proprietary know-how to protect its proprietary technology and rights. There can be no assurance that the Company's patents will not be infringed upon, that the non-disclosure agreements will not be breached, that the Company would have adequate remedies for any such breach or infringement, or that the Company's trade secrets will not otherwise become known to or independently developed by competitors. The Company is pursuing an infringement action against one of its competitors (Respironics) and is investigating possible infringement by others. Other litigation may be necessary to enforce patents issued to the Company, to protect the Company's proprietary rights, or to defend third-party claims of infringement by the Company of proprietary rights of others. Such litigation could result in substantial cost to the Company, and diversion of effort by the Company's personnel. There can be no assurance that any patents now or hereafter issued to, licensed by, or applied for by the Company will be upheld, if challenged, or that the protections afforded thereby will not be circumvented by others. Patent laws regarding the enforceability of patents vary from country to country. Therefore, there can be no assurance that patent issues will be uniformly resolved, or that local laws will provide the Company with consistent rights and benefits. In addition, there can be no assurance that others will not be issued patents which may prevent the sale of the Company's products or require licensing and the payment of fees or royalties by the Company in order for the Company to be able to market certain products.

Recent and pending litigation has resulted in, and can be expected to continue to result in, substantial cost to the Company and a diversion of effort of the Company's personnel. In May 1994, the Company's original Australian patent, which was issued in 1981 and was due to expire in 1998, covering the CPAP method of treating and the device for treatment of OSA was

challenged by the Australian distributor for Respironics and was revoked by an Australian appeals court in reliance on issues specific to Australian patent law. Under Australian patent law, a patent application can be filed provisionally to secure priority status and the inventor has a one-year period to finalize the application. The patent is entitled to the benefit of its initial filing date provided the final application corresponds sufficiently to the provisional application. During the period prior to the final application for the Company's patent in question, Dr. Sullivan published his work on CPAP for treatment of OSA. The court concluded Dr. Sullivan's patent could not be "fairly based" on the provisional application on which it had relied for priority, and therefore priority was not granted to this application. Such "Provisional" applications and "fair basing" are aspects that are peculiar to Australian patent law. As a result of such conclusion, the Australian appeals court revoked Dr. Sullivan's original 1981 CPAP patent on the grounds that it was anticipated by his prior publication. Such revocation will permit the Company's competitors to market CPAP devices substantially identical to those of the Company in Australia. Consequently, it can be expected that the Company's dominant market share in Australia will decrease over time. During the fiscal year ended June 30, 1995 and the nine months ended March 31, 1996, Australia represented approximately 15.7% and 12.4%, respectively, of the Company's net revenues. At June 30, 1994, the Company accrued approximately $300,000 for estimated additional costs associated with this litigation, which amount remained outstanding as of March 31, 1996. The Company believes the validity of its other patents will not be affected by this decision.

In January 1995, the Company filed a complaint for patent infringement in the United States District Court for the Southern District of California against Respironics. The complaint seeks monetary damages from, and injunctive relief against Respironics resulting from its alleged infringement of three of the Company's patents related to the CPAP device, its delay timer feature and the Bubble Mask (the "Subject Patents"). In February 1995, Respironics filed a complaint against the Company in the United States District Court for the Western District of Pennsylvania seeking a declaratory judgment that (i) Respironics does not infringe claims of the Subject Patents and (ii) the Subject Patents are invalid and unenforceable. In May 1995, the two actions were combined are proceeding in the United States District Court for the Western District of Pennsylvania. In June 1996 the Company initiated a further action in Pennsylvania against Respironics regarding alleged infringement of the Company's continuation patent, granted June 4, 1996, related to the delayed timer feature. The action is continuing and is expected to be defended by Respironics. An adverse ruling as to any of the four patents in suit could have an adverse effect on the Company's ability to enforce its patents against Respironics and others and enable others to gain a competitive advantage.

On May 17, 1995, Respironics and its Australian distributor filed a Statement of Claim against the Company and Dr. Peter C. Farrell in the Federal Court of Australia, New South Wales District Registry. The Statement of Claim alleges that the Company engaged in unfair trade practices, including the misuse of the power afforded by its Australian patents and dominant market position in violation of the Australian Trade Practices Act. The Statement of Claim asserts damage claims in the aggregate amount of approximately $900,000, constituting lost profit on sales. While the Company intends to defend this action, there can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

In addition, there can be no assurance that others do not have or will not be issued patents which may prevent the sale of the Company's future products or require licensing and the payment of fees or royalties by the Company in order for the Company to be able to market certain products. Litigation may be necessary to defend against claims of infringement of patent rights owned by the Company's competitors.

THIRD-PARTY REIMBURSEMENT

The cost of medical care is funded in substantial part by government and private insurance programs. Although the Company does not generally receive payments for its products directly from these payors, the Company's success is dependent upon the ability of patients to obtain adequate reimbursement for the Company's products. In most markets, the Company's products are purchased primarily by home health care dealers, hospitals or sleep clinics, which then invoice third-party payors directly.

In the United States, third-party payors include Medicare, Medicaid and corporate health insurance plans. These payors may deny reimbursement if they determine that a device has not received appropriate FDA clearance, is not used in accordance with cost-effective treatment methods, or is experimental, unnecessary or inappropriate. Third-party payors are also increasingly challenging prices charged for medical products and services, and certain private insurers have initiated reimbursement systems designed to reduce

health care costs. The trend towards managed health care and the concurrent growth of HMOs which could control or significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care, may all result in lower prices for the Company's products. There can be no assurance that the Company's products will be considered cost-effective by third-party payors, that reimbursement will be available or, if currently available, will continue to be available, or that payors' reimbursement policies will not adversely affect the Company's ability to sell its products on a profitable basis, if at all.

The cost containment measures that health care providers are instituting in the face of the uncertainty and the ultimate effect of any health care reform could have an adverse effect on the Company's ability to sell its products and may have a material adverse effect on the Company business, financial condition and results of operations.

In some foreign markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of the Company's products subject, however, to constraints such as price controls or unit sales limitations.

In Australia and in other foreign markets, such as the United Kingdom and Japan, there is currently limited or no reimbursement for devices that treat OSA.

GOVERNMENT REGULATION

The Company's products are subject to extensive regulation particularly as to safety, efficacy and adherence to GMP and related manufacturing standards. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and regulations of relevant foreign agencies abroad. The FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing, distribution and record keeping for such products, in order to ensure that medical products distributed in the United States are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. Noncompliance with applicable requirements can result in import detentions, fines, civil penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow the Company to enter into supply contracts, and criminal prosecution.

The FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval ("PMA") prior to it being introduced into the market. The Company's products currently marketed in the United States are marketed in reliance on 510(k) pre-marketing clearance. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and often clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market prior to 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device. As a result, FDA clearance requirements may extend the development process for a considerable length of time. In addition, in some cases, the FDA may require additional review by an advisory panel, which can further lengthen the process. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high risk devices or those used to support or sustain human life, may take several years and requires the submission of extensive performance and clinical information.

As a medical device manufacturer, the Company is subject to inspection on a routine basis by the FDA for compliance with the FDA's current GMP regulations which impose procedural and documentation requirements with respect to manufacturing and quality control activities. Although the Company has never been the subject of a GMP inspection by the FDA, the Company believes that its manufacturing and quality control procedures meet the requirements of these regulations. If the FDA were to determine that the Company's products were not manufactured or sold in accordance with the FDA regulations, the FDA would have the authority to ban products from the market, impose civil penalties, effect recalls of previously sold products from customer locations and prohibit the operation of manufacturing facilities located within the United States.

Sales of medical devices outside the United States are subject to regulatory requirements that vary widely from country to country. The time required to obtain approvals by foreign countries may vary from that required for FDA approval.

COMPETITION

The markets for the Company's products are highly competitive. The Company believes that the principal competitive factors in all of its markets

are product features, reliability and price. Reputation and efficient distribution are also important factors. Patent protection could also become an important issue in the future. Failure of the Company to offer products which contain features similar to or more desirable than those products offered by its competitors, which are perceived as reliable by consumers, or to meet the prices offered by its competitors could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company competes on a market-by-market basis with various companies, most of which may have greater financial and marketing resources than the Company. The Company believes that it competes favorably in the United States, its principal market, where Respironics, Healthdyne Technologies, DeVilbiss and Nellcor Puritan Bennett are the primary competitors for the Company's CPAP products. The Company's principal European competitors are also Respironics, Healthdyne Technologies, DeVilbiss and Nellcor Puritan Bennett, as well as regional European manufacturers.

Any product developed by the Company that gains regulatory approval will have to compete for market acceptance and market share. An important factor in such competition may be the timing of market introduction of competitive products. Accordingly, the relative speed with which the Company can develop products, complete clinical testing and regulatory approval processes and supply commercial quantities of the product to the market are expected to be important competitive factors.

The Company's products may also face competition from other methods of treatment for OSA, such as surgical procedures and pharmaceutical treatment.

PRODUCT LIABILITY INSURANCE

The Company's business exposes it to potential product liability risks that are inherent in the design, manufacture and marketing of medical devices. Claims alleging product liability may involve large potential damages and significant defense costs. Although the Company currently maintains product liability insurance intended to cover such claims with coverage limits which the Company deems adequate for such purpose, there can be no assurance that the coverage elements of the Company's insurance policies will be adequate or that all such claims will be covered by the Company's insurance. In addition, the Company's insurance policies must be renewed annually. While the Company has been able to obtain product liability insurance in the past, such insurance varies in cost, can be difficult to obtain and may not be available in the future on terms acceptable to the Company, if it is available at all. A successful claim against the Company in excess of the available insurance coverage could have a material adverse effect on the Company's business, financial condition or results of operations.

EMPLOYEES

As of March 31, 1996, the Company had 205 employees and 11 full time consultants, including 95 persons in manufacturing, 31 in research and development, 57 in sales and marketing and 33 in administration. Of the Company's employees and consultants, 155 are located in Australia, 30 in the United States, 24 in Germany, and seven in the United Kingdom and the rest of Europe. The Company believes that the success of its business will depend, in part, on its ability to attract and retain qualified personnel. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that its relationship with its employees is good.

FACILITIES

The Company's principal offices are located in Sydney, Australia at a leased facility of approximately 44,000 square feet. This facility is leased through 1997 and contains approximately 28,000 square feet of assembly space, and approximately 16,000 square feet devoted to research and administrative offices. The Company believes that this facility is adequate to meet its requirements at least through early 1997. Sales and warehousing facilities are also leased in San Diego, California, Moenchengladbach, Germany, and Oxford, England.

MANAGEMENT

<TABLE>

EXECUTIVE OFFICERS AND DIRECTORS

<CAPTION>

The executive officers and directors of the Company are as follows:

<S>	<C>	<C>
NAME	AGE	POSITION
Peter C. Farrell	54	President, Chief Executive Officer and Chairman of the Board of Directors

Christopher G. Roberts	43	Executive Vice President and Director
Walter Flicker	41	Vice President, Corporate Development and Secretary
Michael Berthon-Jones	44	Vice President, Clinical Research
Michael D. Hallett	38	Vice President, Marketing USA
William A. Nicklin	44	Vice President, Manufacturing
Adrian Smith	32	Vice President, Finance
Norman W. DeWitt	47	Vice President, U.S. Operations
Mark Abourizk	39	Legal Counsel
Vic Yerbury	56	Vice President, Operations, ResMed Ltd.
Jonathan C. Wright	46	Vice President, Sales and Marketing
Donagh McCarthy(1)	50	Director
Gary W. Pace	49	Director
Michael A. Quinn(1)	49	Director

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(1) Member of Audit and Compensation Committees
</TABLE>

Dr. Farrell has been President and a director of the Company since its inception in June 1989 and Chief Executive Officer since July 1990. From July 1984 to June 1989, Dr. Farrell served as Vice President, Research and Development at various subsidiaries of Baxter International, Inc. ("Baxter") and from August 1985 to June 1989, he also served as Managing Director of the Baxter Center for Medical Research Pty Ltd., a subsidiary of Baxter. From January 1978 to December 1989, he was Foundation Director of the Center for Biomedical Engineering at the University of New South Wales where he currently serves as a Visiting Professor. Dr. Farrell from 1992 to 1996 was a director of F.H. Faulding & Co. Limited, a pharmaceutical company with annual revenues over $1 billion. He holds a B.E. in chemical engineering with Honors from the University of Sydney, an S.M. in chemical engineering from the Massachusetts Institute of Technology, a Ph.D. in chemical engineering and bioengineering from the University of Washington, Seattle and a D.Sc. from the University of New South Wales.

Dr. Roberts joined the Company in August 1992 as Executive Vice President. He has been a director of the Company since September 1992. He also served as a director of the Company from August 1989 to November 1990. From February 1989 to June 1992, Dr. Roberts served in various positions, most recently as Vice President-Clinical and Regulatory Affairs, with medical device subsidiaries of Pacific Dunlop Limited, a large multinational manufacturing company. From January 1984 to December 1988, he served as President of BGS Medical Corporation, a medical device company which was acquired in September 1987 by Electro Biology Inc. ("EBI"), at which time he became Vice President-Clinical and Regulatory Affairs of EBI. Dr. Roberts holds a B.E. in chemical engineering with Honors from the University of New South Wales, an M.B.A. from Macquarie University and a Ph.D. in biomedical engineering from the University of New South Wales.

Mr. Flicker has been Vice President, Corporate Development since February 1995. From December 1989 until February 1995 he served as Vice President, Finance of the Company and has served as Secretary of the Company since August 1990. From July 1989 to November 1989, he was an engineering consultant with Bio-Agrix Pty Ltd., a biomedical engineering consulting company. From July 1988 to June 1989, Mr. Flicker served as Business Development Manager at Baxter Center for Medical Research Pty Ltd., a subsidiary of Baxter. From July 1984 to July 1988, Mr. Flicker served as Executive Director of the Medical Engineering Research Association, an Australian biomedical industry association. Mr. Flicker holds a B.E. with Honors in mechanical engineering and a M.E. in biomedical engineering from the University of New South Wales.

