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

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): SEPTEMBER 13, 2006

OSI SYSTEMS, INC.

(EXACT NAME OF REGISTRANT SPECIFIED IN CHARTER)

CALIFORNIA	000-23125	330238801
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER IDENTIFICATION NO.)

**12525 CHADRON AVENUE
HAWTHORNE, CA 90250**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(310) 978-0516
(REGISTRANT’S TELEPHONE NUMBER, INCLUDING AREA CODE)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On September 13, 2006, we issued a press release announcing our earnings for the fourth quarter and fiscal year ended June 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein in its entirety by this reference.

On the same date, Spacelabs Healthcare, Inc., a subsidiary we recently formed to serve as a holding company for our medical monitoring and anesthesia systems businesses, issued a press release announcing its results for the fiscal year ended June 30, 2006. Spacelabs Healthcare is listed on the AIM of the London Stock Exchange, where it has traded since October 31, 2005 under the ticker symbol "SLAB." A copy of the press release is attached hereto as Exhibit 99.2 and incorporated herein in its entirety by this reference.

We are furnishing the information contained in this Item 2.02 (including Exhibits 99.1 and 99.2). It shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1:	Press Release of OSI Systems, Inc., dated September 13, 2006.
Exhibit 99.2:	Press Release of Spacelabs Healthcare, Inc., dated September 13, 2006.

SIGNATURES

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

OSI SYSTEMS, INC.

Date: September 13, 2006

By: /s/ Anuj Wadhawan

Anuj Wadhawan
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release of OSI Systems, Inc., dated September 13, 2006.
99.2	Press Release of Spacelabs Healthcare, Inc., dated September 13, 2006.

<u>For Additional Information, Contact:</u>

Jeremy Norton
Director of Investor Relations
OSI Systems, Inc
12525 Chadron Ave
Hawthorne CA 90250
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**OSI SYSTEMS REPORTS FOURTH QUARTER
AND FULL FISCAL YEAR 2006 FINANCIAL RESULTS**

- **Achieved Record Sales of $453 million for Fiscal 2006**
- **Company Backlog at Record High of Approximately $147 million**

HAWTHORNE, Calif. — (BUSINESS WIRE) — September 13, 2006—OSI Systems, Inc. (NASDAQ:OSIS) today announced financial results for its fourth quarter and fiscal year ended June 30, 2006.

The Company reported revenues of $125.6 million for the fourth quarter of fiscal 2006, an increase of 25% from the $100.7 million reported for the fourth quarter of fiscal 2005. Net income for the fourth quarter of fiscal 2006 was $0.7 million, or $0.04 per diluted share, compared to a net loss of $3.2 million, or ($0.20) per diluted share, for the fourth quarter of fiscal 2005. The fourth quarter of fiscal 2006 results included stock based compensation expenses of $1.3 million, or $0.06 per diluted share due to the adoption of FAS 123(R) on July 1, 2005. Results for the fourth quarter of fiscal 2005 did not include stock-based compensation expenses.

For the fiscal year ended June 30, 2006, revenues increased by $67.6 million, or 18%, to $452.7 million, from $385.0 million for fiscal 2005. For fiscal 2006, the Company reported a net loss of $2.4 million or $(0.17) per diluted share, including stock based compensation expenses of $5.4 million, or $0.25 per diluted share. In fiscal 2005 the net loss was $2.4 million or $(0.15) per share, which did not include stock based compensation expenses.

Deepak Chopra, Chairman and CEO, stated, “We are pleased with the results for the fourth quarter, a period in which operating income improved by $13 million excluding stock based compensation expenses when compared to the fourth quarter of fiscal 2005 . We expect to continue this momentum for fiscal 2007 while continuing to work diligently on improving our profitability. At year end, the Company’s backlog is at an all time high of approximately $147 million, led by the strong bookings in the Security division.”

