ALLIED HEALTHCARE PRODUCTS INC
Form 10-K
September 27, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year June 30, 2011
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____ to_____

Commission File Number 0-19266

ALLIED HEALTHCARE PRODUCTS, INC.
[Exact name of registrant as specified in its charter]

DELAWARE	25-1370721
(State or other jurisdiction of Incorporation or organization)	(I.R.S. employer identification no.)
1720 Sublette Avenue St. Louis, Missouri	63110
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code (314) 771-2400

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01	The NASDAQ Stock Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant

was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes. x No. ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes. ¨ No. ¨

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

As of December 31, 2010, the last business day of the registrant's most recently completed second fiscal quarter; the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $19,687,210.

As of September 19, 2011, there were 8,124,386 shares of common stock, $0.01 par value (the "Common Stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Proxy Statement to be filed within 120 days after June 30, 2011 (portion) (Part III)

ALLIED HEALTHCARE PRODUCTS, INC.

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"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements contained in this Report, which are not historical facts or information, are "forward-looking statements." Words such as "believe," "expect," "intend," "will," "should," and other expressions that indicate future events trends identify such forward-looking statements. These forward-looking statements involve risks and uncertainties, which could cause the outcome and future results of operations and financial condition to be materially different than stated or anticipated based on the forward-looking statements. Such risks and uncertainties include both general economic risks and uncertainties, risks and uncertainties affecting the demand for and economic factors affecting the delivery of health care services, and specific matters which relate directly to the Company's operations and properties as discussed in Items 1, 1A, 3 and 7 in this Report. The Company cautions that any forward-looking statements contained in this report reflect only the belief of the Company or its management at the time the statement was made. Although the Company believes such forward-looking statements are based upon reasonable assumptions, such assumptions may ultimately prove inaccurate or incomplete. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made.

PART I

Item 1. Business

General

Allied Healthcare Products, Inc. ("Allied", the "Company", "we", or "us") manufactures a variety of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including sub-acute care facilities, home health care and emergency medical care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company believes that it maintains significant market shares in selected product lines.

The Company's products are marketed under well-recognized and respected brand names to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers, emergency medical products dealers and others. Allied's product lines include:

Respiratory Care Products

- respiratory care/anesthesia products
- home respiratory care products

Medical Gas Equipment

- medical gas system construction products
- medical gas system regulation devices
- disposable oxygen and specialty gas cylinders
- portable suction equipment

Emergency Medical Products

- respiratory/resuscitation products
- trauma and patient handling products

The Company's principal executive offices are located at 1720 Sublette Avenue, St. Louis, Missouri 63110, and its telephone number is (314) 771-2400.

Markets and Products

In fiscal 2011, respiratory care products, medical gas equipment and emergency medical products represented approximately 23%, 53% and 24%, respectively, of the Company's net sales. In comparison, in fiscal 2010, respiratory care products, medical gas equipment and emergency medical products represented approximately 24%, 54%, and 22%, respectively, of the Company's net sales. The Company operates in a single industry segment and its principal products are described in the following table:

Product	Description	Principal Brand Names	Primary Users
Respiratory Care Products			
Respiratory Care/Anesthesia Products	Large volume compressors; ventilator calibrators; humidifiers and mist tents; and CO2 absorbent	Timeter	Hospitals and sub-acute facilities
Home Respiratory Care Products	O2 cylinders; pressure regulators; nebulizers; portable large volume compressors; portable suction equipment and disposable respiratory products	Timeter; B&F; Schuco	Patients at home
Medical Gas Equipment Construction Products	In-wall medical gas system components; central station pumps and compressors and headwalls	Chemetron; Oxequip	Hospitals and sub-acute facilities
Regulation Devices	Flowmeters; vacuum regulators; pressure regulators and related products	Chemetron; Oxequip; Timeter	Hospitals and sub-acute facilities
Disposable Cylinders	Disposable oxygen and gas cylinders	Lif-O-Gen	First aid providers and specialty gas distributors
Suction Equipment	Portable suction equipment and disposable suction canisters	Gomco; Allied; Schuco	Hospitals, sub-acute facilities and homecare products
Emergency Medical Products			
Respiratory/Resuscitation	Demand resuscitation valves; bag mask resuscitators; emergency transport ventilators, oxygen regulators, SurgeX - surge suppressing post valve, and mass casualty ventilation line	LSP; Omni-Tech	Emergency service providers

Trauma and Patient Handling Products	Spine immobilization products; pneumatic anti-shock garments, trauma burn kits and Xtra backboards	LSP	Emergency service providers

Respiratory Care Products

Market. Respiratory care products are used in the treatment of acute and chronic respiratory disorders such as asthma, emphysema, bronchitis and pneumonia. Respiratory care products are used in both hospitals and alternate care settings. Sales of respiratory care products are made through distribution channels focusing on hospitals and other sub-acute facilities. Sales of home respiratory care products are made through durable medical equipment dealers through telemarketing, and by contract sales with national chains.

Respiratory Care/Anesthesia Products. The Company manufactures and sells a broad range of products for use in respiratory care and anesthesia delivery. These products include large volume air compressors, calibration equipment, humidifiers, croup tents, equipment dryers and a complete line of respiratory disposable products such as oxygen tubing, facemasks, cannulas and ventilator circuits.

Home Respiratory Care Products. Home respiratory care products represent one of Allied's potential growth areas. Allied's broad line of home respiratory care products include aluminum oxygen cylinders, oxygen regulators, pneumatic nebulizers, portable suction equipment and the full line of respiratory disposable products.

Medical Gas Equipment

Market. The market for medical gas equipment consists of hospitals, alternate care settings and surgery centers. The medical gas equipment group is broken down into three separate categories: construction products, regulation devices and suction equipment, and disposable cylinders.

Construction Products. Allied's medical gas system construction products consist of in-wall medical system components, central station pumps and compressors, and headwalls. These products are typically installed during construction or renovation of a health care facility and are built in as an integral part of the facility's physical plant. Typically, the contractor for the facility's construction or renovation purchases medical gas system components from manufacturers and ensures that the design specifications of the health care facility are met.

Allied's in-wall components, including outlets, manifolds, alarms, ceiling columns and zone valves, serve a fundamental role in medical gas delivery systems.

Central station pumps and compressors are individually engineered systems consisting of compressors, reservoirs, valves and controls designed to drive a hospital's medical gas and suction systems. Each system is designed specifically for a given hospital or facility, which purchases pumps and compressors from suppliers. The Company's sales of pumps and compressors are driven, in large part, by its share of the in-wall components market.

The Company's construction products are sold primarily to hospitals, alternate care settings and hospital construction contractors. The Company believes that it holds a major share of the U.S. market for its construction products, that these products are installed in more than three thousand hospitals in the United States and that its installed base of equipment in this market will continue to generate follow-on sales. The Company believes that most hospitals and sub-acute care facility construction spending is for expansion or renovation of existing facilities. Many hospital systems and individual hospitals undertake major renovations to upgrade their operations to improve the quality of care they provide, reduce costs and attract patients and personnel.

Regulation Devices and Suction Equipment. The Company's medical gas system regulation products include flowmeters, vacuum regulators and pressure regulators, as well as related adapters, fittings and hoses which measure, regulate, monitor and help transfer medical gases from walled piping or equipment to patients in hospital rooms, operating theaters or intensive care areas. The Company's leadership position in the in-wall components market provides a competitive advantage in marketing medical gas system regulation devices that are compatible with those components.

Portable suction equipment is typically used when in-wall suction is not available or when medical protocol specifically requires portable suction. The Company also manufactures disposable suction canisters, which are clear containers used to collect the fluids suctioned by in-wall or portable suction systems. The containers have volume calibrations, which allow the medical practitioner to measure the volume of fluids suctioned.

The market for regulation devices and suction equipment includes hospital and sub-acute care facilities. Sales of these products are made through the same distribution channel as our respiratory care products. The Company believes that it holds a significant share of the U.S. market in both regulation devices and suction equipment.

Disposable Cylinders. Disposable oxygen cylinders are designed to provide oxygen for short periods of time in emergency situations. Since they are not subjected to the same pressurization as standard containers, they are much lighter and less expensive than standard gas cylinders. The Company markets filled disposable oxygen cylinders through industrial safety distributors and similar customers, principally to first aid providers, restaurants, industrial plants and other customers that require oxygen for infrequent emergencies.

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Emergency Medical Products

Market. Emergency medical products are used in the treatment of trauma-induced injuries. The Company's emergency medical products provide patient resuscitation or ventilation during cardiopulmonary resuscitation or respiratory distress as well as immobilization and treatment for burns. The Company has seen growth in the trauma care venue for health care services, as the trend continues toward providing health care outside the traditional hospital setting. The Company also expects that other countries will develop trauma care systems in the future, although no assurance can be given that such systems will develop or that they will have a favorable impact on the Company. Sales of emergency medical products are made through specialized emergency medical products distributors to ambulance companies, fire departments and emergency medical systems volunteer organizations.

The emergency medical products are broken down into two categories: respiratory/resuscitator products and trauma patient handling products.

Respiratory/Resuscitation Products. The Company's respiratory/resuscitation products include demand resuscitation valves, portable resuscitation systems, bag masks and related products, emergency transport ventilators, precision oxygen regulators, minilators, multilators and humidifiers.

Demand resuscitation valves are designed to provide 100% oxygen to breathing or non-breathing patients. In an emergency situation, they can be used with a mask or tracheotomy tubes and operate from a standard regulated oxygen system. The Company's portable resuscitation systems provide fast, simple and effective means of ventilating a non-breathing patient during cardiopulmonary resuscitation and 100% oxygen to breathing patients on demand with minimal inspiratory effort. The Company also markets a full line of disposable and reusable bag mask resuscitators, which are available in a variety of adult and child-size configurations. Disposable mouth-to-mask resuscitation systems have the added advantage of reducing the risk of transmission of communicable diseases.

The Company's autovent transport ventilator can meet a variety of needs in different applications ranging from typical emergency medical situations to more sophisticated air and ground transport. Each autovent is accompanied by a patient valve, which provides effective ventilation during cardiopulmonary resuscitation or respiratory distress. When administration of oxygen is required at the scene of a disaster, in military field hospitals or in a multiple-victim incident, Allied's minilators and multilators are capable of providing oxygen to one or a large number of patients.

The Company's mass casualty ventilation line has been designed to meet the unique ventilation demands that can occur during a mass casualty event or pandemic. The mass casualty products are lightweight, robust, and easy to operate. Designed for surge capacity, these products are capable of providing reliable ventilation even in unpredictable environments and conditions, and require minimal periodic maintenance.

To complement the family of respiratory/resuscitation products, the Company offers a full line of oxygen product accessories. This line of accessory products includes reusable aspirators, tru-fit masks, disposable cuffed masks and related accessories.

Trauma and Patient Handling Products. The Company's trauma and patient handling products include spine immobilization products, pneumatic anti-shock garments and trauma burn kits. Spine immobilization products include a backboard that is designed for safe immobilization of injury victims and provides a durable and cost effective means of emergency patient transportation and extrication. The infant/pediatric immobilization board is durable and scaled for children. The half back extractor/rescue vest is useful for both suspected cervical/spinal injuries and for mountain and air rescues. The Company's pneumatic anti-shock garments are used to treat victims experiencing hypovolemic shock. Allied's trauma burn kits contain a comprehensive line of products for the treatment of trauma and burns.

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Sales and Marketing

Allied sells its products primarily to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers, emergency medical products dealers and others. The Company maintains a sales force of 22 sales professionals, all of whom are full-time employees of the Company.

The sales force includes eight domestic hospital, homecare and emergency specialists, six domestic construction specialists, and four international sales representatives. A total of four sales managers lead each of the sales groups. Two product managers are responsible for the marketing activities of our product lines.

The domestic hospital specialists are responsible for sales of all Allied products with the exception of construction products within their territory. Sales of hospital products are accomplished through respiratory care/anesthesia distributors for the regulation devices, suction equipment, respiratory care/anesthesia products and disposable cylinders. The domestic construction specialists are responsible for sales of all Allied construction products within their territory. Emergency products are principally sold to ambulance companies, fire departments and emergency medical systems volunteer organizations through specialized emergency medical products distributors.

Construction products are sold direct to hospital construction contractors and through distributors.

The Company's international specialists sell all Allied products within their territory. Allied's net sales to foreign markets totaled 20% of total net sales in fiscal 2011, 19% in 2010 and 19% 2009. International sales are made through a network of dealers, agents and U.S. exporters who distribute the Company's products throughout the world. Allied has market presence in Canada, Mexico, Central and South America, Europe, the Middle East and the Far East.

Manufacturing

Allied's manufacturing processes include fabrication, electro-mechanical assembly operations and plastics manufacturing. A significant part of Allied's manufacturing operations involves electro-mechanical assembly of proprietary products and the Company is vertically integrated in most elements of metal machining and fabrication. Most of Allied's hourly employees are involved in machining, metal fabrication, plastics manufacturing and product assembly.

Allied manufactures small metal components from bar stock in a machine shop, which includes automatic screw machines, horizontal lathes and drill presses and computer controlled machining centers. The Company makes larger metal components from sheet metal using computerized punch presses, brake presses and shears. In its plastics manufacturing processes, the Company utilizes both extrusion and injection molding. The Company believes that its production facilities and equipment are in good condition and sufficient to meet planned increases in volume over the next few years and that the conditions in local labor markets should permit the implementation of additional shifts and days operated.

Research and Development

Allied's research and development department group is responsible for the development of new products. This group is staffed with mechanical and electrical engineers.

During fiscal year 2011 the research and development group completed upgrades to the construction manifold and cost reductions for the CPAP ventilator circuit.

The group is actively working on other products that were not released during fiscal year 2011.

As part of the agreement relating to the withdrawal of the Baralyme® product in August 2004, Abbott Laboratories agreed to pay to Allied up to $2,150,000 in product development costs to pursue development of a new carbon dioxide absorption product for use in connection with inhalation anesthetics that does not contain potassium hydroxide and does not produce a significant exothermic reaction with currently available inhalation agents. Allied has pursued development of a new carbon dioxide absorption product, resulting in its new Litholyme® product. As of June 30, 2011 the Company had been reimbursed $2,150,000 by Abbott. More detailed information concerning this agreement is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Government Regulation

The Company's products and its manufacturing activities are subject to extensive and rigorous government regulation by federal and state authorities in the United States and other countries. In the United States, medical devices for human use are subject to comprehensive review by the United States Food and Drug Administration (the "FDA"). The Federal Food, Drug, and Cosmetic Act ("FDC Act"), and other federal statutes and regulations, govern or influence the research, testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Noncompliance with applicable requirements can result in warning letters, fines, recall or seizure of products, injunction, refusal to permit products to be imported into or exported out of the United States, refusal of the government to clear or approve marketing applications or to allow the Company to enter into government supply contracts, or withdrawal of previously approved marketing applications and criminal prosecution.

The Company is required to file a premarket notification in the form of a premarket approval ("PMA") with the FDA before it begins marketing a new medical device that offers new technology that is currently not on the market. The Company also must file a premarket notification in the form of a 510(k) with the FDA before it begins marketing a new medical device that utilizes existing technology for devices that are currently on the market. The 510(k) submission process is also required when the Company makes a change or modifies an existing device in a manner that could significantly affect the device's safety or effectiveness.