Dr. Berthon-Jones has been Vice President, Clinical Research of the Company since July 1994. From July 1988 to June 1994, he was a research scientist at the David Read Laboratory at the University of Sydney. During 1988, Dr. Berthon-Jones was a self-employed software consultant. From July 1985 until June 1988, he was a senior research officer at the University of Sydney Department of Physiology. Dr. Berthon-Jones holds a M.D. and Ph.D. from the University of Sydney.

Dr. Hallett has been Vice President, marketing USA, from March 1996. From January 1993 to February 1996 Dr Hallett was Vice President European Operations. From July 1989 to December 1992, he was a Baxter Visiting Research Fellow-Biomedical Engineering at the University of New South Wales. From October 1986 to June 1989, Dr. Hallett was a research engineer at the Baxter Center for Medical Research, Sydney, Australia. From March 1985 to October 1986, he was a technical support marketing executive at Terumo Corporation, a manufacturer of medical electronics and cardiopulmonary bypass equipment. Dr. Hallett received a B.E. in Chemical and Materials Engineering from the University of Auckland, and a Masters and Ph.D. in Biomedical Engineering from the University of New South Wales.

Mr. Nicklin has been Vice President, Manufacturing of the Company since January 1990. From October 1987 to November 1989, he served as the

Manufacturing Director of Valuca Pty Ltd., a manufacturer of small electrical appliances. From November 1989 to January 1990, Mr. Nicklin was a consultant to Hanimex, a manufacturer of photographic products. From November 1978 to October 1986, Mr. Nicklin held various positions, including General Manager, Manufacturing, at Hanimex. Mr. Nicklin holds a certificate in mechanical engineering.

Mr. Smith has been Vice President, Finance since February 1995. From January 1986 through January 1995, Mr. Smith was employed by Price Waterhouse specializing in the auditing of listed public companies in the medical and scientific field. Mr. Smith holds a B.Ec. from Macquarie University and is a certified chartered accountant.

Mr. Abourizk joined the Company as General Counsel in July 1995. From 1993 to June 1995, Mr. Abourizk managed the Sydney office of Francis Abourizk Lightowlers, a legal partnership specializing in intellectual property matters. From March 1989 to May 1993, Mr. Abourizk was Deputy Manager of Sirotech Legal Group a technology transfer company. During the period from March 1986 to February 1989, Mr. Abourizk became a Senior Associate in the Intellectual Property Group of an Australian national law firm, Corrs Pavey Whiting & Byrne. Mr. Abourizk received a B.Sc. (Hons) from Monash University in 1978 and LL.B. degree in 1980 and in 1993 gained a Graduate Diploma in Intellectual Property from University of Melbourne. Mr. Abourizk is admitted to practice before the High Court of Australia, the Supreme Court of Victoria (Barrister and Solicitor) and the Supreme Court of New South Wales (Solicitor).

Mr. Yerbury joined the Company as Vice President, Product Development in July 1995. From July 1994 he was employed as a management consultant specializing in technology development. Since May 1991, Mr. Yerbury served as Divisional General Manager of British Aerospace Australia in charge of contract management and radio tracking systems. From February 1988 to April 1991, Mr. Yerbury was the General Manager of Lend Lease Technology, part of the Australian Lend Lease Corporation, responsible for development and commercialization of remote radio based tracking system and radio data networks. Mr. Yerbury received a degree in Chemical Engineering from the University College London.

Mr. DeWitt has been Vice President, U.S. Operations since October 1994. From November 1990 to September 1994, he was an attorney in private practice in Minneapolis, Minnesota, most recently affiliated with the financial management advisory firm of Stevens, Foster & Co., Inc. and as a consultant to the Company. Prior thereto, Mr. DeWitt held positions both as an attorney and senior manager with Westlund Companies, Inc., a real estate construction firm, from March 1988 to October 1990. Mr. DeWitt holds a B.A. from Amherst College, a J.D. from the University of Minnesota Law School and a L.L.M. from William Mitchell College of Law.

Dr. Wright has been Vice President, Sales and Marketing of the Company since June 1994. From October 1991 to May 1994, he was New Business Development Manager at Johnson & Johnson Medical Pty Ltd., a subsidiary of Johnson and Johnson, Inc. From September 1988 to September 1991, Dr. Wright was a Project Manager at Sirotech Ltd., a technology transfer company. From May 1987, Dr. Wright was a Senior Project Leader at Vaso Products, a subsidiary of Bellara Medical Products Ltd., Australia, a manufacturer of vascular devices. Dr. Wright received a B.Sc. degree from the University of NSW, a Ph.D. from the University of Sydney, and a Graduate Diploma (Marketing) from the University of Technology, Sydney.

Mr. McCarthy has been a director of the Company since November 1994. Since June 1993 he has been the President of the North America Renal Division of Baxter. Mr. McCarthy has held various positions at Baxter since 1982, including that of Vice President-Global Marketing, Strategy and Product Development. Mr. McCarthy received a B.S. in Engineering from the National University of Ireland and a M.B.A. from the Wharton School, University of Pennsylvania.

Dr. Pace has been a director of the Company since July 1994. Dr. Pace is President and Chief Executive Officer of Research Triangle Pharmaceuticals Inc., a start-up company exploring opportunities in pharmaceuticals, since November 1994. From January 1993 to September 1994, he was the founding President and Chief Executive Officer of Free Radical Sciences Inc., a start-up pharmaceutical company and is currently a member of its Scientific Advisory Board. From September 1989 to January 1993, he was Senior Vice President of Clintec International, Inc., a Baxter/Nestle joint venture and manufacturer of clinical nutritional products. Dr. Pace holds a B.Sc. with Honors from the University of New South Wales and a Ph.D. from the Massachusetts Institute of Technology.

Mr. Quinn, a director of the Company since September 1992, has been a management and financial consultant since February 1992. From July 1988 to January 1992, he served as Executive Chairman of Phoenix Scientific Industries Limited, a manufacturer of health care and scientific products. From July 1983 to June 1988, Mr. Quinn was Managing Director and Company Secretary at

Memtec Limited, an industrial membrane filtration company ("Memtec"). He currently is a director of Memtec and of Heggies Bulkhaul Limited. Mr. Quinn holds a B.Sc. in physics and applied mathematics and a Bachelor of Economics from the University of Western Australia and a M.B.A. from Harvard University.

The Company's Board of Directors is divided into three classes of directors, with directors serving for staggered, three-year terms. Mr. Quinn is the sole current member of Class I, whose term expires in 1998. Dr. Roberts and Mr. McCarthy are members of Class II, whose term expires in 1996. Dr. Farrell and Dr. Pace are members of Class III, whose term expires in 1997.

All non-employee directors are entitled to receive reimbursement for traveling costs and other out--of-pocket expenses incurred in attending Board of Directors' meetings and such other industry conferences attended at the request of the Company. Non-employee directors receive annual compensation in the amount of $10,000.

MEDICAL ADVISORY BOARD

The Company has a Medical Advisory Board ("MAB") consisting of physicians and scientists specializing in the field of sleep disorders. MAB members meet as a group twice a year with members of the Company's senior management and members of its research and marketing departments to advise the Company on technology trends in the treatment of OSA and other developments in sleep disorders medicine. MAB members are also available to consult on an as-needed basis with the senior management of the Company. MAB members are as follows:

Colin Sullivan, M.D., Ph.D., F.R.A.C.P., age 52, is the inventor of nasal CPAP for treating obstructive sleep apnea and is a thoracic physician at the Royal Prince Alfred Hospital. He is Professor of Medicine and Director of the David Read Laboratory at the Sydney University Medical School. He is a Fellow of the Royal Australian College of Physicians and Director of the National SIDS Council Pediatric Sleep Laboratory at the Royal Alexandria Children's Hospital, Camperdown. Dr. Sullivan is the Chairman of the Medical Advisory Board, and has continued to contribute to the Company's innovation, product development and clinical testing, producing multiple patented inventions, including the delay timer, AutoSet and the Bubble Mask. He has authored over 100 papers in sleep disorders and related respiratory areas and is on the editorial board of several professional journals. Dr. Sullivan's M.D. and Ph.D. degrees are from the University of Sydney Medical School.

William C. Dement, M.D., Ph.D., age 59, is the Lowell W. and Josephine Q. Berry Professor of Psychiatry and Behavioral Sciences at the Stanford University School of Medicine and Director of the Stanford Sleep Disorders Clinic and Research Center. He was Chairman of the USA National Commission on Sleep Disorders Research. During the 1950's, Dr. Dement was part of the team at the University of Chicago that discovered REM sleep. In 1970 he established the first sleep disorders clinic in which he introduced polysomnography. Dr. Dement has co-authored more than 400 papers and has written definitive textbooks on sleep. He is on the editorial board of several professional journals. Dr. Dement is a graduate of the University of Washington, Seattle, and received his M.D. and Ph.D. degrees from the University of Chicago.

Neil J. Douglas, M.D., F.R.C.P., age 48, is Reader in Medicine and Respiratory Medicine, University of Edinburgh, an Honorary Consultant Physician, Lothian Health Board and Director, Scottish National Sleep Laboratory. He is a member of the Action on Smoking and Health Scotland Council and the National Panel of Specialists for Respiratory Medicine. He chairs the Ethics of Medical Research Volunteer Studies Sub-Committee of Lothian Health Board and is a member of the Working Party on Sleep Apnea of the Royal College of Physicians of London. He is the author of over 100 papers in the area of sleep and pulmonary medicine. Dr. Douglas has a M.D. from the University of Edinburgh.

Ralph Pascualy, M.D., A.C.P., age 46, is Medical Director, Pacific Northwest Sleep/Wake Disorders Center, Providence Medical Center, Seattle. He held research fellowships in psychiatry prior to a professional focus on sleep disorders medicine in the early 1980s. He was awarded the William C. Dement Award in Sleep Disorders Medicine in 1983 and became an Accredited Clinical Polysomnographer in 1986. Dr. Pascualy trained in sleep disorders medicine at Stanford. He is Editor-in-Chief of the Research Newsletter of the Clinical Sleep Society, Chairs the National Insurance Committee and is a member of the Technology Committee of the Association of Sleep Disorders Centers. He is also a member of the Gerontological Society, the American Psychiatric Association, and National Affairs Committee of the Association of Professional Sleep Societies. He is a graduate of Columbia University and received a M.D. from the State University of New York.

Clifford W. Zwillich, M.D., age 56, is Chief, Division of Pulmonary and Critical Care Medicine, Pennsylvania State University, and Distinguished Professor of Medicine. His major scientific interest is the body's control of respiration. He serves on the Editorial Boards of more than 10 journals and is active in numerous associations specializing in pulmonary medicine and

sleep disorders. Dr. Zwillich holds a B.A. degree from Hunter College and a M.D. from the University of Kansas. He completed his senior residency at the Harvard Medical School in the early 1970s and then undertook a research fellowship at the University of Colorado Health Services Center.

Members of the Medical Advisory Board, other than Dr. Sullivan, receive approximately $1,000 per month and all members receive reimbursement of traveling costs and other out-of-pocket expenses incurred in attending such industry conferences as may be requested by the Company.

EXECUTIVE COMPENSATION

The following table sets forth the aggregate compensation for services rendered in all capacities to the Company during its fiscal years ended June 30, 1993, 1994 and 1995 by its chief executive officer and each of its executive officers whose compensation exceeded $100,000 during its fiscal year ended June 30, 1995.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS NUMBER OF SHARES OF COMMON STOCK UNDERLYING OPTIONS	ALL OTHER COMPENSATION(1)
<S>	<C>	<C> SALARY	<C> BONUS	<C>	<C>
Peter C. Farrell	1995	$130,253	$58,950	4,500	$ 7,164
President and Chief	1994	139,091	54,807	97,500	5,709
Executive Officer	1993	89,747	43,889	50,000	3,593
Christopher G. Roberts	1995	$ 32,451	$37,662	3,000	$84,850
Executive Vice	1994	48,630	35,015	87,500	49,824
President	1993	42,187	39,894	-	29,079

<FN>

(1) These include pension plan payments made in lieu of salary.
</TABLE>

The following table sets forth certain information on grants of stock options made during the fiscal year ended June 30, 1995 under the Company's 1995 Stock Option Plan, to the executive officers named in the Summary Compensation Table and certain information concerning all options exercised and held by such persons. Options granted under the 1995 Stock Option Plan are exercisable starting 12 months after the grant date, with 33% of the shares covered thereby becoming exercisable at that time and an additional 33% of the option shares becoming exercisable on each successive anniversary date, with all option shares exercisable beginning on the third anniversary date. Under the terms of the Company's 1995 Stock Option Plan, this exercise schedule may be accelerated in certain specific situations.

<TABLE>
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OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SHARES OF COMMON STOCK UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR ENDED JUNE 30, 1995	PER SHARE EXERCISE PRICE	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
<S>	<C>	<C>	<C>	<C>	<C> 5%	<C> 10%
Peter C. Farrell	4,500	1.9%	$11.00	June 1, 2005	$31,822	$80,643
Christopher G. Roberts	3,000	1.3%	$11.00	June 1, 2005	$20,754	$52,594

</TABLE>

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<CAPTION>

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF UNEXERCISED OPTIONS AT JUNE 30, 1995		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JUNE 30, 1995(1)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Peter C. Farrell	170,000	$455,000	-	4,500	-	$ 4,500
Christopher G. Roberts	37,500	275,000	-	3,000	-	$ 3,000

<FN>
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(1) Calculated on the basis of the fair market value of the Common Stock at June 30, 1995 of $12.00 per share, minus the per share exercise price, multiplied by the number of shares underlying the option.
</TABLE>

PENSION PLANS

The Company contributes to government-mandated independently managed retirement trusts for all Australian employees under 65 years of age at a rate ranging from 5% to 5.5% of each employee's annual salary. Employees may make additional voluntary contributions through salary reduction. All Company contributions are immediately and fully vested to the employee's account. The retirement trusts, which provide lump sum benefits on retirement, disability or death of participants, are controlled by Australian government regulation. Each such trust's assets are adequate to satisfy all current vested benefits. The Company also pays for death and disability insurance for Australian employees under 60 years of age. The lump sum benefit is capped at $113,000 per employee, with the actual benefit being dependent on the employee's age and salary.