Mr. Chopra continued, “Each of our three business divisions grew in fiscal 2006. The Security division continued to make positive strides in its development programs, while simultaneously growing revenues by 10% and operating income by $4.8 million over the prior year. We expect that the Security division will see continued growth in fiscal 2007 led by the improvement in the cargo and vehicle inspection market and the introduction of its first product in the international Hold Baggage Screening market. Our Healthcare division’s fiscal 2006 revenues increased 13% and operating income increased by 75% from the prior year. The Healthcare division is poised for continued success in fiscal 2007, strengthened by the recent acquisition of Del Mar Reynolds. The Optoelectronics and Manufacturing division had an outstanding year, increasing external revenues by 47% and operating income by 102% from the prior year and is well positioned for continued strong results in fiscal 2007.”

Segment Information

Security Division

The Security division recorded revenues of $41.3 million for the fourth quarter of fiscal 2006, an increase of 28% from $32.2 million reported for the fourth quarter of fiscal 2005. Income from operations for the fourth quarter of fiscal 2006 was $2.0 million, compared to a loss from operations of $2.4 million for the fourth quarter of fiscal 2005. The fiscal 2006 fourth quarter results included stock based compensation expenses of $0.2 million whereas no such expense was included in the fourth quarter of fiscal 2005.

For the fiscal year ended June 30, 2006, revenues increased by $11.9 million, or 10%, to $135.1 million, from $123.2 million for fiscal 2005. For fiscal 2006, the Security division reported a loss from operations of $0.6 million, compared to a loss from operations of $5.4 million for fiscal 2005. Fiscal 2006 results include stock based compensation expenses of $0.9 million, whereas no such expense was included in fiscal 2005.

Healthcare Division

The Healthcare division reported revenues of $58.8 million for the fourth quarter of fiscal 2006, an increase of 15% from $51.1 million reported for the fourth quarter of fiscal 2005. Income from operations for the fourth quarter of fiscal 2006 was $6.5 million, compared to $2.4 million for the fourth quarter of fiscal 2005. The fourth quarter results included stock based compensation expenses of $0.5 million whereas no such expense was included in the fourth quarter of fiscal 2005.

For the fiscal year ended June 30, 2006, revenues increased by $24.9 million, or 13%, to $220.6 million, from $195.7 million for fiscal 2005. For fiscal 2006, income from operations increased by $6.3 million, or 75%, to $14.7 million, from $8.4 million for fiscal 2005. Fiscal 2006 results include stock based compensation expenses of $1.6 million, whereas no such expense was included in fiscal 2005.

Optoelectronics and Manufacturing Division

The Optoelectronics and Manufacturing division generated external revenues of $25.4 million for the fourth quarter of fiscal 2006, an increase of 46% from $17.4 million reported for the fourth quarter of fiscal 2005. Income from operations for the fourth quarter of fiscal 2006 was $5.1 million, compared to $0.5 million for the fourth quarter of fiscal 2005. The fourth quarter results included stock based compensation expenses of $0.1 million whereas no such expense was included in the fourth quarter of fiscal 2005.

For the fiscal year ended June 30, 2006, external revenues increased by $30.9 million, or 47%, to $97.0 million from $66.1 million for fiscal 2005. For fiscal 2006, income from operations increased by $6.3 million, to $12.5 million, from $6.2 million for fiscal 2005. Fiscal 2006 results include stock based compensation expenses of $0.5 million, whereas no such expense was included in fiscal 2005.

Higher intercompany sales to the Security and Healthcare divisions in fiscal 2006 compared to fiscal 2005 positively impacted operating income for the Optoelectronics and Manufacturing division. However, these sales are eliminated in consolidation.

Forward-Looking Guidance for the Year Ending June 30, 2007

The Company has not previously issued guidance for fiscal 2007. The Company provides the following guidance for fiscal 2007:

Fiscal 2007

- Net sales of $535 - $545 million, or year-over-year growth of 18 - 20%. The Company expects report earnings per share of $0.35 to $0.45 for fiscal 2007 as compared to a loss per share of $(0.14) in fiscal 2006.

Fiscal 2007 – First Quarter

- Net sales of $112 - $116 million, or year-over-year growth of 10 - 14%. The Company expects the loss per share to be reduced from the ($0.26) per share loss reported in the first quarter of 2005. The first quarter, historically the softest quarter in the Company's fiscal year, is impacted primarily by the seasonality factors within the Healthcare Division.