Compliance with the regulatory approval process in order to market a new or modified medical device can be uncertain, lengthy and, in some cases, expensive. There can be no assurance that necessary regulatory approvals will be obtained on a timely basis, or at all. Delays in receipt or failure to receive such approvals, the loss of previously received approvals, or failure to comply with existing or future regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company manufactures and distributes a broad spectrum of respiratory therapy equipment, emergency medical equipment and medical gas equipment. To date, all of the Company's FDA clearances have been obtained through the 510(k) clearance process. These determinations are very fact specific and the FDA has stated that, initially, the manufacturer is best qualified to make these determinations, which should be based on adequate supporting data and documentation. The FDA however, may disagree with a manufacturer's determination not to file a 510(k) and require the submission of a new 510(k) notification for the changed or modified device. Where the FDA believes that the change or modification raises significant new questions of safety or effectiveness, the agency may require a manufacturer to cease distribution of the device pending clearance of a new 510(k) notification. Certain of the Company's medical devices have been changed or modified subsequent to 510(k) marketing clearance of the original device by the FDA. Certain of the Company's medical devices, which were first marketed prior to May 28, 1976, and therefore, grandfathered and exempt from the 510(k) notification process, also have been subsequently changed or modified. The Company believes that these changes or modifications do not significantly affect the devices' safety or effectiveness, or make a major change or modification in the devices' intended uses and, accordingly, submission of new 510(k) notification to the FDA is not required. There can be no assurance, however, that the FDA would agree with the Company's determinations.

In addition, commercial distribution in certain foreign countries is subject to additional regulatory requirements and receipt of approvals that vary widely from country to country. The Company believes it is in compliance with regulatory requirements of the countries in which it sells its products.

The Medical Device Reporting regulation requires that the Company provide information to the FDA on deaths or serious injuries alleged to have been associated with the use of its devices, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The Medical Device Tracking regulation requires the Company to adopt a method of device tracking of certain devices, such as ventilators, which

are life-supporting or life-sustaining devices used outside of a device user facility, some of which are permanently implantable devices. The regulation requires that the method adopted by the Company will ensure that the tracked device can be traced from the device manufacturer to the person for whom the device is indicated (i.e., the patient). In addition, the FDA prohibits a company from promoting an approved device for unapproved applications and reviews a company's labeling for accuracy. Labeling and promotional activities also are in certain instances, subject to scrutiny by the Federal Trade Commission.

The Company's medical device manufacturing facilities are registered with the FDA, and have received ISO 9001 certification under the Medical Device Directive (MDD - European) for certain products in 1998. The Company's St. Louis facility is ISO 9000 certified. The Company is subject to audit by the FDA, International Organization for Standardization ("ISO"), and European auditors for compliance with the Good Manufacturing Practices ("GMP"), the ISO and MDD regulations for medical devices. These regulations require the Company to manufacture its products and maintain its products and documentation in a prescribed manner with respect to design, manufacturing, testing and control activities. The Company also is subject to the registration and inspection requirements of state regulatory agencies.

There can be no assurance that any required FDA or other governmental approval will be granted, or, if granted, will not be withdrawn. Governmental regulation may prevent or substantially delay the marketing of the Company's proposed products and cause the Company to undertake costly procedures. In addition, the extent of potentially adverse government regulation that might arise from future administrative action or legislation cannot be predicted. Any failure to obtain, and maintain, such approvals could adversely affect the Company's ability to market its products or proposed products.

Sales of medical devices outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Medical products shipped to the European Community generally require CE certification. The letters "CE" are an abbreviation of Conformité Européenne, French for European conformity. Whether or not FDA approval has been obtained, approval of a device by a comparable regulatory authority of a foreign country generally must be obtained prior to the commencement of marketing in those countries. The time required to obtain such approvals may be longer or shorter than that required for FDA approval. In addition, FDA approval may be required under certain circumstances to export certain medical devices.

The Company is also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protections, fire hazard control and disposal of hazardous or potentially hazardous substances.

Patents, Trademarks and Proprietary Technology

The Company owns and maintains domestic and foreign patents on several products it believes are useful to the business and provide the Company with an advantage over its competitors. During the fiscal year 2011 the Company continued to pursue patents on the EPV100 Ventilator and a new product design still in research and development. A United States patent for the Litholyme® carbon dioxide absorbent product was obtained in July 2010 and will expire in 2027. Patents which expire during the period 2011 to 2027 in the aggregate are believed to be of material importance in the operation of Allied's business. Allied believes that no single patent, except that related to Litholyme®, is material in relation to Allied's future business as a whole. Although the expiration of an individual patent may lead to increased competition, other factors such as a competitor's need to obtain regulatory approvals prior to marketing a competitive product and the nature of the market, may allow Allied to continue to have commercial advantages after the expiration of the patent.

The company owns and maintains U.S. trademarks for Allied Healthcare Products, Inc., Chemetron, Gomco, Oxequip, Lif-O-Gen, Life Support Products, Timeter, Vacutron, and Schuco, its principal trademarks. Registrations for these trademarks are also owned and maintained in countries where such products are sold and such registrations are considered necessary to preserve the Company's proprietary rights therein.

Environmental and Safety Regulation

The Company is subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the environment and establish standards for the treatment, storage and disposal of toxic and hazardous wastes. The Company is also subject to the federal Occupational Safety and Health Act and similar state statutes. From time to time the Company has been involved in environmental proceedings involving clean up of hazardous waste. There are no such material proceedings currently pending. Costs of compliance with environmental, health and safety requirements have not been material to the Company. The Company believes it is in material compliance with all applicable environmental laws and regulations.

Competition

The Company has different competitors within each of its product lines. Many of the Company's principal competitors are larger than the Company and have greater financial and other resources. The Company competes primarily on the basis of price, quality and service. The Company believes that it is well positioned with respect to product cost, brand recognition, product reliability, and customer service to compete effectively in each of its markets.

Employees

At June 30, 2011, the Company had approximately 313 full-time employees. Approximately 204 employees in the Company's principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that will expire on May 31, 2012.

Executive Officers of the Registrant

This section provides information regarding the executive officers of the Company who are appointed by and serve at the pleasure of the Board of Directors:

Name	Age	Position
Earl R. Refsland	68	Director, President and Chief Executive Officer (1)
Eldon P. Rosentrater	57	Vice President of Administration & Corporate Planning (2)
Robert B. Harris	54	Vice President of Operations (3)
Daniel C. Dunn	51	Vice President of Finance, Chief Financial Officer, Secretary & Treasurer (4)

(1) Mr. Refsland has been Director, President and Chief Executive Officer of the Company since September, 1999.

(2) Mr. Rosentrater has been Vice President-Administration/Corporate Planning of the Company since March, 2003. He previously held the position of Vice President — Operations from October 1999 to 2003. Prior to that time, Mr. Rosentrater held the positions of Assistant to the President from 1998 to 1999; Director of Information Technologies from 1995 to 1998; Director of Business Development from 1993 to 1995 and Group Product Manager from 1989 to 1993.

(3) Mr. Harris has been Vice President — Operations since July, 2006. He previously held the positions for Command Medical Products, Inc. of Vice President — Operations from January 2002 to January 2006 and Director of Operations from October 1999 to December 2001. Prior to that time, Mr. Harris held the position of Plant Manager for Sherwood Medical, a subsidiary of Tyco Healthcare from 1997 to 1999.

(4) Mr. Dunn has been Vice President — Finance, Chief Financial Officer, Secretary and Treasurer since July, 2001. He previously held the position of Director of Finance at MetalTek International from 1998 to 2001. Prior to that time, Mr. Dunn held the position of Corporate Controller at Allied Healthcare Products, Inc. from 1994 to 1998.

Item 1A. Risk Factors

The Company's business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this annual report on Form 10-K and in the company's other filings with the Securities and Exchange Commission ("SEC") before making any investment decision with respect to the company's securities. The risks and uncertainties described below may not be the only ones the company faces. Additional risks and uncertainties not presently known by the Company or that the Company currently deems immaterial may also affect the Company's business. If any of these known or unknown risks or uncertainties actually occur or develop, the Company's business, financial condition, and results of operations could change.

We participate in a highly competitive environment.

The medical device industry is characterized by rapid technological change, changing customer needs and frequent new product introductions. Our products may be rendered obsolete as a result of future innovations. We face intense competition from other manufacturers. Some of our competitors may be larger than we are and may have greater financial, technical, research, marketing, sales, distribution and other resources than we do. We believe that price competition will continue among products developed in our markets. Our competitors may develop or market technologies and products that are more effective or commercially attractive than any we are developing or marketing. Our competitors may succeed in obtaining regulatory approval and introducing or commercializing products before we do. Such developments could have a significant negative effect on our business, financial condition and results of operations. Even if we are able to compete successfully, we may not be able to do so in a profitable manner.

Decreased availability or increased costs of raw materials could increase our costs of producing our products.

We purchase raw materials, fabricated components and services from a variety of suppliers. Raw materials such as brass and plastics are considered key raw materials. We believe that our relationships with our suppliers are satisfactory and that alternative sources of supply are readily available. From time to time, however, the prices and availability of these raw materials fluctuate due to global market demands, which could impair the company's ability to procure necessary materials, or increase the cost of such materials. Inflationary and other increases in costs of these raw materials have occurred in the past and may recur from time to time. In addition, freight costs associated with shipping and receiving product and sales are impacted by fluctuations in the cost of oil and gas. A reduction in the supply or increase in the cost of those raw materials could impact our ability to manufacture our products and could increase the cost of production.

Changes in third party reimbursement could negatively impact our revenues and profitability.

The cost of a majority of medical care in the United States is funded by the U.S. Government through the Medicare and Medicaid programs and by private insurance programs, such as corporate health insurance plans. Although we do not receive payments for our products directly from these programs, home respiratory care providers and durable medical equipment suppliers, who are the primary customers for several of our products, depend heavily on payments from Medicare, Medicaid and private insurers as a major source of revenues. In addition, sales of certain of our products are affected by the extent of hospital and health care facility construction and renovation at any given time. The federal government indirectly funds a significant percentage of such construction and renovation costs through Medicare and Medicaid reimbursements. In recent years, governmentally imposed limits on reimbursement to hospitals and other health care providers have impacted spending for services, consumables and capital goods. A material decrease from current reimbursement levels or a material change in the method or basis of reimbursing health care providers is likely to adversely affect future sales of our products.

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Our success depends upon the development of new products and product enhancements, which entails considerable time and expense.

We place a high priority on the development of new products to add to our product portfolio and on the development of enhancements to our existing products. Product development involves substantial expense and we cannot be certain that a completed product will generate sufficient revenue for our business to justify the resources that we devote to research and development related to such product. The time and expense required to develop new products and product enhancements is difficult to predict and we cannot assure you that we will succeed in developing, introducing and marketing new products and product enhancements. Our inability to successfully develop and introduce new or enhanced products on a timely basis or at all, or to achieve market acceptance of such products, could materially impair our business.

We are dependent on adequate protection of our patent and proprietary rights.

We rely on patents, trade secrets, trademarks, copyrights, know-how, license agreements and contractual provisions to establish and protect our intellectual property rights. However, these legal means afford us only limited protection and may not adequately protect our rights or remedies to gain or keep any advantages we may have over our competitors.

We cannot assure you that others may not independently develop the same or similar technologies or otherwise obtain access to our technology and trade secrets. Our competitors, many of which have substantial resources and may make substantial investments in competing technologies, may apply for and obtain patents that will prevent, limit, or interfere with our ability to manufacture or market our products. Further, while we do not believe that any of our products or processes interfere with the rights of others, third parties may nonetheless assert patent infringement claims against us in the future.

Costly litigation may be necessary to enforce patents issued to us, to protect trade secrets or "know-how" we own, to defend us against claimed infringement of the rights of others or to determine the ownership, scope, or validity of our proprietary rights and the rights of others. We are currently involved in litigation against Armstrong Medical Ltd., relating to our marketing and sale of Litholyme® and a patent owned by Armstrong Medical regarding a carbon dioxide absorbent for use in anesthesiology. In this litigation, the Company has challenged the validity of Armstrong Medical's patent and seeks a declaratory judgment that the marketing and sale of Litholyme® does not infringe Armstrong Medical's patent. Armstrong Medical claims that the Company's marketing and sale of Litholyme® infringes Armstrong's patent. See Item 3. Legal Proceedings, below for more detailed information on this litigation.

Any claims of infringement against us, including the litigation with Armstrong Medical, may involve significant liabilities to third parties, could require us to seek licenses from third parties, and could prevent or delay us from manufacturing, selling, or using our products, including Litholyme®. The occurrence of this litigation or the effect of an adverse determination in any of this type of litigation could have a material adverse effect on our business, financial condition and results of operations.

Our business of manufacturing, marketing, and selling of medical devices involves the risk of liability claims and such claims could seriously harm our business, particularly if our insurance coverage is inadequate.

Our business exposes us to potential product liability claims that are inherent in the testing, production, marketing and sale of medical devices. Like other participants in the medical device market, we are from time to time involved in lawsuits, claims and proceedings alleging product liability and related claims such as negligence. If any current or future product liability claims become substantial, our reputation could be damaged significantly, thereby harming our business. We may be required to pay substantial damage awards as a result of any successful product liability claims. Any product liability claim against us, whether with or without merit, could result in costly litigation, and divert the

time, attention, and resources of our management.

As a result of our exposure to product liability claims, we currently carry product liability insurance covering our products with policy limits per occurrence and in the aggregate that we have deemed to be sufficient. Our insurance may not cover certain product liability claims or our liability for any claims may exceed our coverage limits. Therefore, we cannot predict whether this insurance is sufficient, or if not, whether we will be able to obtain sufficient insurance to cover the risks associated with our business or whether such insurance will be available at premiums that are commercially reasonable. In addition, these insurance policies must be renewed annually. Although we have been able to obtain liability insurance, such insurance may not be available in the future on acceptable terms, if at all. A successful claim against us or settlement by us with respect to uninsured liabilities or in excess of our insurance coverage, or our inability to maintain insurance in the future, or any claim that results in significant costs to or adverse publicity against us, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to substantial domestic and international government regulation, including regulatory quality standards applicable to our manufacturing and quality processes. Failure by us to comply with these standards could have an adverse effect on our business, financial condition or results of operations.

The FDA regulates the approval, manufacturing, and sales and marketing of many of our products in the U.S. Significant government regulation also exists in Canada, Japan, Europe, and other countries in which we conduct business. As a device manufacturer, we are required to register with the FDA and are subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. In addition, the federal Medical Device Reporting regulations require us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, could cause or contribute to a death or serious injury. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections by the FDA. In the European Community, we are required to maintain certain ISO certifications in order to sell our products and must undergo periodic inspections by notified bodies to obtain and maintain these certifications. Failure to comply with current governmental regulations and quality assurance guidelines could lead to temporary manufacturing shutdowns, product recalls or related field actions, product shortages or delays in product manufacturing. Efficacy or safety concerns, an increase in trends of adverse events in the marketplace, and/or manufacturing quality issues with respect to our products could lead to product recalls or related field actions, withdrawals, and/or declining sales.

Our products may be subject to product recalls even after receiving FDA clearance or approval, which would harm our reputation and our business.

