

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

(Mark One)  
 ANNUAL  
REPORT  
PURSUANT  
TO SECTION  
13 OR  
15(d) OF  
THE  
SECURITIES  
EXCHANGE  
ACT OF  
1934 FOR  
THE FISCAL  
YEAR JUNE  
30, 2005  
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  
(State or other jurisdiction of  
Incorporation or organization)

25-1370721  
(I.R.S. employer  
identification no.)

1720 SUBLETTE AVENUE  
ST. LOUIS, MISSOURI  
(Address of principal executive offices)

63110  
(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  
-----  
-----  
-----  
-----  
-----  
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- None

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

Common Stock  
Preferred Stock  
Preferred Stock Purchase Rights  
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. Yes.  No.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12 b-2). Yes.  No.

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

As of December 31, 2004, 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 \$24,591,726.

As of September 28, 2005, there were 7,829,577 shares of common stock, \$0.01 par value (the "Common Stock"), outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement to be dated October 14, 2005 (portion) (Part III)

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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 and 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, 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" or the "Company") 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 2005, respiratory care products, medical gas equipment and emergency medical products represented approximately 27%, 56% and 17%, respectively, of the Company's net sales. In fiscal 2004, respiratory care products, medical gas equipment and emergency medical products represented approximately 26%, 57%, and 17%, 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:

PRINCIPAL BRAND PRODUCT DESCRIPTION NAMES
PRIMARY USERS - -----
-----
-- RESPIRATORY CARE PRODUCTS
Respiratory Large volume compressors; ventilator Timeter Hospitals and Care/Anesthesia Products
calibrators; humidifiers and mist sub-acute tents; and CO(2) absorbent facilities Home Respiratory Care Products
O2 cylinders; pressure regulators; Timeter; B&F; Schuco Patients at home nebulizers; portable large volume compressors; portable suction equipment and disposable respiratory products
MEDICAL GAS EQUIPMENT Construction Products
In-wall medical gas system Chemetron; Oxequip Hospitals and components; central station pumps sub-acute and compressors and headwalls facilities Regulation Devices
Flowmeters; vacuum regulators; Chemetron; Oxequip; Hospitals and pressure regulators and related Timeter sub-acute products facilities
Disposable Cylinders Disposable oxygen and gas cylinders Lif-O-Gen First aid providers and specialty gas distributors
Suction Equipment Portable suction equipment and Gomco; Allied; Hospitals, sub-disposable suction canisters Schuco acute facilities and homecare products
EMERGENCY MEDICAL PRODUCTS
Respiratory/Resuscitation Demand resuscitation valves; bag LSP; Omni-Tech Emergency service mask resuscitators; emergency providers transport ventilators, oxygen regulators and SurgeX -- surge suppressing post valve Trauma and Patient Handling
Spine

immobilization products;  
LSP Emergency service  
Products pneumatic anti-  
shock garments and  
providers trauma burn  
kits

#### 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.

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied agreed to cease production of its product Baralyme(R), and to affect the withdrawal of Baralyme(R) product held by distributors. The agreement permits Allied to pursue the development of a new carbon dioxide absorbent product. Baralyme(R), 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(R) in conjunction with these newer inhalation anesthetics if Baralyme(R) 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(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide. More detailed information concerning this agreement is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**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.

#### 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.

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.

#### SALES AND MARKETING

Allied sells its products primarily to respiratory care/anesthesia product distributors, hospital construction contractors, emergency medical equipment dealers and directly to hospitals. The Company maintains a sales force of 33 sales professionals, all of whom are full-time employees of the Company.

The sales force includes 24 medical gas specialists, 3 emergency specialists and 6 international sales representatives. Three product managers are responsible for the marketing activities of our product lines.

The 24 medical gas specialists are responsible for sales of all Allied products with the exception of emergency products within their territory. Sales of products are accomplished through respiratory care/anesthesia distributors for the regulation devices, suction equipment, respiratory care/anesthesia products and disposable cylinders. The homecare products are sold primarily through our own in house telemarketing. Construction products are sold direct to hospital construction contractors and through distributors.

Emergency medical specialists are responsible for sales of respiratory/resuscitation products, trauma and patient handling products. These products are principally sold to ambulance companies, fire departments and emergency medical systems volunteer organizations through specialized emergency medical products distributors.

Allied's international business represents a potential growth area that the Company has been pursuing. Allied's net sales to foreign markets totaled 17% of the Company's net sales in fiscal 2005, 17% of the Company's net sales in fiscal 2004, and 17% of the Company's net sales in fiscal 2003. 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 group is responsible for the development of new products. This group is staffed with mechanical and electrical engineers.

During fiscal year 2005 the research and development group completed the design and released to manufacturing a new line of LSP regulators. These regulators are used by EMS personnel.

The research and development group has also completed the design of a new hospital alarm system and gas manifold. These products will be released for sale in the 1(st) quarter of fiscal year 2006.

As part of the agreement relating to the withdrawal of the Baralyme(R) product, Abbott has 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. It is Allied's intention to pursue development of a new carbon dioxide absorption product. As of June 30, 2005 the Company had spent \$22,000 to pursue development of a new carbon dioxide absorbent. It is the Company's expectation that this amount will be reimbursed 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 for the St. Louis facility and certification per the Medical Device Directive (MDD -- European) for certain products in 1998. As such, the Company will be audited by the FDA, 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, or delay in obtaining, such approvals could adversely affect the Company's ability to market its 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 require CE certification. The letters 'CE' are an abbreviation of Conformance 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 has also received ISO 13485 Certification for medical device manufacturers in 2002.

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.

### THIRD PARTY REIMBURSEMENT

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 the Company does not receive payments for its products directly from these programs, home respiratory care providers and durable medical equipment suppliers, who are the primary customers for several of the Company's products, depend heavily on payments from Medicare, Medicaid and private insurers as a major source of revenues. In addition, sales of certain of the Company's 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 the Company's products.

#### PATENTS, TRADEMARKS AND PROPRIETARY TECHNOLOGY

The company owns and maintains patents on several products it believes is useful to the business and provides the company with an advantage over its competitors. During fiscal 2005 the company was granted additional US and international patents on the SurgeX post valve. The company continues to pursue patents on the XTRA backboard, Construction alarm and several other products under development.

The Company owns and maintains U.S. trademark registrations for 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.

#### COMPETITION

The Company has different competitors within each of its product lines. Many of the Company's principal competitors are larger than Allied and the Company believes that most of these competitors 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, 2005, the Company had approximately 412 full-time employees. Approximately 274 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, 2006.

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(R), and to affect the withdrawal of Baralyme(R) product held by distributors. The agreement permits Allied to pursue the development of a new carbon dioxide absorbent product. Baralyme(R), 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(R) in conjunction with these newer inhalation anesthetics if Baralyme(R) 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(R) product or similar product based upon potassium hydroxide and will not develop or license any new carbon dioxide absorbent product containing potassium hydroxide. More detailed information concerning this agreement is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

On September 9, 2004 Allied entered into a Closedown Agreement with the International Chemical Union representing the employees at the Stuyvesant Falls, New York facility. The Company had advised the Union that the plant will be closed and all bargaining unit employees related to such operation would be permanently laid off, no later than October 15, 2004. The collective bargaining agreement expired and was terminated as of the closing date. The Company paid severance to those 12 bargaining unit employees on the active payroll as of August 27, 2004.

#### 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.

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, 2005.

SQUARE FOOTAGE	OWNED/ LOCATION	(APPROXIMATE)	LEASED	ACTIVITIES/PRODUCTS
				- - - - -
				- - - - -
				- - - - -
	St. Louis,			
	Missouri.....			
270,000	Owned			
	Headquarters;			
	medical gas			
	equipment;			
	respiratory care			
	products;			
	emergency medical			
	products			
	Stuyvesant Falls,			
	New York....			
30,000	Owned CO(2)			
	absorbent			

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

ITEM 3. LEGAL PROCEEDINGS

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. Several such proceedings are currently pending, which 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Allied Healthcare Products, Inc. trades on the NASDAQ National market under the symbol AHPI. As of September 1, 2005, there were 201 record owners of the Company's Common Stock. The following tables summarize information with respect to the high and low closing prices for the Company's Common Stock as listed on the NASDAQ National market for each quarter of fiscal 2005 and 2004, respectively. The Company currently does not pay any dividend on its Common Stock.

COMMON STOCK INFORMATION

2005 HIGH LOW - ---- - - - - - - - - - September	
quarter.....	\$7.00 \$4.51 December
quarter.....	\$8.24 \$5.83 March
quarter.....	\$6.46 \$5.50 June
quarter.....	\$8.15 \$4.86
2004 HIGH LOW - ---- - - - - - - - - - September	
quarter.....	\$4.00 \$2.90 December
quarter.....	\$4.20 \$3.00 March
quarter.....	\$5.88 \$3.50 June
quarter.....	\$6.93 \$4.62

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

YEAR ENDED JUNE 30, -----					
-----				2005	2004
2003	2002	2001	-----		
----- (IN THOUSANDS, EXCEPT PER SHARE DATA) STATEMENT OF OPERATIONS DATA					
Net					
sales.....					
\$56,120	\$59,103	\$60,863	\$ 60,415	\$64,928	
Cost of					
sales.....					
41,669	42,748	46,809	49,999	48,265	
Gross profit.....					
14,451	16,355	14,054	10,416	16,663	
Selling, general and administrative expenses(4).....					
11,843	12,660	13,551	12,786	14,573	
Provision for product recall.....					
--	--	--	(40)	80	
Impairment of goodwill(1).....					
9,600	--	--	--	--	
Income (loss) from operations.....					
2,608	3,695	503			
(11,930)	2,010	Interest expense.....			
123					
550	831	1,054	1,530	Other,	
net.....					
43					
8	41	41	74	Income (loss) before provision (benefit) for income taxes.....	
2,442					
3,136	(369)	(13,025)	406	Provision (benefit) for income taxes(2).....	
101					
1,261	(211)	(1,294)	172	Net income (loss).....	
\$ 2,341					
\$ 1,875	\$ (158)	\$ (11,731)	\$ 234	Basic earnings (loss) per share.....	
\$ 0.30	\$ 0.24	\$ (0.02)	\$ (1.50)	\$ 0.03	
Diluted earnings (loss) per share.....					
\$ 0.29	\$ 0.23	\$ (0.02)	\$ (1.50) \$ 0.03 Basic weighted average common shares		
outstanding.....					
7,822	7,816	7,814	7,809	7,807	
Diluted weighted average common shares					
outstanding.....					
8,081	7,985	7,814	7,809	8,126	

JUNE 30, -----							
-----				2005	2004	2003	2002
2001	-----						
----- (IN THOUSANDS) CONSOLIDATED BALANCE SHEET DATA							
Working							
capital.....							
\$12,250	\$10,992	\$ 9,445	\$ 9,371				
\$20,682 Total							
assets.....							
46,097	47,029	50,303	53,024	65,933			
Short-term							
debt(3).....							
1,245	5,409	7,985	1,169	Long-term debt (net of current portion)(3)...			
2,366	4,612	4,135	11,019	Stockholders' equity.....			
38,862							
36,453	34,567	34,725	46,440				

(1) Impairment loss on goodwill. See Note 2 to the June 30, 2005 Consolidated Financial Statements for further discussion of goodwill. The Company recorded a goodwill impairment charge of \$9.6 million in the fourth quarter of 2002.