The Company has not yet established the final allocation of the purchase price associated with the Del Mar Reynolds acquisition, including the allocation of in-process research and development and intangibles, which could affect the above results guidance.

Conference Call Information

OSI Systems, Inc. will host a conference call and simultaneous webcast today over the Internet beginning at 9.00 am PT (12:00 pm ET), today to discuss these results. To listen, please log on www.fulldisclosure.com or www.osi-systems.com and follow the link that will be posted on the front page. A replay of the webcast will be available shortly after the presentation and will be archived on www.osi-systems.com. A telephonic replay of the call will also be available from 1:00 pm PT on September 13th until September 26th. The replay may be accessed by calling 888-286-8010 and entering the conference call identification number '35075047' when prompted for the replay code.

About OSI Systems, Inc.

OSI Systems Inc. is a Hawthorne, California based diversified global developer, manufacturer and seller of security and inspection systems, medical monitoring and anesthesia delivery products, and optoelectronic-based components, as well as a provider of engineering and manufacturing services. The Company has more than 30 years of experience in electronics engineering and manufacturing and maintains offices and production facilities located in more than a dozen countries. OSI Systems, Inc. implements a strategy of expansion by leveraging its electronics and contract manufacturing capabilities into selective end product markets through organic growth and acquisitions. For more information on OSI Systems Inc. or any of its subsidiary companies, visit www.osi-systems.com.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include information regarding the Company's expectations, goals or intentions about the future, including, the Company's predictions about upcoming improvements in the market for products that screen cargo, the introduction by the Company's Security division of its first product that screens hold (checked) baggage, the effect of the Healthcare division's recent acquisition of Del Mar Reynolds, future results of the Optoelectronics and Manufacturing division and the Company's guidance fiscal year 2007. The actual results may differ materially from those described in or implied by any forward-looking statement. In particular, there can be no assurance that expected improvements in markets, introductions of new products, effects of acquisitions or other expectations, such as those concerning future revenues and operating income, will ultimately materialize. Other important factors are set forth in our Securities and Exchange Commission filings. All forward-looking statements speak only as of the date made, and we undertake no obligation to update these forward-looking statements.

OSI SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended June 30, 2006	Year ended June 30, 2005
Revenues	$ 125,586	$ 100,713	$ 452,686	$ 385,041
Cost of goods sold	74,090	62,507	276,025	243,415
Gross profit	51,496	38,206	176,661	141,626
Operating expenses:				
Selling, general and administrative	37,693	35,692	138,428	116,245
Research and development	9,557	9,495	35,839	30,537
Restructuring charges	—		800	—
Management retention bonus	—	438	623	1,824
Total operating expenses	47,250	45,625	175,690	148,606
Income (loss) from operations	4,246	(7,419)	971	(6,980)
Interest income	87	38	267	196
Interest expense	(372)	(561)	(1,558)	(807)
Impairment of equity investments	—	—	—	(182)
Gain on sale of marketable securities	—	—	349	—
Other income	475	—	475	—
Income (loss) before provision for income taxes and minority interest	4,436	(7,942)	504	(7,773)
Provision (benefit) for income taxes	2,905	(4,707)	1,090	(5,309)
Minority interest	(796)	—	(1,772)	69
Net income (loss)	$ 735	$ (3,235)	$ (2,358)	$ (2,395)
Diluted earnings (loss) per share	$ 0.04	$ (0.20)	$ (0.17)	$ (0.15)
Weighted average shares outstanding - diluted	16,736,545	16,245,131	16,516,652	16,222,998

Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2006	June 30, 2005
ASSETS		
Cash and cash equivalents	$ 13,799	$ 14,623
Accounts receivable, net	119,419	89,227
Inventories	120,604	107,441
Other current assets	29,902	26,382
Total current assets	283,724	237,673
Non-current assets	119,774	109,447
Total	$ 403,498	$ 347,120
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank lines of credit	$ 10,857	$ 15,752
Current portion of long-term debt	1,251	499
Accounts payable and accrued expenses	68,526	54,504
Other current liabilities	40,934	36,543
Total current liabilities	121,568	107,298
Long-term debt	5,483	4,852
Other long term liabilities	17,769	11,343
Total liabilities	144,820	123,493
Minority interest	9,731	—
Shareholders' equity	248,947	223,627
Total	$ 403,498	$ 347,120