The FDA and similar governmental authorities in other countries in which our products are sold, have the authority to request and, in some cases, require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government-mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects. Any recall of product would divert managerial and financial resources, harm our reputation with our customers and damage our business.

We are exposed to certain credit risks, resulting primarily from customer sales.

Substantially all of our receivables are due from homecare providers, distributors, hospitals, and contractors. Our customers are located throughout the U.S. and around the world. We record an estimated allowance for uncollectible amounts based primarily on our evaluation of the payment pattern, financial condition, cash flows, and credit history of its customers as well as current industry and economic conditions. Our inability to collect on our trade accounts receivable could substantially reduce our income and have a material adverse effect on our financial condition and results of operations.

Our common stock is thinly traded and its market price may fluctuate widely.

Our common stock is listed on the NASDAQ Global Market but is thinly traded. As a result, stockholders may not be able to sell shares of common stock on short notice. Additionally, the market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variation in our operating results, announcements of new products or services by us or our competitors, and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses could have an immediate and significant adverse effect on the market price and volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies and that have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations, as well as general economic and market conditions, may adversely affect the market price for our

common stock.

If a natural or man-made disaster strikes our manufacturing facilities, we may be unable to manufacture certain products for a substantial amount of time and our revenue could decline.

We have one principal manufacturing operation. In the event that this facility, located in St. Louis, Missouri, were severely damaged or destroyed as a result of a natural or man-made disaster, we would be forced to relocate production to other facilities and/or rely on third-party manufacturers. Such an event could have a material adverse effect on our business, results of operations and financial condition. Although we have insurance for damage to our property and the interruption of our business, this insurance may not be sufficient in scope or amount to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Requirements associated with the evaluation of internal controls required by Section 404 of the Sarbanes-Oxley Act of 2002 have required and will require significant company resources and management attention.

We are subject to the reporting requirements of federal securities laws, including the Sarbanes-Oxley Act of 2002. Among other requirements, the Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We have, and expect to continue to, expend significant management time and resources maintaining documentation and testing internal control over financial reporting. While management's evaluation as of June 30, 2011 resulted in the conclusion that our internal control over financial reporting was effective as of that date, we cannot predict the outcome of testing in future periods. If we are not able to continue to comply with the requirements of Section 404 in a timely manner, we could be subject to scrutiny by regulatory authorities, such as the SEC or the NASDAQ Global Market, and the trading price of our stock could decline. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important in helping us to prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

If we are unable to hire or retain key employees, it could have a negative impact on our business.

Our failure to attract and retain skilled personnel could hinder the management of our business, our research and development, our sales and marketing efforts, and our manufacturing capabilities. However, there is no assurance that we will continue to be able to hire or retain key employees. We compete to hire new employees, and then must train them and develop their skills and competencies. Our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any unplanned turnover could deplete our institutional knowledge base and erode our competitive advantage.

The U.S. healthcare environment is changing in many ways, some of which may not be favorable to us, as a result of recent federal healthcare legislation.

Our products and services are primarily intended to function within the current structure of the healthcare industry in the United States. In recent years, the healthcare industry has undergone significant changes designed to control costs. The use of managed care has increased; Medicare and Medicaid reimbursement levels have declined; distributors, manufacturers, healthcare providers have consolidated; and large, sophisticated purchasing groups have become more prevalent.

In March 2010, Congress approved, and the President signed into law, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively the "Healthcare Reform Acts"). Among other things, the Healthcare Reform Acts seek to expand health insurance coverage to approximately 32 million uninsured Americans. Many of the significant changes in the Healthcare Reform Acts do not take effect until 2014, including a requirement that most Americans carry health insurance. We expect expansion of access to health insurance to

increase the demand for our products and services, but other provisions of the Healthcare Reform Acts could affect us adversely. The Healthcare Reform Acts contain many provisions designed to generate the revenues necessary to fund the coverage expansions and to reduce costs of Medicare and Medicaid. Beginning in 2013, each medical device manufacturer will have to pay a tax in an amount equal to 2.3% of the price for which the manufacturer sells its medical devices. We manufacture and sell devices that will be subject to this tax. We could be adversely affected by, among other things, changes in the delivery or pricing of or reimbursement for medical devices.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company's headquarters are located in St. Louis, Missouri and the Company maintains manufacturing facilities in Missouri and New York. Set forth below is certain information with respect to the Company's manufacturing facilities at June 30, 2011.

Location	Square Footage (Approximate)	Owned/ Leased	Activities/Products
St. Louis, Missouri	242,000	Owned	Headquarters; medical gas equipment; respiratory care products; emergency medical products
Stuyvesant Falls, New York	30,000	Owned	CO2 absorbent

In addition, the Company owns a 16.8-acre parcel of undeveloped land in Stuyvesant Falls, New York.

Item 3. Legal Proceedings

In response to a "cease and desist letter" previously received by the Company from Armstrong Medical Ltd., demanding that the Company stop its marketing and sale of Litholyme®, on May 27, 2011 the Company filed a declaratory judgment action in the United States District Court for the Eastern District of Missouri against Armstrong Medical. The declaratory judgment action challenges the validity of a patent owned by Armstrong Medical regarding a carbon dioxide absorbent for use in anesthesiology on the grounds that such patent is anticipated and obvious in light of material prior art and seeks a declaratory judgment that the Company does not infringe such patent. On September 15, 2011, Armstrong Medical filed an answer denying the Company's claims and counterclaiming that the Company's marketing and sale of Litholyme® infringes Armstrong's patent.

Product liability lawsuits are filed against the Company from time to time for various injuries alleged to have resulted from defects in the manufacture and/or design of the Company's products. Any such proceedings that are currently pending are not expected to have a material adverse effect on the Company. The Company maintains comprehensive general liability insurance coverage which it believes to be adequate for the continued operation of its business, including coverage of product liability claims.

In addition, from time to time the Company's products may be subject to product recalls in order to correct design or manufacturing flaws in such products. The Company intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

However, for these cases, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on the Company's financial condition as a whole, though the outcomes could be material to the Company's operating results for a particular period, depending, in part, upon the operating results for such period.

Item 4. Removed and Reserved

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Allied Healthcare Products, Inc. trades on the NASDAQ Global Market under the symbol AHPI. As of September 2, 2011, there were 165 record owners of the Company's Common Stock. The following tables summarize information with respect to the high and low prices for the Company's Common Stock as listed on the NASDAQ Global Market for each quarter of fiscal 2011 and 2010, respectively. The Company currently does not pay, and in the most recent fiscal years has not paid, any dividend on its Common Stock.

Common Stock Information

2011	High	Low	2010	High	Low
September quarter	$4.45	$3.19	September quarter	$5.14	$3.50
December quarter	$4.79	$3.44	December quarter	$6.90	$4.50
March quarter	$5.81	$4.00	March quarter	$5.36	$3.28
June quarter	$4.60	$3.85	June quarter	$4.00	$3.43

Information concerning securities authorized for issuance under equity compensation plans is incorporated by reference to the Company's proxy statement for the 2011 annual meeting of stockholders, which will be filed within 120 days after June 30, 2011.

Item 6. Selected Consolidated Financial Data

(In thousands, except per share data)

Year ended June 30,	2011	2010	2009	2008	2007
Consolidated Statement of Operations Data					
Net sales	$46,783	$46,034	$52,073	$56,364	$56,501
Cost of sales	35,781	34,945	40,273	43,006	42,028
Gross profit	11,002	11,089	11,800	13,358	14,473
Impairment of goodwill (2)	-	-	15,980	-	-
Selling, general and administrative expenses	10,594	11,872	13,042	12,085	12,052
Income (loss) from operations	408	(783)	(17,222)	1,273	2,421
Interest expense	-	4	-	20	-
Interest income	(33)	(10)	(60)	(138)	(111)
Other, net	78	117	50	60	(24)
Income (loss) before provision for (benefit from) income taxes	363	(894)	(17,212)	1,331	2,556
Provision for (benefit from) income taxes (1)	159	(294)	(450)	449	914
Net income (loss)	$204	$(600)	$(16,762)	$882	$1,642
Basic earnings (loss) per share	$0.03	$(0.07)	$(2.12)	$0.11	$0.21
Diluted earnings (loss) per share	$0.03	$(0.07)	$(2.12)	$0.11	$0.20
Basic weighted average common shares outstanding	8,107	8,067	7,899	7,884	7,876
Diluted weighted average common shares outstanding	8,125	8,067	7,899	8,120	8,085

(In thousands)

June 30,	2011	2010	2009	2008	2007
Consolidated Balance Sheet Data					
Working capital	$18,251	$17,627	$16,987	$18,291	$17,269
Total assets	31,765	32,931	33,234	52,258	51,318
Stockholders' equity	27,159	26,819	26,685	43,339	42,485

(1) See Note 5 to the June 30, 2011 Consolidated Financial Statements for further discussion of the Company's effective tax rate.
(2) See Note 13 to the June 30, 2011 Consolidated Financial Statements for further discussion.

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

Results of Operations

The Company manufactures and markets respiratory products, including respiratory care products, medical gas equipment and emergency medical products. Set forth below is certain information with respect to amounts and percentages of net sales attributable to respiratory care products, medical gas equipment and emergency medical products for the fiscal years ended June 30, 2011, 2010, and 2009.

Year ended June 30,	Dollars in thousands 2011 Net Sales	% of Total Net Sales
Respiratory care products	$ 10,797	23.1 %
Medical gas equipment	24,950	53.3 %
Emergency medical products	11,036	23.6 %
Total	$ 46,783	100.0 %

Year ended June 30,	Dollars in thousands 2010 Net Sales	% of Total Net Sales
Respiratory care products	$ 11,143	24.2 %
Medical gas equipment	24,623	53.5 %
Emergency medical products	10,268	22.3 %
Total	$ 46,034	100.0 %

Year ended June 30,	Dollars in thousands 2009 Net Sales	% of Total Net Sales
Respiratory care products	$ 12,299	23.6 %
Medical gas equipment	29,749	57.1 %
Emergency medical products	10,025	19.3 %
Total	$ 52,073	100.0 %

The following table sets forth, for the fiscal periods indicated, the percentage of net sales represented by the various income and expense categories reflected in the Company's consolidated statement of operations.

Year ended June 30,	2011		2010		2009	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	76.5		75.9		77.3	
Gross profit	23.5		24.1		22.7	
Selling, general and administrative expenses	22.6		25.8		25.0	
Impairment of goodwill	—		—		30.7	
Income (loss) from operations	0.9		(1.7	)	(33.1	)
Interest income	0.0		0.0		0.1	
Other, net	0.2		0.2		0.1	
Income (loss) before provision for (benefit from) income taxes	0.7		(1.9	)	(33.1	)
Provision for (benefit from) income taxes	0.3		(0.6	)	(0.9	)
Net income (loss)	0.4	%	(1.3	)%	(32.2	)%

Critical Accounting Policies

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. The Company evaluates estimates and judgments on an ongoing basis, including those related to bad debts, inventory valuations, property, plant and equipment, intangible assets, income taxes, and contingencies and litigation. Estimates and judgments are based on historical experience and on various other factors that may be reasonable under the circumstances. Actual results may differ from these estimates. The following areas are considered to be the Company's most significant accounting policies:

Revenue recognition:

Revenue is recognized for all sales, including sales to agents and distributors, at the time products are shipped and title has transferred, provided that a purchase order has been received or a contract executed, there are not uncertainties regarding customer acceptance, the sales price is fixed and determinable and collectability is reasonably assured. Sales discounts, returns and allowances are included in net sales, and the provision for doubtful accounts is included in selling, general and administrative expenses. Net sales do not include sales tax. Additionally, it is the Company's practice to include revenues generated from freight billed to customers in net sales with corresponding freight expense included in cost of sales in the consolidated statement of operations. The Company reports sales taxes on sales transactions on a net basis in the Consolidated Statement of Operations, and therefore does not include sales taxes in revenues or costs.

The sales price is fixed by the Company's acceptance of the buyer's firm purchase order. The sales price is not contingent, or subject to additional discounts. The Company's standard shipment terms are "F.O.B. shipping point" as stated in the Company's Terms and Conditions of Sale. The customer is responsible for obtaining insurance for and bears the risk of loss for product in-transit. Additionally, sales to customers do not include the right to return merchandise without the prior consent of the Company. In those cases where returns are accepted, product must be current and restocking fees must be paid by the respective customer. A provision has been made for estimated sales returns and allowances. These estimates are based on historical analysis of credit memo data and returns.

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The Company does not provide installation services for its products. Most products shipped are ready for immediate use by the customer. The Company's in-wall medical system components, central station pumps and compressors, and headwalls do require installation by the customer. These products are typically purchased by a third-party contractor who is ultimately responsible for installation services. Accordingly, the customer purchase order or contract does not require customer acceptance of the installation prior to completion of the sale transaction and revenue recognition. The Company's standard payment terms are net 30 days from the date of shipment, and payment is specifically not subject to customer inspection or acceptance, as stated in the Company's Terms and Conditions of Sale. The buyer becomes obligated to pay the Company at the time of shipment. The Company requires credit applications from its customers and performs credit reviews to determine the creditworthiness of new customers. The Company requires letters of credit, where warranted, for international transactions. The Company also protects its legal rights under mechanics lien laws when selling to contractors.

The Company does offer limited warranties on its products. The standard warranty period is one year. The Company's cost of providing warranty service for its products for the years ended June 30, 2011, June 30, 2010, and June 30, 2009 was $125,369, $135,032, and $166,651, respectively. The related liability for warranty service amounted to $83,380 and $95,547 at June 30, 2011 and 2010, respectively.

Inventory reserve for obsolete and excess inventory:

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two years' usage on hand. This analysis considers those identified inventory items to determine, in management's best estimate, if parts can be used beyond one year, if there are alternate uses or at what values such parts may be disposed for. At June 30, 2011 and 2010, inventory is recorded net of a reserve for obsolete and excess inventory of $1.4 million and $1.5 million, respectively.

Income taxes:
The Company accounts for income taxes under the FASB Accounting Standards Codification ("ASC") Topic 740: "Income Taxes." Under ASC 740, the deferred tax provision is determined using the liability method, whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax bases of assets and liabilities using presently enacted tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance the Company first considers the reversals of existing temporary deferred tax liabilities and available tax planning strategies. To the extent these items are not sufficient to cause the realization of deferred tax assets, the Company considers the availability of future taxable income to the extent such income is considered likely to occur based on the Company's earnings history, current income trends and projections.

Accounts receivable net of allowances:

Accounts receivable are recorded net of an allowance for doubtful accounts, which is determined based on an analysis of past due accounts including accounts placed with collection agencies, and an allowance for returns and credits, which is based on historical analysis of credit memo data and returns. The Company maintains an allowance for doubtful accounts to reflect the uncollectibility of accounts receivable based on past collection history and specific risks indentified among uncollected accounts. Accounts receivable are charged to the allowance for doubtful accounts when the Company determines that the receivable will not be collected and/or when the account has been referred to a third party collection agency. At June 30, 2011 and 2010, accounts receivable is recorded net of allowances of $0.3 million.

