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

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
COMMISSION FILE NUMBER 0-26038

RESMED INC.
(Exact name of Registrant as specified in its Charter)

DELAWARE	98-0152841
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5744 PACIFIC CENTER BOULEVARD
SUITE 311
SAN DIEGO CA 94104
UNITED STATES OF AMERICA
(Address of principal executive offices)

619 622 2040
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

COMMON STOCK, $.004 PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (S 229.405 of this Chapter) is not contained herein and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K( ).

The aggregate market value of the voting stock held by non-affiliates of Registrant as of September 23, 1996, computed by reference to the closing sale price of such stock on the NASDAQ Stock Market, was approximately $125,082,814 (All directors and executive officers of Registrant are considered affiliates.)

At September 23, 1996, Registrant had 7,183,330 shares of Common Stock, $.004 par value, issued and outstanding.

Portions of Registrant's Annual Report to Stockholders for the period ended June 30, 1996 are incorporated by reference into Part I of this report. Portions of Registrant's definitive Proxy Statement for its November 12, 1996 meeting of stockholders are incorporated by reference into Part III of this report.

PART I

Item 1. Business

Overview

ResMed Inc., a Delaware corporation, was formed in March 1994 as the ultimate holding company for its Australian, European and United States operating subsidiaries. On June 1, 1995 the Company completed an initial public offering of common stock and on June 2, 1995 the Company's common stock commenced trading on the NASDAQ Stock Market. Its Australian subsidiary ResMed Holdings Limited ("RHL") was 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 Continuous Positive Airway Pressure ("CPAP") treatment of Obstructive Sleep Apnea ("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 and its subsidiaries, since 1989, have specialized in the design, manufacture and marketing of patented nasal CPAP

equipment for the diagnosis and treatment of OSA.

Recent Developments

The Company acquired the distribution business of both Dieter W Priess Medtechnik and Premium Medical SARL its German and French distributors on February 7, 1996 and June 12, 1996, respectively. The acquisition of the German Distributor, for US$6,500,000 was the subject of a separate report on Form 8K and amendment to a report on Form 8K which were filed with the Securities Exchange Commission on February 21, 1996 and April 26, 1996, respectively.

The Company in July and August 1996 respectively received FDA clearance to market its AutoSet(Trademark) Portable diagnostic products, AutoSet(Trademark) Clinical devices and its VPAP(Registered Trademark)II ST bilevel CPAP. The VPAP(Registered Trademark)II ST bilevel device features spontaneous and timed mode operation.

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: rapid eye movement ("REM") sleep and non-rapid eye movement ("non-REM") sleep. REM sleep, which occurs during 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.

Normally, during REM sleep and deeper levels of non-REM sleep, upper airway muscles relax and the airway narrows. The upper airway has no rigid support and is held open by active contraction of upper airway muscles. 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 ten or more such cycles per hour and as a result experience 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 desaturation, 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. Health care professionals are often unable to diagnose OSA because they are unaware that such non-specific 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. Most 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 CPAP was first used as a treatment for OSA in 1980 by Dr. Colin 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 1980's. 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 1995, 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(Trademark). The Company is currently developing a range of automatic CPAP devices, including further developments of its existing range of AutoSet(Trademark) products, that are designed to continually adjust CPAP pressure to meet changing individual patient's needs and to eliminate 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 Europe and 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) the population with predisposition 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 explore new medical applications for nasal CPAP, including the treatment of post-operative surgery patients and pediatric patients, such as premature babies and infants at risk of 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, air delivery systems that include nasal masks, tubing and headsets that connect the airflow generator to the patient and AutoSet diagnostic equipment. In addition, the Company markets accessories to improve patient comfort, convenience and compliance, such as heated humidifiers. The Company also distributes Compumedics laboratory and portable sleep diagnostic products.

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 $1,000 to $3,000, depending primarily upon the model, features and country of sale. Air flow generators accounted for approximately 61%, 66% and 68% of the Company's net revenues in 1994, 1995 and 1996, respectively.

CPAP. The Company's CPAP air flow generators consist of the SULLIVAN(Registered Trademark) III, SULLIVAN(Registered Trademark) IV and SULLIVAN(Registered Trademark) V series. The SULLIVAN(Registered Trademark) III, SULLIVAN(Registered Trademark) IV and SULLIVAN(Registered Trademark) V offer a range of enhancements to the Company's initial CPAP products, released in 1989 and 1991. The Company's primary air flow generator prior to July 1995 was the SULLIVAN(Registered Trademark) III, which weighs less than five pounds, is about four inches high and conveniently fits under most beds. The SULLIVAN(Registered Trademark) V range of flow generators which feature a 20% reduction in physical size when compared to the SULLIVAN(Registered Trademark) III was introduced in July 1995 and is now the Company's main air flow generator product. The SULLIVAN(Registered Trademark) V line of flow generators consists of three individual models with each model providing a range of features depending upon the needs of patients. Each model continuously delivers a fixed positive pressure air flow to the patients.

VPAP(Registered Trademark). Since the introduction of the SULLIVAN(Registered Trademark) VPAP(Registered Trademark) flow generator in 1994, the Company has released a number of Variable Positive Airway Pressure (VPAP) flow generators which it believes improve patient comfort by applying different air pressures for inhalation and exhalation. These features are particularly beneficial for those patients with impaired breathing ability who need high levels of air pressure for inhalation as well as less resistance for exhalation.

At June 1996 the Company had two main VPAP flow generators, the SULLIVAN(Registered Trademark) VPAP(Registered Trademark)II and SULLIVAN(Registered Trademark) Comfort. Both units were released in March 1996 and feature improved pressure switching and reduced noise. In August 1996 the Company received FDA approval for the marketing and sale of the VPAP(Registered Trademark)II ST flow generator, a bilevel pressure VPAP(Registered Trademark) device with timed and spontaneous/timed breathing modes of operation.

Air Flow Generators Under Development. The Company is developing the patented AutoSet(Trademark) CPAP devices for home use which are designed to automatically adjust air pressure as needed on a breath by breath basis. The Company markets similar devices for use in sleep clinics (AutoSet(Trademark)

Clinical) in Europe and the rest of the world. The Company obtained FDA clearance for the AutoSet(Trademark) Clinical in July 1996 which conducts automated assessment of sleep apnea and the CPAP pressure required by patients. 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, stage of sleep and body position. The AutoSet(Trademark) device is designed to detect the patient's level of airway resistance and to continually adjust the air pressure to the appropriate therapeutic level throughout the night. The Company is developing a version of AutoSet(Trademark) 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 Company is also developing a CPAP device for use with infants and children, the pediatric CPAP, which incorporates features such as tamper-resistant controls and certain alarms.