Segment Information
(in thousands)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Twelve months ended June 30, 2006	Twelve months ended June 30, 2005
Revenues - by Segment Group:				
Security Group	$ 41,302	$ 32,180	$135,089	$123,197
Healthcare Group	58,825	51,101	220,624	195,698
Optoelectronics and Manufacturing Group including intersegment revenues	37,277	20,885	125,870	84,558
Intersegment revenues elimination	(11,818)	(3,453)	(28,897)	(18,412)
Total	$125,586	$100,713	$452,686	$385,041
Operating income (loss) - by Segment Group:				
Security Group	$ 1,974	$ (2,405)	$ (640)	$ (5,438)
Healthcare Group	6,501	2,423	14,660	8,394
Optoelectronics and Manufacturing Group	5,114	515	12,505	6,159
Corporate	(8,784)	(7,735)	(24,786)	(15,420)
Eliminations	(559)	(217)	(768)	(675)
Total	$ 4,246	$ (7,419)	$ 971	$ (6,980)

Exhibit 99.2

September 13 2006

Results for Fiscal Year Ended June 30, 2006

Strong growth in revenue and net income

Spacelabs Healthcare, Inc. (LSE:SLAB) (the 'Company') an international developer, manufacturer and distributor of medical equipment and services, today announces its financial results for the fiscal year ended June 30 2006.

Financial Highlights

- Revenue up 12.7% to $220.6 million (FY 2005: $195.7 million)
- Gross profit margin improved 2.2% to 48.0% (FY 2005: 45.8%)
- Operating income up 91.0% to $13.6 million (FY 2005: $7.1 million); Included in FY 2006 is $1.6 million of stock compensation related expenses not included in the prior year. Excluding stock compensation related expenses, operating income grew 113%
- Net income up 82.1% to $8.4 million (FY 2005: $4.6 million); Excluding stock compensation related expenses, net income grew 103.5%
- Cash and cash equivalents $8.8 million as of June 30 2006 compared to $7.9 million as of June 30 2005
- Successful flotation on the London AIM market in October 2005 raising $29.7 million for the Company ($26.3 million net of expenses)

Business Highlights

- Significantly increased global supply chain efficiencies – gross margin up 2.2% percentage points and inventory down 14% versus prior year
- Launched two wireless monitors with introduction of the UltraviewSL 2400 compact monitor and the UltraviewSL 2600
- Launched new family of anesthesia ventilators with state- of-the-art Precision Pressure Control Ventilation™ technology in August 2006
- Received 510(k) approval from the U.S. FDA for distribution of the Blease Sirius anesthesia system into the U.S. market – expected to be launched in fiscal 2007
- Completed acquisition of Del Mar Reynolds in July 2006, expanding product portfolio to include diagnostic cardiology solutions while expanding operational presence in the European market and doubling the size of our Clinical Trials Business;
- Began implementation process of next generation Global ERP system

Deepak Chopra, Chief Executive Officer of Spacelabs Healthcare, Inc. said:

"Our operating performance for fiscal 2006 was led by the continued strong performance of our patient monitoring product line. We intend to leverage our global installed base of monitoring products, including anesthesia, to drive sales of our other product areas supplies & accessories and cardiac monitoring from the recently completed acquisition of Del Mar Reynolds.

"Del Mar Reynolds will be a positive contributor to the future growth of Spacelabs Healthcare. The process of integrating the business into the Company has already begun and we expect to generate significant cost savings and efficiencies once this process is completed. While we are focused on growing the business organically we continue to explore strategic acquisitions of complementary technologies and companies globally."

For further information, please contact:

Spacelabs Healthcare, Inc.	
Jeremy Norton, Director of Investor Relations	Tel: +1 310 717 9182
Financial Dynamics	
Ben Atwell, John Gilbert	Tel: + 44 207 831 3113

Earnings Conference Call Information

Spacelabs Healthcare, Inc. will webcast its full year results for fiscal 2006 at 3:00pm BST (7:00am PT) on September 13, 2006. To listen, please log on www.earnings.com or www.spacelabshealthcare.com and follow the link that will be posted on the front page. A replay of the webcast will be available shortly after the presentation and will be archived on the websites outlined above. A telephonic replay of the call will also be available from 8:00pm BST (12:00pm PT) on September 13, 2006, until September 26, 2006. The replay may be accessed by calling +1-617-801-6888 (international) or 1-888-286-8010 (U.S. domestic) and entering the replay passcode of "60058484".