Goodwill:

As a result of our 2009 annual impairment review, we concluded that the carrying value of our goodwill was impaired. As a result, our fourth quarter and full year 2009 financial results included an aggregate non-cash pretax impairment charge of approximately $16.0 million. The impairment charge was the result of the annual assessment for impairment and reflected factors impacted by market conditions and the completion of our annual budget process. This non-cash charge had no effect on our cash balances or cash flows.

Valuation of Long-Lived Assets:

The impairment of tangible and intangible assets is assessed when changes in circumstances (such as, but not limited to, a decrease in market value of an asset, current and historical operating losses or a change in business strategy) indicate that their carrying value may not be recoverable. This assessment is based on management's expectations and judgments regarding future business and economic conditions, future market values and disposal costs. Actual results and events could differ significantly from management's estimates. Based upon our most recent analysis, we believe that no impairment exists at June 30, 2011. There can be no assurance that future impairment tests will not result in a charge to net earnings (loss).

Self-insurance:

The Company maintains a self-insurance program for a portion of its health care costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of June 30, 2011 and 2010, the Company had $229,000 and $300,000, respectively, of accrued liabilities related to health care claims. In order to establish the self-insurance reserves, the Company utilized actuarial estimates of expected claims based on analyses of historical data.

Share Based Compensation:

We calculate share based compensation using the Black-Sholes-Merton ("Black-Scholes") option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. For the twelve-month periods ended June 30, 2011, 2010, and 2009, we recorded $20,000, $648,000 and $27,000, respectively, in share-based employee compensation. This compensation cost is included in the general and administrative expenses and cost of sales in the accompanying consolidated statements of operations.

Significant Factors Affecting Past and Future Operating Results

On August 27, 2004, the Company entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied agreed to cease production of its product Baralyme®, and to effect the withdrawal of Baralyme® product held by distributors. The agreement permits Allied to pursue the development of a new carbon dioxide absorbent product. Baralyme®, a carbon dioxide absorbent product, has been used safely and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to concerns regarding the use of Baralyme® in conjunction with these newer inhalation anesthetics if Baralyme® has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme® product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide.

In consideration of the foregoing, Abbott agreed to pay Allied an aggregate of $5,250,000 of which $1,530,000 was paid on September 30, 2004 and the remainder payable in four equal annual installments of $930,000 due on July 1, 2005 through July 1, 2008. The last installment due on July 1, 2008 was received by Allied on June 19, 2008.

The payments received from Abbott are being recognized into income, as net sales, over the eight-year term of the agreement. Allied has no further obligations under this agreement which would require the Company to repay these amounts or otherwise impact this accounting treatment. During the fiscal years ended June 30, 2011, 2010, and 2009, $688,200 was recognized into income as net sales in each year.

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A reconciliation of deferred revenue resulting from the agreement with Abbott, with the amounts received under the agreement, and amounts recognized as net sales for fiscal years 2011 and 2010 is as follows:

	Twelve Months ended June 30,	
	2011	2010
Beginning balance	$ 1,491,100	$ 2,179,300
Revenue recognized as net sales	(688,200)	(688,200)
	802,900	1,491,100
Less - Current portion of deferred revenue	(688,200)	(688,200)
	$ 114,700	$ 802,900

In 2004, Allied's sales of Baralyme® were approximately $2.0 million and contributed approximately $0.6 million in pre-tax earnings and cash flow from operations. The majority of the $5,250,000 Allied has received from Abbott will be recognized into income over the eight-year term of the agreement. The net cash flow realized by Allied under the agreement with Abbott is substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme® during the initial five years of the period.

Fiscal 2011 Compared to Fiscal 2010
The Company had income of $0.4 million before taxes for fiscal 2011, compared to a loss of $0.9 million before taxes for fiscal 2010. The Company recorded an income tax provision of $0.2 million in fiscal 2011, compared to an income tax benefit of $0.3 million in fiscal 2010.

For further discussion of the Company's income tax calculation please refer to Note 5 of the "Notes to Consolidated Financial Statements" included in this Form 10-K.

Net sales for fiscal 2011 of $46.8 million were $0.8 million or 1.7% more than net sales of $46.0 million in fiscal 2010. Domestically, sales increased by $0.3 million dollars. Internationally, sales increased by $0.5 million. International business is dependent upon hospital construction projects, and the development of medical facilities in those regions in which the Company operates. Domestic sales for fiscal 2011 include approximately $0.7 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories, as discussed below. For 2010, domestic sales included approximately $0.7 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories, as well.

The Company believes that it began to see only limited improvement in demand in 2011 following the decreases seen in net sales resulting from the worldwide recession beginning in 2009. By and large, the Company's products are considered durable goods. The Company continues to believe that the purchase of equipment and durable goods and the purchase of equipment by hospitals and municipalities have been cut to meet budgets and conserve cash. Orders for the Company's products for the year ended June 30, 2011 of $44.8 million were $0.1 million or 0.2% lower than orders for the year ended June 30, 2010 of $44.9 million. Customer purchase order releases for the year ended June 30, 2011 of $45.0 million were $1.0 million or 2.3% higher than customer purchase order releases of $44.0 million from the prior fiscal year.

As in 2010, sales for the year ended June 30, 2011 included $0.7 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories to cease production and distribution of Baralyme®.

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Allied continues to sell Carbolime®, a carbon dioxide absorbent with a different formulation than Baralyme®. For the year ended June 30, 2011 the Company had carbon dioxide absorbent sales of Carbolime® of $1.3 million dollars, compared with $1.7 million for the year ended June 30, 2010. Allied has recently introduced a new premium carbon dioxide absorbent, Litholyme®, with a new formulation. Sales of Litholyme for 2011 were approximately $0.1 million. There were no sales of Litholyme® for the year ended June 30, 2010.

Respiratory care products sales in fiscal 2011 of $10.8 million were $0.3 million, or 2.7% lower than sales of $11.1 million in the prior year. Included in the sales for respiratory care products is approximately $0.7 million in sales revenue recognized resulting from the agreement to cease the production and distribution of Baralyme®, the same amount as in the prior year.

Medical gas equipment sales, which include construction products, of $25.0 million in fiscal 2011 were approximately $0.4 million, or 1.6% higher than prior year levels of $24.6 million. Internationally, sales of medical gas equipment in fiscal 2011 were approximately $0.5 million higher than in the prior year. Domestically, sales of medical gas equipment in fiscal 2011 were $0.2 million lower than in the prior year.

Emergency medical product sales in fiscal 2011 of $11.0 million were $0.7 million or 6.8% higher than fiscal 2010 sales of $10.3 million. International sales of emergency medical products increased by $0.1 million from the prior year while domestic sales increased by $0.6 million. These sales levels reflect higher orders for the Company's Emergency Products. The Company believes that demand for these products, which are largely consumed by local agencies, continues to be impacted by economic conditions as states and municipalities continued to struggle with decreased tax revenues.

International sales, which are included in the product lines discussed above, increased $0.5 million, or 5.8%, to $9.1 million in fiscal 2011 compared to sales of $8.6 million in fiscal 2010. As discussed above, the Company's international shipments are dependent on hospital construction projects and the expansion of medical care in those regions. In fiscal 2011, international shipments of medical gas equipment, including construction products, increased by $0.5 million dollars, and sales of emergency products increased by approximately $0.1 million. These increases were partially offset by a $0.2 million decrease in the sale of respiratory care products. The Company believes that international sales continue to be negatively impacted by worldwide business conditions. The Company has reorganized its international sales force to better take advantage of opportunities going forward.

Gross profit in fiscal 2011 was $11.0 million, or 23.5% of sales, compared to a gross profit of $11.1 million, or 24.1% of sales in fiscal 2010. Gross profit during this period was negatively impacted by approximately $0.7 million in shipping, additional product cost, and other startup cost the Company incurred at its Stuyvesant Falls facility for the production of its carbon dioxide absorbent product lines, primarily in the first two quarters. Gross profit was favorably impacted by an approximately $0.4 million decrease in fringe benefits including medical expenses for manufacturing department employees. The Company is self-insured for health care costs and has not changed its fringe benefit plans or providers from the prior year. The Company believes that the reduction in fringe benefits is primarily due to a reduction in medical claims by employees and their dependents. Higher commodity prices have led to higher costs for certain raw materials including brass and plastic resins during 2011. These higher costs for raw materials have been offset by cost reductions on other purchased components, and increased revenue for recycled materials, and cost improvement programs in our principal manufacturing facility in St. Louis. The Company continues to review the cost of production and seek opportunities to lower those costs.

The Company invested $0.3 million in capital expenditures in fiscal 2011, $0.3 million in fiscal 2010, and $1.5 million in fiscal 2009 for manufacturing equipment and computer systems, which continue to decrease production costs and improve efficiencies for several product lines. The Company continues to control cost and actively pursue methods to reduce its costs through automation, and process changes.

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Selling, General, and Administrative ("SG&A") expenses for fiscal 2011 were $10.6 million, compared to SG&A expenses of $11.9 million in fiscal 2010. Stock option expense decreased from $0.6 million in 2010 to $20,000 in 2011. During 2010 stock option expense included approximately $0.6 million due to the grant of immediately vested stock options to the Company's President and CEO. The Company reduced expenses in other areas of SG&A as well. Fringe benefits decreased by approximately $0.2 million primarily as a result of lower medical claims. The Company has not made changes to its medical benefits for employees. Sales commissions and salaries decreased by approximately $0.3 million as a result to changes in commission plans and open positions due to attrition. In addition, the Company reduced spending for outside consultants and services by approximately $0.3 million as several marketing initiatives were completed during 2010. These cost decreases were partially offset by a $0.2 million increase in legal expense.

Interest income in fiscal 2011 was $30,000 compared to interest income of $10,000 in fiscal 2010 due to higher average cash balances.

Net income in fiscal 2011 was $0.2 million or $0.03 per basic and diluted earnings per share, up from a net loss of $0.6 million, or $0.07 loss per basic and diluted earnings per share in fiscal 2010. In 2011, the weighted number of shares used in the calculation of basic earnings per share was 8,107,313, and the number of shares used in diluted earnings per share was 8,124,957. In 2010, the weighted number of shares used in the calculation of basic and diluted earnings per share was 8,066,740.

Fiscal 2010 Compared to Fiscal 2009

The Company had a loss of $0.9 million before taxes for fiscal 2010, compared to a loss of $17.2 million before taxes for fiscal 2009. The Company recorded an income tax benefit of $0.3 million in fiscal 2010, compared to an income tax benefit of $0.4 million in fiscal 2009. The 2009 tax benefit was not affected due to the non-deductibility of the goodwill impairment charge for federal income tax purposes.

For further discussion of the Company's income tax calculation please refer to Note 5 of the "Notes to Consolidated Financial Statements" section included in this Form 10-K.

Financial results for fiscal 2009 were adversely impacted by the write down of $16.0 million in goodwill. The write down resulted from the required annual impairment review of goodwill at June 30, 2009, which took into consideration the declining economic environment and declining profitability. For further discussion of the Company's goodwill impairment calculation please refer to Note 13 of the "Notes to Consolidated Financial Statements" section included in this Form 10-K.

Net sales for fiscal 2010 of $46.0 million were $6.1 million or 11.7% less than net sales of $52.1 million in fiscal 2009. Domestically, sales decreased by $4.6 million dollars. Internationally, sales decreased by $1.5 million. International business is dependent upon hospital construction projects, and the development of medical facilities in those regions in which the Company operates. Domestic sales for fiscal 2010 include approximately $0.7 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories, as discussed below. For 2009, domestic sales included approximately $0.8 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories.

The Company continues to believe that the decrease in net sales for the year is primarily the result of the worldwide recession. By and large, the Company's products are considered durable goods. The Company believes that the purchase of equipment and durable goods and the purchase of equipment by hospitals and municipalities have been cut radically as a short term measure to meet budgets and conserve cash. Orders for the Company's products for the

year ended June 30, 2010 of $44.9 million were $4.6 million or 9.3% lower than orders for the year ended June 30, 2009 of $49.5 million. Customer purchase order releases for the year ended June 30, 2010 of $44.0 million were $5.6 million or 11.3% lower than customer purchase order releases of $49.6 million from the prior fiscal year.

As in 2009, sales for the year ended June 30, 2010 included $0.7 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories to cease production and distribution of Baralyme®.

Sales for the year ended June 30, 2009 also included recognition as sales of $0.1 million in reimbursement by Abbott Laboratories in product development cost to pursue development of new carbon dioxide absorption product as a result of the agreement to cease production and distribution of Baralyme®. In total, domestic sales for 2009 included approximately $0.8 million for recognition into sales of payments resulting from the agreement with Abbott Laboratories.

Allied continues to sell Carbolime®, a carbon dioxide absorbent with a different formulation than Baralyme®. For the year ended June 30, 2010 the Company had carbon dioxide absorbent sales of Carbolime® of $1.7 million dollars, compared with $1.8 million for the year ended June 30, 2009. Allied has recently introduced a new premium carbon dioxide absorbent, Litholyme®, with a new formulation. There were no sales of Litholyme® for the year ended June 30th, 2010.

Respiratory care products sales in fiscal 2010 of $11.1 million were $1.2 million, or 9.8% lower than sales of $12.3 million in the prior year. Included in the sales for respiratory care products is an approximately $0.1 million decrease in the amount recognized resulting from the agreement to cease the production and distribution of Baralyme®. The amount recognized as sales decreased to approximately $0.7 million or $0.1 million less than in the prior year. Respiratory care products also include the Company's efforts in the homecare market. The Company continues to develop systems and personnel to improve our sales and marketing efforts and continues to emphasize measures to reduce cost.

Medical gas equipment sales, which include construction products, of $24.6 million in fiscal 2010 were $5.1 million, or 17.1% lower than prior year levels of $29.7 million. Internationally, sales of medical gas equipment in fiscal 2010 were $1.6 million less than in the prior year. The remainder of the decrease in sales, of $3.5 million, took place in the domestic market. The Company does not believe this decrease in sales represents a loss of market share, but a result of lower total demand and full-year impact of the recession.

Emergency medical product sales in fiscal 2010 of $10.3 million were $0.3 million or 3.0% higher than fiscal 2009 sales of $10.0 million. International sales of Emergency medical products increased by $0.1 million from the prior year while domestic sales increased by $0.2 million. Also, orders for the Company's Emergency Products were $0.3 million higher than the prior year. The Company believes that demand for these products, which are largely consumed by local agencies, continues to be impacted by economic conditions as states and municipalities continued to struggle with decreased tax revenues.

International sales, which are included in the product lines discussed above, decreased $1.5 million, or 14.9%, to $8.6 million in fiscal 2010 compared to sales of $10.1 million in fiscal 2009. As discussed above, the Company's international shipments are dependent on hospital construction projects and the expansion of medical care in those regions. In fiscal 2010, international shipments of medical gas equipment, including construction products, decreased by $1.6 million dollars. This decrease was partially offset by an increase of $66,000 in the sale of emergency care products and by a $116,000 increase in the sale of respiratory care products. The Company believes sales declines are the result of the current recession worldwide.

Gross profit in fiscal 2010 was $11.1 million, or 24.1% of sales, compared to a gross profit of $11.8 million, or 22.6% of sales in fiscal 2009. Lower production levels result in less effective utilization of the Company's manufacturing capacity and the fixed expenses associated with that capacity. However, this impact was more than offset by initiatives to lower the cost of production through process change and lower cost acquisition of certain purchased components and finished goods. The Company continues to review the cost of production and seek opportunities to lower those costs.