CONSULTING AND NON-COMPETITION AGREEMENTS

The Company has no employment agreements with any of its executive officers. Dr. Farrell is a party to a non-competition agreement with the Company which provides that he will not compete with the Company through January 1997, or for a period of 24 months following termination of employment, if his employment is terminated prior to such date. Dr. Sullivan is a party to a Consulting Agreement with the Company expiring on December 31, 1997 (subject to extension for an additional five year term), which provides for Dr. Sullivan to perform certain consulting services to the Company, as and when requested by the Company, and to receive certain consulting fees, based in part on the level of sales of certain of the Company's products. The agreement provides that Dr. Sullivan will not compete with the Company during the term of such agreement and for a two-year period thereafter.

STOCK OPTION PLAN

The Company's 1995 Stock Option Plan (the "Plan") was adopted by the Board of Directors on April 6, 1995. The Plan provides for the granting of up to 700,000 options, which are intended to qualify either as incentive stock options ("Incentive Stock Options") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or as options which are not intended to meet the requirements of such section ("Nonstatutory Stock Options"). Options to purchase shares may be granted under the Plan to persons who, in the case of Incentive Stock Options, are employees (including officers) of the Company, or, in the case of Nonstatutory Stock Options, are employees (including officers), non-employee directors or consultants of the Company.

The Plan provides for its administration by the Board of Directors or a committee chosen by the Board of Directors (the "Committee"), which has discretionary authority, subject to certain restrictions, to determine the number of shares issued pursuant to Incentive Stock Options and Nonstatutory Stock Options and the individuals to whom, the times at which, and the exercise price for which, options will be granted.

The exercise price of all Incentive Stock Options granted under the Plan must be at least equal to the fair market value of such shares on the date of the grant or, in the case of Incentive Stock Options granted to the holder of more than 10 percent of the Company's Common Stock, at least 110% of the fair market value of such shares on the date of the grant. The maximum exercise period for which Incentive stock Options may be granted is 10 years from the date of grant (five years in the case of an individual owning more than 10% of the Company's Common Stock). The aggregate fair market value (determined at the date of the option grant) of shares with respect to which Incentive Stock Options are exercisable for the first time by the holder of the option during any calendar year shall not exceed $100,000.

On June 1, 1995, the Committee granted options under the Plan to purchase

in the aggregate up to 235,000 shares of Common Stock at an exercise price of $11.00 per share. Such options vest rateably over three years and have a term of 10 years.

CERTAIN TRANSACTIONS

From February 1992 through March 31, 1994, the Company rented certain office furniture and equipment from Dr. Farrell at $750 per month. In March 1994, the Company purchased such office furniture and equipment from Dr. Farrell for $22,500, being its fair market value at the time of purchase.

Dr. Sullivan provides consulting services to the Company pursuant to a Consulting Agreement that terminates on December 31, 1997 (subject to extension for an additional five-year term) for which he receives annual payments based on the net sales (as defined in the Consulting Agreement) of certain of the Company's products subject to a $90,000 per annum minimum payment. The Company also reimburses Dr. Sullivan for his out-of-pocket expenses in performing such consulting services. The Company has also agreed to pay such amounts to Dr. Sullivan for a period of 24 months following the termination of his consulting relationship with the Company in exchange for his agreement not to compete with the Company during this period. Total payments to Dr. Sullivan were $52,000, $147,000 and $228,000 for the Company's fiscal years ended June 30, 1993, 1994 and 1995, respectively, and $215,000 for the nine months ended March 31, 1996.

As of March 31, 1995, there were outstanding options ("RHL Options") to purchase up to 1,054,750 shares of Common Stock of RHL, the Company's wholly owned subsidiary. The exercise prices of such options ranged from $0.15 to $3.64, with a weighted average exercise price of $2.14. The majority of the RHL Options were exercised for shares of common stock of RHL and each such share was surrendered in exchange for 2.5 shares of Common Stock of the Company. As a result, RHL received $1,768,000, and the Company issued 857,750 shares of Common Stock to such holders. The balance of the RHL Options were exchanged, prior to the completion of the Company's initial public offering, for options to purchase up to 197,000 shares of Common Stock at an aggregate exercise price of approximately $473,600.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock. The following summary of certain rights of the Common Stock and Preferred Stock is subject to, and qualified in its entirety by, the provisions of the Company's Certificate of Incorporation that is included as an exhibit to the Registration Statement of which this Prospectus is a part, and by the provisions of applicable law, the material terms of which are set forth below.

COMMON STOCK

The holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding Preferred Stock, the holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of Preferred Stock, if any, then outstanding. The Common Stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be issued upon completion of this offering will be fully paid and non-assessable.

PREFERRED STOCK

As of the date hereof, there were no outstanding shares of Preferred Stock. The Board of Directors has the authority to issue the Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of Common Stock, including the loss of voting control to others. At present, the Company has no plans to issue any of the Preferred Stock.

DELAWARE ANTI-TAKEOVER STATUTE

The Company is subject to Section 203 of the Delaware General Corporation Law ("Section 203") which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any "business combination" with any "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the Board of Directors of the corporation, approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender

or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder. Under Section 203, the restrictions described above also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of one of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors and which transaction is approved or not opposed by the majority of the board of directors then in office.

Section 203 generally defines a business combination to include: (i) any merger or consolidation involving the corporation and the interested stockholders; (ii) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation to the interested stockholder-, (iii) subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

TRANSFER AGENT

The transfer agent for the Common Stock is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York 10005.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of May 17, 1996 by (i) each person (or group of affiliated persons) known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) each of the Company's Directors, (iii) the Company's Chief Executive Officer and the other named executive officer, and (iv) all of the Company's executive officers and Directors as a group. Except as otherwise indicated in the footnotes to this table, the Company believes that the persons named in this table have sole voting and investment power with respect to all the shares of Common Stock indicated.

<TABLE>
<CAPTION>

	SHARES BENEFICIALLY OWNED(1)	
<S>	<C>	<C>
BENEFICIAL OWNER	NUMBER	PERCENT
Invesco North America Group, Ltd 11 Devonshire Square London EC2M 4YR England	613,800	8.6%
Peter C. Farrell c/o ResMed Inc.	549,940(3)	7.7%

Columbia Special Fund, Inc 1301 SW Fifth Avenue PO Box 1350 Portland, OR 97207 and Columbia Funds Management Company 1300 SW Sixth Avenue PO Box 1350 Portland, OR 97207	529,000	7.4%
Twentieth Century Companies, Inc 4500 Main Street PO Box 418210 Kansas City, MO 64141-9210	375,000	5.2%
Christopher G. Roberts	128,000(2)	1.8%
Michael A. Quinn	15,500(3)	*
Gary W. Pace	47,833(3)	*
Donagh McCarthy	3,000(3)	*
Walter Flicker	107,000(4)	1.5%
All executive officers and directors as a group (14 persons)	929,855(4)	13%

<FN>

_____
* Less than one percent.
</TABLE>

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options currently exercisable or convertible, or exercisable or convertible within 60 days of June 15, 1995 are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

(2) Includes 6,250 shares held by his wife and 121,750 shares held of record by Cabbit Pty Ltd., an Australian corporation controlled by Dr. Roberts and his wife, of which 5,000 shares of Common Stock are held through ResMed Staff Partnership. Does not include options to purchase shares of Common Stock which may be acquired upon the exercise of options granted under the 1995 Option Plan which are not currently exercisable.

(3) Does not include options to purchase shares of Common Stock which may be acquired upon the exercise of options granted under the 1995 Option Plan which are not currently exercisable.

(4) Includes 22,000 shares held by his wife, 62,500 shares held jointly with his wife and 22,500 shares held of record by NewFolk Pty Ltd, an Australian corporation controlled by Mr. Flicker and his wife. Does not include options to purchase shares of Common Stock which may be acquired upon the exercise of options granted under the 1995 Option Plan which are not currently exercisable.

SELLING STOCKHOLDERS

The Shares to which this Prospectus relates are being registered for reoffers and resales by Selling Stockholders of the Company who may acquire such shares pursuant to the exercise of options previously granted by the Company. The Selling Stockholders named below may resell all, a portion, or none of the shares that they acquire or may acquire pursuant to the exercise of such options. The following table sets forth certain information concerning the Selling Stockholders as of July 14, 1995. No Selling Stockholder holds in excess of one percent of the outstanding Common Stock of the Company.

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES BEFORE OFFERING(1)	MAXIMUM NUMBER OF SHARES WHICH MAY BE SOLD (2)	NUMBER OF SHARES AFTER OFFERING (3)
Carter, Gary	20,000	15,000	5,000
Deakyne, Teddee	3,750	3,750	0
Dement, William	12,500	12,500	0
DeWitt, Christine	42,083	21,250	20,833
DeWitt, Norman	7,500	7,500	0
Douglas, Neil	12,500	12,500	0
Fox, Karyl	1,250	1,250	0
Freeman, Donna	4,500	4,500	0
Godish, Ken	12,500	12,500	0

Kenyon, Curt	3,750	3,750	0
Kuhn, Nicholas	51,250	22,500	28,750
Daniel Loizzi	3,750	3,750	0
Lubsey, Frank	10,000	10,000	0
McKenna, Larry	3,750	3,750	0
Myhers, Rick	22,500	22,500	0
Pascualy, Ralph	37,500	12,500	25,000
Stram, Michael	625	625	0
Therrien, Edmond	15,500	12,500	3,000
Valentino, Michael	625	625	0
Wells, Roger	625	625	0
Williams, Jeanette	625	625	0
Zwillich, Clifford	12,500	12,500	0

<FN>

_____

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options currently exercisable or convertible, or exercisable or convertible within 60 days of June 15, 1995 are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

(2) Does not constitute a commitment to sell any or all of the stated number of shares of Common Stock. The number of shares offered shall be determined from time to time by each Selling Stockholder at his or her sole discretion.

(3) Assumes the maximum number of shares is sold.

Each Selling Stockholder is either an employee of, ex-employee of, or a consultant to the Company or a subsidiary corporation of the Company.

</TABLE>

PLAN OF DISTRIBUTION

The Shares are being sold by the Selling Stockholders for their own accounts. The Shares may be sold or transferred for value by the Selling Stockholders, or by pledgees, donees, transferees or other successors in interest to the Selling Stockholders, in one or more transactions in the over-the-counter market, in negotiated transactions or in a combination of such methods of sale, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices otherwise negotiated. The Selling Stockholders may effect such transactions by selling the Shares to or through broker-dealers, and such broker-dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Stockholders and/or the purchasers of the shares for whom such broker-dealers may act as agent (which compensation may be less than or in excess of customary commissions). The Selling Stockholders and any broker-dealers that participate in the distribution of the Shares may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act and any commissions received by them and any profit on the resale of the Shares sold by them may be deemed to be underwriting discounts and commissions under the Securities Act of 1933.

There can be no assurance that any of the Selling Stockholders will sell any or all of the Shares of Common Stock offered by them hereunder.

The Company will not receive any of the proceeds of the sale of the Shares by the Selling Stockholders. To the extent that the Selling Stockholders exercise their options to acquire the Shares, of which there can be no assurance, the Company will receive proceeds from the payment of the exercise price therefor. Any such proceeds will be applied by the Company to working capital to be used for general corporate purposes.

LEGAL MATTERS

The validity of the shares offered hereby will be passed upon for the Selling Stockholders by Latham and Watkins, San Diego, California.

EXPERTS

The Consolidated Financial Statements and schedule of ResMed Inc. and subsidiaries as of June 30, 1994 and 1995 and for the years then ended have been included herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The Consolidated Financial Statements and schedule of ResMed Inc. and subsidiaries as of June 30, 1993 and for the years ended June 30, 1992 and 1993, have been included herein in reliance upon the report of Price

Waterhouse, independent accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Prior to October 1994, Price Waterhouse served as the Company's independent accountants. Price Waterhouse advised the Company that, as a result of having performed valuation services in connection with a proposed transaction, they could no longer be deemed independent for the purposes of auditing the Company's financial statements and issuing a report thereon for the fiscal year ended June 30, 1994. In November 1994, the Company's Board of Directors retained KPMG Peat Marwick LLP to serve as the Company's independent auditors. The Company had no disagreements with Price Waterhouse on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures.

The statements in this Prospectus in the first and second paragraphs under the caption "Business-Patents and Proprietary Rights and Related Litigation" (except as such statements relate to foreign patents and foreign patent application) have been reviewed by Merchant & Gould, patent counsel for the Company, as experts on such matters, and, based upon that review, such statements are included herein.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<TABLE>
<CAPTION>

The following table sets forth various expenses which will be incurred in connection with the offering. Other than the SEC registration fee, amounts set forth below are estimates:

<S>	<C>
SEC registration fee	$ 833
Legal fees and expenses	10,000
Accounting fees and expenses	7,500
Miscellaneous expenses	1,000
Total	$19,333

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article Seventh of the Certificate of Incorporation of ResMed Inc. ("Registrant") provides with respect to the indemnification of directors and officers that Registrant shall indemnify to the fullest extent permitted by Sections 102(b)(7) and 145 of the Delaware General Corporation Law, as amended from time to time, each person that such Sections grant Registrant the power to indemnify. Article Seventh of the Certificate of Incorporation of Registrant also provides that no director shall be liable to Registrant or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except with respect to (1) a breach of the director's duty of loyalty to Registrant or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under Section 174 of the Delaware General Corporation Law or (4) a transaction from which the director derived an improper personal benefit, it being the intention of the foregoing provision to eliminate the liability of Registrant's directors to Registrant or its stockholders to the fullest extent permitted by Section 102(b)(7) of Delaware General Corporation Law, as amended from time to time.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In May 1994, Registrant, a newly formed holding company, issued in the aggregate 3,589,958 shares of Common Stock to seventy persons (54 persons who were not U.S. persons and who were outside of the United States, and 16 of whom were U.S. persons) constituting all of the shareholders of ResCare Holdings Ltd., an Australian corporation ("RHL"), in exchange for all of the outstanding shares of RHL. Exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), is claimed for the issuance of Common Stock referred to above in reliance upon the exemptions afforded by Section 4(2) of the Securities Act for transactions not involving a public offering, and by Section 3(a)(9) for securities exchanged by the issuer with its existing security holders.