CEO'S STATEMENT

Introduction

Spacelabs Healthcare is an international developer, manufacturer and distributor of medical equipment including patient monitoring solutions, anesthesia delivery and ventilation systems, diagnostic cardiology solutions and supplies and accessories sold to hospitals, clinics and physicians offices. Additionally, our Clinical Trials Business collects, interprets, and distributes Electrocardiogram (ECG) and Ambulatory Blood Pressure (ABP) cardiac safety data from clinical trials performed by Clinical Research Organisation and pharmaceutical companies. The business was incorporated as Spacelabs Healthcare, Inc. in August 2005 and completed its IPO on the AIM market of the London Stock Exchange in October 2005.

The Company employs approximately 1,300 people worldwide and has offices in the U.K., Canada, France, Germany, Finland, Singapore, India, China and the U.S. The Company has a portfolio of established international brand names in both medical devices and medical services such as “Spacelabs,” “Blease,” “Del Mar Reynolds,” “Hertford Cardiology” and “Dolphin.”

Subsequent to the conclusion of the fiscal year the Company acquired Del Mar Reynolds, the cardiology division of Ferraris Group PLC. The acquisition expands Spacelabs Healthcares product offering in the hospital market and increases its presence in the UK and European markets. Included within the acquisition was Hertford Cardiology, a UK-based collector and interpreter of cardiac safety data from clinical trials. The Hertford Cardiology business complements the Company's own clinical trials business—Spacelabs Medical Data - and when combining the two businesses will provide the Company with a strong geographic presence in the two largest markets for clinical trials.

Strategy

The Company's strategic goal is to become a leading global player in the medical equipment market. By leveraging our installed base of monitoring products, established infrastructure and global distribution channels we will complement organic growth with strategic acquisitions.

Key to this strategy are the following core elements:

Improving Existing Patient Care Technologies

The Company's technology is based on open standards, connectivity and networking to provide ‘on demand’ information to help healthcare professionals. The Company will continue to develop medical devices that provide accurate, reliable and cost-effective results for care providers that enhance the quality of care provided.

Acquiring New Companies and Technologies

The Company will continue to acquire new companies and technologies that can leverage our established infrastructure and global distribution channels.

Capitalizing On Global Presence

The Company operates from locations in North America, Europe and Asia with a distribution network in approximately 110 countries. Its global presence provides us with the ability to take advantage of important strategic and operational benefits such as competitive labor rates and customer orientated localized service. The Company will continue to focus on gaining direct access to growing global markets and expanding its international customer and distribution channels.

Selectively Entering New Markets

The Company intends to target new markets that complement its capabilities in the design, development, distribution and manufacture of its existing medical solutions. We believe that we can utilize our existing integrated design and manufacturing capabilities to capture greater margins and to build a larger presence in emerging markets, gaining access through internal growth, acquisitions or partnerships.

OPERATIONAL HIGHLIGHTS

The Company reported record revenues of $220.6 million for fiscal 2006, an increase of $24.9 million, or 13% from $195.7 million reported for fiscal 2005. The increase in revenue was driven primarily by the strong performance of its patient monitoring business, especially in the North American market coupled with the inclusion of Blease for the full fiscal year.

Gross profit margin increased to 48.0% for fiscal 2006 compared to 45.8% in fiscal 2005, due to cost savings achieved through manufacturing efficiencies, improved supply chain management an the implementation of improved inventory control procedures in the patient monitoring and anesthesia product lines.

The Company is committed to generating further cost savings and as such at the end of the fiscal year began the implementation process of the next generation global ERP systems. The implementation process is expected to take up to 18 months to complete after which time the Company anticipates an increase in operating efficiencies across all business lines.

The Company operates in two businesses: (a) Equipment, Service & Supplies and (b) Clinical Trials.