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

<S>	<C>	<C>
Product	Features	Date of Commercial Introduction
SULLIVAN(Registered Trademark) III	Microprocessor-controlled, fixed-pressure portable device with tamper resistant key pad for easier pressure setting	May 1993*
SULLIVAN(Registered Trademark) IV	Fixed-pressure portable device with reduced noise levels	October 1994**
SULLIVAN(Registered Trademark) V	A range of compact portable fixed-pressure devices with various features to facilitate patient comfort	July 1995
SULLIVAN(Registered Trademark) VPAP (Registered Trademark)II	Dual pressure portable device provides different pressure levels for inhalation and exhalation features improved pressure switching and reduced noise output and spontaneous breath triggering	March 1996
SULLIVAN(Registered Trademark) COMFORT	Limited featured dual pressure device	March 1996
SULLIVAN(Registered Trademark) VPAP (Registered Trademark)II ST	Dual pressure portable device with spontaneous and spontaneous/timed breath triggering modes of operation	April 1996
AutoSet(Trademark) Clinical	Micro processor controlled, automatically. and continuously adjusts pressure in response to patient's needs. Stores data for subsequent evaluation. For use in sleep labs to aid diagnosis	May 1996
AutoSet(Trademark) Portable	Portable version of AutoSet(Trademark) Clinical with dedicated processor units, for home use sleep studies	In development
AutoSet(Trademark) Home	AutoSet(Trademark) Home treatment version, encompassing automatic and continuous pressure adjustment	In development
Pediatric CPAP	Microprocessor-controlled, fixed-pressure, portable device for infants and children	In development

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* Received FDA clearance in March 1994
** The SULLIVAN(Registered Trademark) IV currently is being sold only outside the United States
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The Company provides optional features including a patented 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, the SmartStart(Trademark) function, automatically starts airflow when the patient breathes into the mask and stops airflow upon removal of the mask. Some models record the number of hours a patient receives therapy, permitting physicians to monitor patient compliance. Most units come equipped with a carrying bag for enhanced portability. In addition, every unit has international electric voltage compatibility.

Mask Systems, Accessories and Other Products

Mask systems, accessories and other products accounted for approximately 37%, 30% and 30% of the Company's net revenues in 1994, 1995 and 1996, respectively.

Mask Systems

The Company's mask system includes the mask frame, a nasal cushion, and headgear to secure the nasal cushion to the face.

The Company's Bubble Mask(Trademark) includes a patented Bubble Cushion(Trademark) which represents a significant advance in patient comfort. Introduced in 1991, the Bubble Cushion(Trademark) 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(Registered Trademark) which has a five-point attachment method of stabilizing the Bubble Cushion(Trademark) on the patient's nose.

In addition, in July 1995 the Company introduced the modular mask frame which features T Bar forehead pads to prevent sideways movement of the frame and provide maximum stability.

Typically, patients replace masks or mask cushions every 12 to 18 months, at a cost of approximately $100-$200 depending upon the model. Bubble Masks(Trademark) 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(Trademark) on an OEM basis for Nellcor Puritan Bennett, one of its competitors.

Accessories and Other Products

In order to enhance patient comfort, convenience and compliance, the Company 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.

Clinical Support

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

CPAP Clinical Interface. Introduced in October 1995, the Universal Control Unit (UCU) is a diagnostic and monitoring device that is used by clinicians to measure and adjust the pressures being delivered by either the Company's CPAP or VPAP devices to a patient undergoing a sleep study. The clinical interface allows the clinician 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.

The SULLIVAN(Registered Trademark) Compliance Application (SCAN), introduced in October 1995 comprises the software necessary to download compliance data from flow generators with recording capabilities. In connection with a modem, this product allows compliance data to be downloaded from a flow generator in a patients name direct to the sleep laboratory.

AutoSet(Trademark) Clinical. The Company's AutoSet(Trademark) Clinical allows the clinical real-time observation and review by a clinician of respiratory parameters during a sleep study. AutoSet(Trademark) 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(Trademark) Clinical received FDA clearance in July 1996. The Company is currently developing an AutoSet(Trademark) CPAP device for home use

Product Development

The Company is committed to an ongoing program of product advancement and development. During the past year, the Company introduced several new products, including SULLIVAN(Registered Trademark) VPAPII, SULLIVAN(Registered Trademark) V, SULLIVAN(Registered Trademark) Comfort, AutoSet(Trademark) Clinical and improved nasal masks. Currently, the Company's product development efforts are focused on automated CPAP systems, improved mask systems and manufacturing cost-reduction programs.

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.

In each of the three fiscal years ended June 30, 1994, 1995 and 1996, the Company expanded $1,546,000, $1,996,000 and $2,841,000 respectively, on research and development.

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 11 direct sales employees, including three regional sales managers, and 18 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, fits 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 47%, 53% and 49% of the Company's total net revenues for the fiscal year's ended June 30, 1994, 1995 and 1996, respectively.

Europe. The Company markets its products in most major European countries. In countries other than the United Kingdom, Germany and France, in each of which the Company has fully owned subsidiaries, 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 each country in which the Company has a subsidiary a local senior manager is responsible for direct national sales. The Group's Senior Vice President, is responsible for coordination of all European distributors and, in conjunction with local management, the direct sales activity in Europe. 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 30%, 29% and 36% of the Company's total net revenues for the fiscal year's ended June 30, 1994, 1995 and 1996, respectively.

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 ResMed Limited's ownership of Dr. Sullivan's original nasal CPAP patent. This patent, which 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 permits competitors to market CPAP products in Australia. Consequently, the Company's dominant market share in Australia has decreased in 1996. In May 1996 the Company concluded an exclusive distribution agreement with Medical Gases of Australia, the largest sleep medicine distributor in Australia, in an effort to secure the Company's existing market position. As part of this agreement the Company agreed to cease direct sales activities in Australia.

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 23%, 18% and 15% of the Company's total net revenues for the fiscal year's ended June 30, 1994, 1995 and 1996, respectively.

Medical Gases of Australia accounted for approximately 18%, 10% and 7% of net sales in 1994, 1995 and 1996, respectively, and another customer, Priess Med Technik, prior to the acquisition of its business by ResMed in February 1996, accounted for approximately 19%, 15% and 8% of net sales in 1994, 1995

and 1996, respectively.

Manufacturing

The Company performs its manufacturing operations at its facility in Sydney, Australia. 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 moldings, 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 two single source suppliers. The Company is currently qualifying additional sources of supply for these components. The Company's quality control group performs tests at various steps in the manufacturing cycle to ensure compliance with the Company's specifications. See Note 13 to Notes to Consolidated Financial Statement.

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 to integrate its manufacturing planning, billing and accounting systems.

Service and Warranty

The Company offers one-to-two year limited warranties on its airflow 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. The Company provides for warranties and returns based on historical data.

Patents and Proprietary Rights and Related Litigation

The Company, through its subsidiary ResMed Limited, owns or has licensed rights to five issued United States patents and eleven issued foreign patents. In addition, there are six pending United States patent applications and twelve pending 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 that employed in the Company's AutoSet Device. No patents are due to expire in the next five years.

The Company relies on a combination of patents, trade secrets, non-disclosure agreements and proprietary know-how to protect its proprietary technology and rights. ResMed Limited is pursuing an infringement action against one of its competitors (Respironics, Inc.) and is investigating possible infringement by others.

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, 1996. This amount is included in accrued expenses on the consolidated balance sheet.

Additional 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 the proprietary rights of 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.

ResMed Limited is also defending alleged breaches of the Australian Trade Practices Act in a suit, claiming damages of $730,000 brought in Sydney Australia by Respironics and their Australian distributor. This action relates to ResMed Limited exercising its rights to the Australian original CPAP patent, which was revoked by the Federal Court of Australia in 1994.

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 result in lower prices for the Company's products.

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 Regulations

The Company's products are subject to extensive regulation particularly as to safety, efficacy and adherence to FDA Good Manufacturing Procedures (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 a 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 that are 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. The Company believes that its manufacturing and quality control procedures meet the requirements for the regulations.