The Company invested $0.3 million in capital expenditures in fiscal 2010 and $1.5 million in fiscal 2009 for manufacturing equipment and computer systems, which continue to decrease production costs and improve efficiencies for several product lines. The Company continues to control cost and actively pursue methods to reduce its costs through automation.

Selling, General, and Administrative ("SG&A") expenses for fiscal 2010 were $11.9 million, compared to SG&A expenses of $13.0 million in fiscal 2009. Stock option expense increased approximately $0.6 million due to the grant

of immediately vested stock options to the Company's President and CEO. The Company reduced expenses in almost all other areas of SG&A, including compensation, professional services and recruiting expenses. Due to the low level of sales for fiscal 2010, sales commissions decreased $0.3 million. Additionally, selling expenses for business travel decreased approximately $235,000, expenses for trade shows decreased approximately $134,000, expenses for supplies decreased approximately $60,000 and vehicle expenses decreased approximately $40,000.

Interest income in fiscal 2010 was $10,000 compared to interest income of $60,000 in fiscal 2009 due to lower average cash balances and lower interest rates.

Net loss in fiscal 2010 was $0.6 million or $0.07 per basic and diluted earnings per share, down from a net loss of $16.8 million, or $2.12 per basic and diluted earnings per share in fiscal 2009. In 2010, the weighted number of shares used in the calculation of basic and diluted earnings per share was 8,066,740. In 2009, the weighted number of shares used in the calculation of basic earnings per share was 7,898,782.

Financial Condition, Liquidity and Capital Resources

The following table sets forth selected information concerning Allied's financial condition at June 30:

Dollars in thousands	2011	2010	2009
Cash & cash equivalents	$ 6,513	$ 5,263	$ 1,943
Working Capital	$ 18,251	$ 17,627	$ 16,987
Total Debt	$ -	$ -	$ -
Current Ratio	5.06:1	4.32:1	4.36:1

The Company’s working capital was $18.3 million at June 30, 2011 compared to $17.6 million at June 30, 2010. Cash increased $1.2 million, accrued liabilities decreased by $0.6 million primarily due to the timing of payroll payments, and Accounts Payable decreased by $0.3 million due to lower June purchases than in the prior year. During fiscal 2011, these increases in working capital were offset by a $0.6 million decrease in inventory. The Company does adjust product forecast, order quantities and safety stock based on changes in demand patterns. Also, income tax receivable decreased by $0.8 million as the Company received refunds from net operating loss carrybacks. Accounts receivable was $5.4 million at June 30, 2011, the same as at June 30, 2010. Accounts receivable as measured in days sales outstanding (“DSO”) is 41 DSO, up slightly from 40 DSO at June, 30, 2010.

The net increase in cash for the fiscal year ended June 30, 2011 was $1.2 million. The net increase in cash for the fiscal year ended June 30, 2010 was $3.3 million. Net cash provided by operating activities was $1.5 million for fiscal 2011 compared to net cash provided by operating activities of $3.5 for fiscal 2010. The increase in cash from operations in fiscal 2011 from the prior year is due primarily to decreases in income tax receivable and inventory. The Company filed for and received refunds for net operating loss carrybacks.

Cash flows provided by operating activities for the fiscal year ended June 30, 2010 consisted of a net loss of $0.6 million, supplemented by $1.4 million in non-cash charges to operations for amortization and depreciation, and $0.6 million in a non-cash charge for stock compensation expense. The increase in cash flows from operations in 2010 was primarily due to decreases in inventory. The decrease in inventory was due to the decrease in sales, as the lower level of sales can be supported with lower levels of inventory. Cash was used to make capital expenditures of $0.3 million in fiscal 2011 and 2010.

The Company is party to a Loan and Security Agreement, dated November 17, 2009, with Enterprise Bank & Trust (the “Credit Agreement”) pursuant to which the Company obtained a secured revolving credit facility with borrowing availability of up to $7,500,000 (the “Credit Facility”). The Company’s obligations under the Credit Facility are secured by certain assets of the Company pursuant to the terms and subject to the conditions set forth in the Credit Agreement.

The Credit Facility was amended on November 2, 2010 extending the maturity date to November 14, 2011. The Credit Facility will be available on a revolving basis until it expires on November 14, 2011, at which time all amounts outstanding under the Credit Facility will be due and payable. Advances under the Credit Facility will be made pursuant to a Revolving Credit Note executed by the Company in favor of Enterprise Bank & Trust. Such advances

will bear interest at a rate equal to .50% in excess of Enterprise Bank & Trust's prime-rate based interest rate for commercial loans, subject to a minimum annual interest rate of 4.50%. Advances may be prepaid in whole or in part without premium or penalty.

Under the Credit Agreement, advances are generally subject to customary borrowing conditions. The Credit Agreement also contains covenants with which the Company must comply during the term of the Credit Facility. Among other things, such covenants restrict the Company's ability to incur certain additional debt; make specified restricted payments, dividends and capital expenditures; authorize or issue capital stock; enter into certain transactions with affiliates; consolidate or merge with or acquire another business; sell certain of its assets or dissolve or wind up the Company. The Credit Agreement also contains certain events of default that are customary for financings of this type including, without limitation: the failure to pay principal, interest, fees or other amounts when due; the breach of specified representations or warranties contained in the loan documents; cross-default with certain other indebtedness of the Company; the entry of uninsured judgments that are not bonded or stayed; failure to comply with the observance or performance of specified agreements contained in the loan documents; commencement of bankruptcy or other insolvency proceedings; and the failure of any of the loan documents entered into in connection with the Credit Facility to be in full force and effect. After an event of default, and upon the continuation thereof, the principal amount of all loans made under the Credit Facility would bear interest at a rate per annum equal to 4.00% above the otherwise applicable interest rate (provided, that the interest rate may not exceed the highest rate permissible under law), and the lender would have the option to accelerate maturity and payment of the Company's obligations under the Credit Facility.

The prime rate was 3.25% on June 30, 2011.

At June 30, 2011 the Company had no aggregate indebtedness, including capital lease obligations, short-term debt and long term debt.

The Company was in compliance with all of the financial covenants associated with the Credit Facility at June 30, 2011.

The following table summarizes the Company's contractual obligations at June 30, 2011:

		Payments due by period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	-	-	-	-	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases	$ 430,960	$ 179,378	$ 251,582	-	-
Unconditional Purchase Obligations	-	-	-	-	-
Other Long-Term Obligations	-	-	-	-	-
Total Contractual Cash Obligations	$ 430,960	$ 179,378	$ 251,582	$ 0	$ -

Capital expenditures were $0.3 million, $0.3 million and $1.5 million in fiscal 2011, 2010, and 2009, respectively. The Company believes that cash flows from operations and available borrowings under its credit facilities will be sufficient to finance fixed payments and planned capital expenditures of $1.3 million in 2012.

Cash flows from operations may be negatively impacted by decreases in sales, market conditions, and adverse changes in working capital. In the event that economic conditions were to severely worsen for a protracted period of time, we believe that we will be able to negotiate an amendment and waiver to our existing credit facility or procure a replacement credit facility, and our borrowing capacity under those arrangements will provide sufficient financial flexibility. The Company would have options available to ensure liquidity in addition to increased borrowing. Capital expenditures, which are budgeted at $1.3 million for the fiscal year ended June 30, 2012, could be postponed. At June 30, 2011, the Company had no bank debt.

The Company's credit facility will be available until it expires on November 14, 2011. Based on discussions with the Bank, the Company believes it will be able to negotiate an amendment with the Bank extending the term of the credit facility.

Inflation has not had a material effect on the Company's business or results of operations. The Company makes its foreign sales in dollars and, accordingly, sales proceeds are not affected by exchange rate fluctuations, although the effect on its customers does impact the pace of incoming orders.

Seasonality and Quarterly Results

In recent years the Company has not been affected by seasonality, however, in past fiscal years, the Company has experienced moderate seasonal increases in net sales during its second and third fiscal quarters (October 1 through March 31) which in turn have affected net income. Such seasonal variations were likely attributable to an increase in hospital equipment purchases at the beginning of each calendar year (which coincides with many hospitals' fiscal years) and an increase in the severity of influenza during winter months.

The following table sets forth selected operating results for the eight quarters ended June 30, 2011. The information for each of these quarters is unaudited, but includes all normal recurring adjustments which the Company considers necessary for a fair presentation thereof. These operating results, however, are not necessarily indicative of results for any future period. Further, operating results may fluctuate as a result of the timing of orders, the Company's product and customer mix, the introduction of new products by the Company and its competitors, and overall trends in the health care industry and the economy. While these patterns have an impact on the Company's quarterly operations, the Company is unable to predict the extent of this impact in any particular period.

Dollars in thousands, except per share data

Three months ended,	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Net sales	$ 12,102	$ 11,338	$ 11,403	$ 11,941	$ 11,668	$ 11,627	$ 11,415	$ 11,324
Gross profit	3,034	2,608	2,810	2,551	2,896	2,846	2,945	2,403
Income (loss) from operations	220	114	209	(134)	222	140	45	(1,189)
Net income (loss)	115	60	117	(88)	86	38	22	(745)
Basic earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.01	-	-	(0.09)

Diluted earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.01	-	-	(0.09)

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

Litigation and Contingencies

The Company becomes, from time to time, a party to personal injury litigation arising out of incidents involving the use of its products. The Company believes that any potential judgments resulting from such claims over its self-insured retention will be covered by the Company's product liability insurance.

On May 27, 2011, the Company filed a declaratory judgment action challenging the validity of a patent owned by Armstrong Medical regarding a carbon dioxide absorbent for use in anesthesiology and seeking a declaratory judgment that the Company does not infringe such patent. Among other things, the Company has asserted that Armstrong Medical's patent is invalid as being anticipated and obvious in light of material prior art. On September 15, 2011 Armstrong Medical, answered, denying the Company's claims and counterclaiming that the Company's marketing and sale of Litholyme® infringes Armstrong's patent. See Item 3. Legal Proceedings, above for detailed information concerning this litigation. The Company cannot estimate a possible loss or range of loss for this matter because damages claimed by Armstrong Medical have not been specified and the proceedings are in early stages.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Recently Issued Accounting Pronouncements

See Item 8, Note 2 "Summary of Significant Accounting Policies" for a discussion of recent accounting pronouncements and their impact on our consolidated financial statements, if any.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

At June 30, 2011, the Company did not have any debt outstanding. The revolving credit facility bears an interest rate using the commercial bank's "floating reference rate" or LIBOR as the basis, as defined in the loan agreement, and therefore is subject to additional expense should there be an increase in market interest rates.

The Company had no holdings of derivative financial or commodity instruments at June 30, 2011. Allied Healthcare Products has international sales; however these sales are denominated in U.S. dollars, mitigating foreign exchange rate fluctuation risk.

Item 8. Financial Statements and Supplementary Data

The following described consolidated financial statements of Allied Healthcare Products, Inc. are included in response to this item:

Report of Independent Registered Public Accounting Firm.

Consolidated Statement of Operations for the fiscal years ended June 30, 2011, 2010 and 2009.

Consolidated Balance Sheet for the fiscal years ended June 30, 2011 and 2010.

Consolidated Statement of Changes in Stockholders' Equity for the fiscal years ended June 30, 2011, 2010 and 2009.

Consolidated Statement of Cash Flows for the fiscal years ended June 30, 2011, 2010 and 2009.

Notes to Consolidated Financial Statements.

Schedule of Valuation and Qualifying Accounts and Reserves for the years ended June 30, 2011, 2010 and 2009.

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Allied Healthcare Products, Inc.

We have audited the accompanying consolidated balance sheet of Allied Healthcare Products, Inc. and subsidiaries (collectively, the Company) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2011. In connection with our audit of the consolidated financial statements, we also have audited the related financial statement schedule of valuation and qualifying accounts and reserves for the years ended June 30, 2011, 2010 and 2009. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Allied Healthcare Products, Inc. and subsidiaries as of June 30, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule referred to above, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ RubinBrown LLP
St. Louis, Missouri
September 27, 2011

ALLIED HEALTHCARE PRODUCTS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended June 30,	2011	2010	2009
Net sales	$46,783,436	$46,034,248	$52,072,676
Cost of sales	35,780,657	34,944,714	40,273,089
Gross profit	11,002,779	11,089,534	11,799,587
Selling, general and administrative expenses	10,593,869	11,871,758	13,041,564
Impairment of goodwill	-	-	15,979,830
Income (loss) from operations	408,910	(782,224)	(17,221,807)
Other (income) expenses:			
Interest income	(32,733)	(10,168)	(60,277)
Interest expense	66	4,269	-
Other, net	78,150	117,189	50,062
	45,483	111,290	(10,215)
Income (loss) before provision for (benefit from) income taxes	363,427	(893,514)	(17,211,592)
Provision for (benefit from) income taxes	159,019	(293,941)	(449,779)
Net income (loss)	$204,408	$(599,573)	$(16,761,813)
Basic income (loss) per share:	$0.03	$(0.07)	$(2.12)
Diluted income (loss) per share:	$0.03	$(0.07)	$(2.12)
Weighted average shares outstanding – Basic	8,107,313	8,066,740	7,898,782
Weighted average shares outstanding – Diluted	8,124,957	8,066,740	7,898,782

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.
CONSOLIDATED BALANCE SHEET

	June 30, 2011	June 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,512,887	$ 5,263,324
Accounts receivable, net of allowances of $300,000	5,366,860	5,418,253
Inventories, net	10,553,289	11,155,456
Income tax receivable	95,578	877,665
Other current assets	213,745	221,840
Total current assets	22,742,359	22,936,538
Property, plant and equipment, net	8,660,507	9,661,395
Other assets, net	362,480	333,084
Total assets	$ 31,765,346	$ 32,931,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,644,910	$ 1,950,446
Other accrued liabilities	1,645,552	2,241,259
Deferred income taxes	512,572	429,699
Deferred revenue	688,200	688,200
Total current liabilities	4,491,234	5,309,604
Deferred revenue	114,700	802,900
Commitments and contingencies (Notes 4 and 9)		
Stockholders' equity:		
Preferred stock; $0.01 par value; 1,500,000 shares authorized; no shares issued and outstanding	-	-
Series A preferred stock; $0.01 par value; 200,000 shares authorized; no shares issued and outstanding	-	-
Common stock; $0.01 par value; 30,000,000 shares authorized; 10,427,878 and 10,396,878 shares issued at June 30, 2011 and June 30, 2010, respectively; 8,124,386 and 8,093,386 shares outstanding at June 30, 2011 and June 30, 2010, respectively	104,279	103,969
Additional paid-in capital	48,499,103	48,362,922
Accumulated deficit	(712,542)	(916,950)
Less: treasury stock, at cost; 2,303,492 shares at June 30, 2011 and 2010	(20,731,428)	(20,731,428)
Total stockholders' equity	27,159,412	26,818,513
Total liabilities and stockholders' equity	$ 31,765,346	$ 32,931,017

See accompanying Notes to Consolidated Financial Statements.