Equipment, Service & Supplies Business

The Equipment, Service & Supplies business is a developer, manufacturer, and distributor of medical equipment including patient monitoring and connectivity solutions, anesthesia delivery and ventilation systems, diagnostic cardiology solutions and supplies and accessories. The products are sold to hospitals, clinics and physicians offices. This business includes such brand names as, “Spacelabs Medical,” “Blease,” “Del Mar Reynolds” and “Dolphin.”

In fiscal 2006, the Equipment, Service & Supplies business recorded revenues of $215.4 million, (FY 2005: $190.2 million), representing approximately 98% of the Company’s total revenue. Revenues recorded in fiscal 2006 do not include any contribution from Del Mar Reynolds, acquired in July 2006. The increase in revenue in fiscal 2006 was mainly due to the strong performance in patient monitoring sales, primarily in the North American market coupled with the inclusion of Blease for the full fiscal year.

As part of the Company’s continued commitment to open standards and connectivity, during the fiscal year the Company launched two wireless monitors. Both the Ultraview SL 2600 and the UltraviewSL 2400 compact monitors enable wireless monitoring and collection of patient data while the patient is being transported within the hospital environment. The monitors have been designed to meet customer needs for ease of use and compatibility with global standards, and to comply with 802.11b, the WiFi standard that has gained broad acceptance within healthcare institutions worldwide.

In October 2005, the Company announced that the Blease Sirius 3000 anesthesia machine with 8700 ventilator had received 510(k) approval from the U.S. Food and Drug Administration (“FDA”) for sale in the U.S. market. Approval by the FDA opens up the largest anesthesia market in the world, estimated to be worth over $400 million annually by Frost and Sullivan. The Company expects that the systems will be launched into the U.S. market in the first half of fiscal 2007.

In August 2006, the Company announced the launch of a new range of anesthesia ventilators with Precision Pressure Control Ventilation™ technology. The development and introduction of such state-of-the-art ventilation technology underscore the Company's commitment to develop innovative technologies that enhance the quality of care that its customers provide.

Clinical Trials Business

The Clinical Trials business collects, interprets, and distributes Electrocardiogram (ECG) and Ambulatory Blood Pressure (ABP) cardiac safety data from clinical trials performed by Clinical Research Organizations ("CRO's") and pharmaceutical companies. The business operates under the trade names "Spacelabs Medical Data" and "Hertford Cardiology" primarily in the U.S and European markets.

The Company acquired Hertford Cardiology as part of its July 2006 acquisition of Del Mar Reynolds.

In fiscal 2006, the Clinical Trials business recorded revenues of $5.3 million (FY 2005: $5.5 million) representing approximately 2% of the Company's total revenue. During fiscal 2006, however, the contract order book for the business more than doubled. This significant increase in the order book was a direct result of the successful completion of a number of audits conducted by key sponsors including both CRO's and major pharmaceutical companies.

In December 2005, the Company announced the receipt of a contract from a major international pharmaceutical company for three clinical trials. The trials are to be conducted over two to three years involving more than 1,000 patients in 11 countries.

The acquisition of Hertford Cardiology in July 2006 essentially doubles the size of the Clinical Trials Business while expanding its geographic presence to include the European Clinical Trials market. This will provide the business with the opportunity to leverage its existing infrastructure while creating back office efficiencies. While this business currently accounts for only a small proportion of the Company's overall revenues, the Company believes that the business has the potential to experience rapid growth in revenues and an improvement in margins.

Partnerships and Collaborations

The Company continues to focus on the development of partnerships and collaborations throughout the healthcare industry. Its software platform for its patient monitoring systems provides an open architecture allowing us to work closely with other software and hardware providers, thereby ensuring that its customers receive the best integrated solutions available.

For fiscal 2006, the Company announced the availability of a new real-time time Charting Module for the Neonatal Intensive Care Unit (NICU) developed in conjunction with Clinical Computer Systems, Inc. The Company also announced the introduction of additional pulse oximetry technological capabilities for the complete range of UltraviewSL monitors.