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.

The Company competes on a market-by-market basis with various companies, some of which have greater financial and marketing resources than the Company.

In the United States, its principal market, 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.

Employees

As of June 30, 1996, the Company had 229 employees including eight full time consultants, 111 persons in warehousing and manufacturing, 28 in research and development, 54 in sales and marketing and 36 in administration. Of the Company's employees and consultants, 163 are located in Australia, 33 in the United States and 33 in 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.

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, Westmead. 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. 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 69, 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.

J. Woodrow Weiss MD age 47 is Associate Professor of Medicine at Harvard Medical School, as well as Physician Director, Pulmonary-Medical Intensive Care Unit and Co-Director of the Sleep Disorders Center at Beth Israel Hospital, Boston. His main research interests are in the cardiovascular consequences of sleep and sleep apnea, upper airway muscle control and dyspnea. Dr Weiss was in intern and resident at the University of California, San Francisco and completed research fellowships at both Dartmouth and Harvard Medical Schools; he is an internationally- recognized researcher in sleep disorders medicine. He holds a BA from Harvard and an MD from Case Western Reserve School of Medicine.

B. Tucker Woodson MD FACS age 39 is an Otolaryngologist and is an Associate Professor of Surgery at the Medical College of Wisconsin. He is a Fellow of the American Academy of Otolaryngology - Head and Neck Surgery and did surgical training with Dr. Fujite, the pioneer of uvulopalatopharyngoplasty to treat obstructive sleep apnea. He has a primary research interest in the surgical management of sleep apnea but is also a proponent of nasal CPAP. Dr. Woodson did his surgical training in otolaryngology at Detroit's Henry Ford Hospital and holds a BA from Washington University, St. Louis and an MD from the University of Missouri, Columbia.

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.

Item 2 Properties

The Company's principal offices are located in Sydney, Australia, at a leased facility of approximately 46,000 square feet. This facility is leased through 1999 and contains approximately 28,000 square feet of assembly space, and approximately 18,000 square feet devoted to research and administration offices. The Company believes that this facility is adequate to meet its requirements at least through early 1998. Sales and warehousing facilities are also leased in San Diego, California, Oxford, England, Moenchengladbach, Germany and Lyon, France.

Item 3. Legal Proceedings

The Company is currently engaged in significant patent litigation relating to the enforcement and defense of certain of its patents. In 1992 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, Inc. and in May 1994, was revoked by an Australian appeals court in reliance on issues specific to Australian patent law. The Company's market share in Australia decreased in 1995 and 1996 and the Company expect that its market share in Australia will continue to decrease. At June 30, 1996, the Company had accrued approximately $300,000 for estimated additional costs associated with this litigation.

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 will proceed 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. Management believes based in part on advice from legal counsel, that this action will not have a material impact on the operations or financial position of the Company.

On May 17, 1995, Respironics and its Australian distributor filed a Statement of Claim against the Company and Dr. Peter 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.

Item 4 Submission of Matter to a Vote of Security Holders

None

PART II

<TABLE>
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Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

The common stock of the Company commenced trading on June 2, 1995 on the NASDAQ Stock Market under the symbol "RESM". The following table sets forth for the fiscal periods indicated the high and low closing prices for the Common Stock as reported by NASDAQ.

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

	1995		1996	
1995/1996	High	Low	High	Low
Quarter One			18.00	12.00
Quarter Two			17.75	10.50
Quarter Three			14.25	10.50
Quarter Four	12.0	9.75	17.25	12.50

</TABLE>

As of September 23, 1996, there were approximately 122 holders of record of the Company's Common Stock The Company does not intend to declare any cash dividends in the foreseeable future.

<TABLE>
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Item 6 Selected Financial Data

The following table summarizes certain selected consolidated financial data for, and as of the end of, each of the years in the five-year period ended June 30, 1996. The data set forth below should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Report.

	Year Ended June 30,				
Consolidated Statement of Income Data:	1992	1993	1994	1995	1996
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues	3,356	7,650	13,857	23,501	34,562
Cost of sales	2,040	3,109	6,213	11,271	16,990
Gross profit	1,316	4,541	7,644	12,230	17,572
Selling, general and administrative expenses	744	3,084	4,809	7,447	11,136
Research and development expenses	667	820	1,546	1,996	2,841
Total operating expenses	1,411	3,904	6,355	9,443	13,977
Income (loss) from operations	(95)	637	1,289	2,787	3,595
Interest income, net	65	61	98	205	1,072
Government grants	311	432	440	527	537
Other, net	34	75	4	262	1,357
Total other income, net	410	568	542	994	2,966

Income before income taxes	315	1,205	1,831	3,781	6,561
Income taxes	-	359	599	948	2,058
Net income	315	846	1,232	2,833	4,503
Net income per common and common equivalent share:					
Primary	0.08	0.22	0.34	0.63	0.63
Assuming full dilution	0.08	0.22	0.34	0.62	0.62
Cash dividends per common share	-	0.03	0.04	-	-
Weighted average common and common equivalent shares outstanding:					
Primary	3,773	3,914	3,639	4,450	7,199
Assuming full dilution	3,773	3,914	3,639	4,513	7,218

	As of June 30,				
	1992	1993	1994	1995	1996
Consolidated Balance Sheet Data:			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Working capital	1,501	2,589	5,010	27,354	30,464
Total assets	2,886	5,173	9,608	35,313	46,946
Long-term debt, net of current maturities	218	163	386	787	578
Total stockholders' equity	1,689	2,895	5,630	28,867	38,986

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the selected financial data and consolidated financial statements and notes thereto included elsewhere herein.

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 interest and certain Australian government grants.

Prior to 1992, the Company marketed its products in several countries primarily through independent distributors. In May 1992, the Company terminated its United States distributor, and acquired certain inventory maintained by the distributor, employed four of the distributor's sales employees, and issued stock options to the distributor, 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 in-house manufacturing operations, consisting primarily of assembly activities, at its Sydney, Australia facility. This facility was expanded in December 1994 and during fiscal 1996.

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 has recently been developing products for automated treatment and monitoring of OSA, such as AutoSet(Trademark). The Company's research and development expenses are subsidized in part by grants and tax incentives from the Australian federal government. The Company has also received grants from the Australian federal government to support marketing efforts to increase Australian export sales, and for incorporation of computer components into its products. Given Australian Government regulations the Company does not expect to receive

future Australian export sales grants.

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 prior to June 30, 1995 was 33%, increased to 36% effective July 1, 1995. During fiscal 1994, 1995 and 1996, 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.

Following is a comparative discussion by fiscal year of the results of operations for the three years ended June 30, 1996.

Fiscal Year Ended June 30, 1996 Compared to Fiscal Year Ended June 30, 1995

Net Revenues. Net revenues increased in fiscal 1996 to $34.6 million from $23.5 million in fiscal 1995, an increase of $11.1 million or 47.1%. This increase was primarily attributable to an increase in unit sales of the Company's flow generators and accessories in Europe where net revenues increased to $12.4 million from $6.8 million and, to a lesser extent, in North America, where net revenues increased to $16.8 million from $12.5 million. In addition, net revenues were affected favorably by a product mix shift to new, higher-priced products such as Sullivan VPAPII. This favorable effect was partially offset by a decrease in the selling prices of the Company's CPAP products in most geographic markets.