(2) See Note 5 to the June 30, 2005 Consolidated Financial Statements for further discussion of the Company's effective tax rate.

(3) See Note 3 to the June 30, 2005 Consolidated Financial Statements for further discussion.

(4) During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". Prior to the adoption of this standard, goodwill amortization of \$815 was recorded in 2001, which is included above in selling, general and administrative expenses.



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained herein are forward-looking statements. Actual results could differ materially from those anticipated as a result of various factors, including cyclical and other industry downturns, the effects of federal and state legislation on health care reform, including Medicare and Medicaid financing, the inability to realize the full benefit of recent capital expenditures or consolidation and rationalization activities, difficulties or delays in the introduction of new products or disruptions in selling, manufacturing and/or shipping efforts.

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of the Company for the three fiscal years ended June 30, 2005. This discussion should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and selected consolidated financial data included elsewhere herein.

### 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 collectibility 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 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 of 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; however, most claims occur within the first six months. The related liability resulting from these transactions is not significant. The Company's cost of providing warranty service for its products for the year ended June 30, 2005 and June 30, 2004 was \$53,718 and \$82,809, 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. During the fiscal year ended June 30, 2002, the Company implemented this detailed analysis of inventory in conjunction with its long-term product planning process. This review indicated that the Company had experienced a significant decrease in sales during the years prior to fiscal 2002. Sales decreased from approximately \$74.7 million for the fiscal year ended June 30, 1999 to \$60.4 million for the fiscal year ended June 30, 2002. This decrease in sales reflected loss of market share, the effect of product lifecycles, and changes in product mix. In addition, changes were also made in the manufacturing processes of many of the Company's products to lower cost as the Company made changes to return to profitability. As a result, a large number of component parts were deemed to be obsolete, resulting in a \$3.2 million charge to increase the Company's reserve for obsolete and excess inventory. Of the inventory that has been identified as excess and obsolete, most has been disposed. Only a small percentage has been sold. These sales have no impact on gross margins. At June 30, 2005 and 2004, inventory is recorded net of a reserve for obsolete and excess inventory of \$1.3 million and \$1.7 million, respectively.

#### INCOME TAXES:

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, 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. See the discussion on page 20 regarding the reversal of the deferred tax asset valuation allowance in the fourth quarter of fiscal 2005.

#### 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. At June 30, 2005 and 2004, accounts receivable is recorded net of allowances of \$0.6 million.

#### GOODWILL:

At June 30, 2005 and 2004, the Company has goodwill of \$15,979,830, resulting from the excess of the purchase price over the fair value of net assets acquired in business combinations. During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS No. 142, the Company ceased amortizing goodwill on July 1, 2001. During the first half of fiscal 2002, the Company performed the transitional impairment analysis of its goodwill as of the implementation date, following which the Company concluded that there was no impairment of goodwill at July 1, 2001. The Company completed the required initial annual impairment review of its goodwill at June 30, 2002, which due to declining sales and profitability, resulted in a goodwill impairment loss of \$9,600,000.

The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. The annual impairment test did not indicate a further impairment of goodwill at June 30, 2005 or June 30, 2004.

Allied operates as one reporting unit and prepares its annual goodwill impairment test in that manner. None of our product lines constitute a business, as that term is defined in EITF 98-3. Most of our products are produced in one facility, and we do not produce separate financial statements for any part of our business. The goodwill impairment test is performed at June 30(th) of each year.

The results of these annual impairment reviews are highly dependent on management's projection of future results of the Company and there can be no assurance that at the time such future reviews are completed a material impairment charge will not be recorded.

#### SIGNIFICANT FACTORS AFFECTING PAST AND FUTURE OPERATING RESULTS

On August 27, 2004, Allied Healthcare Products, Inc. ("Allied") entered into an agreement with Abbott Laboratories ("Abbott") pursuant to which Allied agreed to cease production of its product Baralyme(R), and to affect the withdrawal of Baralyme(R) product held by distributors. The agreement permits Allied to pursue the development of a new carbon dioxide absorbent product. Baralyme(R), 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(R) in conjunction with these newer inhalation anesthetics if Baralyme(R) 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(R) 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. Allied has agreed with Abbott that in the event that it receives approval from the U.S. Food & Drug Administration for the commercial sale of a new carbon dioxide absorbent product not based upon potassium hydroxide prior to January 1, 2008, that Abbott will be relieved of any obligation to fund the \$930,000 installment due 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(R) from the market, the disposal of such product, and severance payments payable as a result of such withdrawal. This payment by Abbott of \$600,000 has been included in net sales during the year ended June 30, 2005, in accordance with the FASB's EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company is the primary obligor in the arrangement. It has sole authority to determine the method of withdrawal of Baralyme(R) 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 remaining \$4,650,000 of the payments to be received from Abbott, including the \$930,000 received on September 30, 2004, and \$930,000 received on June 13, 2005, will be 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 year ended June 30, 2005 \$387,500 was recognized into income as net sales.

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, -----	
2005 2004 -----	Beginning
balance.....	
\$ -- \$-- Payment Received from Abbott	
Laboratories.....	2,460,000 --
Revenue recognized as net	
sales.....	(987,500) -- -
-----	1,472,500 -- ----- Less --
Current portion of deferred	
revenue.....	(465,000) -- -----
---	\$1,007,500 \$-- =====

As a result of the agreement with Abbott, Allied has suspended manufacturing operations at its Stuyvesant Falls, New York facility. Costs associated with the withdrawal and suspension of operations at that location, including severance and benefit payments due union employees, have been and will be recorded in accordance with SFAS 146, "Accounting for the Costs Associated with Exit or Disposal Activities".

On September 9, 2004 Allied entered into a Closedown Agreement with the International Chemical Union representing the employees at the Stuyvesant Falls, New York facility. The Company had advised the Union that the plant will be closed and all bargaining unit employees related to such operation would be permanently laid off, no later than October 15, 2004. The collective bargaining agreement expired and was terminated as of the closing date. The Company paid severance to those 12 bargaining unit employees on the active payroll as of August 27, 2004.

During the first quarter of fiscal 2005, the Company recorded a charge to cost of sales of \$600,000. This charge included \$216,000 for severance payments and fringe benefits for the 12 bargaining unit employees. The charge included \$200,000 for the value of Baralyme(R) inventory in stock and the time of the withdrawal, and associated disposal cost. The charge also included \$184,000 for replacement of Baralyme(R) inventory which was returned by our customers as a result of the withdrawal. The Company has replaced Baralyme(R) returned by its customers with Carbolime(R), a carbon dioxide absorption product which continues to be offered for sale by Allied.

During the second quarter of fiscal 2005, the Company recorded an adjustment of \$127,912 to reflect an increase in the estimated product withdrawal cost and disposal cost, as more inventory was returned by customers than originally estimated.

During the fourth quarter of fiscal 2005, the Company recorded an adjustment of \$1,444 to reflect an increase in the estimated product withdrawal cost and disposal cost, as disposal costs were more than originally estimated. Management does not expect further cash expenditures to be paid in connection with the Baralyme(R) product withdrawal.

The following table reflects the activities related to the withdrawal of Baralyme(R) and subsequent suspension of operations at the Stuyvesant Falls, New York facility, and the accrued liabilities in the consolidated balance sheets at June 30, 2005. Changes to previous estimates have been reflected as "Provision adjustments" on the table below in the period the changes in estimates were made.

SEVERANCE INVENTORY TO PAY AND PRODUCT BE DISPOSED OF BENEFITS WITHDRAWAL TOTAL -----			
-----			
Provision.....			
\$ 200,000	\$216,000	\$ 184,000	\$
	600,000	Cash	
Expenditures.....			
\$(149,677)	\$(85,431)	\$(119,798)	
\$(354,906)			-----
--	----- Balance at September 30,		
2004.....	\$ 50,323	\$130,569	\$
	64,202	\$ 245,094	Cash
Expenditures.....			\$
(66,079)	\$(87,171)	\$(128,479)	
	\$(281,729)	Provision	
Adjustments.....			\$ 55,756
\$ (2,852)	\$ 75,008	\$ 127,912	-----
			-----
	----- Balance at December 31,		
2004.....	\$ 40,000	\$ 40,546	\$
	10,731	\$ 91,277	Cash
Expenditures.....			\$
(35,732)	\$(15,205)	\$(10,731)	\$
	(61,668)	Provision	
Adjustments.....			-- -- --
			-----
	----- Balance at March 31,		
2005.....	\$ 4,268	\$ 25,341	\$
	0	\$ 29,609	Cash
Expenditures.....			\$
(5,712)	\$(25,341)	\$ 0	\$(31,053)
	Provision		
Adjustments.....			\$ 1,444
--	\$ 1,444		-----
			-----
	----- Balance at June 30,		
2005.....	\$ 0	\$ 0	\$ 0
			\$ 0
	=====	=====	=====
	=====		

In addition to the provisions of the agreement relating to the withdrawal of the Baralyme(R) 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, 2005 no amounts have been received, and \$22,000 is receivable, as a result of product development activities.

In 2004, Allied's sales of Baralyme(R) 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 is to receive from Abbott will be recognized into income over the eight-year term of the agreement. The net cash flow expected to be realized by Allied under the agreement with Abbott is projected be substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme(R) during the initial five years of the period.

#### RESULTS OF OPERATIONS

Allied 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, 2005, 2004, and 2003.

YEAR ENDED JUNE 30, 2005	-----	NET % OF
TOTAL SALES	NET SALES	-----
THOUSANDS	Respiratory care	DOLLARS IN

products.....			\$15,454	27.5%	
	Medical gas				
equipment.....			31,302		
	55.8% Emergency medical				
products.....			9,364	16.7%	----
	---	-----			
Total.....			\$56,120	100.0%	=====

YEAR ENDED JUNE 30, 2004 -----	NET % OF
TOTAL SALES NET SALES -----	Respiratory care
products.....	\$15,672 26.5%
Medical gas	
equipment.....	33,530
56.7% Emergency medical	
products.....	9,901 16.8% ----
--- -----	
Total.....	\$59,103 100.0% =====

YEAR ENDED JUNE 30, 2003 -----	NET % OF
TOTAL SALES NET SALES -----	Respiratory care
products.....	\$16,385 26.9%
Medical gas	
equipment.....	34,497
56.7% Emergency medical	
products.....	9,981 16.4% ----
--- -----	
Total.....	\$60,863 100.0% =====

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, -----	2005	2004
2003 -----	-----	Net
sales.....	100.0%	100.0%
100.0%	100.0%	Cost of
sales.....	74.3	72.3
74.3	72.3	76.9
-----	-----	-----
profit.....	25.7	27.7
25.7	27.7	23.1
Selling, general and administrative		
expenses.....	21.1	21.4
21.1	21.4	22.3
Income from		
operations.....	4.6	
6.3	0.8	Interest
6.3	0.8	
expense.....	1.0	1.4
1.0	1.4	Other,
-----	-----	-----
net.....	0.0	0.0
0.0	0.0	0.0
Income (loss) before		
provision (benefit) for income taxes... 4.4	5.3	(0.6)
4.4	5.3	(0.6)
Provision (benefit) for income		
taxes.....	0.2	2.1
0.2	2.1	(0.3)
-----	-----	-----
Net income		
(loss).....	3.2%	(0.3)%
3.2%	(0.3)%	=====

FISCAL 2005 COMPARED TO FISCAL 2004

Net sales for fiscal 2005 of \$56.1 million were \$3.0 million or 5.1% less than net sales of \$59.1 million in fiscal 2004. Domestically, sales decreased by \$2.8 million dollars. Internationally, sales decreased by \$0.2 million dollars. International business is dependent upon hospital construction projects, and the development of medical facilities in those regions in which the Company operates. Domestic sales include \$1.0 million for the recognition into sales of payments resulting from the agreement with Abbott Laboratories, as discussed below.