FINANCIAL REVIEW

Profit and Loss Account

The Company reported record revenues of $220.6 million for fiscal 2006, an increase of $24.9 million, or 13% from $195.7 million reported for fiscal 2005. The increase in revenue in fiscal 2006 was primarily due to the strong performance in patient monitoring sales, primarily in the North American, coupled with the inclusion of Blease for the full fiscal year.

The Company reported a gross profit margin of 48.0% for fiscal 2006, compared to 45.8% in fiscal 2005. The increase in gross profit was largely attributable to the introduction of the new lower cost patient monitoring product line and improved manufacturing costs in Blease. The Company's global supply chain operations were instrumental in achieving these efficiencies. Included in cost of goods sold for FY 2006 is approximately $0.2 million of stock compensation related expenses that were not included in the prior year's expenses.

Selling and General Administrative ("SG&A") expenses, excluding management retention bonuses, were $72.6 million for fiscal 2006, an increase of $8.1 million from $64.5 million in fiscal 2005. The increase in SG&A expenses was attributable to the inclusion of Blease for the full fiscal year, increased insurance costs combined with higher selling costs and commissions associated with increased sales. Included in SG&A expenses for FY 2006 is approximately $1.2 million of stock compensation related expenses that were not included in the prior year's expenses.

Research and development expenses were $19.1 million for fiscal 2006, an increase of $3.2 million from $15.9 million reported in fiscal 2005. The increase in R&D expenses was attributable to the inclusion of Blease for the full fiscal year combined with continued investment in next generation patient monitoring products. Included in R&D expenses for FY 2006 is approximately $0.1 million of stock compensation related expenses that were not included in the prior year's expenses.

Operating income including stock compensation related expenses of $1.6 million was $13.6 million for fiscal 2006, an increase of $6.5 million, or 91%, from $7.1 million reported in fiscal 2005. In fiscal 2005, the Company did not incur stock compensation related expenses. Excluding stock compensation related expenses, operating income was up 113%.

Interest expense in fiscal 2006 was $1.4 million, payable to OSI Systems, Inc., the majority shareholder of the Company, in relation to the outstanding long-term loan from OSI Systems, Inc. to the Company of $31.8 million.

The tax rate for fiscal 2006 was 36.4%, compared to 34.6% for fiscal 2005 as the Company experienced relatively higher income growth year-on-year over year in higher tax jurisdictions.

Net income for fiscal 2006 was $8.4 million, an increase of $3.8 million, or 82.1%, from $4.6 million reported in fiscal 2005.

Balance Sheet

At June 30, 2006, the Company reported total assets of $151.6 million, including cash and cash equivalents of $8.8 million and equity of $49.0 million. The Company has a long-term loan with its majority shareholder, OSI Systems, Inc. totaling $31.8 million.

The increase in total assets from June 30, 2005 is attributable primarily to the increase in receivables as a result of the significant sales volumes in the fourth quarter of fiscal 2006.

The decrease in liabilities from June 30, 2005 is primarily due to the repayment of $25.5 million of inter-company debt to the Company's majority shareholder.

Cash Flow Statement

For the period, the Company generated $0.9 million in cash. Net cash flow generated from operating activities was $5.8 million. Capital expenditure for the period was $5.1 million, an increase from $3.9 million in fiscal 2005 primarily attributable to a full year of Blease. The Company received IPO proceeds of approximately $26.3 million, net of expenses. The Company used approximately $22.0 million of these proceeds to repay outstanding inter-company debt obligations to OSI Systems, Inc. In addition, the Company repaid an additional $3.5 million against this inter-company debt from free cash flows generated post-IPO.

Flotation on AIM

The IPO was concluded in October 2005 and raised $29.7 million ($26.3 million net of expenses) through the issuance of 13.5 million shares at a placing price of $2.20 per share. At the date of listing the market capitalization of the Company, at the placing price, was approximately $150 million.

SUMMARY AND OUTLOOK

Overall, the Company has performed well in fiscal 2006, recording strong increases in both revenues and net income. I am confident that the Company will continue to make further progress during fiscal 2007 as it continues to execute its strategy.

The customary seasonality of the Company's business means that the Company anticipates strong sales in the December and June quarters when compared to the September and March quarters. The Company will continue to be focused on integrating its newly acquired diagnostics cardiology business into the Company, the full benefits of which will be visible over the next twelve to eighteen months. The Company will continue the rollout of a number of new products and remain on the lookout for synergistic acquisitions.