Since May 1994, an additional 88,375 shares of Common Stock were issued to two persons in isolated transactions in exchange for shares of RHL acquired during such period upon the exercise of outstanding options to acquire shares of RHL ("RHL Options"). In April 1995, Registrant offered to all Australian residents holding RHL Options the opportunity to exchange the shares of RHL which may be acquired by such persons upon the exercise of such RHL Options for shares of Common Stock. Registrant received irrevocable acceptances of such offer from all of such holders on or prior to April 7, 1995, and has completed such exchange. These issuances were made in accordance with the provisions of Regulation S under the Securities Act.

In April 1995, Registrant offered to all United States and United Kingdom residents holding RHL Options (22 persons, substantially all of whom were employees or persons with a business relationship with the Company) to exchange the RHL Options for options to purchase Common Stock. Registrant received irrevocable acceptances of such offer from all of such holders on or prior to April 7, 1995, and has completed such exchange. Exemption from registration under the Securities Act is claimed for this offer in reliance on the exemption afforded by Section 4(2) of the Securities Act.

Each certificate evidencing such shares of Common Stock bears an appropriate restrictive legend and "stop transfer" orders are maintained on Registrant's stock transfer records thereagainst. None of these sales involved participation by an underwriter or a broker-dealer.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following is a list of Exhibits filed herewith as part of the Registration Statement:

3.1 -Certificate of Incorporation of Registrant, as amended*
3.2 -By-laws of Registrant*
4.1 -Form of certificate evidencing shares of Common Stock*
5.1 -Opinion of Parker Duryee Rosoff & Haft**
10.1 -1995 Stock Option Plan*
10.2 -Licensing Agreement between the University of Sydney and ResCare Limited dated May 17, 1991, as amended.*
10.3 -Amended and Restated Consulting Agreement between Colin Sullivan and ResCare Limited dated September 2, 1994*
10.4 -Loan Agreement between the Australian Trade Commission and ResCare Limited dated May 3, 1993.*
10.5 -Lease for 82 Waterloo Road, Sydney, Australia*
10.6 -Lease for 5744 Pacific Center Blvd., San Diego*
16.1 -Letter re Change in Certifying Accountant*
21.1 -Subsidiaries of the Registrant**
23.1 -Consent of KPMG Peat Marwick LLP
23.2 -Consent of Price Waterhouse
23.3 -Consent of Parker Duryee Rosoff & Haft (included in Exhibit 5.1)**
23.4 -Consent of KPMG Deutsche Treuhand Gesellschaft
24.1 -Power of Attorney**

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*Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.
**Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-94610) filed with the Commission on July 14, 1995.

(b) Financial Statement Schedules.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

The other financial statement schedules are omitted because the conditions requiring their filing do not exist or the information required thereby is included in the financial statements filed, including the notes thereto.

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any

deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Registrant pursuant to Item 14 of this Part II to the Registration Statement, or otherwise, Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a director, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against the public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of North Ryde, State of New South Wales, Country of Australia, on the 10th day of July, 1996.

RESMED INC.

By: Peter C Farrell
_____
Peter C. Farrell
President

<TABLE>
<CAPTION>

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<S>	<C>	<C>
SIGNATURE	TITLE	DATE
/s/PETER C. FARRELL Peter C. Farrell	President, Chief Executive Officer (Principal Executive Officer) and Chairman	July 10, 1996
ADRIAN SMITH Adrian Smith	Vice President (Principal Financial Officer and Principal Accounting Officer)	July 10, 1996
DONAGH McCARTHY* Donagh McCarthy	Director	July 10, 1996
GARY W. PACE* Gary W. Pace	Director	July 10, 1996

MICHAEL A. QUINN* Director July 10, 1996
- - - ----------
Michael A. Quinn

CHRISTOPHER G. ROBERTS*
- - - ----------
Christopher G. Roberts Director July 10, 1996
<FN>

*By: /s/ PETER C. FARRELL
Peter C. Farrell
Attorney-in-Fact
</TABLE>

<TABLE>
<CAPTION>
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<S> <C>

INDEX TO FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

INDEX TO CONSOLIDATED FINANCIAL STATEMENT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1995 AND 1996

INDEPENDENT AUDITORS' REPORT

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, 1994 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, 1994 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

San Diego, California
August 4, 1995

KPMG Peat Marwick LLP

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
and Board of Directors of ResMed Inc.
(formerly ResCare Medical Systems Ltd.):

We have audited the accompanying consolidated balance sheets of ResMed Inc. and its subsidiaries as of June 30, 1993 and the related consolidated statements of operations, of changes in shareholders' equity, and of cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Australia, which are the same in all material respects to auditing standards generally accepted in the United States of America. 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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us presented fairly, in all material respects, the financial position of ResMed Inc. and its subsidiaries at June 30, 1993 and the results of their operations and their cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

Price Waterhouse
Andrew Sneddon

Price Waterhouse
Sydney, Australia
September 23, 1994

RESMED INC. AND SUBSIDIARIES

</TABLE>
<TABLE>
Consolidated Balance Sheets
June 30, 1994 and 1995
(In thousands, except per share data)
<CAPTION>

Assets	June 30, 1994	June 30, 1995
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 3,739	3,256
Marketable securities - available for sale (note 3)	-	20,510
Accounts receivable, net of allowance for doubtful accounts of $35 at June 30, 1994 and $144 at June 30, 1995	2,368	3,792
Government grants	455	825
Inventories (note 4)	1,894	4,350
Prepaid expenses and other current assets	68	280
Total current assets	8,524	33,013
Property and equipment, net (note 5)	776	1,981
Patents, net of accumulated amortization of $135 at June 30, 1994, and $179 at June 30, 1995	124	161
Deferred income taxes (note 10)	132	139
Other assets	52	19
	$ 9,608	35,313
Liabilities and Stockholders' Equity		
Current liabilities:		

Accounts payable	$ 1,548	2,572
Accrued expenses (note 6 and 15)	1,177	2,006
Income taxes payable	789	1,081
Total current liabilities	3,514	5,659
Long-term debt (note 7)	386	787
Other liabilities	78	-
	3,978	6,446
Stockholders' equity (note 8):		
Preferred stock, $.01 par value, 2,000 shares authorized; none issued	-	-
Common stock, $.004 par value, 15,000 shares authorized; issued and outstanding 3,590 at June 30, 1994 and 6,534 at June 30, 1995	14	26
Additional paid-in capital	3,729	24,393
Retained earnings	1,767	4,600
Foreign currency translation adjustment	120	(152)
Total stockholders' equity	5,630	28,867
Commitments and contingencies (notes 15 and 16)		
	$ 9,608	35,313

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

ResMed Inc. and Subsidiaries
<TABLE>
Consolidated Statements of Income
Years ended June
30, 1993, 1994 and 1995
(In thousands, except share and per share data)
<CAPTION>

	June 30, 1993	June 30, 1994	June 30, 1995
<S>	<C>	<C>	<C>
Net revenues	$ 7,650	13,857	23,501
Cost of sales	3,109	6,213	11,271
Gross profit	4,541	7,644	12,230
Operating expenses:			
Selling, general and administrative (note 14)	3,084	4,809	7,447
Research and development (note 14)	820	1,546	1,996
Total operating expenses	3,904	6,355	9,443
Income from operations	637	1,289	2,787
Other income:			
Interest income, net	61	98	205
Government grants	432	440	527
Other, net (note 9)	75	4	262
Total other income, net	568	542	994
Income before income taxes	1,205	1,831	3,781
Income taxes (note 10)	(359)	(599)	(948)
Net income	$ 846	1,232	2,833
Net income per common and common equivalent share:			
Primary	$ 0.22	0.34	0.63
Assuming full dilution	$ 0.22	0.34	0.62
Weighted average shares per common and common equivalent outstanding:			
Primary	3,913,569	3,639,434	4,449,867
Assuming full dilution	3,913,569	3,639,434	4,512,533

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

ResMed Inc. And Subsidiaries
<TABLE>
Consolidated Statements of Stockholders' Equity

Years ended June 30, 1993, 1994 and 1995
(In thousands, except per share data)

	Common stock Shares	Amount	Additional paid-in capital	Retained earnings/ (accumulated deficit)	Foreign currency translation adjustment	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, June 30, 1992	2,106	$ 8	1,829	(75)	(73)	1,689
Common stock issued for cash	250	1	514	-	-	515
Common stock issued on exercise of options (note 8)	34	-	9	-	-	9
Issuance of stock options (note 8)	-	-	142	-	-	142
Foreign Currency translation adjustment	-	-	-	-	(240)	(240)
Dividends declared, $ .03 per share	-	-	-	(66)	-	(66)
Net income	-	-	-	846	-	846
Balance, June 30, 1993	2,390	9	2,494	705	(313)	2,895
Common stock issued for cash	375	5	1,098	-	-	1,103
Common stock issued on exercise of options (note 8)	825		174			174
Issuance of stock options (note 8)	-	-	311	-	-	311
Repurchase of stock options (note 8)	-	-	(348)	-	-	(348)
Foreign currency translation adjustment	-	-	-	-	433	433
Dividends declared, $ .04 per share	-	-	-	(170)	-	(170)
Net income	-	-	-	1,232	-	1,232
Balance June 30, 1994	3,590	14	3,729	1,767	120	5,630
Common stock issued for cash, net (note 8)	2,000	8	18,950	-	-	18,958
Common stock issued on exercise of options (note 8)	944	4	1,714	-	-	1,718
Foreign currency translation adjustment					(272)	(272)
Net income	-	-	-	2,833	-	2,833
Balance, June 30, 1995	6,534	$ 26	24,393	4,600	(152)	28,867

See accompanying notes to consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended June 30, 1993, 1994 and 1995
(In thousands)

	June 30, 1993	June 30, 1994	June 30, 1995
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 846	1,232	2,833
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	157	255	590
Provision for service warranties	50	121	267
Issuance of stock options	143	311	-
Deferred income taxes	41	(190)	(133)
Foreign currency options revaluation	-	-	14
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,155)	(693)	(1,589)
Government grants	(153)	(115)	(328)
Inventories	(122)	(774)	(2,596)
Prepaid expenses and other current assets	(15)	(34)	(41)
Accounts payable, accrued expenses and other liabilities	850	1,023	1,385
Income taxes payable	318	471	292
Net cash provided by operating activities	960	1,607	694
Cash flows from investing activities:			
Purchases of property and equipment	(309)	(342)	(1,805)
Purchase of marketable securities - available for sales	-	-	(27,187)
Proceeds from sale of securities - available for sale	-	-	6,677
Proceeds from sale of property and equipment	61	-	-
Purchases of patents	-	(60)	-
Other	-	(52)	15
Net cash used in investing activities	(248)	(454)	(22,300)

Cash flows from financing activities:			
Repurchase of stock options	-	(348)	-
Proceeds from issuance of common stock, net	524	1,303	20,723
Dividends paid	-	(236)	-
Proceeds from issuance of long-term debt	170	198	420
Repayment of long-term debt	(326)	(138)	-
Repayments of capital lease obligations	(30)	(133)	-
Net cash provided by financing activities	338	646	21,143
Effect of exchange rate changes on cash	(124)	271	(20)
Net increase in cash and cash equivalents	926	2,070	(483)
Cash and cash equivalents at beginning of the period	743	1,669	3,739
Cash and cash equivalents at end of the period	$ 1,669	3,739	3,256
Supplemental disclosure of cash flow information:			
Income taxes paid	$ -	309	600
Interest paid	2	3	-
Non-cash investing and financing activities:			
ResMed entered into a capital lease obligation for the acquisition of property and equipment.	147	-	-

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

ResMed Inc. is a Delaware corporation formed in March 1994 as a holding company for ResCare Holdings Ltd. (RHL), a company resident in Australia. RHL designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. ResMed Inc.'s ("ResMed", or "the Company") principal manufacturing operations are located in Australia. Other principal distribution and sales sites are located in the United States, the United Kingdom and Europe.

In May 1994, the shareholders of RHL approved a reorganization and reincorporation of RHL resulting in the exchange of the shares of the outstanding common stock of RHL for the shares of ResMed. In addition, effective in March 1995, the Company effected a 5:2 stock split. As a result of the reorganization, reincorporation and the stock split, the accounts within the consolidated financial statements have been reclassified to reflect a par value of $.004 per share. The board of directors also authorized 2,000,000 shares of $0.01 par value preferred stock. No such shares where issued or outstanding at June 30, 1995.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation:

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

(b) Revenue Recognition:

Revenue on product sales is recorded at the time of shipment, when earned. Royalty revenue from license agreements is recorded when earned.

(c) Cash and Cash Equivalents:

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

(d) Inventories:

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(e) Property and Equipment:

Property and equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to ten years. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

(f) Patents:

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

(g) Government Grants:

Government grants revenue is recognized when earned. Grants have been obtained by ResMed from the Australian Federal Government to support the continued development and export of ResMed's proprietary positive airway pressure technology and to assist development of export markets in the amount of $432,000, $440,000 and $527,000 for the years ended June 30, 1993, 1994 and 1995, respectively.

(h) Foreign Currency:

The consolidated financial statements of ResMed's non-U.S. subsidiaries are translated into U.S. dollars for financial reporting purposes. The assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at average exchange rates throughout the year. The cumulative translation effects are reflected in stockholders' equity. Gains and losses on transactions denominated in other than the functional currency of the entity are reflected in operations.

(i) Research and Development:

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

(j) Net Income per Common and Common Equivalent Share:

Primary net income per common and common equivalent share and net income per common and common equivalent share assuming full dilution are computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(k) Financial Instruments :

The carrying value of financial instruments such as cash and cash equivalents, trade receivables and payables and long-term debt approximate their fair value. ResMed also enters into foreign currency option contracts to manage fluctuations in foreign currency exchange rates.

ResMed had outstanding foreign currency option contracts at June 30, 1995, maturing from August 1995 to October 1995. The U.S. dollar equivalent face amounts of outstanding contracts was approximately $1,500,000 and $2,000,000, at June 30, 1994 and 1995, respectively. The carrying value at June 30, 1994 and 1995 approximated fair value.

(l) Income Taxes:

ResMed accounts for income taxes under Statement of Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Statement 109 requires an asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected

to be recovered or settled. Under Statement 109, 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) Marketable Securities Available for Sale:

The Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115), on July 1, 1994. In accordance with FAS 115, prior years' financial statements have not been restated to reflect the change in accounting method. There was no cumulative effect as a result of adopting FAS 115 in fiscal 1995.

Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determination at each balance sheet date. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Securities available for sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. At June 30, 1995, the Company had no investments that qualified as trading or held to maturity.

The amortized cost of debt securities classified as available for sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and interest are included in interest income. Realized gains and losses are included in other income or expense. The cost of securities sold is based on the specific identification method.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Marketable Securities Available for Sale (continued):

At June 30, 1995, the Company's investments in debt securities were classified on the accompanying consolidated balance sheet as marketable securities-available for sale. These investments are diversified among high credit quality securities in accordance with the Company's investment policy.

3. Marketable Securities - Available for Sale

On July 1, 1994 the Company adopted statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The fair value of Marketable Securities - Available for Sale at June 30, 1995 was $20,510,000. These securities have contractual maturity dates between 2002 and 2025. The estimated fair value of each investment approximates the amortized cost, and therefore, there are no unrealized gains or losses as of June 30, 1995.

Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

4. Inventories

<TABLE>
Inventories were comprised of the following at June 30, 1994 and 1995 (in thousands) :
<CAPTION>

	June 30, 1994	June 30, 1995
<S>	<C>	<C>
Raw materials	$ 1,510	1,990
Work in progress	-	888
Finished goods	384	1,472
	$ 1,894	4,350

</TABLE>

5. Property and Equipment

<TABLE>
Property and equipment is comprised of the following at June 30, 1994 and 1995 (in thousands):
<CAPTION>

	June 30, 1994	June 30, 1995
<S>	<C>	<C>
Machinery and equipment	$ 668	1,579
Furniture and fixtures	317	426
Vehicles	126	264
Clinical equipment	189	491
Leasehold improvements	20	297
	1,320	3,057

Accumulated depreciation and amortization	(544)	(1,076)
	$ 776	1,981

</TABLE>

6. Accrued Expenses

<TABLE>

Accrued expenses at June 30, 1994 and 1995 consist of the following (in thousands) :

<CAPTION>

	June 30, 1994	June 30, 1995
<S>	<C>	<C>
Service warranties	$ 205	410
Legal	393	286
Royalties	69	31
Initial public offering costs - printing	-	154
Initial public offering costs - legal	-	140
Employee benefits	96	355
Other	414	630
	$ 1,177	2,006

</TABLE>

7. Long-term Debt

As part of an agreement between ResMed and the Australian Federal Government, ResMed obtained an $800,000 loan facility of which $386,000 and $787,000 were outstanding at June 30, 1994 and 1995, respectively. The loan facility is unsecured and accrues interest at 3.8% per annum beginning May 3, 1996 through April 3, 1997. The facility is payable in six monthly installments beginning November 3, 1996. Prior to May 3, 1996, the loan is interest free.

8. Stockholders' Equity

Initial Public Offering

On June 1, 1995, the Company completed an initial public offering of 2,000,000 new shares of common stock at a price of $11.00 per share, resulting in net proceeds of approximately $18.9 million, after deducting issuance costs of $1.6 million.

On July 10, 1995, the underwriters for the above-mentioned public offering exercised their over-allotment of 450,000 new shares of common stock, resulting in additional net proceeds of approximately $4.6 million, after deducting issuance costs of approximately $347,000.

8. Stockholders' Equity (continued)

Stock Options

Prior to the formation of the Company, RHL, a wholly owned subsidiary, at the discretion of the directors, from time-to-time granted stock options to key personnel, including officers, directors and outside consultants. The options granted by RHL were exchanged for options with similar terms to purchase common stock of ResMed. These options have expiration dates of two to five years from the date of grant and vest immediately.

On June 1, 1995, the Company granted 235,000 stock options to personnel, including officers, directors and outside consultants in accordance with the 1995 option plan. These options have expiration dates of ten years from date of grant and vest over three years. The Company granted these options with the exercise price equal to the market value at the date of grant.

<TABLE>

The following table summarizes option activity (adjusted for 5:2 stock split effected in fiscal 1995).

<CAPTION>

	Options	Exercise Price
<S>	<C>	<C> <C>
Outstanding, June 30, 1992	1,634,985	$ 0.15 - 3.64
Granted	199,375	0.72 - 3.18
Exercised	(34,500)	0.15 - 0.72

Outstanding, June 30, 1993	1,799,860	0.15 - 3.64
Granted	668,250	0.78 - 3.58
Exercised	(824,985)	0.15 - 0.78
Cancelled	(500,000)	3.20 - 3.20
Outstanding, June 30, 1994	1,143,125	0.15 - 3.64
Granted	235,000	11.00 - 11.00
Exercised	(944,500)	0.15 - 3.64
Outstanding, June 30, 1995	433,625	$ 1.08 - 11.00

During the year ended June 30, 1994, ResMed repurchased 500,000 options from a former distributor for $348,000. Expenses related to compensatory options granted for the years ended June 30, 1993 and 1994 were $143,000, and $322,000, respectively. No such expense was incurred in fiscal 1995.

Notes to Consolidated Financial Statements

9. Other, net

Other, net is comprised of the following at June 30, 1993, 1994 and 1995 (in thousands):

	1993	1994	1995
License fees	$ -	-	189
Loss on foreign currency options	-	-	(97)
Gain (loss) on foreign currency transactions	71	(29)	166
Other	4	33	4
	$ 75	4	262

In November 1994, the Company and an unrelated third-party entered into a marketing rights agreement for the third-party to exclusively market certain respiratory and related products under development by the Company in the Japanese market. Under the terms of the agreement the third-party is required to provide up to $380,000 to the Company, of which $189,000 has been recognized in the consolidated statements of income during the year ended June 30, 1995. The amounts recognized were limited by certain performance requirements of the agreement.

10. Income Taxes

Income (loss) before income taxes for the years ended June 30, 1993, 1994 and 1995, was taxed under the following jurisdictions (in thousands).

	1993	1994	1995
U.S.	(74)	(141)	11
Non-U.S.	1,279	1,972	3,770
	1,205	1,831	3,781

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

	1993	1994	1995
Current:			
U.S.	$ -	-	-
Non-U.S.	318	789	1,081
	318	789	1,081
Deferred:			
U.S.	-	-	-
Non-U.S.	41	(190)	(133)
Provision for income taxes	$ 359	599	948

10. Income Taxes (continued)

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	1993	1994	1995
Computed "expected" tax expense	$ 410	623	1,286
Increase (decrease) in income taxes resulting from:			
Issuance of stock options	48	109	-
Non-deductible expenses	-	60	40
Research and development credit	(98)	(219)	(274)
Non-deductible formation costs	-	31	-
Repurchase of stock options	-	(118)	-
Utilization of net operating loss carryforwards	(98)	-	(11)
Change in valuation allowance	46	59	(10)
Effect of non-U.S. tax rates	46	(18)	(29)
Effect of a change in Australian taxes	-	-	(48)
Other	5	72	(6)
	$ 359	599	948

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are comprised of the following at June 30, 1994 and 1995 (in thousands):

	1994	1995
Deferred tax assets:		
Employee benefit obligations	$ 52	74
Provision for service warranties	67	147
Net operating loss carry forwards	84	74
Accrual for legal costs	98	-
Intercompany profit in inventories	35	108
Other accruals	83	245
Total gross deferred tax assets	419	648
Less valuation allowance	(84)	(74)
Net deferred tax assets	335	574
Deferred tax liabilities:		
Patents	(31)	(58)
Government grants	(150)	(272)
Other receivables	(11)	(97)
Other	(11)	(8)
Total gross deferred tax liabilities	(203)	(435)
Net deferred tax asset	$ 132	139

10. Income Taxes (continued)

The valuation allowance at June 30, 1994 and 1995, primarily relates to a provision for uncertainty as to the utilization of net operating loss carryforwards. The net change in the valuation allowance was an increase of $59,000 for the year ended June 30, 1994. For the year ended June 30, 1995, the net change in the valuation allowance was a decrease of $10,000. The measurement of tax assets and liabilities at June 30 of each year, reflect foreign currency translation adjustments, changes in enacted tax rates and changes in temporary differences. Income taxes in 1993 and 1995 were reduced by $98,000 and $11,000, respectively, through the utilization of net operating loss carryforwards. Based on the Company's history of taxable income and its projection of future earnings, it believes that it is more likely than not that sufficient taxable income will be generated in the foreseeable future to realize the deferred tax asset.

At June 30, 1995, ResMed has net operating loss carryforwards for U.S. federal income tax purposes of approximately $32,000 which are available to offset future U.S. federal taxable income, if any, through 2009. In addition,

ResMed has net operating loss carryforwards for European income tax purposes of approximately $42,000 which are available to offset future European taxable income, if any, over an indefinite period.

11. Employee Retirement Plans

ResMed contributes to defined contribution (accumulation) pension plans (the plans) as required by Australian law covering all eligible employees 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. ResMed contributes to the plans at the rate of 5% - 5.5% of the salaries of all Australian employees. Additionally, certain executives, at their discretion, may direct that an additional percentage of their total salary and benefit package be contributed to their individual plan account. Total Company contributions to the plans, for the years ended June 30, 1993, 1994 and 1995 were $74,000, $131,000 and $157,000, respectively.

12. Significant Customers

ResMed's customers are located primarily in the United States, Europe and Australia. One customer, Medical Gases of Australia, accounted for approximately, 21%, 18% and 10% of net sales in 1993, 1994 and 1995, respectively, and another customer, Priess Med Technik, located in Germany, accounted for approximately 20%, 19% and 15% of net sales in 1993, 1994 and 1995, respectively. The principals of Priess Med Technik own approximately 4% of the outstanding common stock of the Company.

13. Geographic Segment Information

ResMed operates primarily in the respiratory medicine industry. Geographic segments have been classified into three regions; North America, Europe and Australia/Rest of World. North America includes the U.S. and Canada, Australia/Rest of World includes Australia, New Zealand, South Africa and Asia.

Notes to Consolidated Financial Statements

13. Geographic Segment Information (continued)

<TABLE>

Financial information by geographic region for the years ended June 30, 1993, 1994 and 1995, is summarized below (in thousands):

<CAPTION>

<S>	North America <C>	Europe <C>	Australia/ Rest of World <C>	Corporate, unallocated and elimination <C>	Total <C>
1993					
Net revenues	$ 3,370	2,341	1,939	-	7,650
Transfers among areas	-	-	2,109	(2,109)	-
Total revenues	$ 3,370	2,341	4,048	(2,109)	7,650
Income (loss) from operations	$ 348	502	(213)	-	637
Identifiable assets	$ 926	-	4,281	(103)	5,104
Depreciation and amortization	$ 5	-	152	-	157
Capital expenditures	$ 90	-	219	-	309
1994					
Net revenues	$ 6,502	4,171	3,184	-	13,857
Transfers among areas	-	-	4,115	(4,115)	-
Total revenues	$ 6,502	4,171	7,299	(4,115)	13,857
Income from operations	$ 440	832	17	-	1,289
Identifiable assets	$ 2,137	293	6,408	514	9,352
Depreciation and amortization	$ 10	1	244	-	255
Capital expenditures	$ 9	10	383	-	402
1995					
Net revenues	$ 12,549	6,757	4,195	-	23,501
Transfers among areas	-	-	6,551	(6,551)	-

Total revenues	$ 12,549	6,757	10,746	(6,551)	23,501
Income (loss) from operations	$ 1,296	3,803	(2,312)	-	2,787
Identifiable assets	$ 3,721	462	11,199	19,631	35,013
Depreciation and amortization	$ 195	7	388	-	590
Capital expenditures	$ 334	25	1,431	-	1,790

</TABLE>

Notes to Consolidated Financial Statements

13 Geographic Segment Information (continued)

Net revenues which represent net sales to unaffiliated customers, is based on the location of the customers. Transfers between geographic areas are recorded at amounts generally above cost and in accordance with the rules and regulations of the respective governing tax authorities. Operating income or loss consists of total net sales less operating expenses, and does not include either interest and other income, net, or income taxes. Identifiable assets of geographic areas are those assets used in the Company's operations in each area.

14. Related Party Transactions

For the years ended June 30, 1993, 1994 and 1995, legal and consulting service fees in the amount of $119,000, $414,000 and $282,000, were paid to certain directors of subsidiaries and director-related entities.

Included in these amounts are payments made to Dr. Colin Sullivan. Dr. Sullivan provides consulting services to the Company pursuant to a consulting agreement that terminates on December 31, 1997 (subject to extension for an additional five year term) for which he receives annual payments based on the net sales (as defined in the Consulting Agreement) of certain of the Company's products, subject to a $90,000 per annum minimum payment. The Company also reimburses Dr. Sullivan for his out-of-pocket expenses in performing such consulting services.

The Company has also agreed to pay such amounts to Dr. Sullivan for a period of 24 months following the termination of his consulting relationship with the Company in exchange for his agreement not to compete with the Company during this period. Total payments to Dr. Sullivan were $52,000, $147,000 and $228,000 for the Company's fiscal years ended June 30, 1993, 1994 and 1995, respectively.

15. Commitments

The Company leases certain equipment and fixtures under capital leases. Included in property and equipment are approximately $63,000 and $62,000 of assets held under capital leases at June 30, 1994 and June 30, 1995, respectively. Accumulated amortization related to leased assets was approximately $24,000 and $38,000 at June 30, 1994 and 1995, respectively.

At June 30, 1995, the present value of future minimum capital lease payments, included in accrued expenses in the accompanying consolidated balance sheets, and the future minimum lease payments under noncancellable operating leases are as follows:

Notes to Consolidated Financial Statements

<TABLE>

15. Commitments (continued)

<CAPTION>

Years	Capital leases	Operating leases
<S>	<C>	<C>
1996	$ 34	317
1997	-	288
1998	-	279
1999	-	93
Thereafter	-	-
Total minimum lease payments	34	977
Less amount representing interest	(2)	
Present value of net minimum capital		

lease payments	32
Less current portion of obligations under capital leases	(32)
Obligation under capital leases, excluding current portion	$ -

</TABLE>

Rent expense under operating leases for the years ended June 30, 1993, 1994 and 1995 was approximately $105,000, $104,000 and $162,000, respectively.