Gross Profit. Gross profit increased in fiscal 1996 to $17.6 million from $12.2 million in 1995, an increase of $5.4 million or 43.7%. The increase resulted primarily from increased unit sales during fiscal 1996. Gross profit as a percentage of net revenues declined in fiscal 1996 to 50.8% from 52.0% in 1995. The decrease was primarily due to an increase in the value of the Australian Dollar relative to the US Dollar over the period and continuing price competition in the United States, where prices for the Company's products are lower than elsewhere in the world. The increased value of the Australian Dollar increases the relative cost of manufacturing in Australia where the Company's manufacturing facilities are located.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in 1996 to $11.1 million from $7.4 million for 1995, an increase of $3.7 million or 49.5%. As a percentage of net revenues, selling, general and administrative expenses increased in fiscal 1996 to 32.2% from 31.7% for fiscal 1995. The increase in expenses was due primarily to the acquisition of the Company's German distributor in February 1996, an increase to 87 from 58 in the number of sales and administrative personnel, and other expenses related to the increase in the Company's sales. In addition the Company incurred substantial legal fees with respect to its ongoing patent action of $773,000, and $278,000 in 1996 and 1995, respectively.

Research and Development Expenses. Research and development expenses increased in fiscal 1996 to $2.8 million from $2.0 million in fiscal 1995, an increase of approximately $800,000 or 42.3%. As a percentage of net revenues, research and development expenses in fiscal 1996 decreased to 8.2% from 8.5% in fiscal 1995. The dollar increase in research and development expenses was due primarily to an increase in research and development equipment and external consultancy fees.

Other Income. Other income increased in fiscal 1996 to $3.0 million from $994,000 for fiscal 1995, an increase of $2.0 million or 198.4%. This increase was due primarily to the recognition of unrealized gains on foreign currency options of $961,000, as a result of marking the options to market which arose from revaluation of the Australian Dollar over the year, and $1.1 million of interest income derived from funds generated from the Company's June 2, 1995 initial public offering of common stock.

Income Taxes. The Company's effective income tax rate for fiscal 1996 increased to approximately 31.4% from approximately 25.1% for fiscal 1995. This increase was primarily due to the an increase in the Australian income tax rate from 33% to 36% from July 1, 1995 and high relative taxes incurred in Germany. These higher tax rates were partially offset by additional research and development expenses in Australia for which the Company received 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 lesser 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 markets.

Gross Profit. Gross profit increased in fiscal 1995 to $12.2 million from $7.6 million in 1994, an increase of $4.6 million or 60.0%. The 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 1994. The decrease was primarily due to an increasing percentage of the Company's worldwide 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 1995 to $7.4 million from $4.8 million for 1994, an increase of $2.6 million or 54.9%. As a percentage of net revenues, selling, general and administrative expenses declined in fiscal 1995 to 31.7% from 34.7% for fiscal 1994. The increase in expenses 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 facility. 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 cost associated with the Company's Australian patent litigation.

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 approximately $500,000 or 29.1%. As a percentage of net revenues, research and development expenses in fiscal 1995 decreased to 8.5% from 11.2% in fiscal 1994. The dollar increase in research and development expenses was due primarily to an increase in the average number of research and development employees over the period to approximately 30 in fiscal 1995 from 20 in fiscal 1994. This increase was also attributable to higher payments for consulting fees related 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 83.4%. This increase was due primarily to the recognition of income for the receipt in December 1994 of an up-front 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 decreased to approximately 25.1% from approximately 32.7% for fiscal 1994. This decrease 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 received a 150% deduction for tax purposes.

Recent Accounting Developments

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 intangible assets 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. The Company has elected not to recognize compensation expense under this methodology.

The company will adopt the proforma method of disclosure under SFAS 123 in fiscal year ended June 30, 1997

Liquidity and Capital Resources

As of June 30, 1996 and June 30, 1995, the Company had cash and cash equivalents and marketable securities available for sale of approximately $23.5 million and $23.8 million, respectively. The Company's working capital approximated $30.5 million and $27.4 million, respectively, at June 30, 1996 and 1995. The increase in working capital balances reflects the net of the receipt of approximately $4.5 million from the underwriter's exercise of their over allotment arising from the Company's initial public offering less the cash used to fund the acquisition of two European distributors.

With the exception of the proceeds of the initial public offering, the Company has predominantly financed its operations and capital expenditures through cash generated from operations and through sales of common stock. During the fiscal years ended June 30, 1996 and 1995, the Company's operations generated approximately $3.4 million and $694,000, respectively more cash than was used in operations, primarily as a result of continued increases in net revenues, offset in part by increases in accounts receivable levels and prepayments during 1996. However, cash and cash equivalents and marketable securities available for sale decreased to $23.5 million at June 30, 1996 from $23.8 million at June 30, 1995, a decrease of $300,000 after capital expenditures. During fiscal 1996 and 1995 approximately $468,000 and $1,718,000 of cash was received from sales of common stock on exercise of outstanding options.

The Company's June 30, 1996, balance sheet also reflects significant increases in the levels of inventory and accounts receivable over the levels reflected on the June 30, 1995, balance sheet as a result of the acquisition of Priess Medizintechnik and significant increases in the Company's sales during the period.

The Company's capital expenditures for the fiscal years ended June 30, 1996 and 1995 aggregated $8.7 million and $1.8 million, respectively. The majority of these expenditures were for the purchase of the businesses of Priess Medizintechnik and Premium Medical for $6.8 million, purchase of production tooling and equipment and, to a lesser extent, for the purchase of office furniture, computers and research and development equipment. As a result the Company's June 30, 1996 balance sheet reflects an increase in net property plant and equipment to approximately $3.3 million at June 30, 1996, from $2.0 million at June 30, 1995, an increase of approximately $1.3 million.

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 by entering into foreign currency option contracts.

In May 1993, the Australian Federal Government agreed to lend the Company up to $870,000 over a six year term. Such loan bears no interest for the first three years and will bear interest at a rate of 3.8% thereafter until maturity. The first repayment of loan funds will commence in November 1996. The outstanding principal balance of such loan was $867,000 and $787,000 at June 30, 1996 and 1995, respectively.

<TABLE>
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Item 8 Consolidated Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

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Item 9 Changes in and Disagreements with Accountant on Accounting and Financial Disclosure

None

PART III

Item 10 Directors and Executive Officers of the Registrant

Incorporated by reference to Registrant's definitive Proxy Statement for its November 12, 1996 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1996.

Item 11 Executive Compensation

Incorporated by reference to Registrant's definitive Proxy Statement for its November 12, 1996 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference to Registrant's definitive Proxy Statement for its November 12, 1996 meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days from June 30, 1996.

Item 13. Certain Relationships and Related Transactions

Dr. Colin Sullivan, a member of the Company's Medical Advisory Board, 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. Total payments to Dr. Sullivan were $147,000, $228,000 and $314,000 for the Company's fiscal years ended June 30, 1994, 1995 and 1996, respectively.

Dieter and Helmke Priess, the holders of approximately 4% of the outstanding shares of common stock of the Company, were the sole owners of Priess Medizintechnik, the distributor of the Company's products in Germany until the Company purchased the business of Priess in February 1996. Sales to Priess aggregated approximately $2.6 million, $3.5 million and $2.8 million, in fiscal 1994, 1995 and 1996 (up to February 7, 1996 the date of acquisition), respectively.