Deepak Chopra
Chief Executive Officer

The CEO's Statement above contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to expectations concerning matters that are not historical facts. Words such as "projects," "believes," "anticipates," "plans," "expects," "intends," "may," and similar words and expressions are intended to identify forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements are reasonable, but those expectations may not prove to be correct. Important factors that could cause our actual results to differ materially from those expectations are disclosed in the Annual Report on Form 10-K of OSI Systems, Inc. (NASDAQ: OSIS) and other documents previously filed or hereafter filed by OSI Systems, Inc. from time to time with the U.S. Securities and Exchange Commission. All forward-looking statements contained above are qualified in their entirety by this paragraph. Neither the Company nor OSI Systems, Inc. undertakes any obligation other than as may be required under securities laws to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

SPACELABS HEALTHCARE, INC.
CONDENSED CONSOLIDATED/COMBINED INCOME STATEMENTS

	Year Ended June 30, 2006 US$ '000	Year Ended June 30, 2005 US$ '000	% Change
Revenues	220,627	195,731	13%
Cost of goods sold (including stock compensation expense of $233,000 for 2006)	114,739	106,078	8%
Gross profit	105,888	89,653	18%
Operating expenses:			
Selling, general and administrative (including stock compensation expense of $1,192,000 for 2006)	72,588	64,528	12%
Research and development (including stock compensation expense of $126,000 for 2006)	19,098	15,892	20%
Management retention bonus	623	1,824	
Write-off of in-process research and development	—	300	
Total operating expenses	92,309	82,544	12%
Income from operations	13,579	7,109	91%
Interest expense	1,385	124	
Interest income	(178)	(29)	
Other (income) expense	(804)	(11)	
Income before provision for income taxes and minority interest	13,176	7,025	88%
Provision for income taxes	4,799	2,430	
Income before minority interest	8,377	4,595	82%
Minority interest	—	6	
Net income	8,377	4,601	82%
Diluted earnings per share	$ 0.13	$ 0.08	63%
Weighted average shares outstanding - diluted (000's)	64,732	54,257	

SPACELABS HEALTHCARE, INC.
CONDENSED CONSOLIDATED/COMBINED BALANCE SHEETS

	June 30 2006 US$ '000 (Consolidated)	June 30 2005 US$ '000 (Combined)
ASSETS		
Current assets:		
Cash and cash equivalents	8,809	7,875
Accounts receivable, net	64,505	44,110
Inventory	33,043	38,205
Other current assets	9,947	8,092
Total current assets	116,304	98,282
Non-current assets	35,344	32,979
Total assets	151,648	131,261
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	17,875	18,710
Payables to related parties, net	13,360	9,147
Other accrued expenses and current liabilities	32,610	25,385
Total current liabilities	63,845	53,242
Loan from related party	31,810	57,310
Other long term liabilities	7,014	8,639
Total liabilities	102,669	119,191
Shareholders' equity	48,979	12,070
Total liabilities and shareholders' equity	151,648	131,261

SPACELABS HEALTHCARE, INC.
CONDENSED CONSOLIDATED/COMBINED STATEMENTS OF CASH FLOWS

	Year Ended June 30 2006 US$ '000	Year Ended June 30 2005 US$ '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	8,377	4,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,489	3,304
Stock option expense	1,551	—
Deferred income taxes	(2,619)	(2,199)
Other	(843)	471
Changes in operating assets and liabilities, net of effects of acquisition	(5,119)	(635)
Net cash provided by operating activities	5,836	5,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(5,132)	(3,900)
Cash paid for Blease, net of cash acquired	—	(9,121)
Other	542	(478)
Net cash used in investing activities	(4,590)	(13,499)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) from related party	(25,500)	9,858
Net proceeds from public offering of common stock	26,280	—
Other	3	(6)
Net cash provided by financing activities	783	9,852
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,095)	(241)
NET INCREASE IN CASH AND CASH EQUIVALENTS	934	1,654
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,875	6,221
CASH AND CASH EQUIVALENTS, END OF PERIOD	8,809	7,875