16. Legal Actions

In October 1994, in Australia, a patent held by ResMed was revoked on appeal on the grounds that the patent was not entitled to claim priority to a "provisional" application, which was filed before the inventor's publication. As a result of this claim, ResMed based in part on advice from legal counsel, at June 30, 1994 accrued approximately $300,000 for costs associated with this patent litigation which remains outstanding at June 30, 1995. This amount is included in accrued expenses on the consolidated balance sheets.

In January 1995, the Company filed a complaint for patent infringement in the United States District Court against Respironics Inc., a Delaware registered company. In response, in February 1995, Respironics filed a complaint against the Company that asserts, (i) Respironics does not infringe the subject patents; and (ii) that the subject patents are invalid and unenforceable. Management believes, based in part on advice from legal counsel, that this action will not have a material adverse effect on the operations or financial position of the Company.

In May 1995, Respironics and its Australian distributor filed a statement of claim against the Company and its President in the Federal Court of Australia, New South Wales District Registry. The statement of claim alleges that the Company engaged in unfair trade practices, including the misuse of the power afforded by its Australian patents and dominant market position in violation of the Australian Trade Practices Act. The statement of claim asserts damage claims in the aggregate amount of approximately $730,000, constituting lost profit on sales. While the Company intends to defend this action, there can be no assurance that the Company will be successful in defending such action or that the Company will not be required to make significant payments to the claimants. Furthermore, the Company expects to incur ongoing legal costs in defending such action.

DIETER W PRIESS
MEDIZINTECHNIK

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 1995, AND 1994

WITH INDEPENDENT AUDITORS' REPORT THEREON

INDEPENDENT AUDITORS' REPORT

Mr. Dieter W. Priess
Trading as Dieter W. Priess Medizintechnik

We have audited the accompanying balance sheets of Dieter W. Priess Medizintechnik as of December 31, 1995 and 1994, and the related statements of income, movements in equity and cash flows for the years then ended. These financial statements are the responsibility of the business's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the financial position of Dieter W. Priess Medizintechnik at December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dusseldorf, Germany, March 27, 1996

KPMG Deutsche Treuhand Gesellschaft

Dieter W. Priess
Medizintechnik

<TABLE>
<CAPTION>

Balance Sheets
December 31, 1995 and 1994

<S>	<C>	<C> December 31, 1995	<C> December 31, 1994
Current Assets:			
Cash and cash equivalents	DM	154,407	302,432
Trade accounts receivable, less allowance for doubtful accounts of DM 60,000 in 1995 and DM 29,000 in 1994.		1,567,510	1,263,272
Due from officers and employees		11,017	8,842
Inventories:			
Finished goods		2,713,895	1,932,741
Raw materials		4,000	5,300
Total inventories		2,717,895	1,938,041
Other current assets (note 4)		182,027	146,252
Total current assets		4,632,856	3,658,839
Property, plant, and equipment:			
Land		51,641	51,641
Buildings		515,981	437,106
Machinery and equipment		2,453,028	1,496,716
Construction in progress		14,000	-
		3,034,650	1,985,463
Less accumulated depreciation and amortization		1,686,207	1,060,903
Net property, plant, and equipment		1,348,443	924,560
	DM	5,981,299	4,583,399

<FN>

See accompanying notes to financial statements.
</TABLE>

Dieter W. Priess
Medizintechnik

<TABLE>
<CAPTION>

Balance Sheets (Continued)
December 31, 1995 and 1994

<S>	<C>	<C> December 31, 1995	<C> December 31, 1994
Current liabilities:			
Bank overdraft (note 5)	DM	711,340	-

Current installments of long-term debt (note 8)		56,556	67,371
Trade accounts payable		1,403,696	574,835
Income taxes payable		214,970	906,756
Accrued expenses (note 6)		147,820	116,800
Other liabilities (note 7)		440,334	293,271
Total current liabilities		2,974,716	1,959,033
Long-term debt, excluding current installments (note 8)		558,578	615,134
Total liabilities		3,533,294	2,574,167
Equity			
Owner's current account		2,448,005	2,009,232
	DM	5,981,299	4,583,399

<FN>

See accompanying notes to financial statements.
</TABLE>

Dieter W. Priess
Medizintechnik

<TABLE>
<CAPTION>

Statements of Income
Years ended December 31, 1995 and 1994

		1995	1994
Net sales	DM	15,418,735	13,096,235
Cost of goods sold		7,163,198	5,855,165
Gross profit		8.255,537	7,241,070
Selling, general and administrative expenses		3,503,664	2,664,703
		4,751,873	4,576,367
Other income (deductions):			
Interest income		11,135	6,882
Interest expense		(65,610)	(63,472)
Other, net		14,843	13,031
Income before income taxes		4,712,241	4,532,808
Income taxes		828,788	797,962
Net income	DM	3,883,453	3,734,846

</TABLE>

<TABLE>
<CAPTION>

Statements of Movements in Equity
Years ended December 31, 1995 and 1994

		1995	1994
Balance at beginning of year	DM	2,009,232	1,450,834
Owner withdrawals		(4,182,554)	(4,000,958)
Owner deposits		737,874	824,510
Net income		3,883,453	3,734,846
Balance at end of year	DM	2,448,005	2,009,232

<FN>

See accompanying notes to financial statements.
</TABLE>

Dieter W. Priess
Medizintechnik

<TABLE>
<CAPTION>

Statements of Cash Flows
December 31, 1995 and 1994

<S>	<C>	<C> 1995	<C> 1994
Net cash provided by operating activities (note 9)	DM	3,770,846	3,603,479
Cash flows from investing activities:			
Proceeds from sale of equipment		207,409	9,450
Capital expenditures		(1,325,569)	(693,124)
Net cash used in investing activities		(1,118,160)	(683,674)
Cash flows from financing activities:			
Proceeds from bank overdraft		711,340	-
Principal payments on long-term debt		(67,371)	(61,778)
Owner withdrawals		(4,182,554)	(4,000,958)
Owner deposits		737,874	824,510
Net cash used in financing activities		(2,800,711)	(3,238,226)
Net decrease in cash and cash equivalents		(148,025)	(318,421)
Cash and cash equivalents at beginning of year		302,432	620,853
Cash and cash equivalents at end of year	DM	154,407	302,432

<FN>

See accompanying notes to financial statements.
</TABLE>

Dieter W. Priess
Medizintechnik

Notes to Financial Statements
December 31, 1995 and 1994

(1) Summary of Significant Accounting Policies and Practices

(a) DESCRIPTION OF BUSINESS

The business is privately owned by Mr. Dieter W. Priess. It is engaged in the purchasing and selling of products for the diagnosis and treatment of a severe form of sleep disorder known as obstructive sleep apnea. The business's customers are located throughout Germany. The business is dependent on one major supplier, ResMed Ltd., which supplies approximately 80% of total merchandise.

The assets and liabilities disclosed represent the assets and liabilities allocated by Mr. Dieter W. Priess to the business.

(b) PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with United States of America generally accepted accounting principles.

(c) CASH EQUIVALENTS

Cash equivalents of DM 154,407 and DM 302,432 at December 31, 1995 and 1994, respectively, consist of bank deposits with an initial term of less than three months.

(d) INVENTORIES

Inventories, which represent principally purchased products, are stated at the lower of cost or market. Cost is determined using the first-in, first-out method for all inventories.

Dieter W. Priess

(1) Summary of Significant Accounting Policies and Practices (cont'd)

(e) PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost.

<TABLE>
<CAPTION>

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

<S> <C>

	Useful life
Buildings	10-50 years
Machinery and equipment	2-5 years

</TABLE>

(f) USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) Income Taxes

The business is subject to a local tax on income of 17.6% in 1995 and 1994 . German federal income taxes are levied at the owner level.

Local income tax expense attributable to income was DM 828,788 and DM 797,962 for the years ended December 31, 1995 and 1994, respectively and differed from the amounts computed by applying the local income tax rate to pretax income as a result of the following:

<TABLE>
<CAPTION>

<S> <C> <C> <C>

		1995	1994
Computed "expected" tax expense	DM	829,354	797,774
Adjustment for permanent differences		(566)	188
	DM	828,788	797,962

</TABLE>

(3) Leases

The business has several noncancellable operating leases, primarily for administrative equipment, that expire over the next three years. Rental expense was DM 62,907 and 57,814 in 1995 and 1994, respectively.

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 1995 are:

<TABLE>
<CAPTION>

<S> <C> <C>

Year ending December 31:		
1996	DM	41,647
1997		38,455
1998		36,187

	DM	116,289

</TABLE>

Notes to Financial Statements

<TABLE>
<CAPTION>

(4) Other Current Assets

<S>	<C>	<C> December 31, 1995	<C> December 31, 1994
Amount receivable on sale of equipment	DM	108,900	-
Sundry other current assets		73,127	146,252
	DM	182,027	146,252

</TABLE>

(5) Bank Overdraft

The business has a credit facility of DM 1,000,000 granted until August 30, 1996. The used portion of the facility bears interest at a rate of interest fixed quarterly by the bank. The rate of interest ruling at December 31, 1995 was 9.25%. The credit facility is secured by trade receivables, plant and equipment and a mortgage on land and buildings of the business. Additional securities have been given by the owner of the business and parties related to the owner.

<TABLE>
<CAPTION>

(6) Accrued Expenses

<S>	<C>	<C> December 31, 1995	<C> December 31, 1994
Warranty accrual	DM	35,820	31,000
Holiday pay accrual		38,000	34,000
Professional services accrual		39,000	30,800
Subscriptions to business organizations		35,000	21,000
	DM	147,820	116,800

Notes to Financial Statements

<CAPTION>

(7) Other liabilities

<S>	<C>	<C> December 31, 1995	<C> December 31, 1994
Sales commissions payable	DM	71,900	43,125
Import duties payable		83,693	75,719
Social security payable		97,129	78,509
Value added tax payable		174,887	90,714
Sundry other liabilities		12,725	5,204
	DM	440,334	293,271

			==========	==========

</TABLE>

<TABLE>
<CAPTION>

(8) Long-term Debt

Long-term debt at December 31, 1995 and 1994 consists of the following:

			December 31, 1995	December 31, 1994
9.3%	bank loan payable in monthly installments of DM 5,062, including interest, with final payment of DM 5,062 due May 30, 2002.	DM	280,921	323,003
9.5%	bank loan payable in monthly installments of DM 1,131, including interest, with final payment of DM 1,131 due May 30, 1996.		4,800	17,265
8.1%	bank loan payable in monthly installments of DM 3,031, including interest, with final payment of DM 3,316 due June 30, 2010.		329,413	342,237
			615,134	682,505
	Disclosed as:			
	Current		56,556	67,371
	Long-term		558,578	615,134
		DM	615,134	682,505

</TABLE>

The bank loans are secured by the same securities securing the credit facility (See note 5).

(8) Long-term Debt (cont'd)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1995 are as follows: 1996, DM 56,556; 1997, DM 56,110; 1998 DM 60,833; 1999 DM 65,955; and 2000 DM 71,512.

<TABLE>
<CAPTION>

(9) Reconciliation of Net Income to Net Cash Provided by Operating Activities

The reconciliation of net income to net cash provided by operating activities for the year ended December 31, 1995 and 1994 is as follows:

		1995	1994
Net income	DM	3,883,453	3,734,846
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment		707,076	351,594
Allowance for doubtful accounts		32,260	9,360
(Profit) Loss on sale of equipment		(12,799)	3,334
Changes in operating assets and liabilities:			
Decrease (increase) in trade accounts receivable		(336,498)	42,744
Increase in amounts due from officers and employees		(2,175)	(6,042)
Increase in inventories		(779,854)	(767,830)
Increase in other current assets		(35,775)	(110,274)
Increase in trade accounts payable		828,861	267,295
Increase (decrease) in income taxes payable		(691,786)	95,558

Increase in accrued expenses		31,020	7,800
Increase (decrease) in other liabilities		147,063	(24,906)
Net cash provided by operating activities	DM	3,770,846	3,603,479

</TABLE>

The business paid DM 65,610 and DM 63,472 for interest and DM 1,520,574 and DM 702,404 for income taxes in 1995 and 1994, respectively.

(10) Events Subsequent to Balance Date

On February 7, 1996 Mr. Dieter W. Priess entered into a contract to sell certain assets and the operations of Dieter W. Priess Medizintechnik to ResMed-Priess GmbH. ResMed- Priess GmbH is a wholly owned subsidiary of ResMed Inc., which is incorporated in the United States of America.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial statements present the estimated effects of the acquisition of the Priess Medizintechnik Medical Products Distribution business ("Priess"). The Pro Forma Condensed Consolidated Statements of Operations for the year ended June 30, 1995 and the six months ended December 31, 1995 assume that the purchase occurred on July 1, 1994. Also presented is the unaudited December 31, 1995 Pro Forma Condensed Consolidated Balance Sheet giving effect to the purchase of Priess as if it had been consummated on December 31, 1995. See "Note 1 - Basis of Presentation".

The pro forma information is based on the historical consolidated financial statements of ResMed Inc and the historical financial statements of Priess adjusted for related preliminary estimates and assumptions. The pro forma adjustments are applied to the historical consolidated financial statements of ResMed Inc and Priess to account for the Priess acquisition using the purchase method of accounting. Under purchase accounting, the total purchase price of Priess was allocated to the assets and liabilities acquired based on their relative fair values as of the acquisition date, with the excess of purchase price over the fair value of tangible assets acquired less the fair value of liabilities assumed recorded as intangible assets. Although the final allocation may differ, the Pro Forma Condensed Consolidated financial information reflects ResMed Inc's management's best estimate based on currently available information.

The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the actual results that would have occurred had the purchase been consummated on the applicable date indicated. Moreover, they are not intended to be indicative of future results of operations or financial position. These unaudited pro forma financial statements should be read in conjunction with the Notes to the Pro Forma Condensed Consolidated Financial Statements, the audited financial statements and notes for Priess included herein and the audited historical consolidated financial statements of ResMed Inc.