During the year ended June 30, 1995, there were outstanding options to purchase up to 421,900 shares of common stock of ResMed Holdings Limited (RHL), the Company's wholly owned subsidiary. The exercise prices of such options ranged from $0.38 to $9.10, with a weighted average exercise price of $5.35. The majority of such 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 such options were exchanged in June 1995, for options to purchase up to 197,000 shares of common stock of the Company at an aggregate exercise price of approximately $473,000. At June 30, 1996 approximately 9,500 RHL options remain outstanding with an aggregate exercise price of $3.64 each.

PART IV

Item 14 Exhibits, Consolidated Financial Statements Schedule, and Reports on Form 8-K

a) Report on Form 8-K

The Company lodged a report under item 2 of Form 8-K and an amended report under Item 2 of Form 8-K on February 21, 1996 and April 26, 1996, respectively, to reflect the acquisition of the business of Priess Medizintechnik on February 7, 1996. Incorporated within the initial report on Form 8-K and the amended report on Form 8-K, the Company lodged the following:

- - Audited Financial Statements of Dieter W Priess Medizintechnik for the years ended December 31, 1995 and December 31, 1994 and Independent Auditors Report thereon.

- - Unaudited Proforma Combined Condensed Consolidated Financial Statements of ResMed, Inc. and Priess Medizintechnik as of December 31, 1995 for the year ended June 30, 1995 and the six months ended December 31, 1995.

Exhibits thereto

2.1 Purchase Agreement dated February 7, 1996 between Dieter W Priess Medizinische technische Ger te and ResMed-Priess GmbH (I, GR).

23.1 Consent of KPMG Deutsche Treuhand Gesellschaft.

99.3 Press Release, dated February 12, 1996, issued by ResMed, Inc.

b) The following documents are filed as part of this report:

1.1 Consolidated Financial Statements and Schedule.

The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the "Index to Consolidated Financial Statements" under Item 8 of this report.

3. Exhibits. The following exhibits are filed as a part of this report:

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*
10.1 1995 Stock Option Plan*
10.2 Licensing Agreement between the University of Sydney and ResMed Limited dated May 17, 1991, as amended*
10.3 Amended and Restated Consulting Agreement between Colin Sullivan and ResMed Limited dated September 2, 1994*
10.4 Loan Agreement between the Australian Trade Commission and ResMed Limited dated May 3, 1994*
10.5 Lease for 82 Waterloo Road, Sydney, Australia*
10.6 Lease for 5744 Pacific Center Boulevard, San Diego, USA*
11.1 Statement re: Computation of Earning per Share
16.1 Letter regarding change in Certifying Accountant*
21.1 Subsidiaries of the Registrant
23.1 Consent and Report on Schedules of KPMG Peat Marwick LLP
27.1 Financial Data Schedule

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

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, 1995 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three year period ended June 30, 1996. 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, 1995 and 1996, and the results of their operations and their cash flows for each of the years in the three year period ended June 30, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP
San Diego, California KPMG Peat Marwick LLP
August 12, 1996

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 1995 AND 1996

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	June 30, 1995	June 30, 1996
Assets		
Current assets:		
Cash and cash equivalents	$ 3,256	5,510
Marketable securities - available for sale (note 3)	20,510	18,021
Accounts receivable, net of allowance for doubtful accounts of $144 and $175 at June 30, 1995 and 1996, respectively	3,792	6,252
Government grants	825	915
Inventories, net (note 4)	4,350	6,134
Prepaid expenses and other current assets	280	1,014
Total current assets	33,013	37,846
Property and equipment, net (note 5)	1,981	3,284
Patents, net of accumulated amortization of $179 and $260 at June 30, 1995 and 1996, respectively	161	217
Deferred income taxes (note 10)	139	27
Goodwill, net of amortization of $120 at June 30, 1996	-	4,309
Other assets	19	1,263
	$ 35,313	46,946
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,572	2,421
Accrued expenses (note 6 and 16)	2,006	2,815
Income taxes payable	1,081	1,857
Current portion of long debt (note 7)	-	289
Total current liabilities	5,659	7,382
Long-term debt less current portion (note 7)	787	578
	6,446	7,960
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 6,534 at June 30, 1995 and 7,172 at June 30, 1996	26	29
Additional paid-in capital	24,393	29,407
Retained earnings	4,600	9,103
Foreign currency translation adjustment	(152)	447
Total stockholders' equity	28,867	38,986
Commitments and contingencies (notes 16 and 18)		
	$ 35,313	46,946

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED JUNE 30, 1994, 1995 AND 1996
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, 1994	June 30, 1995	June 30, 1996
Net revenues	$ 13,857	23,501	34,562
Cost of sales	6,213	11,271	16,990
Gross profit	7,644	12,230	17,572
Operating expenses:			
Selling, general and administrative expenses	4,809	7,447	11,136
Research and development expenses	1,546	1,996	2,841
Total operating expenses	6,355	9,443	13,977
Income from operations	1,289	2,787	3,595
Other income:			
Interest income, net	98	205	1,072
Government grants	440	527	537
Other, net (note 9)	4	262	1,357
Total other income, net	542	994	2,966
Income before income taxes	1,831	3,781	6,561
Income taxes (note 10)	599	948	2,058
Net income	$ 1,232	2,833	4,503
Net income per common and common equivalent share:			
Primary	.34	.63	.63
Assuming full dilution	.34	.62	.62
Weighted average common and common equivalent shares outstanding:			
Primary	3,639,434	4,449,867	7,199,438
Assuming full dilution	3,639,434	4,512,533	7,218,468

<FN>

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

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JUNE 30, 1994, 1995 AND 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Common stock		Additional paid-in	Retained/ earnings (accumulated	Foreign currency translation	
	Shares	Amount	capital	deficit)	adjustment	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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					
Common stock issued for cash, net (note 8)	450	2	4,547	-	-
4,549					
Common stock issued on exercise of options (note 8)	188	1	467	-	-
468					
Foreign currency translation adjustment	-	-	-	-	599
599					
Net income	-	-	-	4,503	-
4,503					
Balance, June 30, 1996	7,172	$ 29	29,407	9,103	447
38,986					

<FN>

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

<TABLE>
<CAPTION>

RESMED INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1994, 1995 AND 1996
(IN THOUSANDS)

<S>	<C> June 30, 1994	<C> June 30, 1995	<C> June 30, 1996
Cash flows from operating activities:			
Net income	$ 1,232	2,833	4,503
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	255	590	1,154
Goodwill amortization	-	-	123
Provision for service warranties	121	267	(117)
Issuance of stock options	311	-	-
Deferred income taxes	(190)	(133)	112
Foreign currency options revaluation	-	14	(844)
Changes in operating assets and liabilities, net of effect			

of acquisitions:			
Accounts receivable, net	(693)	(1,589)	(2,327)
Government grants	(115)	(328)	(78)
Inventories	(774)	(2,596)	272
Prepaid expenses and other current assets	(34)	(41)	(652)
Accounts payable, accrued expenses and other liabilities	1,023	1,385	792
Income taxes payable	471	292	515
Net cash provided by operating activities	1,607	694	3,453
Cash flows from investing activities:			
Purchases of property and equipment	(342)	(1,805)	(1,472)
Purchase of marketable securities - available for sale	-	(27,187)	(102,730)
Proceeds from sale of securities - available for sale	-	6,677	105,219
Purchases of patents	(60)	-	(97)
Purchase of other assets	-	-	(373)
Business acquisitions	-	-	(6,815)
Other	(52)	15	-
Net cash used in investing activities	(454)	(22,300)	(6,268)
Cash flows from financing activities:			
Repurchase of stock options	(348)	-	-
Proceeds from issuance of common stock, net	1,303	20,723	5,017
Dividends paid	(236)	-	-
Proceeds from issuance of long-term debt	198	420	-
Repayment of long-term debt	(138)	-	-
Repayments of capital lease obligations	(133)	-	-
Net cash provided by financing activities	646	21,143	5,017
Effect of exchange rate changes on cash	271	(20)	52
Net increase (decrease) in cash and cash equivalents	2,070	(483)	2,254
Cash and cash equivalents at beginning of the year	1,669	3,739	3,256
Cash and cash equivalents at end of the year	$ 3,739	3,256	5,510
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 309	600	1,132
Interest paid	3	-	-