The overall decrease in net sales for the year is primarily the result of lower customer purchase order releases than in the prior year. Orders for the Company's products for the year ended June 30, 2005 of \$58.2 million were \$0.9 million or 1.5% lower than orders for the year ended June 30, 2004 of \$59.1 million. However, customer purchase order releases were \$3.4 million lower than in the prior year, leading to the majority of the decrease in sales for the year. Purchase order release lead times depend on the scheduling practices of the individual customers. The company expects a return to normal release patterns in fiscal 2006.

Orders for the Company's Emergency Products are higher than in the prior year. The Company believes that orders for these products have been favorably impacted by Federal Homeland Security funding for emergency responders. In addition, the Company has reorganized this area replacing a sales manager and two of the three sales specialists. This increase in demand has been offset by decreased demand for the Company's respiratory care products and medical gas equipment. The Company continues to believe that the market for construction products remains weaker than in the prior year. In addition, the demand for respiratory care products has been adversely affected by increased foreign competition. The Company is continuing its active efforts to further reduce the cost to produce its products.

Sales for the year ended June 30, 2005 include \$387,500 for the recognition into sales of payments resulting from the agreement with Abbott Laboratories to cease the production and distribution of Baralyme(R). Sales for the year ended June 30, 2005 also included recognition as sales of a one-time \$600,000 payment from Abbott Laboratories for cost incurred in connection with the withdrawal of Baralyme(R) from the market, the disposal of such product, and severance payments payable of such withdrawal. In total, domestic sales include \$1.0 million for recognition into sales of payments resulting from the agreement with Abbott Laboratories.

Allied continues to sell Carbolime(R), a carbon dioxide absorbent with a different formulation than Baralyme(R). For the year ended June 30, 2005 the Company had carbon dioxide absorbent sales of Carbolime(R), of \$2.0 million dollars, compared with \$2.4 million for the year ended June 30, 2004.

Respiratory care products sales in fiscal 2005 of \$15.5 million were \$0.2 million, or 1.3% less than sales of \$15.7 million in the prior year. This decrease is primarily attributable to a decline in the sales of the Company's line of homecare products of approximately \$0.6 million. The Company's efforts to maintain and increase market share in the homecare market has been hampered by delivery problems in prior years, price competition from foreign sourced products, and ineffective sales and marketing efforts for homecare. The Company has invested the personnel and systems to improve our telemarketing efforts, and continues to emphasize measures to reduce the cost of its products. Reported sales of respiratory care products benefited from the approximately \$1.0 million recognized resulting from the agreement to cease the production and distribution of Baralyme(R). This was offset by the resulting \$0.4 million decrease in the sale of carbon dioxide absorbent products.

Medical gas equipment sales of \$31.3 million in fiscal 2005 were \$2.2 million, or 6.6% less than prior year levels of \$33.5 million. Of this decrease, approximately \$1.8 million is from a decrease of shipments of the Company's Construction products. The Company continues to believe that the market for construction products remains weaker than in the prior year, and that the Company has not lost market share in this project driven market. Internationally, sales of Medical gas equipment in fiscal 2005 were \$0.1 million greater than in the prior year.

Emergency medical product sales in fiscal 2005 of \$9.4 million were \$0.5 million or 5.1% less than fiscal 2004 sales of \$9.9 million. International sales of Emergency medical products declined by \$0.2 million, while domestic sales decreased by \$0.3 million. However, orders for the Company's Emergency Products are higher than in the prior year. Orders for Emergency Medical Products increased from \$9.2 million in fiscal 2004 to \$9.6 in fiscal 2005. The Company believes that orders for these products have been favorably impacted by Federal Homeland Security funding for emergency responders. In addition, the Company has reorganized this area replacing the sales manager and two of the three sales specialists, domestically.

International sales, which are included in the product lines discussed above, decreased \$0.2 million, or 2.0%, to \$9.7 million in fiscal 2005 compared to sales of \$9.9 million in fiscal 2004. 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 2005, international shipments of medical gas equipment increased by \$0.1 million dollars. This was offset by a \$0.1 million decrease in the sale of Respiratory care products, and a decrease in sale of Emergency medical products by \$0.2 million dollars.

Gross profit in fiscal 2005 was \$14.5 million, or 25.7% of sales, compared to a gross profit of \$16.4 million, or 27.7% of sales in fiscal 2004. The change in gross profit percentage is primarily attributable to lower absorption rates for fixed cost due to lower sales and production in fiscal 2005 than in the prior year.



Cost of sales for the year ended June 30, 2005 does include approximately \$0.7 million in cost incurred in connection with the withdrawal of Baralyme(R), including related severance costs. In addition, gross profit for the year ended June 30, 2004 benefited by a \$243,248 distribution representing the Company's membership interest in the liquidation of the General American Mutual Holding Company, the Company's former health care benefit provider. During 2005, the Company received a distribution of \$47,126, which is included in the Company's gross profit. The Company's gross profit did benefit from an approximately \$0.4 million decrease in worker's compensation and property insurance expense due to the improved safety performance of the Company. The Company continues to control cost and actively pursue methods to reduce its cost. The Company invested \$0.5 million in capital expenditures in fiscal 2003, \$0.6 million in fiscal 2004, and \$0.4 million in fiscal 2005 for manufacturing equipment, which continues to decrease production costs and improve efficiencies for several product lines.

Selling, General, and Administrative ("SG&A") expenses for fiscal 2005 were \$11.8 million, a decrease of \$0.9 million over SG&A expenses of \$12.7 million in fiscal 2004. Personnel cost, including salaries and benefits, were approximately \$0.6 million lower in fiscal 2005 than in the prior year. This decrease is due to the workforce reduction which occurred in the first quarter of fiscal 2004, as well as reductions in incentive compensation to the Company sales force as a result of lower sales. Insurance costs are approximately \$0.2 million lower than in the prior year as a result of lower negotiated insurance rates on product liability insurance. In addition, due to continued strong accounts receivable performance and collection experience, bad debt expense is approximately \$0.3 million lower than in the prior year. These savings were partially offset, by approximately \$0.2 million in increases in spending covering several areas, including audit fees and consulting.

On July 28(th), 2003 the Company announced a workforce reduction of 14 positions from its managerial and administrative staff and 5 positions from its production group. This reduction resulted in severance pay of approximately \$73,000, which was paid in the first quarter of fiscal 2004. These payments are reflected in selling, general, and administrative expenses for the year ended June 30, 2004.

Interest expense decreased by \$0.5 million, or 83.3%, to \$0.1 million in fiscal 2005 from \$0.6 million in fiscal 2004. Interest expense has been reduced due to reductions in debt. During Fiscal 2005, debt was reduced from \$3.6 million to zero.

The Company had income of \$2.4 million before taxes for fiscal 2005, compared to income of \$3.1 million before taxes for fiscal 2004. The Company recorded an income tax provision of \$0.1 million in fiscal 2005, compared to an income tax provision of \$1.3 million in fiscal 2004.

In 2005, the Company realized a tax benefit of \$1.1 million from the reversal of deferred tax asset valuation allowances related primarily to tax net operating loss carryforwards acquired in 1995 in conjunction with the acquisition of Bicare Monitoring Systems, Inc. The tax laws in 1995 placed restrictions on the use of these net operating loss carryforwards, making it unlikely that the Company would realize the net operating loss carryforwards to offset future taxes. A deferred tax asset and corresponding valuation allowance have not been previously disclosed. The tax laws were changed in 1999, making these net operating loss carryforwards available for utilization on a consolidated basis from that time forward. However, beginning in 1999, the Company was not profitable and could not realize the benefit of these net operating loss carryforwards. The Company reported losses in 1999, 2000, 2002, and 2003. Although the Company did have taxable income in 2001 and 2004, management concluded that this did not represent sufficient positive evidence that the underlying deferred tax assets were more likely than not realizable, based primarily on the significant amount of cumulative losses in prior years and uncertainty of future profitability.

During the fourth quarter of 2005 the Company reviewed its performance during 2004 and 2005, as well as its projections for taxable income in 2006. Due to the Company's return to profitability, the Company reversed deferred tax asset valuation allowances of \$1.1 million due to management's conclusion that it was more likely than not that we would realize the underlying deferred tax assets. 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.

Net income in fiscal 2005 was \$2.3 million or \$0.30 per basic and \$0.29 per diluted earnings per share, an increase of \$0.4 million from net income of \$1.9 million, or \$0.24 per basic and \$0.23 per diluted earnings per share in fiscal 2004. In 2005, the weighted number of shares used in the calculation of basic earnings per share was 7,821,943 and the weighted number of shares used in the calculation of diluted earnings per share was 8,080,890. In 2004, the weighted number of shares used in the calculation of basic earnings per share was 7,816,416 and the weighted number of shares used in the calculation of diluted earnings per share was 7,984,761.

#### FISCAL 2004 COMPARED TO FISCAL 2003

Net sales for fiscal 2004 of \$59.1 million were \$1.8 million or 3.0% less than net sales of \$60.9 million in fiscal 2003. Domestically, sales decreased by \$1.1 million dollars. Domestically, sales increased in all regions of the country except in the Company's Eastern Region. Of this \$1.1 million decrease in domestic sales, \$1.6 million dollars is attributable to the Company's "Eastern Region" (primarily the northeastern United States). The Company believes that this decrease in sales was, in part, due to ineffective performance of our sales organization in that region. The Company has taken action to correct that problem, reorganizing its sales force in that area. The Company does not believe that it has permanently lost market share in that region, and feels that sales in that region should return to normal levels.

Internationally, sales decreased by \$0.7 million dollars. International business is dependent upon hospital construction projects, and the development of medical facilities in those regions in which the Company operates. The \$0.7 million dollar decrease in international shipments includes a \$0.4 million dollar decrease in sales to Latin America, where economic progress has been uneven over the last several years. The Company expects this market to grow in future years. In addition, 2003 sales to the Far East included several construction product projects which did not repeat in 2004. Sales to the Far East declined by approximately \$0.3 million in 2004.

Respiratory care products sales in fiscal 2004 of \$15.7 million were \$0.7 million, or 4.3% less than sales of \$16.4 million in the prior year. This decrease is attributable to a decline in the sales of the Company's B&F line of homecare products. The Company has not been able to regain market share lost from delivery problems in prior years. These delivery problems are now rectified, and the Company continues to pursue this market.