RESMED INC

<TABLE>

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1995
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<CAPTION>

<S>	ResMed Inc Historical <C>	Priess Business Historical <C>	Pro forma Adjustments <C>	Pro forma Consolidated <C>
Assets				
Current assets:				
Cash and cash equivalents	$ 2,699	106	(106)2	2,699
Marketable securities - available for sale	24,630	-	(6,350)3a	18,280
Accounts receivable, net of allowance of $160 at December 31, 1995	5,349	1,071	(1,071)2	5,349
Government grants	707	-	-	707
Inventories	5,187	1,858	(28)3	7,017
Prepaid expenses and other current assets	550	131	(131)2	550
Total current assets	39,122	3,166	(7,686)	34,602
Property, plant and equipment, net	2,336	922	(378)2,3	2,880

Patents, net of accumulated amortization of $214 at December 31, 1995	177	-	-	177
Deferred income taxes	124	-	-	124
Goodwill, net	-	-	4,042	4,042
Other assets	293	-	-	293
Total assets	$ 42,052	4,088	(4,022)	42,118
Liabilities and Stockholders' Equity				
Current liabilities:				
Bank overdraft	$ -	486	(486) 2	$ -
Accounts payable	2,227	959	(893) 2,3	2,293
Accrued expenses	1,762	402	(402) 2	1,762
Bank loans	-	39	(39) 2	-
Income taxes payable	1,367	147	(147) 2	1,367
Total current liabilities	5,356	2,033	(1,967)	5,422
Long-term debt	820	382	(382) 2	820
Total liabilities	6,176	2,415	(2,349)	6,242
Stockholders' equity:				
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-	-	-
Common Stock $0.004 par value; 15,000,000 shares authorized; issued and outstanding 7,137,408 at December 31, 1995	28	-	-	28
Additional paid-in-capital	29,450	-	-	29,450
Retained Earnings	6,402	1,686	(1,686) 2	6,402
Currency translation adjustment	(4)	(13)	13 2	(4)
	35,876	1,673	(1,673)	35,876
Commitments and contingencies				
	$ 42,052	4,088	(4,022)	42,118

<FN>
See accompanying notes to unaudited pro forma condensed consolidated financial statements.
</TABLE>

RESMED INC

<TABLE>

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 1995
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<CAPTION>

<S>	ResMed Inc Historical <C>	Priess Business Historical <C>	Pro forma Adjustments <C>	Consolidated <C>
Net revenues	14,599	5,740	(2,670) 3h	$ 17,669
Cost of sales	7,216	2,441	(2,446) 3h	7,211
Gross profit	7,383	3,299	(224)	10,458
Operating expenses:				
Selling, general and administrative	4,599	1,353	138 3c, 3e	6,090
Research and development	1,371	-	-	1,371
Total operating expenses	5,970	1,353	138	7,461
Income from operations	1,413	1,946	(362)	2,997
Other income:				
Interest income, net	531	(43)	(190) 3d	298
Government grants	305	-	-	305
Other, net	241	(67)	-	174
Total other income, net	1,077	(110)	(190)	777
Income before income taxes	2,490	1,836	(552)	3,774
Income taxes	688	542	310 df, 3g	1,540
Net income	1,802	1,294	(862)	$ 2,234
Net income per common and common equivalent share:				
Primary	0.25	-	-	0.31
Assuming full dilution	0.25	-	-	0.31

Weighted average shares per common and common equivalent outstanding:				
Primary	7,172,533	-	-	7,172,533
Assuming full dilution	7,188,372	-	-	7,188,372

<FN>
See accompanying notes to unaudited pro forma condensed consolidated financial statements.
</TABLE>

RESMED INC

<TABLE>

PRO FORMA CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1995
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<CAPTION>

	ResMed Inc Historical	Priess Business Historical	Pro Forma Adjustments		Pro Forma Consolidated
<S>	<C>	<C>	<C>		<C>
Net revenues	$ 23,501	9,244	(3,364)	3h	$ 29,381
Cost of sales	11,271	4,332	(3,234)	3h	12,369
Gross profit	12,230	4,912	(130)		17,012
Operating expenses:					
Selling, general and administrative	7,447	2,241	232	3h, 3e	9,920
Research and development	1,996	-	-		1,996
Total operating expenses	9,443	2,241	232		11,916
Income from operations	2,787	2,671	(362)		5,096
Other income:					
Interest income, net	205	(26)	(444)	3d	(265)
Government grants	527	-	-		527
Other, net	262	11	-		273
Total other income, net	994	(15)	(444)		535
Income before income taxes	3,781	2,656	(806)		5,631
Income taxes	948	700	436		2,084
Net income	$ 2,833	1,956	(1,242)	3f, 3g	$ 3,547
Net income per common and common equivalent share:					
Primary	0.63	-	-		0.80
Assuming full dilution	0.62	-	-		0.79
Weighted average shares per common and common equivalent outstanding:					
Primary	4,449,867	-	-		4,449,867
Assuming full dilution	4,512,533	-	-		4,512,533

<FN>
See accompanying notes to unaudited pro forma condensed consolidated financial statements.
</TABLE>

RESMED INC
NOTES TO UNAUDITED PRO FORMA
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited pro forma condensed statements of operations present the historical results of operations of ResMed Inc and Priess for the year ended June 30, 1995 and the six months ended December 31, 1995, with pro forma adjustments as if the transaction had taken place on July 1, 1994. The unaudited pro forma condensed balance sheet presents the historical balance sheets of ResMed Inc and Priess as of December 31, 1995 with pro forma adjustments as if the transaction had been consummated as of December 31, 1995, in a transaction accounted for as a purchase in accordance with generally accepted accounting principles.

Certain reclassifications have been made to the historical financial statements of Priess to conform to the pro forma condensed financial statement presentation.

2. Adjustments to Reflect Entity Acquired

<TABLE>

The following adjustments to Priess historical financial statements reflect excluded assets and liabilities not subject to acquisition (Dollars in thousands):

<CAPTION>

<S>	<C>
Cash and cash equivalent	$ (106)
Accounts receivable	(1,071)
Prepaid expenses and other current assets	(131)
Property plant and equipment	(208)
Bank overdraft	486
Accounts payable	959
Accrued expenses	402
Bank loans (current)	39
Income taxes payable	147
Long-term debt	382

</TABLE>

3. Pro Forma Adjustments

The following adjustments give pro forma effect to the Transactions (Dollars in Thousands):

<TABLE>

a) Purchase Price of Priess is made up of the following components:

<CAPTION>

<S>	<C>
Payment of cash funded with proceeds from the sale of marketable securities - available for sale	$ 6,350
Acquisition costs	66
Total Exchange Consideration	$ 6,416

</TABLE>

3. Pro Forma Adjustments (Continued)

<TABLE>

b) To adjust the assets and liabilities to their estimated fair values (dollars in thousand):

<CAPTION>

<S>	<C>
Net assets acquired of Priess at December 31, 1995	$ 2,572
Fair value adjustments to assets and liabilities:	
Inventories	(28)
Property plant and equipment	(170)
The Priess Business goodwill	4,042
	6,416

</TABLE>

The following adjustments to the unaudited pro forma statements of operations reflect:

c) Adjustments for the elimination of various items charged or credited to Priess by the vendors which would not have been incurred if the transactions had occurred at the beginning of the period presented. These items include personal costs and costs associated with other insignificant business activities not acquired.

d) The acquisition was funded from proceeds from ResMed Inc's IPO dated June 2, 1995. This entry represents the elimination of interest income from cash reserves and marketable securities held for sale.

e) The amortization of excess of costs over acquired net assets over an estimate life of 15 years. Such amortization expense is subject to possible adjustment at a later date. Amortization expense was $294,000 and $147,000 for the year ended June 30, 1995 and the six month period ended December 31, 1995, respectively.

f) Additional German corporate taxation expense incurred by ResMed Inc. on incorporation of Priess as if the transaction had occurred as of the beginning of the period presented. Prior to acquisition the entity was subject solely to regional German trade tax with Federal German corporate tax payable by the vendors individually.

g) The tax effect, using German statutory rate, on the net pro forma adjustments.

h) Elimination of intercompany sales made by ResMed Inc to Priess and associated profit in Priess inventory as if the transaction had occurred as of the beginning of the period presented.

The pro forma condensed consolidated statements of operations do not reflect any cost savings or economies of scale that the Corporation's management believes might have been achieved had the transaction occurred at the beginning of the period presented.

RESMED INC. AND SUBSIDIARIES

<TABLE>

Condensed Consolidated Balance Sheets
(in US$ thousands, except per share data)

<CAPTION>

	March 31, 1996	June 30, 1995
	(unaudited)	
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 4,009	$ 3,256
Marketable securities - available for sale	18,081	20,510
Accounts receivable, net of allowance of $167 at March 31, 1996 and $144 at June 30, 1995	5,745	3,792
Government grants receivable	914	825
Inventories (note 3)	6,137	4,350
Prepaid expenses and other current assets	941	280
Total current assets	35,827	33,013
Property, plant and equipment, net	2,954	1,981
Patents, net of accumulated amortization of $240 at March 31,1996 and $179 at June 30, 1995	177	161
Deferred income taxes	128	139
Goodwill, net	4,384	-
Other assets	879	19
Total assets	$44,349	$35,313
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,313	$ 2,572
Accrued expenses	2,210	2,006
Income taxes payable	1,449	1,081
Total current liabilities	5,972	5,659
Long-term debt	861	787
Total liabilities	6,833	6,446
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-
Common Stock $0.004 par value; 15,000,000 shares authorized; issued and outstanding 7,149,908 at March 31, 1996 and 6,534,000 at June 30, 1995	29	26
Additional paid-in capital	29,381	24,393
Retained Earnings	7,609	4,600
Currency translation adjustment	497	(152)
	37,516	28,867
Commitments and contingencies		
	$44,349	$35,313

<FN>
See accompanying notes to condensed consolidated financial statements.
</TABLE>

ResMed Inc. and Subsidiaries

<TABLE>

Condensed Consolidated Statements of Income (Unaudited)
(in US$ thousands, except per share data)

<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>

Net revenue	$ 9,360	$ 6,380	$ 23,959	$16,755
Cost of sales	4,774	3,046	11,990	8,167
Gross profit	4,586	3,334	11,969	8,588
Operating expenses				
Selling, general and administrative expenses	2,902	1,956	7,501	5,248
Research and development expenses	640	556	2,011	1,443
Total operating expenses	3,542	2,512	9,512	6,691
Income from operations	1,044	822	2,457	1,897
Other income, net:				
Interest income, net	283	36	814	121
Government grants	129	68	434	253
Other income, net	353	144	594	333
Total other income, net	765	248	1,842	707
Income before income taxes	1,809	1,070	4,299	2,604
Income taxes	602	267	1,290	652
Net income	$ 1,207	$ 803	$ 3,009	$ 1,952
Net income per common and common equivalent share:				
Primary	$0.17	$0.18	$0.42	$0.45
Assuming full dilution	$0.17	$0.18	$0.42	$0.45
Weighted average shares per common and common equivalent outstanding:				
Primary	7,193	4,355	7,179	4,310
Assuming full dilution	7,227	4,357	7,201	4,311

<FN>
See accompanying notes to condensed consolidated financial statements.
</TABLE>

ResMed Inc. and Subsidiaries

<TABLE>

Condensed Consolidated Statements of Cash Flows (Unaudited)
(in US$ thousands)

<CAPTION>

	Nine Months Ended March 31,	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 3,009	$ 1,952
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	693	449
Provision for service warranties	(8)	199
Deferred income taxes	11	387
Goodwill amortization	50	-
Foreign currency options	(493)	(34)
Changes in operating assets and liabilities, net of effects from acquisition:		
Accounts receivable, net	(1,805)	(1,162)
Government grants	(48)	(18)
Inventories	(133)	(1,828)
Prepaid expenses and other current assets	(585)	(120)
Accounts payable, accrued expenses and income taxes payable	270	302
Net cash provided by operating activities	961	127
Cash flows used in investing activities:		
Purchases of property, plant and equipment	(931)	(1,141)
Purchases of patents	(44)	-
Purchase of Priess	(6,517)	-
Purchase of non-trading investments	(350)	15
Purchases of marketable securities - available for sale	(76,392)	-
Proceeds from sale of marketable securities -		

available for sale	78,821	-
Net cash used in investing activities	(5,413)	(1,126)
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of common stock	4,991	24
Proceeds from issuance of long-term debt	-	210
Deferred offering costs	-	(515)
Net cash provided by (used in) financing activities	4,991	(281)
Effect of exchange rate changes on cash	214	52
Net increase (decrease) in cash and cash equivalents	753	(1,228)
Cash and cash equivalents at beginning of period	3,256	3,739
Cash and cash equivalents at end of period	$ 4,009	$ 2,511
Supplemental disclosure of cash flow information:		
Income taxes paid	945	600

<FN>
See accompany notes to condensed consolidated financial statements.
</TABLE>

ResMed Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

(1) Organization and Basis of Presentation

ResMed Inc. (the Company), is a Delaware corporation formed in March 1994 as a holding company for ResMed Holdings Ltd. (RHL), a company resident in Australia. RHL designs, manufactures and markets devices for the evaluation and treatment of sleep disordered breathing, primarily obstructive sleep apnea. The Company's principal manufacturing operations are located in Australia. Other principal distribution and sales sites are located in the United States, the United Kingdom, Germany and Europe.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1996 and the nine months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ended June 30, 1996.

In May 1994, the stockholders of RHL approved a reorganization and reincorporation of RHL resulting in the exchange of the shares of the outstanding common stock of RHL for the shares of the Company. In addition, effective in March 1995, the Company effected a 5:2 stock split. As a result of the reorganization, reincorporation and the stock split, the accounts within the consolidated financial statements have been restated to reflect a par value of $.004 per share. The board of directors also authorized 2,000,000 shares of $0.01 par value preferred stock. None of the preferred stock was issued or outstanding at March 31, 1996.

(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 intercompany transactions and balances have been eliminated in consolidation.

(b) Revenue Recognition:

Revenue on product sales is recorded at the time of shipment. Royalty revenue from license agreements is recorded when earned.

(c) Cash and Cash Equivalents:

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

(2) Summary of Significant Accounting Policies, Continued

(d) Inventories:

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value.

(e) Property, Plant and Equipment:

Property, plant and equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to 10 years. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Straight-line and accelerated methods of depreciation are used for tax purposes. Maintenance and repairs are charged to expense as incurred.

(f) Patents:

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

(g) Government Grants:

Government grants revenue is recognized when earned. Grants have been obtained by the Company from the Australian Federal Government to support continued development and export of the Company's proprietary positive airway pressure technology and to assist development of export markets in the amount of $129,000 for the three month period ended March 31, 1996 and $434,000 for the nine month period ended March 31, 1996.