<FN>

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

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1995 AND 1996

1. ORGANIZATION AND BASIS OF PRESENTATION

ResMed Inc. is a Delaware corporation formed in March 1994 as a holding company for ResMed Holdings Ltd. ("RHL") (formerly ResCare Holding Limited), 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, United Kingdom, Germany, France 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 were issued or outstanding at June 30, 1996.

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) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue Recognition:

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

(d) 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.

(e) Inventories:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) 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 or deemed to have no future value, the unamortized costs are written off immediately.

(h) Goodwill:

Goodwill arising from business acquisitions is amortized on a straight-line basis over periods ranging from five to 15 years. The Company carries goodwill at cost net of amortization. The Company reviews its goodwill carrying value when events indicate that an impairment may have occurred in goodwill. If, based on the undiscounted cash flows, management determines goodwill is overvalued, goodwill is written down to its discounted cash flow value and the amortization period is re-assessed.

(i) 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 $440,000, $527,000 and $537,000 for the years ended June 30, 1994, 1995 and 1996, respectively.

(j) 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 year end exchange rates. Income statements are translated at weighted average rate. 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.

(k) Research and Development:

All research and development costs are expensed in the period

incurred.

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1995 AND 1996

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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 June 30, 1995 and June 30, 1996. 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>

	1995		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Financial assets				
Cash and cash equivalents	$ 3,256	3,256	5,510	5,510
Marketable securities - available for sale	20,510	20,510	18,021	18,021
Accounts receivable	3,792	3,792	6,252	6,252
Government grants	825	825	915	915
Other assets	19	19	1,263	1,263
Financial liabilities				
Accounts payable	2,572	2,572	2,421	2,421
Long-term debt	787	787	867	867

</TABLE>

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

(n) 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.

RESMED INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1995 AND 1996

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 Australian manufacturing activities. The Company enters into foreign currency option contracts to hedge anticipated sales principally in Pound Sterling and Deutschmarks. The term of such currency derivatives is generally less 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 June 30, 1996 unamortized premiums amounted to $302,490.

Unrealized gains or losses are recognized as incurred in the consolidated balance sheets as either other assets or other liabilities and are recorded within other income, net on the Company's consolidated statement of income. Unrealized 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 specified levels, on a specific date, the Company is required to deliver certain funds to counterparts at contracted foreign exchange rates. As at June 30, 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 will 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. The Company does not require collateral on its financial instruments.

At June 30, 1996 the Company held foreign currency option contracts with notional amounts totaling $43,595,350 to hedge foreign currency items. These contracts mature at various dates prior to December 31, 1999.

(o) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 re-evaluates 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 and 1996, 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.

At June 30, 1996, 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

The fair value of marketable securities available for sale at June 30, 1995 and 1996, were $20,510,000 and $18,021,000, respectively. 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 or

1996.

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>
<CAPTION>

Inventories were comprised of the following at June 30, 1995 and 1996 (in thousands) :

<S> <C> <C>

	1995	1996
Raw materials	$ 1,990	2,088
Work in progress	888	257
Finished goods	1,472	3,789
	$ 4,350	6,134

</TABLE>

5. PROPERTY AND EQUIPMENT

<TABLE>
<CAPTION>

Property and equipment is comprised of the following at June 30, 1995 and 1996 (in thousands):

<S> <C> <C>

	1995	1996
Machinery and equipment	$ 1,181	1,893
Computer equipment	398	780
Rental units	-	155
Furniture and fixtures	426	538
Vehicles	264	461
Clinical and demonstration equipment	491	1,300
Leasehold improvements	297	355
	3,057	5,482
Accumulated depreciation and amortization	(1,076)	(2,198)
	$ 1,981	3,284

</TABLE>

6. ACCRUED EXPENSES

<TABLE>
<CAPTION>

Accrued expenses at June 30, 1995 and 1996 consist of the following (in thousands) :

<S> <C> <C>

	1995	1996
Service warranties	$ 410	280

Legal	286	394
Royalties	31	39
Initial public offering costs - printing	154	-
Initial public offering costs - legal	140	-
Value added taxes due	47	654
Consulting fees	-	133
Employee benefits	355	522
Other	583	793
	$ 2,006	2,815

</TABLE>

7. LONG-TERM DEBT

As part of an agreement between ResMed and the Australian Federal Government, ResMed obtained an $870,000 loan facility of which $787,000 and $867,000 were outstanding at June 30, 1995 and 1996, respectively. The loan facility is unsecured and accrues interest at 3.8% per annum beginning May 3, 1996 through April 3, 1999. The facility is payable in six monthly installments beginning November 3, 1996. Prior to May 3, 1996, the loan is interest free.

<TABLE>
<CAPTION>

The aggregate annual maturities of long-term debt at June 30, 1996 are as follows:

<S> <C>

Year ending June 30	Amount
1997	$ 289
1998	289
1999	289
2000	-
2001	-
Thereafter	-
	$ 867

</TABLE>

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 $4.5 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 vested immediately.

On June 1, 1995, May 13, 1996 and June 27, 1996 the Company granted 235,000, 7,500 and 262,300 stock options respectively to personnel, including officers and directors 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 as determined at the date of grant.

<TABLE>

<CAPTION>

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

	Years ended June 30,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Outstanding at beginning of year	1,799,860	1,143,125	433,625
Granted	668,250	235,000	269,800
Exercised	(824,985)	(944,500)	(187,950)
Canceled	(500,000)	-	-
Outstanding at end of year	1,143,125	433,625	515,475
Price range of granted options	0.78-3.58	11.00	13.06-16.34
Shares reserved for granting future stock options			
Beginning of year	-	-	465,000
End of year	-	465,000	195,200
Options exercisable at end of year	1,143,125	198,625	84,433
Price range of exercisable options	0.15-3.64	1.08-3.64	1.08-11.00

</TABLE>

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 year ended June 30, 1994 was $322,000. No such expense was incurred in fiscal 1995 or fiscal 1996.

9. OTHER, NET

<TABLE>
<CAPTION>

Other, net is comprised of the following at June 30, 1994, 1995 and 1996 (in thousands):

	1994	1995	1996
<S>	<C>	<C>	<C>
License fees	$ -	189	242
Gain/(loss) on unrealized foreign currency options	-	(97)	961
Gain/(loss) on foreign currency transactions	(29)	166	147
Other	33	4	7
	$ 4	262	1,357

</TABLE>

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 $470,000 to the Company, of which $189,000 and $242,000 has been recognized in the consolidated statements of income during the years ended June 30, 1995 and June 30, 1996, respectively. The amounts recognized were limited by certain performance requirements of the agreement.