Medical gas equipment sales of \$33.5 million in fiscal 2004 were \$1.0 million, or 2.9% less than prior year levels of \$34.5 million. Of this decrease \$0.4 million came from a decrease in international business. As discussed above, International business is dependent upon hospital construction projects and the development of medical facilities in those regions in which the Company operates. Domestic sales of Medical gas equipment decreased by \$0.6 million, or 2.1%.

Emergency medical product sales in fiscal 2004 of \$9.9 million were \$0.1 million or 1.0% less than fiscal 2003 sales of \$10.0 million. International sales of Emergency medical products declined by \$0.2 million, while domestic sales increased by \$0.1 million.

International sales, which are included in the product lines discussed above, decreased \$0.7 million, or 6.6%, to \$9.9 million in fiscal 2004 compared to sales of \$10.6 million in fiscal 2003. 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 2004, international shipments of medical gas equipment decreased by \$0.4 million dollars. In addition, sales of Respiratory care products decreased by \$0.1 million dollars, and Emergency medical products decreased by \$0.2 million dollars.

Gross profit in fiscal 2004 was \$16.4 million, or 27.7% of sales, compared to a gross profit of \$14.1 million, or 23.1% of sales in fiscal 2003. In fiscal 2004 the Company continued to improve production efficiency and automation. The Company invested \$3.7 million in capital expenditures during fiscal 2002, \$0.5 million in fiscal 2003, and \$0.6 million in fiscal 2004 for manufacturing equipment, which continues to decrease production costs and improve efficiencies for several product lines. In addition, gross profit improved \$0.2 million as a result of a distribution representing the Company's membership interest in the liquidation of the General American Mutual Holding Company, the Company's health care benefit provider. These savings

were partially offset by an approximately \$0.2 million increase in Worker's Compensation insurance, and the decreases to gross margins attributable to lower sales volumes.

Selling, General, and Administrative ("SG&A") expenses for fiscal 2004 were \$12.7 million, a decrease of \$0.9 million over SG&A expenses of \$13.6 million in fiscal 2003. This decrease is the result of two main factors. On July 28(th), 2003 the Company announced an immediate workforce reduction of 14 positions from its managerial and administrative staff. SG&A expenses decreased \$0.8 million during fiscal 2004 primarily from this staff reduction. The Company's SG&A expenses decreased by \$0.3 million as a result of a decrease in the cost of property and casualty insurance. These decreases were partially offset by increases in other SG&A expenses, including a \$0.1 million increase in bad debt expense.

The workforce reduction of 14 positions was not part of a formal restructuring plan pursuant to SFAS 146. This reduction was an employee layoff due to declining sales. This workforce reduction did not change either the scope of a business undertaken by Allied Healthcare Products or the manner in which business is conducted. Furthermore, this workforce reduction did not result from a sale or termination of a line of business, the closure of a business location, a change in management structure, or a fundamental reorganization of the company as stated in IAS 37 paragraph 70.

Interest expense decreased by \$0.2 million, or 25.0%, to \$0.6 million in fiscal 2004 from \$0.8 million in fiscal 2003. Interest expense has been reduced due to reductions in debt.

The Company had income of \$3.1 million before taxes for fiscal 2004, compared to a loss of \$0.4 million before taxes for fiscal 2003. The Company recorded an income tax provision of \$1.3 million in fiscal 2004, compared to tax benefit of \$0.2 million in fiscal 2003.

Net income in fiscal 2004 was \$1.9 million or \$0.24 per basic and \$0.23 per diluted earnings per share, an increase of \$2.1 million from net loss of \$0.2 million, or \$0.02 per basic and diluted earnings per share in fiscal 2003. In 2004, the weighted number of shares used in the calculation of basic earnings per share was 7,816,416 and the weighted number of shares used in the calculation of diluted earnings per share was 7,984,761. In 2003, the weighted number of shares used in the calculation of basic and diluted earnings per share was 7,813,932.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

DOLLARS IN THOUSANDS	2005	2004	2003	-
Cash & cash equivalents.....	\$ 318	\$ 8	\$ 12	Working
Capital.....	\$12,250	\$10,993	\$ 9,445	Total
Debt.....	\$ 0	\$ 3,612	\$10,022	Current
Ratio.....	2.97:1	2.38:1	1.84:1	

The Company's working capital was \$12.2 million at June 30, 2005 compared to \$11.0 million at June 30, 2004. The current portion of long-term debt decreased by \$1.2 million, reflecting the reduction in the Company's revolver debt. Accounts payable decreased by \$1.0 million during fiscal 2005. Cash and cash equivalents increased by \$0.3 million. During fiscal 2005, these increases in working capital were offset by several other changes. Current deferred revenue increased by approximately \$0.5 million as a result of the agreement with Abbott. Accounts receivable decreased to \$7.2 million at June 30, 2005, down \$0.4 million from \$7.6 million at June 30, 2004. This decrease is due to a decrease in sales. Accounts receivable as measured in days sales outstanding ("DSO") remained constant at 46 DSO for the current and prior year. Inventory declined by \$0.3 million as a result of the Company's inventory reduction programs. The Company's inventory reduction programs involve consistent, detailed management review of order quantities, lead times, safety stocks, inventory levels, and other material planning parameters. These reviews have allowed the Company to better control its inventory levels, resulting in a \$2.4 million decrease in inventory over the last three fiscal years. We do not expect these programs to significantly further reduce inventory levels. The current liability for deferred income taxes increased by approximately \$0.3 million.



was reduced by \$0.1 million as the Company received a federal tax refund resulting from the carry back of prior year losses.

The Company's working capital was \$11.0 million at June 30, 2004 compared to \$9.5 million at June 30, 2003. Inventory declined by \$1.2 million as a result of the Company's inventory reduction programs. Accounts receivable decreased to \$7.6 million at June 30, 2004, down \$0.2 million from \$7.8 million at June 30, 2003. This decrease in accounts receivable is a result of improvements in collection performance and a decrease in sales. Accounts receivable as measured in days sales outstanding ("DSO") decreased to 46 DSO from 48 DSO the prior year. Income taxes receivable was reduced by \$0.3 million as the Company received a federal tax refund resulting from the carry back of prior year losses. Accounts payable increased by \$0.9 million during fiscal 2004, as a result of decreased purchases during the fourth quarter of fiscal 2003, from the Company's inventory reduction programs. These reductions in working capital were offset by a reduction in the current portion of long-term debt. The current portion of long-term debt decreased by \$4.2 million reflecting the reduction in the Company's revolver debt.

The net increase in cash for the fiscal year ended June 30, 2005 was \$0.3 million. The net decrease in cash for the fiscal year ended June 30, 2004 was \$3,760. The net increase in cash for the fiscal year ended June 30, 2003 was \$11,216. Net cash provided by operating activities was \$4.3 million for fiscal 2005. Net cash provided by operating activities was \$7.0 million and \$2.6 million for fiscal 2004 and 2003, respectively.

Cash flows provided by operating activities for the fiscal year ended June 30, 2005 consisted of a net income of \$2.3 million, supplemented by \$1.2 million in non-cash charges to operations for amortization and depreciation. Changes in working capital and deferred tax accounts favorably impacted cash flow from operations by \$0.8 million. Cash flow was used to reduce debt and capital lease obligations by \$3.6 million and make capital expenditures of \$0.4 million.

Cash flows provided by operating activities for the fiscal year ended June 30, 2004 consisted of a net income of \$1.9 million, supplemented by \$1.3 million in non-cash charges to operations for amortization and depreciation. Changes in working capital and deferred tax accounts favorably impacted cash flow from operations by \$3.8 million. Cash flow was used to reduce debt and capital lease obligations by \$6.4 million and make capital expenditures of \$0.6 million.

Cash flows provided by operating activities for the fiscal year ended June 30, 2003 consisted of a net loss \$0.2 million, which was offset by \$1.2 million in non-cash charges to operations for amortization and depreciation. Changes in working capital and deferred tax accounts favorably impacted cash flow from operations by \$1.6 million. Cash flow was used to reduce debt and capital lease obligations by \$2.1 million and make capital expenditures of \$0.5 million.

On April 24, 2002, the Company entered into a credit facility arrangement with LaSalle Bank National Association (the "Bank"), which was subsequently amended on September 26, 2002. The credit facility provided for total borrowings up to \$19.0 million; consisting of up to \$15.0 million through a revolving credit facility and up to \$4.0 million under a term loan. The entire credit facility accrued interest at prime plus 0.75%. The term loan may be drawn against for capital expenditures during the first six months of the term of the credit facility. Repayment of the term loan began on October 24, 2002, with principal and interest due in equal monthly installments over five years (subject to payment in full at the maturity of the credit facility if that facility is not renewed or extended). The credit facility is collateralized by substantially all of the assets of the Company. The original maturity date of the new facility was April 24, 2005. The credit facility was further amended on September 26, 2003, August 25, 2004, and September 1, 2005 as described below.

The revolving credit facility provided for a borrowing base of 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or \$7.0 million, subject to reserves as established by the Bank. At June 30, 2005, \$9.2 million was available under the revolving credit facility for additional borrowings. The credit facility calls for a 0.25% commitment fee payable quarterly based on the average daily unused portion of the revolving credit facility. The revolving credit facility also provides for a commitment guaranty of up to \$5.0 million for letters of credit and requires a per annum fee of 2.50% on outstanding letters of credit. At June 30, 2005 and 2004, the Company had no letters of credit outstanding. Any outstanding letters of credit decreases the

amount available for borrowing under the revolving credit facility. The weighted average interest rate on the revolving credit facility was 5.05% and 4.95% for the years ended June 30, 2005 and 2004, respectively.

Under the terms of the amended credit facility, the Company is required to be in compliance with certain financial covenants pertaining to stockholders' equity, capital expenditures and net income. At June 30, 2003, the Company was in violation of its EBITDA (net income after taxes, plus interest expense, income tax expense, and depreciation and amortization) covenant which were waived by the bank in a letter dated on September 26, 2003. On September 26, 2003, the Bank further amended the Company's credit facility. The Bank amended various financial covenants in conjunction with the amended credit facility including a reduction in the required fixed coverage charge ratio and the elimination of the EBITDA covenant. In addition, the outstanding loans under the amended credit facility will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate from August 1, 2003 to April 24, 2005. Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of \$49,685. The real estate term loan will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. The Company also received a waiver from the Bank for its covenant violations pertaining to its EBITDA covenant, which the Company was in default of on June 30, 2003. Additionally, the terms of the new credit facility restrict the Company from the payment of dividends on any class of its stock.

On August 27, 2004, the Bank and the Company agreed to a further amendment of the credit facility. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate, the Company's revolving credit facility, and term loan on capital expenditures from April 24, 2005 to April 24, 2007. The total available borrowing for the revolving credit facility was reduced from \$15 million to \$10 million. The entire credit facility was amended to accrue interest at the Bank's prime rate. The prime rate was 6.25% on June 30, 2005. The interest rate on prime rate loans may increase from prime to prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 1.5. The amended credit facility also provides the Company with a rate of LIBOR plus 2.25%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 2.25% to LIBOR plus 3.00% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate was 3.70% at June 30, 2005. Amortization on the real estate term loan was to continue on a five-year schedule with equal monthly payments of \$49,685. The real estate loan was retired on September 30, 2004. Amortization on the capital expenditure term loan was to continue on a five-year schedule with equal monthly payments of \$50,772. The capital expenditure loan was retired on April 14, 2005.