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ALLIED HEALTHCARE PRODUCTS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balance, July 1, 2008	$101,886	$47,524,084	$ 16,444,436	$(20,731,428)	$43,338,978
Issuance of common stock	162	80,931	-	-	81,093
Stock based compensation	-	27,034	-	-	27,034
Net income for the year ended June 30, 2009	-	-	(16,761,813)	-	(16,761,813)
Balance, June 30, 2009	102,048	47,632,049	(317,377)	(20,731,428)	26,685,292
Issuance of common stock	1,921	82,947	-	-	84,868
Stock based compensation	-	647,926	-	-	647,926
Net loss for the year ended June 30, 2010	-	-	(599,573)	-	(599,573)
Balance, June 30, 2010	103,969	48,362,922	(916,950)	(20,731,428)	26,818,513
Issuance of common stock	310	115,920	-	-	116,230
Stock based compensation	-	20,261	-	-	20,261
Net loss for the year ended June 30, 2011	-	-	204,408	-	204,408
Balance, June 30, 2011	$104,279	$48,499,103	$ (712,542)	$(20,731,428)	$27,159,412

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30,	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	$204,408	$(599,573)	$(16,761,813)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,361,684	1,364,923	1,291,777
Impairment of goodwill	-	-	15,979,830
Stock based compensation	20,261	647,926	27,034
Provision for doubtful accounts and sales returns and allowances	20,863	1,655	548
Deferred tax provision	41,232	55,788	219,432
Loss (gain) on disposition of equipment	(4,000)	67,848	8,463
Changes in operating assets and liabilities:			
Accounts receivable	30,531	752,529	268,698
Inventories	602,167	1,508,482	(617,488)
Income tax receivable	782,087	59,608	(937,273)
Other current assets	8,095	105,363	67,772
Accounts payable	(305,536)	316,878	(957,236)
Deferred revenue	(688,200)	(688,200)	(688,200)
Other accrued liabilities	(595,708)	(75,302)	(643,776)
Net cash provided by (used in) operating activities	1,477,884	3,517,925	(2,742,232)
Cash flows from investing activities:			
Capital expenditures	(348,551)	(337,463)	(1,544,512)
Proceeds from disposal of property, plant and equipment	4,000	54,630	-
Net cash used in investing activities	(344,551)	(282,833)	(1,544,512)
Cash flows from financing activities:			
Stock options exercised	103,250	3,469	81,093
Minimum tax withholdings on stock options exercised	-	(406,110)	-
Excess tax benefit from exercise of stock options	12,980	487,509	-
Net cash provided by financing activities	116,230	84,868	81,093
Net increase (decrease) in cash and cash equivalents	1,249,563	3,319,960	(4,205,651)
Cash and cash equivalents at beginning of year	5,263,324	1,943,364	6,149,015
Cash and cash equivalents at end of year	$6,512,887	$5,263,324	$1,943,364
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$66	$4,269	$-
Income taxes	$25,356	$31,039	$658,512

See accompanying Notes to Consolidated Financial Statements.

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ALLIED HEALTHCARE PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Allied Healthcare Products, Inc. (the “Company” or “Allied”) is a manufacturer of respiratory products used in the health care industry in a wide range of hospital and alternate site settings, including post-acute care facilities, home health care and trauma care. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by Allied are described below.

Use of estimates

The policies utilized by the Company in the preparation of the consolidated financial statements conform to accounting principles generally accepted in the United States of America, and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and intercompany balances are eliminated.

Revenue recognition

Revenue is recognized for all sales, including sales to agents and distributors, at the time products are shipped and title has transferred, provided that a purchase order has been received or a contract executed, there are not uncertainties regarding customer acceptance, the sales price is fixed and determinable and collectability is reasonably assured. Sales discounts, returns and allowances are included in net sales, and the provision for doubtful accounts is included in selling, general and administrative expenses. Additionally, it is the Company’s practice to include revenues generated from freight billed to customers in net sales with corresponding freight expense included in cost of sales in the consolidated statement of operations. The Company reports sales taxes on sales transactions on a net basis in the Consolidated Statement of Operations, and therefore does not include sales taxes in revenues or costs.

The sales price is fixed by Allied’s acceptance of the buyer’s firm purchase order. The sales price is not contingent, or subject to additional discounts. Allied’s standard shipment terms are “F.O.B. shipping point” as stated in Allied’s Terms and Conditions of Sale. The customer is responsible for obtaining insurance for and bears the risk of loss for product in-transit. Additionally, sales to customers do not include the right to return merchandise without the prior consent of Allied. In those cases where returns are accepted, product must be current and restocking fees must be paid by the respective customer. A provision has been made for estimated sales returns and allowances. These estimates are based on historical analysis of credit memo data and returns.

Allied does not provide installation services for its products. Most products shipped are ready for immediate use by the customer. The Company’s in-wall medical system components, central station pumps and compressors, and headwalls do require installation by the customer. These products are typically purchased by a third-party contractor

who is ultimately responsible for installation services. Accordingly, the customer purchase order or contract does not require customer acceptance of the installation prior to completion of the sale transaction and revenue recognition. Allied's standard payment terms are net 30 days from the date of shipment, and payment is specifically not subject to customer inspection or acceptance, as stated in Allied's Terms and Conditions of Sale. The buyer becomes obligated to pay Allied at the time of shipment. Allied requires credit applications from its customers and performs credit reviews to determine the creditworthiness of new customers. Allied requires letters of credit, where warranted, for international transactions. Allied also protects its legal rights under mechanics lien laws when selling to contractors.

Allied does offer limited warranties on its products. The standard warranty period is one year. The Company's cost of providing warranty service for its products for the years ended June 30, 2011, June 30, 2010, and June 30, 2009 was $125,369, $135,032, and $166,651, respectively. The related liability for warranty service amounted to $83,380 and $95,547 at June 30, 2011 and 2010, respectively.

Marketing and Advertising Costs

Promotional and advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the Statements of Consolidated Operations. Advertising expenses for the years ended June 30, 2011, 2010 and 2009 were $42,119, $55,504, and $162,284, respectively.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

The Company maintains funds in bank accounts that, at times, may exceed the limit insured by the Federal Deposit Insurance Corporation. The risk of loss attributable to these uninsured balances is mitigated by depositing funds only in high credit quality financial institutions. The Company has not experienced any losses in such accounts.

Foreign currency transactions

Allied has international sales which are denominated in U.S. dollars, the functional currency for these transactions.

Accounts receivable and concentrations of credit risk

Accounts receivable are recorded at the invoiced amount. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses based on past experience and an analysis of current amounts due, and historically such losses have been within management's expectations. The Company maintains an allowance for doubtful accounts to reflect the uncollectibility of accounts receivable based on past collection history and specific risks indentified among uncollected accounts. Accounts receivable are charged to the allowance for doubtful accounts when the Company determines that the receivable will not be collected and/or when the account has been referred to a third party collection agency. The Company's customers can be grouped into three main categories: medical equipment distributors, construction contractors and health care institutions. At June 30, 2011 the Company believes that it has no significant concentration of credit risk.

Inventories

Inventories are stated at the lower of cost, determined using the last-in, first-out ("LIFO") method, or market. If the first-in, first-out method (which approximates replacement cost) had been used in determining cost, inventories would have been $2,608,503 and $2,396,583 higher at June 30, 2011 and 2010, respectively. Changes in the LIFO reserve are included in cost of sales. Cost of sales was reduced by $55,475, $0 and $0 in fiscal 2011, 2010, and 2009 respectively, as a result of LIFO liquidations. Costs in inventory include raw materials, direct labor and manufacturing overhead.

Inventory is recorded net of a reserve for obsolete and excess inventory which is determined based on an analysis of inventory items with no usage in the preceding year and for inventory items for which there is greater than two years' usage on hand. The reserve for obsolete and excess inventory was $1,419,420 and $1,476,490 at June 30, 2011 and

2010, respectively.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 35 years. Expenditures for repairs, maintenance and renewals are charged to income as incurred. Expenditures, which improve an asset or extend its estimated useful life, are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Goodwill

As a result of our 2009 annual impairment review, we concluded that the carrying value of our goodwill was impaired. As a result, our fourth quarter and full year 2009 financial results included an aggregate non-cash pretax impairment charge of approximately $16.0 million. The impairment charge was the result of the annual assessment for impairment and reflected factors impacted by market conditions and the completion of our annual budget process. This non-cash charge had no effect on our cash balances or cash flows.

Impairment of long-lived assets

The Company evaluates impairment of long-lived assets under the provisions of ASC Topic 360: “Property, Plant and Equipment.” ASC 360 provides a single accounting model for long-lived assets to be disposed of and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Under ASC 360, if the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment loss will be recognized. No impairment losses of long-lived assets or identifiable intangibles were recorded by the Company for fiscal years ended June 30, 2011, 2010, and 2009.

Collective Bargaining Agreement

At June 30, 2011, the Company had approximately 313 full-time employees. Approximately 204 employees in the Company’s principal manufacturing facility located in St. Louis, Missouri, are covered by a collective bargaining agreement that will expire on May 31, 2012.

Self-insurance

The Company maintains a self-insurance program for a portion of its health care costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of June 30, 2011 and 2010, the Company had $229,000 and $300,000 respectively, of accrued liabilities related to health care claims. In order to establish the self-insurance reserves, the Company utilized actuarial estimates of expected claims based on analyses of historical data.

Fair value of financial instruments

The Company’s financial instruments consist of cash, accounts receivable and accounts payable. The carrying amounts for cash, accounts receivable and accounts payable approximate their fair value due to the short maturity of these instruments.

Income taxes

The Company accounts for income taxes under ASC Topic 740: “Income Taxes.” Under ASC 740, the deferred tax provision is determined using the liability method, whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax bases of assets and liabilities using presently enacted tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance the Company first considers the reversals of existing temporary deferred tax liabilities and available tax planning strategies. To the extent these items are not sufficient to cause the realization of deferred tax assets, the Company considers the availability of future taxable income to the extent such income is considered likely to occur based on the Company’s earnings history, current income trends and projections.

The Company recognizes tax liabilities when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. To the extent the Company deems it necessary to record a liability for its tax positions, the current portion of the liability is included in income taxes payable and the noncurrent portion is included in other liabilities in consolidated balance sheet. If upon the final tax outcome of these matters the ultimate liability is different than the amounts recorded, such differences are reflected in income tax expense in the period in which such determination is made. The Company's federal tax returns for the fiscal years after 2008 remain subject to examination. The various states in which the Company is subject to income tax are generally open for the fiscal years 2008 and after.

The Company classifies interest expenses on taxes payable as interest expense. Penalties are classified as a component of other expenses.

Research and development costs

Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses for the years ended June 30, 2011, 2010 and 2009 were $822,978, $858,509, and $917,506, respectively.

Earnings per share

Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share are based on the sum of the weighted averaged number of shares of common stock and common stock equivalents outstanding during the year. The weighted average number of basic shares outstanding for the years ended June 30, 2011, 2010 and 2009 was 8,107,313, 8,066,740 and 7,898,782 shares, respectively. The weighted average number of diluted shares outstanding for the years ended June 30, 2011, 2010 and 2009 was 8,124,957, 8,066,740 and 7,898,782 shares, respectively. The dilutive effect of the Company's employee and director stock option plans are determined by use of the treasury stock method. Potential common shares not included in the calculation of net loss per share, as their effect would be anti-dilutive, are 0, 57,193 and 273,596 for the years ended June 30, 2011, 2010 and 2009 respectively.

The following information is necessary to calculate earnings per share for the periods presented:

Year ended June 30,	2011	2010	2009
Net income (loss), as reported	$204,408	$(599,573)	$(16,761,813)
Weighted average common shares outstanding	8,107,313	8,066,740	7,898,782
Effect of dilutive stock options	17,644	-	-
Weighted average diluted common shares outstanding	8,124,957	8,066,740	7,898,782
Net income (loss) per common share			
Basic	$0.03	$(0.07)	$(2.12)
Diluted	$0.03	$(0.07)	$(2.12)
Employee stock options excluded from computation of diluted income per share amounts because their effect would be anti-dilutive	-	57,193	273,596

Employee stock-based compensation

The company follows the provisions of ASC Topic 718: “Compensation – Stock Compensation”,which sets accounting requirements for “share-based” compensation to employees, including employee stock purchase plans, and requires companies to recognize in the statement of operations the grant-date fair value of the stock options and other equity-based compensation.

The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following table summarizes the weighted average assumptions utilized in the Black-Scholes option pricing model for options granted during the fiscal years ended June 30, 2011, 2010 and 2009.

	2011	2010	2009
Weighted-average fair value	$ 1.98	$ 1.91	$ 1.72
Weighted-average volatility	46 %	59 %	40 %
Weighted-average expected life (in years)	6.0	3.0	6.0
Weighted-average risk-free interest rate	1.54 %	1.60 %	2.75 %
Dividend yield	0 %	0 %	0 %

Expected volatility is based on the historical volatility of the Company’s common stock to estimate future volatility. The risk-free rates are taken from rates as published by the Federal Reserve and represent the yields on actively traded treasury securities for terms equal or approximately equal to the expected terms of the options. The expected term is calculated using the SEC Staff Accounting Bulletin 107 (ASC 718-10-S99) simplified method. The dividend yield is zero based on the fact that the Company has no intention of paying dividends in the near term.

Share-based compensation expense included in the statement of operations for the fiscal years ended June 30, 2011, 2010 and 2009 was approximately $20,000, $648,000 and $27,000 respectively. Unrecognized shared-based compensation cost related to unvested stock options as of June 30, 2011 amounts to approximately $5,000. The cost is expected to be recognized over the next fiscal year.

The Company recognized income tax benefits for share-based compensation arrangements of approximately $8,000, $259,000 and $11,000 for the years ended June 30, 2011, 2010 and 2009, respectively.

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The following table summarizes stock option exercises for the fiscal years ended June 30, 2011, 2010 and 2009.

	2011	2010	2009
Stock options exercised	31,000	543,500	16,250
Total intrinsic value of stock options exercised	$ 32,450	$ 1,218,771	$ 25,281
Cash received from stock option exercises	$ 103,250	$ 3,469	$ 81,093
Tax benefit from stock options exercised	$ 12,980	$ 487,509	$ 10,113

Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance titled, "The FASB Accounting Standards Codification ("ASC") and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162." The guidance provides for the FASB Accounting Standards Codification (the "Codification") to become the single official source of authoritative, nongovernmental U.S. Generally Accepted Accounting Principles ("GAAP"). The Codification did not change U.S. GAAP but reorganizes the accounting literature and was effective for the Company's interim and annual periods ending after September 15, 2009. Adoption did not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued guidance titled "Revenue Recognition – Multiple Deliverable Revenue Arrangements" (Accounting Standards Update 2009-13), which requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The guidance eliminates the residual method of revenue allocation and requires revenue to be allocated using the relative selling price method. This guidance is applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. This guidance became effective for the Company in the quarter ended September 30, 2010, and its adoption did not have a significant effect on its consolidated financial statements.

In July 2010, the FASB issued guidance expanding disclosure requirements related to receivables. The guidance was issued to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The guidance is for receivables, off-balance sheet credit exposures and foreclosed and repossessed assets. The Company's summary of significant accounting policies shall now include: (i) basis for accounting for loans, trade receivables, and lease financing (including those classified as held for sale), (ii) method used in determining the lower of cost or fair value of nonmortgage loans held for sale, (iii) classification and method of accounting for interest-only strips, loans and other receivables and (iv) method for recognizing interest income on loan and trade receivables.