10. INCOME TAXES

<TABLE>
<CAPTION>

Income before income taxes for the years ended June 30, 1994, 1995 and 1996, was taxed under the following jurisdictions (in thousands).

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

	1994	1995	1996
U.S.	$ (141)	11	(32)
Non-U.S.	1,972	3,770	6,593
	$ 1,831	3,781	6,561

</TABLE>

<TABLE>
<CAPTION>

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

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

Current:			
U.S.	$ -	-	-
Non-U.S.	789	1,081	1,958
	789	1,081	1,958
Deferred:			
U.S.	-	-	-
Non-U.S.	(190)	(133)	100
Provision for income taxes	$ 599	948	2,058

</TABLE>

10. INCOME TAXES (CONTINUED)

<TABLE>
<CAPTION>

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

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

	1994	1995	1996
Computed "expected" tax expense	$ 623	1,286	2,296
Increase (decrease) in income taxes resulting from:			
Issuance of stock options	109	-	-
Non-deductible expenses	60	40	9
Research and development credit	(219)	(274)	(359)
Non assessable interest income	-	-	(125)
Non-deductible formation costs	31	-	-
Repurchase of stock options	(118)	-	-
Utilization of net operating loss carryforwards	-	(11)	(8)
Change in valuation allowance	59	(10)	133
Effect of non-U.S. tax rates	(18)	(29)	233
Effect of a change in Australian tax rates	-	(48)	-
Other	72	(6)	(121)
	$ 599	948	2,058

</TABLE>

<TABLE>
<CAPTION>

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, 1995 and 1996 (in thousands):

	1995	1996
Deferred tax assets:		
Employee benefit obligations	$ 74	97
Provision for service warranties	147	101
Net operating loss carryforwards	74	176
Accrual for legal costs	-	272
Intercompany profit in inventories	108	437
Other accruals	245	197
Total gross deferred tax assets	648	1,280
Less valuation allowance	(74)	(176)
Net deferred tax assets	574	1,104
Deferred tax liabilities:		
Patents	(58)	(78)
Government grants	(272)	(329)
Unamortized foreign exchange premiums	-	(109)
Unrealized foreign exchange gains	-	(346)
Amortization expense	-	(92)
Other receivables	(97)	-
Other	(8)	(123)
Total gross deferred tax liabilities	(435)	(1,077)
Net deferred tax asset	$ 139	27

</TABLE>

10. INCOME TAXES (CONTINUED)

The valuation allowance at June 30, 1995 and 1996, 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 and a decrease of $21,000 for the years ended June 30, 1994 and 1995. For the year ended June 30, 1996, the net change in the valuation allowance was a increase of $125,000. 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 1995 were reduced by $11,000 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, 1996, ResMed has net operating loss carryforwards for U.S. federal income tax purposes of approximately $176,000 which are available to offset future U.S. federal taxable income, if any, through 2010. These have not been brought to account as the entity involved has not generated taxable income to date.

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, 1994, 1995 and 1996 were $131,000, $157,000 and $374,000, 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, 18%, 10% and 7% of net sales in 1994, 1995 and 1996, respectively, and another customer, Priess, located in Germany, accounted for

approximately 19%, 15% and 8% of net sales in 1994, 1995 and 1996, respectively. The business of Priess was acquired by ResMed on February 7, 1996.

13. DEPENDENCE ON KEY SUPPLIERS

The Company purchases two key components for its CPAP devices from two single source suppliers. Management is attempting to qualify additional sources of supply for these components however, 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. 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. 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.

14. GEOGRAPHIC SEGMENT INFORMATION

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

Financial information by geographic region for the years ended June 30, 1994, 1995 and 1996, is summarized below (in thousands):

<TABLE>
<CAPTION>

	North America	Europe	Australia/ Rest of World	Corporate, unallocated and eliminations	Total
<S>	<C>	<C>	<C>	<C>	<C>
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
1996					
Net revenues	16,830	12,400	5,332	-	34,562

Transfers among areas	-	-	4,062	(4,062)	-
Total revenues	16,830	12,400	9,394	(4,062)	34,562
Income (loss) from operations	1,504	5,066	(2,771)	(204)	3,595
Identifiable assets	5,508	6,671	18,241	11,973	42,393
Depreciation and amortization	261	346	670	-	1,277
Capital expenditures	461	7,078	1,218	-	8,757

</TABLE>

14 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.

15. RELATED PARTY TRANSACTIONS

For the years ended June 30, 1994, 1995 and 1996, legal and consulting service fees in the amount of $414,000, $282,000 and $314,000, were paid to certain directors of subsidiaries and director-related entities and shareholders

Included in these amounts are payments made to Dr. Colin Sullivan for the years ended June 30, 1994 and June 30, 1995 in which years he was a director of a subsidiary. 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, $147,000, $228,000 and $314,000 for the Company's fiscal years ended June 30, 1994, 1995 and 1996, respectively.

16. COMMITMENTS

The Company leased certain equipment and fixtures under capital leases. Included in property and equipment are approximately $62,000 and $Nil of assets held under capital leases at June 30, 1995 and June 30, 1996, respectively. Accumulated amortization related to leased assets was approximately $38,000 and $Nil at June 30, 1995 and 1996, respectively.

In addition, the Company also leases buildings, motor vehicles and office equipment under operating leases. Rental charges for these items are expensed as incurred. At June 30, 1996 the Company had the following future minimum lease payments under non cancelable operating leases.

<TABLE>
<CAPTION>

16. COMMITMENTS (CONTINUED)

<S> <C>

Operating

Years	leases
1997	$ 559
1998	554
1999	481
2000	173
Thereafter	101
Total minimum lease payments	$ 1,868

</TABLE>

Rent expense under operating leases for the years ended June 30, 1994, 1995 and 1996 was approximately $104,000, $162,000 and $467,000, respectively.

<TABLE>
<CAPTION>

17. BUSINESS ACQUISITION

Priess

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 from a 4% stockholder of the company. Priess is based in Moenchengladbach, Germany and is engaged in the distribution and sale 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.

<S> <C>

	$ '000
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>

<TABLE>
<CAPTION>

17. BUSINESS ACQUISITION (CONTINUED)

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 years ended June 30, 1995 and June 30, 1996, 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.

<S> <C> <C>

	Year Ended June 30,	
	1995	1996

Net sales	29,381	38,558
Net income	3,547	5,476
Net income per common and common equivalent share:		
Primary	0.80	0.76
Assuming full dilution	0.79	0.76

Premium Medical Purchase

On June 12, 1996 the Company's fully owned French subsidiary ResMed SA acquired the business and associated assets of Premium Medical SARL (Premium), its French distributor for $348,000 in cash. Premium was based in Paris, France and was 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 the Premium business have been included in the Company's consolidated financial statements from June 12, 1996. The excess of the purchase price over the fair value of the net identifiable assets acquired of $115,000 has been recorded as goodwill and is being amortized on a straight-line basis over 5 years.

	$ '000
Fair value of assets acquired	
Inventory	229
Property plant and equipment	4
	233
Goodwill on acquisition	115
Cash consideration	$ 348

18. 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, 1996. 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. 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. 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.