The credit facility requires lockbox arrangement, which provide for all receipts to be swept daily to reduce borrowings outstanding under the credit facility. This arrangement, combined with the existence of a Material Adverse Effect (MAE) clause in the credit facility, cause the revolving credit facility to be classified as a current liability, per guidance in the FASB's Emerging Issues Task Force Issue 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that Include Both a Subjective Acceleration Clause and a Lock-Box Arrangement." However, the Company does not expect to repay, or be required to repay, within one year, the balance of the revolving credit facility classified as a current liability. The MAE clause, which is a typical requirement in commercial credit agreements, allows the lender to require the loan to become due if it determines there has been a material adverse effect on the Company's operations, business, properties, assets, liabilities, condition or prospects. The classification of the revolving credit facility as a current liability is a result only of the combination of the two aforementioned factors: the lockbox arrangement and the MAE clause. However, the revolving credit facility does not expire or have a maturity date within one year. Additionally, the Bank has not notified the Company of any indication of a MAE at June 30, 2005.

At June 30, 2005 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 its credit facility at June 30, 2005.

On August 25, 2005, the Board of Directors authorized repurchases of shares of the Company's common stock pursuant to open market transactions in accordance with Rule 10b-18 under the Securities Exchange Act or in privately negotiated block transactions. The authorization permits repurchases from time to time until June 30, 2007 at the discretion of the Chairman of the Board or the President and Chief Executive Officer. The authorization permits up to \$1.0 million to be applied to such repurchases. No specific number of shares are sought in connection with the authorization. The Company received the consent of the Bank for this authorized repurchase.

On September 1, 2005, the Bank and the Company agreed to a further amendment of the credit facility. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's revolving credit facility from April 24, 2007 to September 1, 2008. The entire credit facility continues to accrue interest at the Bank's prime rate. The prime rate was 6.50% on September 1, 2005. The interest rate on prime rate loans may increase from prime to prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 2.5. The amended credit facility also provides the Company with a rate of LIBOR plus 1.75%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 1.75% to LIBOR plus 2.75% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate was 3.76% at September 1, 2005.

The following table summarizes the Company's cash obligations at June 30, 2005:

PAYMENT DUE BY PERIOD -----	
----- LESS THAN CONTRACTUAL	
OBLIGATIONS TOTAL 1 YEAR 1-3 YEARS - -----	
-----	
----- Long-Term	
Debt.....	
-- -- -- Capital Lease	
Obligations..... --	
-- -- Operating	
Leases.....	
\$395,746 \$220,485 \$175,261 Unconditional	
Purchase Obligations..... --	
-- -- Other Long-Term	
Obligations..... -- -	
- - - - - Total	
Contractual Cash	
Obligations..... \$395,746	
\$220,485 \$175,261 =====	
=====	

Capital expenditures, net of capital leases, were \$0.4 million, \$0.6 million and \$0.5 million in fiscal 2005, 2004, and 2003, 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 \$0.7 million in 2006. 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 our borrowing capacity under our credit facilities 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 \$0.7 million for the fiscal year ended June 30, 2006, could be postponed. At June 30, 2005, the Company had no bank debt. Based on the Company's current level of debt, and performance, debt would bear interest at the Bank's prime rate. The Company's agreement with the Bank does include provisions for higher interest rates at higher debt levels and different levels of Company performance.

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 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, 2005. 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.

THREE MONTHS ENDED,  
 -----  
 -----  
 -----  
 -----

- JUNE 30, MARCH 31,  
 DEC. 31, SEPT. 30,  
 JUNE 30, MARCH 31,  
 DEC. 31, SEPT. 30,  
 2005 2005 2004 2004  
 2004 2004 2003 2003  
 -----  
 -----  
 -----

----- DOLLARS IN  
 THOUSANDS, EXCEPT  
 PER SHARE DATA Net  
 sales.....  
 \$14,184 \$14,328  
 \$13,668 \$13,940  
 \$15,261 \$14,957  
 \$15,077 \$13,808  
 Gross  
 profit.....  
 3,899 3,732 3,413  
 3,407 4,638 4,212  
 4,108 3,397 Income  
 from  
 operations.....  
 1,055 719 356 478  
 1,547 1157 774 217  
 Net  
 income.....  
 1,513 408 184 236  
 861 627 384 3 Basic  
 earnings per  
 share.....  
 0.19 0.05 0.02 0.03  
 0.11 0.08 0.05 0.00  
 Diluted earnings per  
 share.....  
 0.19 0.05 0.02 0.03  
 0.10 0.08 0.05 0.00

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. More specifically, there have been a number of lawsuits filed against the Company alleging that its aluminum oxygen pressure regulator, marketed under its Life Support Products label, has caused fires that have led to personal injury. The Company believes, based on preliminary findings, that its products did not cause the fires. The Company intends to defend these claims in cooperation with its insurers. Based on the progression of certain cases the Company recorded additional charges to operations during fiscal 2001 for amounts estimated to be payable by the Company under its self-insurance retention for legal costs associated with defending these claims. The Company believes that any potential judgments resulting from these claims over its self-insured retention will be covered by the Company's product liability insurance.

## OFF BALANCE SHEET ARRANGEMENTS

Allied does not have any off balance sheet arrangements.

## RECENT ACCOUNTING PRONOUNCEMENTS

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities initiated after December 31, 2002. Adoption of SFAS No. 146 has not had a material impact on the Company's results of operations, financial position or cash flows.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This

interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company does not have any commitments that are within the scope of FIN No. 45.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an amendment of FAS 123," which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 "Accounting for Stock-Based Compensation," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements issued for fiscal years ending after December 15, 2002 and for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS No. 148 did not have a material impact on the Company's results of operations, financial position or cash flows.

In January 2003, the FASB released FIN No. 46, "Consolidation of Variable Interest Entities -- an Interpretation of ARB No. 51", which was subsequently revised in December 2003 (collectively referred to as "FIN 46" or the "Interpretation"). The Interpretation, as revised, clarifies issues regarding the consolidation of entities which may have features that make it unclear whether consolidation or equity method accounting is appropriate. FIN 46 is generally effective in 2003. Adoption of FIN 46 had no impact on the Company, as it is not the beneficiary of any variable interest entities.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 provides guidance on distinguishing between liability and equity instruments and accounting for instruments that have characteristics of both. SFAS No. 150 requires specific types of freestanding financial instruments to be classified as liabilities including mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets and certain obligations to issue a variable number of shares. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. For all other instruments, SFAS No. 150 is effective July 1, 2003. Adoption of SFAS No. 150 did not have a material impact on the Company's results of operations, financial position or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs." SFAS No. 151 requires the allocation of fixed production overhead costs be based on the normal capacity of the production facilities and unallocated overhead costs recognized as an expense in the period incurred. In addition, other items such as abnormal freight, handling costs and wasted materials require treatment as current period charges rather than a portion of the inventory cost. SFAS No. 151 is effective for inventory costs incurred during periods beginning after June 15, 2005. The Company is currently assessing the impact of the adoption of SFAS No. 151 on its results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires measurement of all employee stock-based compensation awards using a fair value method and the recording of such expense in the consolidated financial statements. In addition, the adoption of SFAS No. 123R will require additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. The Company has adopted the modified prospective method beginning July 1, 2005. Based on stock options currently outstanding, the expected gross compensation cost will total \$76,659 over the next four fiscal years.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At June 30, 2005, the Company did not have any debt outstanding. The revolving credit facility, capital expenditure and real estate loan bear 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, 2005. 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:

Reports of Independent Registered Public Accounting Firms.

Consolidated Statement of Operations for the fiscal years ended June 30, 2005, 2004 and 2003.

Consolidated Balance Sheet for the fiscal years ended June 30, 2005 and 2004.

Consolidated Statement of Changes in Stockholders' Equity for the fiscal years ended June 30, 2005, 2004 and 2003.

Consolidated Statement of Cash Flows for the fiscal years ended June 30, 2005, 2004 and 2003.

Notes to Consolidated Financial Statements.

Schedule of Valuation and Qualifying Accounts and Reserves for the years ended June 30, 2005, 2004 and 2003.

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 Shareholders Allied Healthcare Products, Inc.

We have audited the accompanying consolidated balance sheet of Allied Healthcare Products, Inc. and subsidiaries as of June 30, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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, 2005 and 2004. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and subsidiaries as of June 30, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, 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  
August 12, 2005, except for Notes 3 and 13, as to  
which the date is September 1, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Allied Healthcare Products, Inc. and its subsidiaries at June 30, 2003 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index represents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

St. Louis, Missouri  
September 26, 2003

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, -----	-----	-----	-----	-----
-----	2005	2004	2003	-----
				----- Net
sales.....				
\$56,120,150	\$59,103,313	\$60,863,358		Cost of
sales.....				
41,669,290	42,748,342	46,809,726		-----
				----- Gross
profit.....				
14,450,860	16,354,971	14,053,632		Selling, general
				and administrative expenses..... 11,843,037
12,660,358	13,550,592			-----
				----- Income from
operations.....				
2,607,823	3,694,613	503,040		-----
				----- Other expenses: Interest
expense.....				
	123,076			
	550,158	830,838		Other,
net.....				
42,604	8,378	41,135		-----
-----	165,680	558,536	871,973	-----
				----- Income (loss) before provision
				(benefit) for income
taxes.....				
2,442,143	3,136,077	(368,933)		Provision (benefit)
				for income taxes..... 100,779
1,261,424	(211,374)			-----
				----- Net income
(loss).....				\$
2,341,364	\$ 1,874,653	\$ (157,559)		=====
				===== Basic income (loss) per
share:.....				\$ 0.30 \$ 0.24 \$
				(0.02) Diluted income (loss) per
share:.....				\$ 0.29 \$ 0.23 \$ (0.02)
				===== Weighted
				average shares outstanding -- Basic.....
7,821,943	7,816,416	7,813,932		-----
				----- Weighted average shares outstanding
-- Diluted.....	8,080,890	7,984,761	7,813,932	--
				-----

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED BALANCE SHEET

JUNE 30, -----	2005	2004	-----
ASSETS			
Current assets: Cash and cash equivalents.....	\$ 317,775	\$ 8,256	
Accounts receivable, net of allowances of \$565,000 and \$585,000, respectively.....	7,215,799		
Inventories, net.....	10,775,550		
Income tax receivable.....	--		
Other current assets.....	168,431		
Total current assets.....	18,477,555		
Property, plant and equipment, net.....	11,308,866		
Goodwill.....	11,999,927		
Other assets, net.....	330,969		
Total assets.....	\$ 46,097,220	\$ 47,028,695	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....			
Current portion of long-term debt.....	--	1,245,484	
Deferred income taxes.....	711,416		
Deferred revenue.....	465,000		
Other accrued liabilities.....	2,940,763		
Total current liabilities.....	6,227,778		
Deferred income taxes.....	--	242,478	
Deferred revenue.....		1,007,500	
Long-term debt.....	--	2,366,076	
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; 10,133,069 shares issued and 7,829,577 shares outstanding at June 30, 2005 and 10,121,924 shares issued and 7,818,432 shares outstanding at June 30, 2004.....			
Additional paid-in capital.....	47,109,143		
Retained earnings.....	36,452,817		
Less: treasury stock, at cost; 2,303,492 shares at June 30, 2005 and 2004 respectively.....	(20,731,428)		
Total stockholders' equity.....	38,861,942	36,452,817	
Total liabilities and stockholders' equity.....	\$ 46,097,220	\$ 47,028,695	=====

See accompanying Notes to Consolidated Financial Statements.



ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

ADDITIONAL COMMON  
PAID-IN RETAINED  
STOCK CAPITAL  
EARNINGS TREASURY  
STOCK TOTAL -----

--- Balance, June  
30, 2002.....  
\$101,175  
\$47,030,549 \$  
8,324,438  
\$(20,731,428)  
\$34,724,734 Net  
loss for the year  
ended June 30,  
2003.....  
-- -- (157,559) -  
- (157,559) -----

- Balance, June  
30, 2003.....  
101,175  
47,030,549  
8,166,879  
(20,731,428)  
34,567,175  
Issuance of  
common stock.....  
45 10,944 -- --  
10,989 Net income  
for the year  
ended June 30,  
2004.....  
-- -- 1,874,653 -  
- 1,874,653 -----

- Balance, June  
30, 2004.....  
101,220  
47,041,493  
10,041,532  
(20,731,428)  
36,452,817  
Issuance of  
common stock.....  
111 67,650 -- --  
67,761 Net income  
for the year  
ended June 30,  
2005.....  
-- -- 2,341,364 -  
- 2,341,364 -----

- Balance, June  
30, 2005.....  
\$101,331  
\$47,109,143  
\$12,382,896  
\$(20,731,428)  
\$38,861,942  
=====  
=====  
=====  
=====  
=====

See accompanying Notes to Consolidated Financial Statements.

ALLIED HEALTHCARE PRODUCTS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, -----	2005	2004	2003	-----
-----				-----
				Cash flows from
				operating activities: Net income
(loss).....	\$			
2,341,364	\$ 1,874,653	\$ (157,559)		Adjustments
				to reconcile net income (loss) to net cash
				provided by operating activities:
Depreciation and amortization.....				
1,152,891	1,306,571	1,168,326		Stock based
				compensation.....
			67,761	-- --
Provision for doubtful accounts.....				
36,611	181,489	36,569		Deferred income
				taxes.....
			(188,493)	
1,209,753	268,771			Changes in operating assets
				and liabilities: Accounts
receivable.....				
	346,559			
	(41,481)	902,474		
Inventories.....				
319,621	1,179,801	925,949		Income tax
				receivable.....
			130,548	
261,711	353,636			Other current
				assets.....
	(41,304)	22,868		
	13,515			Accounts
payable.....				
	(1,014,994)			
	932,876	(1,234,085)		Deferred
revenue.....				revenue.....
	1,472,500	--	--	
--				Other accrued liabilities.....
(265,840)	97,622	357,008		
				-----
				Net cash provided by
operating activities.....	4,357,224	7,025,863		
2,634,604				-----
				Cash flows from investing activities:
				Capital
expenditures.....				
(436,145)	(630,548)	(524,450)		-----
				Net cash used in
investing activities.....	(436,145)			
(630,548)	(524,450)			-----
				Cash flows from financing
activities: Proceeds from issuance of long-				
term debt.....	--	--	1,799,966	Proceeds
				from issuance of common stock.....
				--
10,989				Payment of long-term
				debt.....
			(2,366,076)	
(2,246,236)	(763,104)			Payment of capital
				lease obligations.....
				-- --
(192,425)				Borrowings under revolving credit
	57,930,212	57,628,047		agreements.....
63,069,229				Payments under revolving credit
				agreements.....
	(59,175,696)	(61,791,875)		
(66,012,604)				-----
				Net cash used in financing
activities.....	(3,611,560)	(6,399,075)		
(2,098,938)				-----
				Net increase (decrease) in cash and
equivalents....	309,519	(3,760)	11,216	Cash
				and cash equivalents at beginning of
year.....	8,256	12,016	800	-----
				Cash and cash
equivalents at end of year.....	\$			
	317,775	\$ 8,256	\$ 12,016	=====
				=====
				Supplemental
				disclosures of cash flow information: Cash
				paid during the year for:
Interest.....				
	\$ 131,394	\$ 566,571	\$ 830,228	Income
				taxes.....
				\$
	693,650	\$ 138,581	\$ 9,375	

See accompanying Notes to Consolidated Financial Statements.

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.

RECLASSIFICATIONS

Certain financial statement amounts have been reclassified to conform to the current year presentation.

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 collectibility 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 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 of acceptance, as

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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; however, most claims occur within the first six months. The related liability resulting from these transactions is not significant. The Company's cost of providing warranty service for its products for the year ended June 30, 2005 and June 30, 2004 was \$53,718 and \$82,809, 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. Book cash overdrafts on the Company's disbursement accounts totaling \$639,403 are included in accounts payable at June 30, 2004.

## 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's customers can be grouped into three main categories: medical equipment distributors, construction contractors and health care institutions. At June 30, 2005 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 \$1,238,678 and \$1,087,952 higher at June 30, 2005 and 2004, respectively. Changes in the LIFO reserve are included in cost of sales. Cost of sales were reduced by \$136,255, \$319,742, and \$270,226 in fiscal 2005, 2004, and 2003 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 \$1,253,853 and \$1,742,490 at June 30, 2005 and 2004, 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 5 to 35 years. Properties held under capital leases are recorded at the present value of the non-cancelable lease payments over the term of the lease and are amortized over the shorter of the lease term or the estimated useful lives of the assets. 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

## GOODWILL

At June 30, 2005 and 2004, the Company has goodwill of \$15,979,830, resulting from the excess of the purchase price over the fair value of net assets acquired in business combinations. During fiscal 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which establishes new accounting and reporting standards for purchase business combinations and goodwill. As provided by SFAS No. 142, the Company ceased amortizing goodwill on July 1, 2001.

The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. The annual impairment test did not indicate a further impairment of goodwill at June 30, 2005 or June 30, 2004.

Allied operates as one reporting unit and prepares its annual goodwill impairment test in that manner. None of our product lines constitute a business, as that term is defined in Emerging Issues Task Force (EITF) Issue 98-3. Most of our products are produced in one facility, and we do not produce separate financial statements for any part of our business. The goodwill impairment test is performed at June 30(th) of each year.

The results of these annual impairment reviews are highly dependent on management's projection of future results of the Company and there can be no assurance that at the time such future reviews are completed a material impairment charge will not be recorded.

## OTHER ASSETS

Other assets are primarily comprised of debt issuance costs. These costs are amortized using the effective interest rate method over the life of the related obligations.

## IMPAIRMENT OF LONG-LIVED ASSETS

The Company evaluates impairment of long-lived assets under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 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 SFAS No. 144, 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, 2005 and 2004.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and debt. The carrying amounts for cash, accounts receivable and accounts payable approximate their fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value due to the notes bearing interest at a variable rate.

## INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". Under SFAS No. 109, the deferred tax provision is determined using the liability method, whereby deferred tax

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

## 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, 2005, 2004 and 2003 were \$682,793, \$627,822 and \$577,278 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, 2005, 2004 and 2003 was 7,821,943, 7,816,416 and 7,813,932 shares, respectively. The weighted average number of diluted shares outstanding for the years ended June 30, 2005, 2004 and 2003 was 8,080,890, 7,984,761 and 7,813,932 shares, respectively. The dilutive effect of the Company's employee and director stock option plans are determined by use of the treasury stock method. Employee and director stock option plans are not included as common stock equivalents for earnings per share purposes in fiscal 2003 as the impact on the number of shares outstanding would have been anti-dilutive.

## EMPLOYEE STOCK-BASED COMPENSATION

The Company accounts for employee stock options in accordance with Accounting Principles Board No. (APB) 25, "Accounting for Stock Issued to Employees". Under APB 25, the Company applies the intrinsic value method of accounting. The Company has not recognized compensation expense at the grant date for options granted because the Company grants options at a price equal to market value at the time of grant. SFAS No. 123, "Accounting for Stock-Based Compensation," prescribes the recognition of compensation expense based on the fair value of options determined on the grant date. However, SFAS No. 123 grants an exception that allows companies currently applying APB 25 to continue using that method. The Company has elected to continue applying the intrinsic value method under APB 25. For the year ended June 30, 2005, the Company recognized \$67,761 of compensation expense related to the modification of stock options held by a member of the Company's board of directors.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The fair value of options granted (which is amortized over the option vesting period in determining the pro forma impact) is estimated on the date of grant using the Black-Scholes option-pricing model. For options granted during the fiscal years ended June 30, 2005, 2004 and 2003, the assumptions utilized in the Black-Scholes option-pricing model included an expected option life of 10 years, risk-free interest rates ranging from 2.43% to 4.20%, volatility ranging from 46% to 52% and no dividend yield. The weighted average fair value of options granted was \$4.57, \$2.97 and \$1.58 for the years ended June 30, 2005, 2004 and 2003, respectively. The following table shows stock-based compensation expense included in net income and pro forma stock-based compensation expense, net income/(loss) and earnings per share had the Company elected to record compensation expense based on the fair value of options at the grant date for the fiscal years ended June 30, 2005, 2004, and 2003:

YEAR ENDED JUNE 30	2005	2004	2003
Net income (loss), as reported.....	\$2,341,364	\$1,874,653	\$(157,559)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects.....	40,657	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards granted since July 1, 1995, net of related tax effects.....	(49,966)	(65,295)	(158,000)
Proforma net income (loss).....	\$2,332,055	\$1,809,358	\$(315,559)
Earnings (loss) per share: Basic -- as reported.....	\$ 0.30	\$ 0.24	\$ (0.02)
Basic -- pro forma.....	\$ 0.30	\$ 0.23	\$ (0.04)
Diluted -- as reported.....	\$ 0.29	\$ 0.23	\$ (0.02)
Diluted -- pro forma.....	\$ 0.29	\$ 0.23	\$ (0.04)

NEW ACCOUNTING STANDARDS

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities initiated after December 31, 2002. Adoption of SFAS No. 146 has not had a material impact on the Company's results of operations, financial position or cash flows.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company does not have any commitments that are within the scope of FIN No. 45.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an amendment of FAS 123," which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS No. 148 amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements issued for fiscal years ending after December 15, 2002 and for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS No. 148 did not have a material impact on the Company's results of operations, financial position or cash flows.