In addition, the allowance for credit losses, the allowance for doubtful accounts, and as applicable any unearned income, any unamortized premiums and discounts, and any net unamortized deferred fees and costs, shall be disclosed in the financial statements. The Company adopted this guidance, as required for both interim and annual reporting periods, effective December 15, 2010. The adoption of this guidance does not impact the Company's consolidated results of operations or financial position. The Company has included its Accounts Receivable policy in Note 2 – Summary of Significant Accounting Policies.

Recently Issued Accounting Pronouncements

In September 2011, the FASB issued guidance titled “Disclosures about an Employers Participation in a Multiemployer Plan”. The guidance requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures to provide users with more detailed information about an employer’s involvement in multiemployer pension plans. The guidance is effective for years ending after December 15, 2011. Adoption of this pronouncement is not expected to have a material impact on the Company’s financial statements.

3. Financing

Effective as of November 13, 2009, the Company terminated its revolving credit facility arrangement with Bank of America, N.A., as successor to LaSalle Bank National Association.

The Company is party to a Loan and Security Agreement, dated November 17, 2009, with Enterprise Bank & Trust (the “Credit Agreement”) pursuant to which the Company obtained a secured revolving credit facility with borrowing availability of up to $7,500,000 (the “Credit Facility”). The Company’s obligations under the Credit Facility are secured by certain assets of the Company pursuant to the terms and subject to the conditions set forth in the Credit Agreement.

The Credit Facility was amended on November 2, 2010 extending the maturity date to November 14, 2011. The Credit Facility will be available on a revolving basis until it expires on November 14, 2011, at which time all amounts outstanding under the Credit Facility will be due and payable. Advances under the Credit Facility will be made pursuant to a Revolving Credit Note executed by the Company in favor of Enterprise Bank & Trust. Such advances will bear interest at a rate equal to .50% in excess of Enterprise Bank & Trust’s prime-rate based interest rate for commercial loans, subject to a minimum annual interest rate of 4.50%. Advances may be prepaid in whole or in part without premium or penalty.

Under the Credit Agreement, advances are generally subject to customary borrowing conditions. The Credit Agreement also contains covenants with which the Company must comply during the term of the Credit Facility. Among other things, such covenants restrict the Company’s ability to incur certain additional debt; make specified restricted payments, dividends and capital expenditures; authorize or issue capital stock; enter into certain transactions with affiliates; consolidate or merge with or acquire another business; sell certain of its assets or dissolve or wind up the Company. The Credit Agreement also contains certain events of default that are customary for financings of this type including, without limitation: the failure to pay principal, interest, fees or other amounts when due; the breach of specified representations or warranties contained in the loan documents; cross-default with certain other indebtedness of the Company; the entry of uninsured judgments that are not bonded or stayed; failure to comply with the observance or performance of specified agreements contained in the loan documents; commencement of bankruptcy or other insolvency proceedings; and the failure of any of the loan documents entered into in connection with the Credit Facility to be in full force and effect. After an event of default, and upon the continuation thereof, the principal amount of all loans made under the Credit Facility would bear interest at a rate per annum equal to 4.00% above the otherwise applicable interest rate (provided, that the interest rate may not exceed the highest rate permissible under law), and the lender would have the option to accelerate maturity and payment of the Company’s obligations under the Credit Facility.

The prime rate was 3.25% on June 30, 2011.

At June 30, 2011 the Company had no aggregate indebtedness, including capital lease obligations, short-term debt and long term debt.

The Company was in compliance with all of the financial covenants associated with the Credit Facility at June 30, 2011.

4. Lease Commitments

The Company leases certain of its equipment under non-cancelable operating lease agreements. Minimum lease payments under operating leases at June 30, 2011 are as follows:

Fiscal Year	Operating Leases
2012	$ 179,378
2013	141,597
2014	109,985
Total minimum lease payments	$ 430,960

Rental expense incurred on operating leases in fiscal 2011, 2010, and 2009 totaled $303,079, $275,446 and $355,975 respectively.

5. Income Taxes

The provision for (benefit from) income taxes consists of the following:

	2011	2010	2009
Current:			
Federal	$ (38,368)	$ (324,691)	$ (586,836)
State	156,155	(25,038)	(101,076)
Total current	117,787	(349,729)	(687,912)
Deferred:			
Federal	96,079	108,702	203,778
State	(54,847)	(52,914)	34,355
Total deferred	41,232	55,788	238,133
	$ 159,019	$ (293,941)	$ (449,779)

A reconciliation of income taxes, with the amounts computed at the statutory federal rate is as follows:

	2011	2010	2009
Computed tax at federal statutory rate	$123,565	$(303,795)	$(5,851,941)
State income taxes, net of federal tax benefit	42,610	(26,860)	(45,887)
Non deductible goodwill impairment	-	-	5,433,142
Tax exempt income	-	(492)	(17,963)
Non deductible expenses	25,821	26,544	24,870
Federal research credit	(30,000)	-	-
Other, net	(2,977)	10,662	8,000
Total	$159,019	$(293,941)	$(449,779)

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 2011 and 2010 are as follows:

	2011		2010	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Current:				
Bad debts	$40,000	$ —	$40,000	$ —
Prepaid expenses	—	17,594	—	16,981
Deferred revenue	275,280	—	275,280	—
Accrued liabilities	332,122	—	367,896	—
Inventory	—	1,142,379	—	1,095,894
	647,402	1,159,973	683,176	1,112,875
Non Current:				
Depreciation	—	434,968	—	471,117
Net operating loss and credit carryforwards	348,796	—	57,550	—
Intangible assets	—	5,687	—	7,296
Deferred revenue	45,880	—	321,160	—
Accrued pension liability	56,062	—	64,509	—
Stock options	336,272	—	328,167	—
Other	—	24,343	—	12,602
	787,010	464,998	771,386	491,015
Valuation Allowance	—	—	—	—
Total deferred taxes	$1,434,412	$ 1,624,971	$1,454,562	$ 1,603,890

The net long term deferred tax asset of $322,013 and $280,371 is included in other assets in the June 30, 2011 and 2010 consolidated balance sheet, respectively. At June 30, 2011 there were $0.6 million dollars of federal net operating loss carryforwards which will expire in 2030. In addition, the Company has state tax net operating losses of approximately $2.7 million that expire in varying years up to 2029.

The Company files a federal and multiple state income tax returns. The Company’s federal and state income tax returns are open for fiscal years ending after June 30, 2008.

Management of the Company is not aware of any additional needed liability for unrecognized tax benefits at June 30, 2011 and June 30, 2010.

6. Employee Retirement Benefits

The Company offers a retirement savings plan under Section 401(k) of the Internal Revenue Code to certain eligible salaried employees. Each employee may elect to enter a written salary deferral agreement under which a portion of such employee's pre-tax earnings may be contributed to the plan.

During the fiscal years ended June 30, 2011, 2010 and 2009, the Company made contributions of $245,628, $252,858, and $272,931, respectively.

The Company contributed $369,195, $367,581 and $426,547 for the years ended June 30, 2011, 2010 and 2009, respectively, to a multi-employer plan based upon fixed amounts per month per employee as described in union

agreements. The Company has received information that the multi-employer pension plan is underfunded but has received no information to determine its proportional share of unfunded benefits, if any, under the plan.

7. Stock Based Compensation

The Company has established a 1994 Employee Stock Option Plan, a 1999 Incentive Stock Plan, and a 2009 Incentive Stock Plan (collectively the “Employee Plans”). The Employee Plans provide for the granting of options to the Company's executive officers and key employees to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 2,150,000 shares of common stock may be granted under the Employee Plans. Options generally become exercisable ratably over a four year period or one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the first or second anniversary of the date granted. The right to exercise the options generally expires in ten years from the date of grant, or earlier if an option holder ceases to be employed by the Company. On August 27, 2009, the Company granted a non-qualified stock option to acquire 320,000 shares of the Company’s Common Stock, at an exercise price of $4.25, to Mr. Refsland. Mr. Refsland’s option was fully vested at the time of the grant and is exercisable over a period of six (6) years following the grant date.

In addition, the Company has established a 1995 Directors Non-Qualified Stock Option Plan and a 2005 Directors Non-Qualified Stock Option Plan (collectively the “Directors Plans”). The Directors Plans provide for the granting of options to the Company's directors who are not employees of the Company to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 225,000 shares of common stock may be granted under the Directors Plans. Options shall become exercisable with respect to one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the second anniversary of the date granted, except for certain options which become exercisable with respect to all of the shares covered thereby one year after the grant date. The right to exercise the options expires in ten years from the date of grant, or earlier if an option holder ceases to be a director of the Company.

Upon stock-settled compensation exercises and awards, the Company issues new shares of Common Stock.

A summary of stock option transactions in fiscal 2009, 2010 and 2011, respectively, pursuant to the Employee Plans and the Directors Plans is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
June 30, 2008	715,750	$ 2.62		
Options Granted	6,000	$ 4.05		
Options Exercised	(16,250)	$ 4.99		
Options Forfeited or Expired	(15,000)	$ 5.25		
June 30, 2009	690,500	$ 2.52	1.2	$ 1,312,131
June 30, 2009	690,500	$ 2.52		
Options Granted	326,000	$ 4.26		
Options Exercised	(543,500)	$ 2.00		
Options Forfeited or Expired	0	$ 0.00		
June 30, 2010	473,000	$ 4.32	4.8	$ 18,140
June 30, 2010	473,000	$ 4.32		
Options Granted	6,000	$ 4.34		

Options Exercised	(31,000)	$ 3.33			
Options Forfeited or Expired	0	$ 0.00			
June 30, 2011	448,000	$ 4.38	4.2	$	21,900
Exercisable at June 30, 2011	439,500	$ 4.38	4.1	$	21,900

The following table provides additional information for options outstanding and exercisable at June 30, 2011:

Options Outstanding

Range of Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
2.90 - 4.24	41,000	1.6 years	$ 3.51
4.25 - 4.25	320,000	4.2 years	$ 4.25
4.26 - 6.99	87,000	5.3 years	$ 5.29
$2.90 - 6.99	448,000	4.2 years	$ 4.38

Options Exercisable

Range of Exercise Prices	Number	Weighted Average Exercise Price
2.90 - 4.24	41,000	$ 3.51
4.25 - 4.25	320,000	$ 4.25
4.26 - 6.99	78,500	$ 5.36
$2.90 - 6.99	439,500	$ 4.38

See Note 2 for discussion of accounting for stock awards and related fair value disclosures.

8. Supplemental Balance Sheet Information

		June 30,	
		2011	2010
Inventories			
Work in progress		$ 820,586	$ 802,550
Component parts		7,858,862	7,984,369
Finished goods		3,293,261	3,845,027
Reserve for obsolete and excess inventory		(1,419,420)	(1,476,490)
		$ 10,553,289	$ 11,155,456
	Estimated Useful Life (years)		
Property, plant and equipment			
Machinery and equipment	3-10	$ 11,528,855	$ 11,251,658
Buildings	28-35	12,222,170	12,203,870
Land and land improvements	5-7	934,216	934,216
Total property, plant and equipment at cost		24,685,241	24,389,744
Less accumulated depreciation and amortization		(16,024,734)	(14,728,349)
		$ 8,660,507	$ 9,661,395
Depreciation expense was $1.3 million, $1.4 million, and $1.3 million for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.			
Other accrued liabilities			
Accrued compensation expense		$ 1,162,392	$ 1,553,772
Customer deposits		253,199	377,371
Other		229,961	310,116
		$ 1,645,552	$ 2,241,259

9. Commitments and Contingencies

Legal Claims

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company intends to continue to conduct business in such a manner as to avert any FDA action seeking to interrupt or suspend manufacturing or require any recall or modification of products.

The Company has recognized the costs and associated liabilities only for those investigations, claims and legal proceedings for which, in its view, it is probable that liabilities have been incurred and the related amounts are estimable. Based upon information currently available, management believes that existing accrued liabilities are sufficient and that it is not reasonably possible at this time that any additional liabilities will result from the resolution of these matters that would have a material adverse effect on the Company's consolidated results of operations, financial position, or cash flows.

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Stuyvesant Falls Power Litigation. The Company is currently involved in litigation with Niagara Mohawk Power Corporation d/b/a National Grid ("Niagara") and other parties, which provides electrical power to the Company's facility in Stuyvesant Falls, New York. In fiscal year 2011, Niagara began sending invoices to the Company for electricity used at the Company's Stuyvesant Falls plant. The Company maintains in its defense of the lawsuit that it is entitled to a certain amount of free electricity based on covenants running with the land which have been honored for more than a century. Niagara's attempts to collect such invoices were stopped in December 2010 by a temporary restraining order, although a court has not yet ruled on the merits of all of Niagara's claims. Among other things, Niagara seeks approximately $469,000, which it alleges represents the value of electricity provided prior to the commencement of litigation going back to 2003. As of June 30, 2011, the Company has not recorded a provision for this matter as management intends to vigorously defend this allegation and believes the payment of this claim is not probable. The Company believes, however, that any liability it may incur would not have a material adverse effect on its financial condition or its result of operations.

Armstrong Medical Infringement Litigation. The Company is currently involved in litigation against Armstrong Medical Ltd., relating to the Company's marketing and sale of Litholyme® and a patent owned by Armstrong Medical regarding a carbon dioxide absorbent for use in anesthesiology. In this litigation, the Company asserts that Armstrong Medical's patent is invalid as being anticipated and obvious in light of material prior art and seeks a declaratory judgment that the marketing and sale of Litholyme® does not infringe Armstrong Medical's patent. Armstrong Medical has denied the Company's claims and counterclaimed for infringement. As of June 30, 2011, the Company cannot estimate a loss or range of loss for this matter because damages claimed by Armstrong Medical have not been specified and the proceedings are in early stages.

Employment Contract

In March 2007, the Company entered into a three year employment contract with its chief executive officer. The contract is subject to annual renewals after the initial term. The contract was amended and restated in December 2009 without extending its term. The contract includes termination without cause and change of control provisions, under which the chief executive officer is entitled to receive specified severance payments generally equal to two times ending annual salary if the Company terminates his employment without cause or he voluntarily terminates his employment with "good reason." "Good Reason" generally includes changes in the scope of his duties or location of employment but also includes (i) the Company's written election not to renew the Employment Agreement and (ii) certain voluntary resignations by the chief executive officer following a "Change of Control" as defined in the Agreement.