19. RECENT ACCOUNTING DEVELOPMENTS

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 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 intangible assets 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. The Company has elected not to recognize compensation expense under this methodology. The Company will adopt the pro forma method of disclosure under SFAS 123 in fiscal year ended June 30, 1997.

SIGNATURES

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

DATED ResMed Inc.

By: PETER C FARRELL
_____
Peter C. Farrell, President and Chief Executive Officer
(Principal Executive Officer)

By: ADRIAN M SMITH
_____
Adrian M. Smith, Chief Financial Officer
(Principal Financial Officer)

<TABLE>
<CAPTION>

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

<S>	<C>	<C>
Signature	Title	Date
PETER C FARRELL _____ Peter C. Farrell	Chief Executive Officer, President, Chairman of the Board (Principal Executive Officer)	September 25, 1996
CHRISTOPHER G ROBERTS _____ Christopher G. Roberts	Director	September 25, 1996
MICHAEL A QUINN _____ Michael A. Quinn	Director	September 25, 1996
GARY W PACE _____ Gary W. Pace	Director	September 25, 1996
DONAGH MCCARTHY _____ Donagh McCarthy	Director	September 25, 1996

</TABLE>

Schedule II

<TABLE>
<CAPTION>

RESMED INC AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED JUNE 30, 1994, 1995 AND 1996, RESPECTIVELY
(IN THOUSANDS)

<S>	<C> Balance at beginning of period	<C> Charged to costs and expenses	<C> Other (deductions) additions	<C> Balance at end of period
Year ended June 30, 1994				
Applied against asset account:				
Allowance for doubtful accounts	$ 15	20	-	35
Year ended June 30, 1995				
Applied against asset accounts:				
Allowance for doubtful accounts	$ 35	112	(3)	144
Year ended June 30, 1996				
Applied against asset account				
Allowance for doubtful accounts	144	31	-	175

</TABLE>

EXHIBIT INDEX

2.1 Purchase Agreement dated February 7, 1996 between Dieter W Priess Medizinische technische Ger te and ResMed-Priess GmbH (I, GR).

23.1 Consent of KPMG Deutsche Treuhand Gesellschaft.

99.3 Press Release, dated February 12, 1996, issued by ResMed, Inc.

b) The following documents are filed as part of this report:

1.1 Consolidated Financial Statements and Schedule.

The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the "Index to Consolidated Financial Statements" under Item 8 of this report.

3. Exhibits. The following exhibits are filed as a part of this report:

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*
10.1 1995 Stock Option Plan*
10.2 Licensing Agreement between the University of Sydney and ResMed Limited dated May 17, 1991, as amended*
10.3 Amended and Restated Consulting Agreement between Colin Sullivan and ResMed Limited dated September 2, 1994*
10.4 Loan Agreement between the Australian Trade Commission and ResMed Limited dated May 3, 1994*
10.5 Lease for 82 Waterloo Road, Sydney, Australia*
10.6 Lease for 5744 Pacific Center Boulevard, San Diego, USA*
11.1 Statement re: Computation of Earning per Share
16.1 Letter regarding change in Certifying Accountant*
21.1 Subsidiaries of the Registrant
23.1 Consent and Report on Schedules of KPMG Peat Marwick LLP
27.1 Financial Data Schedule

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

<TABLE>
<CAPTION>
Exhibit 11.1

RESMED INC AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year Ended June 30,		
	1994	1995	1996
<S>	<C>	<C>	<C>
PRIMARY EARNINGS			
Net income	$ 1,232	2,833	4,503
Shares			
Weighted average number of common shares outstanding	3,137	3,905	7,090
Additional shares assuming conversion of stock options under treasury stock method	502	545	109
Weighted average number of common shares and common equivalent outstanding as adjusted	3,639	4,450	7,199
Primary earnings per common and common equivalent share:	$ 0.34	$ 0.63	$ 0.63
FULLY DILUTED EARNINGS			
Net Income	$ 1,232	2,833	4,503
Shares			
Weighted average number of common shares outstanding	3,137	3,905	7,090
Additional shares assuming conversion of stock options under treasury stock method	502	608	128
Weighted average number of common and common equivalent shares outstanding as adjusted	3,639	4,513	7,218
Fully diluted earnings per common and common equivalent share:	$ 0.34	$ 0.62	$ 0.62

</TABLE>

Exhibit 21.1

RESMED INC
SUBSIDIARIES OF THE REGISTRANT

ResMed Holdings Limited (incorporated under the laws of New South Wales, Australia)

ResMed Limited (incorporated under the laws of New South Wales, Australia)*

ResMed Corporation (a Minnesota corporation)*

ResMed (UK) Limited (a United Kingdom corporation)*

ResMed International Inc (a Delaware corporation)

ResMed Priess GmbH and Co Kg (a German corporation)**

ResMed SA (a French corporation)**

ResMed Priess GmbH (a German corporation)

*A subsidiary of ResMed Holdings Limited
** A subsidiary of ResMed International Inc

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULES

The Board of Directors and Stockholders
ResMed Inc:

The audits referred to in our report dated August 12, 1996, included the related financial statement schedules as of June 30, 1996 and for each of the years in the three-year period ended June 30, 1996. 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 consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to incorporation by reference in the registration statement (No. 333-08013) on Form S-8 of ResMed Inc of our report dated August 12, 1996, relating to the consolidated balance sheets of ResMed Inc and subsidiaries as of June 30, 1995 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 1996, and the related schedules, which report appears in the June 30, 1996 annual report on Form 10-K of ResMed Inc.

/s/ KPMG PEAT MARWICK LLP
KPMG Peat Marwick LLP
San Diego, California
September 23, 1996

<TABLE>
<CAPTION>
Exhibit 27.1

RESMED INC

This schedule contains summary financial information extracted from ResMed Inc's Annual June 30, 1996 financial report and is qualified in its entirety by reference to such financial statements.

<S>	<C>	<C>
Period Type	12 Months	12 Months
Fiscal-Year-End	June 30, 1996	June 30, 1995
Period-End	June 30, 1996	June 30, 1995
Exchange-Rate	1	1
Cash	5,510,000	3,256,000
Securities	18,021,000	20,510,000
Receivables	6,252,000	3,729,000
Allowances	(144,000)	(175,000)
Inventory	6,134,000	4,350,000
Current-Assets	37,846,000	33,013,000
PP&E	3,284,000	1,981,000
Depreciation	0	0
Total-Assets	46,946,000	35,313,000
Current-Liabilities	7,382,000	5,659,000
Bonds	0	0
Preferred-Mandatory	0	0
Preferred	0	0
Common	29,000	26,000
Other-Se	38,957,000	28,841,000
Total-Liability-And-Equity	46,946,000	35,313,000
Sales	34,562,000	23,501,000
Total-Revenues	34,562,000	23,501,000
CGS	16,990,000	11,271,000
Total-Costs	0	0
Other-Expenses	0	0
Loss-Provision	0	0
Interest-Expense	0	0
Income-Pretax	6,561,000	3,781,000
Income-Tax	2,058,000	948,000
Income-Continuing	4,503,000	2,833,000
Discontinued	0	0
Extraordinary	0	0
Changes	0	0
Net-Income	4,503,000	2,833,000
EPS-Primary	63	63
EPS-Diluted	62	62

</TABLE>