In January 2003, the FASB released FIN No. 46, "Consolidation of Variable Interest Entities -- an Interpretation of ARB No. 51", which was subsequently revised in December 2003 (collectively referred to as "FIN 46" or the "Interpretation"). The Interpretation, as revised, clarifies issues regarding the consolidation of entities which may have features that make it unclear whether consolidation or equity method accounting is appropriate. FIN 46 is generally effective in 2003. Adoption of FIN 46 had no impact on the Company, as it is not the beneficiary of any variable interest entities.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 provides guidance on distinguishing between liability and equity instruments and accounting for instruments that have characteristics of both. SFAS No. 150 requires specific types of freestanding financial instruments to be classified as liabilities including mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets and certain obligations to issue a variable number of shares. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. For all other instruments, SFAS No. 150 is effective July 1, 2003. Adoption of SFAS No. 150 did not have a material impact on the Company's results of operations, financial position or cash flows.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs." SFAS No. 151 requires the allocation of fixed production overhead costs be based on the normal capacity of the production facilities and unallocated overhead costs recognized as an expense in the period incurred. In addition, other items such as abnormal freight, handling costs and wasted materials require treatment as current period charges rather than a portion of the inventory cost. SFAS No. 151 is effective for inventory costs incurred during periods beginning after June 15, 2005. The Company is currently assessing the impact of the adoption of SFAS No. 151 on its results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires measurement of all employee stock-based compensation awards using a fair value method and the recording of such expense in the consolidated financial statements. In addition, the adoption of SFAS No. 123R will require additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. The Company has adopted the modified prospective method beginning July 1, 2005. Based on stock options currently outstanding, the expected gross compensation cost will total \$76,659 over the next four fiscal years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. FINANCING

Long-term debt consisted of the following at June 30:

2005 2004 -----	UNSUBORDINATED DEBT Notes	
	payable to bank or other financial lending institution:	
	Term loan on real estate -- principal of \$49,685 due	
	monthly with remaining balance due April 24, 2007	
	(retired September	
2004).....		\$ -- \$
	1,439,156 Revolving credit facility -- aggregate	
	revolving commitment of \$10,000,000; principal due at	
	maturity on September 1,	
2008.....		
-- 40,000	Term loan on capital expenditures -- principal	
	of \$50,772 due monthly with remaining balance due on	
	April 24, 2007 (retired April	
2005).....		-- 2,132,404
--	3,611,560 -----	Less
--	Current portion of long-term debt.....	-
- (1,245,484) -----	\$ -- \$ 2,366,076 =====	
	=====	

On April 24, 2002, the Company entered into a credit facility arrangement with LaSalle Bank National Association (the "Bank"), which was subsequently amended on September 26, 2002. The credit facility provided for total borrowings up to \$19.0 million; consisting of up to \$15.0 million through a revolving credit facility and up to \$4.0 million under a term loan. The entire credit facility accrued interest at prime plus 0.75%. The term loan may be drawn against for capital expenditures during the first six months of the term of the credit facility. Repayment of the term loan began on October 24, 2002, with principal and interest due in equal monthly installments over five years (subject to payment in full at the maturity of the credit facility if that facility is not renewed or extended). The credit facility is collateralized by substantially all of the assets of the Company. The original maturity date of the new facility was April 24, 2005. The credit facility was further amended on September 26, 2003 August 25, 2004, and September 1, 2005, as described below.

The revolving credit facility provided for a borrowing base of 80% of eligible accounts receivable plus the lesser of 50% of eligible inventory or \$7.0 million, subject to reserves as established by the Bank. At June 30, 2005, \$9.2 million was available under the revolving credit facility for additional borrowings. The credit facility calls for a 0.25% commitment fee payable quarterly based on the average daily unused portion of the revolving credit facility. The revolving credit facility also provides for a commitment guaranty of up to \$5.0 million for letters of credit and requires a per annum fee of 2.50% on outstanding letters of credit. At June 30, 2005 and 2004, the Company had no letters of credit outstanding. Any outstanding letters of credit decreases the amount available for borrowing under the revolving credit facility. The weighted average interest rate on the revolving credit facility was 5.05% and 4.95% for the years ended June 30, 2005 and 2004, respectively.

Under the terms of the amended credit facility, the Company is required to be in compliance with certain financial covenants pertaining to stockholders' equity, capital expenditures and net income. At June 30, 2003, the Company was in violation of its EBITDA (net income after taxes, plus interest expense, income tax expense, and depreciation and amortization) covenant which was waived by the bank in a letter dated on September 26, 2003. On September 26, 2003, the Bank further amended the Company's credit facility. The Bank amended various financial covenants in conjunction with the amended credit facility including a reduction in the required fixed coverage charge ratio and the elimination of the EBITDA covenant. In addition, the outstanding loans under the amended credit facility will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate from August 1, 2003 to April 24, 2005.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Amortization on the real estate term loan shall continue on a five-year schedule with equal monthly payments of \$49,685. The real estate term loan will bear interest at an annual interest rate of 1.00% plus the Bank's prime rate. The Company also received a waiver from the Bank for its covenant violations pertaining to its EBITDA covenant, which the Company was in default of on June 30, 2003. Additionally, the terms of the new credit facility restrict the Company from the payment of dividends on any class of its stock.

On August 27, 2004, the Bank and the Company agreed to a further amendment of the credit facility. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's term loan on real estate, the Company's revolving credit facility, and term loan on capital expenditures from April 24, 2005 to April 24, 2007. The total available borrowing under the revolving credit facility was reduced from \$15 million to \$10 million. The entire credit facility was amended to accrue interest at the Bank's prime rate. The prime rate was 6.25% on June 30, 2005. The interest rate on prime rate loans may increase from prime to prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 1.5. The amended credit facility also provides the Company with a rate of LIBOR plus 2.25%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 2.25% to LIBOR plus 3.00% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate was 3.70% at June 30, 2005. Amortization on the real estate term loan was to continue on a five-year schedule with equal monthly payments of \$49,685. The real estate loan was retired on September 30, 2004. Amortization on the capital expenditure term loan was to continue on a five-year schedule with equal monthly payments of \$50,772. The capital expenditure loan was retired on April 14, 2005.

The credit facility requires a lockbox arrangement, which provides for all receipts to be swept daily to reduce borrowings outstanding under the credit facility. This arrangement, combined with the existence of a Material Adverse Effect (MAE) clause in the credit facility, cause the revolving credit facility to be classified as a current liability, per guidance in the FASB's EITF Issue 95-22, "Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that Include Both a Subjective Acceleration Clause and a Lock-Box Arrangement." The MAE clause, which is a typical requirement in commercial credit agreements, allows the lender to require the loan to become due if it determines there has been a material adverse effect on the Company's operations, business, properties, assets, liabilities, condition or prospects. The classification of the revolving credit facility as a current liability is a result only of the combination of the two aforementioned factors: the lockbox arrangement and the MAE clause. However, the revolving credit facility does not expire or have a maturity date within one year. Additionally, the Bank has not notified the Company of any indication of a MAE at June 30, 2005.

At June 30, 2005 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 its credit facility at June 30, 2005.

On August 25, 2005, the Board of Directors authorized repurchases of shares of the Company's common stock pursuant to open market transactions in accordance with Rule 10b-18 under the Securities Exchange Act or in privately negotiated block transactions. The authorization permits repurchases from time to time until June 30, 2007 at the discretion of the Chairman of the Board or the President and Chief Executive Officer. The authorization permits up to \$1.0 million to be applied to such repurchases. No specific number of shares are sought in connection with the authorization. The Company received the consent of the Bank for this authorized repurchase.

On September 1, 2005, the Bank and the Company agreed to a further amendment of the credit facility. In conjunction with these amendments to the Company's credit facility, the Bank extended the maturity on the Company's revolving credit facility from April 24, 2007 to September 1, 2008. The entire credit facility continues to accrue interest at the Bank's prime rate. The prime rate was 6.50% on September 1, 2005. The

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

interest rate on prime rate loans may increase from prime to prime plus 0.75% if the ratio of the Company's funded debt to EBITDA exceeds 2.5. The amended credit facility also provides the Company with a rate of LIBOR plus 1.75%, at the Company's option. The optional LIBOR rate may increase from LIBOR plus 1.75% to LIBOR plus 2.75% based on the Company's fixed charge coverage ratio. The 90-day LIBOR rate was 3.76% at September 1, 2005.

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, 2005 are as follows:

OPERATING FISCAL YEAR LEASES - -----	
2006.....	\$220,485
2007.....	154,327
2008.....	20,934 ----- Total minimum lease
payments.....	\$395,746 =====

Rental expense incurred on operating leases in fiscal 2005, 2004, and 2003 totaled \$378,820, \$397,702 and \$378,665 respectively.

5. INCOME TAXES

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

2005	2004	2003	-----
Current:			
Federal.....	\$ 234,863	\$ 51,671	\$(480,145)
State.....	54,409	--	-----
Total			
current.....	289,272	51,671	(480,145) -----
----- Deferred:			
Federal.....	(373,900)	902,186	310,145
State.....	185,407	307,567	(41,374) -----
----- Total			
deferred.....	(188,493)	1,209,753	268,771 -----
-	\$ 100,779	\$1,261,424	\$(211,374)
=====			

In 2005, the Company realized a tax benefit of \$1.1 million from the reversal of deferred tax asset valuation allowances related primarily to tax net operating loss carryforwards acquired in 1995 in conjunction with the acquisition of Bicare Monitoring Systems, Inc. The tax laws in 1995 placed restrictions on the use of these net operating loss carryforwards, making it unlikely that the Company would realize the net operating loss carryforwards to offset future taxes. A deferred tax asset and corresponding valuation allowance have not been previously disclosed. The tax laws were changed in 1999, making these net operating loss carryforwards available for utilization on a consolidated basis from that time forward. However, beginning in 1999, the Company was not profitable and could not realize the benefit of these net operating loss carryforwards. The Company reported losses in 1999, 2000, 2002, and 2003. Although the Company did have taxable income in 2001 and 2004, management concluded that this did not represent sufficient positive evidence that the underlying deferred tax assets were more likely than not realizable, based primarily on the significant amount of cumulative losses in prior years and uncertainty of future profitability.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During the fourth quarter of 2005 the Company reviewed its performance during 2004 and 2005, as well as its projections for taxable income in 2006. Due to the Company's return to profitability, the Company reversed deferred tax asset valuation allowances of \$1.1 million due to management's conclusion that it was more likely than not that the Company would realize the underlying deferred tax assets. At June 30, 2005, the Company has net operating loss carryforwards of approximately \$179,000 available to offset future taxable income. These carryforwards begin to expire in the year ended June 30, 2007.