10. Segment Information

The Company operates in one segment consisting of the manufacturing, marketing and distribution of a variety of respiratory products used in the health care industry to hospitals, hospital equipment dealers, hospital construction contractors, home health care dealers and emergency medical product dealers. The Company's product lines include respiratory care products, medical gas equipment and emergency medical products. The Company does not have any one single customer that represents more than 10 percent of total sales. Sales by region, and by product, are as follows:

Sales by Region

	2011	2010	2009
Domestic United States	$ 37,634,627	$ 37,337,662	$ 41,932,370
Europe	1,721,779	1,390,631	1,272,728

Canada	668,430	676,428	1,136,094
Latin America	3,427,960	3,326,792	4,426,046
Middle East	911,401	512,744	1,207,774
Far East	2,296,635	2,545,353	1,941,170
Other International	122,604	244,638	156,494
	$ 46,783,436	$ 46,034,248	$ 52,072,676

Sales by Product

	2011	2010	2009
Respiratory care products	$ 10,796,923	$ 11,142,890	$ 12,299,343
Medical gas equipment	24,949,906	24,623,684	29,748,758
Emergency medical products	11,036,607	10,267,674	10,024,575
	$ 46,783,436	$ 46,034,248	$ 52,072,676

11. Quarterly Financial Data (unaudited)

Summarized quarterly financial data for fiscal 2011 and 2010 appears below (all amounts in thousands except per share amounts):

Three months ended,	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Net sales	$12,102	$ 11,338	$11,403	$11,941	$11,668	$ 11,627	$11,415	$11,324
Gross profit	3,034	2,608	2,810	2,551	2,896	2,846	2,945	2,403
Income (loss) from operations	220	114	209	(134)	222	140	45	(1,189)
Net income (loss)	115	60	117	(88)	86	38	22	(745)
Basic earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.01	-	-	(0.09)
Diluted earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.01	-	-	(0.09)

Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts will not necessarily equal the total for the year.

12. Baralyme® Agreement

On August 27, 2004, Allied entered into an agreement with Abbott Laboratories (“Abbott”) pursuant to which Allied agreed to cease production of its product Baralyme®, and to effect the withdrawal of Baralyme® product held by distributors. The agreement permits Allied to pursue the development of a new carbon dioxide absorbent product. Baralyme®, a carbon dioxide absorbent product, has been used safely and effectively in connection with inhalation anesthetics since its introduction in the 1920s. In recent years, the number of inhalation anesthetics has increased, giving rise to concerns regarding the use of Baralyme® in conjunction with these newer inhalation anesthetics if Baralyme® has been allowed, contrary to recommended practice, to become desiccated. The agreement also provides that, for a period of eight years, Allied will not manufacture, distribute, promote, market, sell, commercialize or donate any Baralyme® product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide.

In consideration of the foregoing, Abbott agreed to pay Allied an aggregate of $5,250,000 of which $1,530,000 was paid on September 30, 2004 and the remainder payable in four equal annual installments of $930,000 due on July 1,

2005 through July 1, 2008.

The initial payment of $1,530,000 from Abbott was received on September 30, 2004. The agreement required Abbott to pay Allied $600,000 for reimbursement of Allied's cost incurred in connection with withdrawal of Baralyme® from the market, the disposal of such product, and severance payments payable as a result of such withdrawal. The payments by Abbott have been included in net sales, in accordance with ASC Topic 605: "Revenue Recognition." The Company is the primary obligor in the arrangement. It has sole authority to determine the method of withdrawal of Baralyme® and discretion in such matters as employee layoffs, disposal methods, and customer communications regarding the sale of replacement products. The costs of executing the withdrawal are the sole responsibility of the Company.

The payments received from Abbott are being recognized into income, as net sales, over the eight-year term of the agreement. Allied has no further obligations under this agreement which would require the Company to repay these amounts or otherwise impact this accounting treatment. During the fiscal years ended June 30, 2011, 2010, and 2009, $688,200 was recognized into income as net sales in each year.

A reconciliation of deferred revenue resulting from the agreement with Abbott, with the amounts received under the agreement, and amounts recognized as net sales is as follows:

	Twelve Months ended June 30,	
	2011	2010
Beginning balance	$ 1,491,100	$ 2,179,300
Revenue recognized as net sales	(688,200)	(688,200)
	802,900	1,491,100
Less - Current portion of deferred revenue	(688,200)	(688,200)
	$ 114,700	$ 802,900

In addition to the provisions of the agreement relating to the withdrawal of the Baralyme® product, Abbott has agreed to pay Allied up to $2,150,000 in product development costs to pursue development of a new carbon dioxide absorption product for use in connection with inhalation anesthetics that does not contain potassium hydroxide and does not produce a significant exothermic reaction with currently available inhalation agents. As of June 30, 2011, $2,150,000 has been received as a result of product development activities.

In 2004, Allied's sales of Baralyme® were approximately $2.0 million and contributed approximately $0.6 million in pre-tax earnings and cash flow from operations. The majority of the $5,250,000 Allied has received from Abbott will be recognized into income over the eight-year term of the agreement. The net cash flow realized by Allied under the agreement with Abbott is substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme® during the initial five years of the period.

13. Goodwill

Goodwill initially arises from business acquisitions and represents the value of unidentifiable intangibles in an acquired business. Goodwill is then evaluated at least annually for impairment in accordance with ASC Topic 350: "Intangibles - Goodwill and Other."

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At June 30, 2008 the Company had goodwill of $16.0 million. As a result of impairment testing as of June 30, 2009 the Company wrote down all of its goodwill so that at June 30th, 2009 the Company had zero goodwill. This impairment reflected the deteriorating market conditions the Company faces and lower prospects for earnings and cash flow. The amount of the impairment was determined in accordance with ASC Topic 350: "Intangibles - Goodwill and Other," which compares carrying value to the estimated fair value of assets and liabilities. Prior to the impairment of goodwill in 2009, the Company conducted a formal impairment test of goodwill annually at June 30th and between annual tests if an event occurred or circumstances changed that would more likely than not reduce the fair value of the Company below its carrying value. The annual impairment test did not indicate an impairment of goodwill at June 30, 2008.

Allied operates as one reporting unit and prepares its annual goodwill impairment test in that manner. None of the Company's product lines constitute a business, as that term is defined in the literature. Most of its products are produced in one facility, and Allied does not produce separate financial statements for any part of its business.

At June 30, 2008 the Company had goodwill of $16.0 million, resulting from the excess of the purchase price over the fair value of net assets acquired in business combinations. The Company completed its annual goodwill impairment test during the fourth quarter of the fiscal year ended June 30, 2009. Due to a general slow down in orders as a result of the current recession, operating profits and cash flows were lower than expected during fiscal 2009. Based on that trend, management revised its earnings forecast for fiscal 2009. In addition, during 2009 the stock traded below book value, in part due to the global economic downturn's impact on Company performance and the turmoil in the equity markets.

In accordance with ASC 350, a two step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of the Company to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of the Company exceeds the estimated fair value. Upon indication of impairment, a second step is performed to determine the amount of the impairment by comparing the implied fair value of the Company's goodwill with its carrying value.

To estimate the fair value of the Company for step one, the Company utilized a combination of income and market approaches. The income approach, specifically a discounted cash flow methodology, included assumptions for, among others, forecasted revenues, gross profit margins, operating profit margins, working capital cash flow, perpetual growth rates and long term discount rates, all of which requires significant judgments by management. These assumptions take into account the current recessionary environment and its impact on the Company's business. In addition, the Company utilized a discount rate appropriate to compensate for its earning risk relative the equity markets as a whole. The Company considered historical industry transactions in arriving at an appropriate control premium to identify the value of the company to market participants for the market approach.

The results of step one indicated that the Company's goodwill was substantially impaired. A step two analysis was performed to the extent necessary to determine that all of the Company's goodwill was impaired. Accordingly, the Company wrote off the entire goodwill balance and recorded an impairment charge of $16.0 million. As a result, at June 30, 2009 the Company had a goodwill balance of zero. The goodwill impairment charge is non-cash in nature and does not affect the company's liquidity, cash flows from operating activities or debt covenants and will not have a material impact on future operations.

In accordance with ASC Topic 360: "Property, Plant and Equipment," the Company also evaluated the recoverability of its long-lived assets. Based upon this evaluation, the Company determined that there was no impairment of these assets.

14. Subsequent Events

The Company has performed a review of events subsequent to the balance sheet date through the issue date of the consolidated statements. No events or transactions have occurred which would require recognition or disclosure in the consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC, and that such in formation is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In connection with our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, as required under Rule 13a-15(b) of the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the date of such evaluation to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

(b) Internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, which is defined as a process designed by, or under supervision of, our principal executive and principle financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However these inherent limitations are known features of the financial reporting process. It is possible to design into the process safeguards to reduce, though not eliminate, the risk that misstatements are not prevented or detected on a timely basis.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, our management concluded that, as of June 30, 2011, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with generally accepted accounting principles.

There were no changes to the Company's internal controls over financial reporting during the fourth quarter that have materially effected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

A list of our executive officers and biographical information appears at the end of Item 1, in Part I of this report. A definitive proxy statement is expected to be filed with the Securities and Exchange Commission within 120 days after June 30, 2011. The information required by this item is set forth under the caption “Election of Directors”, under the caption “Executive Officers”, and under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the definitive proxy statement, which information is incorporated herein by reference thereto.

Item 11. Executive Compensation

The information required by this item is set forth under the caption "Executive Compensation" in the definitive proxy statement, which information is incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the definitive proxy statement, which information is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions, and Director Independence

None

Item 14. Principal Accounting Fees and Services

The information required by this item will appear in the section entitled “Audit Fees” included in the definitive proxy statement relating to the 2011 Annual Meeting of stockholders and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

The following consolidated financial statements of the Company and its subsidiaries are included in response to Item 8:

Consolidated Statement of Operations for the years ended June 30, 2011, 2010, and 2009

Consolidated Balance Sheet at June 30, 2011 and 2010

Consolidated Statement of Changes in Stockholders’ Equity for the years ended June 30, 2011, 2010 and 2009

Consolidated Statement of Cash Flows for the years ended June 30, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedule

Valuation and Qualifying Accounts and Reserves for the Years Ended June 30, 2011, 2010 and 2009

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Report.

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.

ALLIED HEALTHCARE PRODUCTS, INC.
By:

/s/ Earl R. Refsland
Earl R. Refsland
President and Chief Executive Officer

/S/ Daniel C. Dunn
Daniel C. Dunn
Vice President, Chief Financial Officer, and Secretary

Dated: September 27, 2011

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 indicated on September 27th, 2011.

Signatures	Title
* John D. Weil	Chairman of the Board
* Earl R. Refsland	President, Chief Executive Officer and Director (principal Executive Officer)
* William A. Peck	Director
* Joseph Root	Director

*	
Judy Graves.	Director

* By: /s/ Earl R. Refsland
Earl R. Refsland
Attorney-in-Fact

* Such signature has been affixed pursuant to the following Power of Attorney.

ALLIED HEALTHCARE PRODUCTS, INC.

RULE 12-09 VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

COLUMN A Description	COLUMN B Balance at beginning of period	COLUMN C Charged to costs and expenses	COLUMN C Charged to other accounts - describe	COLUMN D Deductions - describe	COLUMN E Balance at end of period
For the Year Ended June 30, 2011					
Accounts Receivable Allowances	$ (300,000)	$ (20,863)		$ 20,863 (1)	$ (300,000)
Inventory Allowance For Obsolescence And Excess Quantities	$ (1,476,490)	$ (120,000)	$ (28,291) (3)	$ 205,361 (2)	$ (1,419,420)
For the Year Ended June 30, 2010					
Accounts Receivable Allowances	$ (300,000)	$ (1,655)		$ 1,655 (1)	$ (300,000)
Inventory Allowance For Obsolescence And Excess Quantities	$ (1,347,648)	$ (120,000)	$ (97,138) (3)	$ 88,296 (2)	$ (1,476,490)
For the Year Ended June 30, 2009					
Accounts Receivable Allowances	$ (300,000)	$ (548)		$ 548 (1)	$ (300,000)
Inventory Allowance For Obsolescence And Excess Quantities	$ (1,299,483)	$ (145,701)	$ (50,553) (3)	$ 148,089 (2)	$ (1,347,648)

(1) Decrease due to bad debt write-offs and recoveries.

(2) Decrease due to disposal of obsolete inventory.

(3) Increase due to inventory revaluation. The other account charged as a result of this revaluation was inventory before reserves. This did not result in a change to our net inventory or net income(loss).

INDEX TO EXHIBITS

Exhibit No.	Description

3.1 Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3(1) to the Company's Registration Statement on Form S-1, as amended, Registration No. 33-40128, filed with the Commission on May 8, 1991 (the "Registration Statement") and incorporated herein by reference)

3.2 By-Laws of the Registrant (filed as Exhibit 3(2) to the Registration Statement and incorporated herein by reference)

10.1 NCG Trademark License Agreement, dated April 16, 1982, between Liquid Air Corporation and Allied Healthcare Products, Inc. (filed as Exhibit 10(24) to the Registration Statement and incorporated herein by reference)
10.2 Employee Stock Purchase Plan (filed as Exhibit 10(3) to the Company's Annual Report on Form 10-K for the year ended June 30, 1998 and incorporated by reference)

10.3 Allied Healthcare Products, Inc. 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(39) to the Company's Annual Report on Form 10-K for the year ended June 30, 1994 and incorporated herein by reference)

10.4 Allied Healthcare Products, Inc. 1995 Directors Non-Qualified Stock Option Plan (filed with the Commission as Exhibit 10(25) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 and incorporated herein by reference)

10.5 Allied Healthcare Products, Inc. Amended 1994 Employee Stock Option Plan (filed with the Commission as Exhibit 10(28) to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 and incorporated herein by reference)

10.6 Form of Indemnification Agreement with officers and directors (filed with the Commission as Exhibit 10.22 to the 2002 Form 10-K and incorporated herein by reference).

10.7 Amended and restated Employment Agreement dated December 21, 2009 by and between Allied Healthcare Products, Inc. and Earl Refsland (incorporated by reference to 10-Q filed May 7, 2010)

10.7.1 Change of Control Agreement Employment Agreement dated March 16, 2007 by and between Allied Healthcare Products, Inc. and certain executive officers (incorporated by reference to 8-K filed March 16, 2007 with event date of March 16, 2007)

10.8 Allied Healthcare Products, Inc. 1999 Incentive Stock Plan (filed with the Commission as Exhibit 10(26) to the 1999 Form 10-K and incorporated herein by reference)

10.9 Allied Healthcare Products, Inc. 2009 Incentive Stock Plan (filed with Commission as Appendix A to the 2009 Proxy Statement on Schedule 14A)

10.10 Loan and Security Agreement dated November 17, 2009 by and between the Company and Enterprise Bank & Trust, including Revolving Credit Note (incorporated by reference to 8-K filed November 18, 2009 with event date of November 13, 2009)

10.11 Agreement dated August 27, 2004 between Allied Healthcare Products, Inc and Abbott Laboratories, Inc. (incorporated by reference to 8-K filed August 30, 2004 with event date of August 27, 2004)

21 Subsidiaries of the Registrant (filed with the Commission as Exhibit 21 to the 2000 Form 10-K)

23.1 Consent of RubinBrown LLP (filed herewith)

24 Form of Power of Attorney – (filed herewith)

31.1 Certification of Chief Executive Officer (filed herewith)

31.2 Certification of Chief Financial Officer (filed herewith)

32.1 Sarbanes-Oxley Certification of Chief Executive Officer (provided herewith)*

32.2 Sarbanes-Oxley Certification of Chief Financial Officer (provided herewith)*

* Notwithstanding any incorporation of this Annual Report on Form 10-K in any other filing by the Registrant, Exhibits designated with an asterisk (*) shall not be deemed incorporated by reference to any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically otherwise set forth therein.