(h) Foreign Currency:

The consolidated financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non-U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation effects are reflected in stockholders' equity. Gains and losses on transactions, denominated in other than the functional currency of the entity, are reflected in operations.

(i) Research and Development:

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

(2) Summary of Significant Accounting Policies, Continued

(j) Net Income per Common and Common Equivalent Share:

Primary net income per common and common equivalent share and net income per common and common equivalent share assuming full dilution are computed using the weighted average number of shares outstanding, adjusted for the incremental shares attributed to outstanding options to purchase common stock as determined under the treasury stock method.

(k) Financial Instruments:

The carrying value of financial instruments, such as cash and cash equivalents, foreign currency option contracts, accounts receivable, accounts payable, marketable securities and long-term debt approximate their fair value. The Company does not hold or issue financial instruments for trading purposes.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 1996 and June 30, 1995. The Fair Value of Financial Instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

<TABLE>
<CAPTION>

(US$ in thousands)	March 31, 1996 Carrying Amount	March 31, 1996 Fair Value	June 30, 1995 Carrying Amount	June 30, 1995 Fair Value
<S>	<C>	<C>	<C>	<C>
Financial assets				
Cash and cash equivalents	4,009	4,009	3,256	3,256
Marketable securities - available for sale	18,081	18,081	20,510	20,510
Government grants receivable	914	914	825	825
Accounts Receivable	5,745	5,745	3,792	3,792
Other assets	879	879	19	19
Financial liabilities				
Accounts Payable	2,313	2,313	2,572	2,572
Long term debt	861	861	787	787

</TABLE>

The carrying amounts shown in the table are included in the statement of financial position under the indicated captions.

(l) Foreign Exchange Risk Management:

The Company enters into various types of foreign exchange contracts in managing its foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

(2) Summary of Significant Accounting Policies, Continued

(l) Foreign Exchange Risk Management, Continued

The purpose of the Company's foreign currency hedging activities is to protect the Company from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and from its Australian manufacturing activities. The Company enters into foreign currency option contracts to hedge anticipated sales and manufacturing costs denominated in principally Australian Dollars, Pound Sterling and Deutschmarks. The term of such currency derivatives is rarely more than three years.

Premiums to enter certain foreign currency options are included in other assets and are amortized over the period of the agreement in the consolidated statement of income against other income, net. At March 31, 1996 unamortized premiums amounted to $329,000.

Unrealised gains or losses are recognised as incurred in the balance sheet as either other assets or other liabilities and are recorded within other income, net on the Company's consolidated statement of income. Unrealised gains and losses on currency derivatives are determined based on dealer quoted prices.

Foreign currency option contracts have been purchased in part by the issue of put options to counterparts. As a result, should foreign exchange rates drop below a specified level, on a specific date, the Company is required to deliver certain funds to counterparts at contracted foreign exchange rates. As at March 31, 1996 none of the put options issued by the Company are exercisable as foreign exchange rates remain above the foreign exchange rates specified.

The Company is exposed to credit-related losses in the event of nonperformance by counterparts to financial instruments, but it does not expect any counterparts to fail to meet their obligations given their high credit ratings. The credit exposure of foreign exchange options is represented by the fair value of options with a positive fair value at the reporting date.

At March 31, 1996 the Company held foreign currency option contracts with notional amounts totalling $44,100,000 to hedge foreign currency items. These contracts mature at various dates prior to June 30, 1998.

(m) Income Taxes:

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Statement 109 requires an asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement

carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which

(2) Summary of Significant Accounting Policies, Continued

(m) Income Taxes, Continued:

those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Priess Purchase

On February 7, 1996 the Company's fully owned German subsidiary ResMed Priess GmbH acquired the business and associated assets of Dieter W Priess Medizintechnik (Priess), its German distributor for $6,350,000 in cash. Priess is based in Moenchengladbach, Germany and is engaged in the sale and distribution of respiratory products. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Priess have been included in the Company's consolidated financial statements from February 7, 1996. The excess of the purchase price over the fair value of the net identifiable assets acquired of $4,461,000 has been recorded as goodwill and is being amortized on a straight-line basis over 15 years. The purchase agreement also provides for additional payments of up to $4,000,000 over the next four years contingent on future sales revenues of Priess. The additional payments, if any, will be accounted for as additional goodwill.

<TABLE>
<CAPTION>

	$'000
<S>	<C>
Consideration	
Outflow of cash	6,517
Fair value of assets acquired	
Inventory	1,524
Property Plant and equipment	532
	2,056
Goodwill on acquisition	4,461
Cash consideration	6,517

</TABLE>

The following unaudited pro forma financial information presents the combined results of operations of the Company and Priess as if the acquisition had occurred as of the beginning of the nine month periods ended March 31, 1996 and March 31, 1995, after giving effect to certain adjustments, including amortization of goodwill, additional depreciation expense, reduced interest income from use of IPO funds relating to the acquisition, and related income tax effects. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and Priess constituted a single entity during such periods.

(2) Summary of Significant Accounting Policies, Continued

(n) Priess Purchase, Continued:

<TABLE>
<CAPTION>

	Nine Months Ended March 31, (unaudited)	
	1996	1995
	$'000	$'000
<S>	<C>	<C>
Net sales	27,954	21,369
Net income	3,962	2,927
Net income per common and common equivalent share:		
Primary	$0.55	$0.68

Assuming full dilution	$0.55	$0.68

(3) Inventories

Inventories were comprised of the following at March 31, 1996 and June 30, 1995:

	March 31, 1996	June 30, 1995
Raw Materials	$ 2,404	$ 1,990
Work in progress	671	888
Finished goods	3,062	1,472
	$ 6,137	$ 4,350

Net Revenues

Net revenues increased for the three months ended March 31, 1996 to $9.4 million from $6.4 million for the three months ended March 31, 1995, an increase of $3.0 million or 47%. For the nine month period ended March 31, 1996 net revenues increased to $24.0 million from $16.8 million in fiscal 1995 an increase of $7.2 million or 43%. Both the three month and nine month increase in net revenues are primarily attributable to an increases in unit sales of the Company's flow generators and accessories in North America and Europe and additional revenues generated in Germany from the Priess business since February 7, 1996, date of acquisition. Net revenues in North America increased to $4.5 million from $3.4 million for the quarter, $12.1 million from $8.8 million for the nine months and in Europe to $3.6 million from $2.0 million for the quarter, $8.0 million from $4.7 million for the nine months, respectively.

Gross Profit

Gross profit increased for the three months ended March 31, 1996 to $4.6 million from $3.3 million for the three months ended March 31, 1995, an increase of $1.3 million or 38%. The increase resulted primarily from increased unit sales during the quarter ended March 31, 1996. Gross profit as a percentage of net revenues decreased for the three months ended March 31, 1996 to 49% from 52% in the three months ended March 31, 1995. This decrease was primarily due to a 5% increase of the Australian dollar with respect to the United States dollar over the three months ended March 1996 and to a lesser extent product mix changes.

For the nine month period ended March 31, 1996 gross profit increased to $12 million from $8.6 million in the same period of fiscal 1995 an increase of $3.4 million or 39%. Gross profit as a percentage of net revenues decreased for the nine month period ended March 31, 1996 to 50% from 51%, for the nine months ended March 31, 1995.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased for the three months ended March 31, 1996 to $2.9 million from $2.0 million for the three months ended March 31, 1995, an increase of $946,000 or 48%. As a percentage of net revenues, selling, general and administrative expenses remained static at 31% for the quarter ended March 31, 1996 and the three months ended March 31, 1995. The increase in gross expenses was due primarily to an increase from 56 to 90 in the number of sales and administrative personnel, including 24 persons employed on acquisition of Priess, legal costs associated with ongoing legal action (refer Part II Item 1) and other expenses related to the increase in Company sales.

Selling, general and administrative expenses for the nine months ended March 31, 1996 also increased to $7.5 million from $5.2 million for the nine months ended March 31, 1995 an increase of $2.3 million or 43%. As a percentage of net revenues selling, general and administration expenses remained static at 31% for the nine months ended March 31, 1996 and 1995.

Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 1996 to $640,000 from $556,000 for the three months ended March 31, 1995, an increase of $84,000 or 15%. As a percentage of net revenues, research and development expenses for the three months ended March 31, 1996 decreased to 7% from 9% for the period ended March 31, 1996. The increase in gross research and development expenses was due to an increase from 24 to 31 in the number of engineering personnel and increased payment for consulting fees to facilitate product development of a number of new products.

For the nine month period ended March 31, 1996 research and development expenses also increased to $2.0 million from $1.4 million for fiscal 1995 an increase of $568,000 or 39%. As a percentage of net revenues research and development expenses remained relatively consistent for the nine months ended March 31, 1996 and the nine months ended March 31, 1995. The gross increase in research and development expenses for the nine months ended March 31, 1996 reflects the cost increases noted for the quarter ended March 31, 1996 relating to the development of new products.

Other Income, net

Other income, net increased for the three months ended March 31, 1996 to $765,000 from $248,000 for the three months ended March 31, 1995, an increase of $517,000 or 209%. This increase was due primarily to interest revenue of $283,000 arising from the initial public offering of the Company and net foreign exchange gains of $333,000 relating to foreign exchange option contracts. Government grant income also increased for the three months ended March 31, 1996 to $129,000 from $68,000 for the three months ended March 31, 1995 reflecting an increase in both manufacturing and research activity.

Other income, net also increased for the nine months ended March 31, 1996 to $1.8 million, from $707,000 for the nine months ended March 31, 1995 an increase of $1.1 million or 161%. The increase in other income, net over the nine month period reflects increased interest income of $693,000 relating to the initial public offering of the Company, additional government grant incomes, which increased to $434,000 from $253,000 for the nine months ended March 31, 1995 and the receipt of $242,000 from Teijin Limited of Japan for certain marketing rights for respiratory and related products in Japan.

Income Taxes

The Company's effective income tax rate for the three months ended March 31, 1996 increased to approximately 33% from approximately 25.0% for the three months ended March 31, 1995. For the nine month period ended March 31, 1996 the Company's effective income tax rate increased to 30% from 25% for the nine months ended March 31, 1995. These increases are primarily due to an increase in the Australian corporate tax rate from 33% to 36% on July 1, 1995, an effective German corporate taxation rate of 51%, partially offset by additional research and development expenses incurred in Australia for which the Company receives a 150% deduction for tax purposes.

Liquidity and Capital Resources

As of March 31, 1996 and June 30, 1995, the Company had cash and cash equivalents and marketable securities available for sale of approximately $22.1 million and $23.8 million, respectively. The Company's working capital approximated $29.9 million and $27.4 million, at March 31, 1996 and June 30, 1995, respectively. The increase in working capital balances reflects the increase in cash balances arising from increased selling activity, the receipt of approximately $5 million from the exercise of 153,000 stock options and the exercise, by the underwriters of the Company's initial public offering of their full over allotment of 450,000 shares at a net offering price of $10.23 per share. These increases were offset by the payment of $6.5 million to acquire the Priess business.

During the nine months ended March 31, 1996, the Company's operations generated $961,000 cash from operations, primarily as a result of increased profit from operations offset partially by increases in both inventory for new product introductions and accounts receivable due to increased sales. During the nine months ended March 31, 1995 approximately $127,000 of cash was generated from operations.

The Company's capital expenditures for the nine month period ended March 31, 1996 and 1995 aggregated $7.4 million and $1.1 million, respectively. The

majority of the expenditures in the nine month period ending March 31, 1996 relate to the purchase of Priess, the purchase of production tooling and equipment and, to a lesser extent, office furniture, computers and research and development equipment. As a result of these capital expenditures, the Company's March 31, 1996 balance sheet reflects net property plant and equipment of approximately $3.0 million at March 31, 1996, compared to $2.0 million at June 30, 1995.

The results of the Company's international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect the Company's consolidated net sales and gross profit margins from international operations. The Company is exposed to the risk that the dollar-value equivalent of anticipated cash flows will be adversely affected by changes in foreign currency exchange rates. The Company manages this risk through foreign currency option contracts.

In May 1993, the Australian Federal Government agreed to lend the Company up to $800,000 over a six year term. Such loan bears no interest for the first three years and bears interest at a rate of 3.8% thereafter until maturity. The outstanding principal balance of such loan was $861,000 and $787,000 at March 31, 1996 and June 30, 1995, respectively.

Exhibit 23.1

The Board of Directors
ResMed, Inc.

The audit referred to in our report dated August 4, 1995, included the related financial statement schedule as of June 30, 1995, and for each of the years in the two-year period ended June 30, 1995, included in the Registration Statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidate financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the headings "Selected Consolidated Financial Data" and "Experts" in the Prospectus.

KPMG PEAT MARWICK LLP
KPMG Peat Marwick LLP
San Diego, California
July 9, 1996

Exhibit 23.2

ResMed Inc
(Formerly ResCare Medical Systems Limited)
82 Waterloo Road
NORTH RYDE NSW 2113

Dear Sirs

We consent to the use in this Registration Statement No 33-94610 of ResMed Inc of our report dated September 23, 1994, appearing in the Prospectus, which is part of such Registration Statement, and to the references to us under the headings "Selected Consolidated Financial Data" and "Experts" in such Prospectus.

The audits referred to in our report included the related financial statement schedule as of June 30, 1993, and for the year ended June 30, 1993 in the Registration Statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidate financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

PRICE WATERHOUSE
Price Waterhouse
Parramatta, Australia
July 10, 1996

Exhibit 23.4

To the Sole Shareholder

Mr. Dieter W. Priess
Trading as Dieter W. Priess Medizintechnik:

We consent to the inclusion of our report dated March 27, 1996, with respect to the balance sheets of Dieter W. Priess Medizintechnik as of December 31, 1995 and 1994, and the related statements of income, movements in equity, and cash flows for the years then ended, which report appears in the Amendment No. 1 of Form S-1 of ResMed Inc. dated July 8, 1996.

Dusseldorf, Germany
July 10, 1996

KPMG DEUTSCHE TREUHAND-GESELLSCHAFT
KPMG Deutsche Treuhand-Gessellschaft
Aktiengesellschaft
Wirtschaftsprufungsgesellschaft