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

2005	2004	2003	-----	-----	-----
Computed tax at federal statutory					
rate.....	\$ 830,329	\$1,066,266	\$(125,437)		
State income taxes, net of federal tax					
benefit.....	307,987	125,355	(78,072)	Change in valuation	
allowance.....			(1,061,956)	-- --	
Other,					
net.....					
24,419	69,803	(7,865)	-----	-----	-----
Total.....					
\$ 100,779	\$1,261,424	\$(211,374)	=====	=====	=====

The deferred tax assets and deferred tax liabilities recorded on the balance sheet as of June 30, 2005 and 2004 are as follows:

2005	2004	-----	-----
-----			
- DEFERRED TAX	DEFERRED TAX		
DEFERRED TAX	DEFERRED TAX	ASSETS	LIABILITIES
LIABILITIES	ASSETS	LIABILITIES	-
-----			
----- Current: Bad			
debts.....	\$	130,000	\$ -- \$ 190,000
Prepaid			
expenses.....	--	30,000	-- -- Deferred
revenue.....	186,000		
-- -- -- Accrued			
liabilities.....		475,379	-- 428,582 --
Inventory.....		-- 1,472,795	-- 1,059,896
property basis.....	-- -	51,670	-- -----
----- 791,379			
1,502,795	670,252	1,059,896	----
-----			
----- Non Current:			
Depreciation.....		-- 437,846	-- 464,751
property basis.....	--	60,400	-- 83,041
assets.....	59,790		--
74,416	--	Net operating loss	
carryforward.....		71,404	-- 1,292,137
revenue.....	403,000		
-- -- -- Accrued pension			
liability.....	83,448		--
81,808 --			
Other.....		148,391	-- -- 81,091
-----			
- 766,033	498,246	1,448,361	
628,883	-----	-----	-----
----- Valuation			
Allowance.....	-- --		
(1,061,956)	--	-----	-----

```

-----
Total deferred
taxes..... $1,557,412
      $2,001,041 $ 1,056,657
$1,688,779 =====
      =====

```

The net long term deferred tax asset of \$267,787 is included in other assets in the June 30, 2005 consolidated balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. RETIREMENT PLAN

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, 2005, 2004 and 2003, the Company made contributions of \$239,474, \$233,288 and \$254,673 respectively.

7. STOCKHOLDERS' EQUITY

The Company has established a 1991 Employee Non-Qualified Stock Option Plan, a 1994 Employee Stock Option Plan, and a 1999 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 1,800,000 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, except certain options granted under the 1994 Employee Stock Option Plan which become exercisable when the fair market value of the common stock exceeds required levels. The right to exercise the options expires in ten years from the date of grant, or earlier if an option holder ceases to be employed by the Company.

In addition, the Company has established a 1991 Directors Non-Qualified Stock Option Plan and a 1995 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 250,000 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 granted under the 1995 Directors Non-Qualified Stock Option Plan 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.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of stock option transactions in 2003, 2004 and 2005, respectively, pursuant to the Employee Plans and the Directors Plans is as follows:

WEIGHTED AVERAGE SHARES TO OPTION	SUBJECT	EXERCISE PRICE	
			June
	30,		
2002.....			
	\$ 3.41	796,300	Options
Granted.....			
	2.66	65,500	Options
Exercised.....			
	-- --		Options
Canceled.....			
	7.11	(90,700)	----- June 30,
2003.....			
	\$ 2.91	771,100	----- Exercisable at June 30,
2003.....			630,475
	=====		June 30,
2003.....			
	\$ 2.91	771,100	Options
Granted.....			
	4.58	15,500	Options
Exercised.....			
	2.44	(4,500)	Options
Canceled.....			
	13.06	(18,850)	----- June 30,
2004.....			
	\$ 2.70	763,250	----- Exercisable at June 30,
2004.....			680,250
	=====		June 30,
2004.....			
	\$ 2.70	763,250	Options
Granted.....			
	6.84	6,500	Options
Exercised.....			
	1.92	(11,145)	Options
Canceled.....			
	7.35	(16,855)	----- June 30,
2005.....			
	\$ 2.64	741,750	----- Exercisable at June 30,
2005.....			688,750
	=====		

The following table provides additional information for options outstanding and exercisable at June 30, 2005.

OPTIONS OUTSTANDING

WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE NUMBER	RANGE OF REMAINING LIFE	
			\$1.00-
1.99.....			
	1,750	3.8 years	\$ 1.88
2.00.....			
	542,000	4.2 years	2.00 2.01-
6.99.....			
	161,000	6.7 years	3.44 7.00-
7.99.....			
	33,000	2.3 years	7.31 8.00-
18.50.....			
	4,000	0.4 years	18.25 ----- \$1.00-
18.50.....			
	741,750	4.6 years	\$ 2.64



ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

OPTIONS EXERCISABLE

WEIGHTED AVERAGE RANGE OF EXERCISE PRICES	
NUMBER	EXERCISE PRICE - -----
	----- \$1.00-
1.99.....	.....
	1,750 \$ 1.88
2.00.....	.....
	542,000 2.00 2.01-
6.99.....	.....
	108,000 3.36 7.00-
7.99.....	.....
	33,000 7.31 8.00-
18.50.....	.....
	4,000 18.25 ----- \$1.00-
18.50.....	.....
	688,750 \$ 2.56

See Note 2 for discussion of accounting for stock awards, and related fair value and pro forma income disclosures.

STOCKHOLDER RIGHTS PLAN

The Board of Directors adopted a Stockholder Rights Plan in 1996 that would permit stockholders to purchase common stock at prices substantially below market value under certain change-in-control scenarios. At June 30, 2005, no common stock has been purchased under this plan.

8. SUPPLEMENTAL BALANCE SHEET INFORMATION

JUNE 30, -----	2005	2004	---
-----	INVENTORIES	Work in	
progress.....		Component	
	\$ 561,157	\$ 722,894	
parts.....		Finished	
	8,746,226	9,170,682	
goods.....		Reserve for obsolete and	
	2,722,020	2,944,085	excess inventory..... (1,253,853)
	(1,742,490)		----- \$10,775,550
	\$11,095,171	=====	=====

ESTIMATED USEFUL LIFE (YEARS) -----	PROPERTY, PLANT AND EQUIPMENT	Machinery and
equipment.....	5-10	\$
	10,039,203	\$ 20,001,361
Buildings.....		
	28-35	11,911,730 11,935,298
improvements.....	5-7	934,216
	-----	Total
	property, plant and equipment at cost...	
	22,885,149	32,870,875
	Less accumulated	
	depreciation and	
	amortization,.....	
	(11,576,283)	(20,870,948)
	-----	-----
	\$ 11,308,866	\$ 11,999,927
	=====	=====
	=====	OTHER ACCRUED LIABILITIES
	Accrued compensation	
	expense.....	\$ 1,612,808
	1,773,011	Accrued interest
	expense.....	2,728 11,046
	Accrued income	
	tax.....	286,779
	702,933	Customer
	deposits.....	613,646
	454,069	
Other.....		
	424,802	265,544
	-----	-----
	2,940,763	\$ 3,206,603
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. COMMITMENTS AND CONTINGENCIES

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.

At June 30, 2005, the Company had approximately 412 full-time employees. Approximately 274 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, 2006.

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	2005	2004	2003
-----			
----- 2005 2004 2003 -----			
----- Domestic United			
States.....	\$46,442,420		
	\$49,230,985	\$50,299,274	
Europe.....	1,650,366	1,248,361	1,245,554
Canada.....	1,268,172	1,338,115	1,096,953
America.....	3,543,842	3,170,344	3,606,712
East.....	546,320	771,378	799,348
East.....	2,008,227	2,651,217	2,888,302
International.....	660,803	692,913	927,215
-----			
-- -----	\$56,120,150	\$59,103,313	
	\$60,863,358	=====	=====
		=====	

SALES BY PRODUCT	2005	2004
-----		
----- 2005 2004 -----		
2003 -----		
----- Respiratory care		
products.....	\$15,453,507	\$15,671,960
	\$16,384,599	
equipment.....	31,301,769	33,530,756
	9,364,874	9,900,597
Emergency medical	9,982,131	
products.....		
-----		
	\$56,120,150	\$59,103,313
	\$60,863,358	=====
		=====



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(R) from the market, the disposal of such product, and severance payments payable as a result of such withdrawal. This payment by Abbott of \$600,000 has been included in net sales during the year ended June 30, 2005, in accordance with the FASB's EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company is the primary obligor in the arrangement. It has sole authority to determine the method of withdrawal of Baralyme(R) 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 remaining \$4,650,000 of the payments to be received from Abbott, including the \$930,000 received on September 30, 2004, and \$930,000 received on June 13, 2005, will be 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 year ended June 30, 2005 \$387,500 was recognized as net sales.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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, -----	
2005	2004 ----- Beginning
balance.....	.....
\$ --	\$ -- Payment Received from Abbott
Laboratories.....	2,460,000 --
	Revenue recognized as net
sales.....	(987,500) -- -
-----	1,472,500 -- -----
	Less -- Current portion of deferred
revenue.....	(465,000) -- -----
-----	\$1,007,500 \$ -- =====

As a result of the agreement with Abbott, Allied has suspended manufacturing operations at its Stuyvesant Falls, New York facility. Costs associated with the withdrawal and suspension of operations at that location, including severance and benefit payments due union employees, have been and will be recorded in accordance with SFAS 146, "Accounting for the Costs Associated with Exit or Disposal Activities".

On September 9, 2004 Allied entered into a Closedown Agreement with the International Chemical Union representing the employees at the Stuyvesant Falls, New York facility. The Company had advised the Union that the plant will be closed and all bargaining unit employees related to such operation would be permanently laid off, no later than October 15, 2004. The collective bargaining agreement expired and was terminated as of the closing date. The Company paid severance to those 12 bargaining unit employees on the active payroll as of August 27, 2004.

During the first quarter of fiscal 2005, the Company recorded a charge to cost of sales of \$600,000. This charge included \$216,000 for severance payments and fringe benefits for the 12 bargaining unit employees. The charge included \$200,000 for the value of Baralyme(R) inventory in stock and the time of the withdrawal, and associated disposal cost. The charge also included \$184,000 for replacement of Baralyme(R) inventory which was returned by our customers as a result of the withdrawal. The Company has replaced Baralyme(R) returned by its customers with Carbolime(R), a carbon dioxide absorption product which continues to be offered for sale by Allied.

During the second quarter of fiscal 2005, the Company recorded an adjustment of \$127,912 to reflect an increase in the estimated product withdrawal cost and disposal cost, as more inventory was returned by customers than originally estimated.

During the fourth quarter of fiscal 2005, the Company recorded an adjustment of \$1,444 to reflect an increase in the estimated product withdrawal cost and disposal cost, as disposal costs were more than originally estimated. Management does not expect further cash expenditures to be paid.

ALLIED HEALTHCARE PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table reflects the activities related to the withdrawal of Baralyme(R) and subsequent suspension of operations at the Stuyvesant Falls, New York facility, and the accrued liabilities in the consolidated balance sheets at June 30, 2005. Changes to previous estimates have been reflected as "Provision adjustments" on the table below in the period the changes in estimates were made.

SEVERANCE INVENTORY TO PAY AND PRODUCT BE DISPOSED OF BENEFITS WITHDRAWAL TOTAL ----- -----		
Provision.....	\$ 200,000	\$ 216,000
	600,000 Cash	\$ 184,000
Expenditures.....	\$(149,677)	\$(85,431)
		\$(119,798)
	\$(354,906)	-----
----- Balance at September 30, 2004.....	\$ 50,323	\$ 130,569
	64,202	\$ 245,094
Expenditures.....	\$(66,079)	\$(87,171)
		\$(128,479)
		\$(281,729) Provision
Adjustments.....	\$ 55,756	
	\$(2,852)	\$ 75,008
		\$ 127,912
	-----	-----
----- Balance at December 31, 2004.....	\$ 40,000	\$ 40,546
	10,731	\$ 91,277
Expenditures.....	\$(35,732)	\$(15,205)
		\$(10,731)
		\$(61,668) Provision
Adjustments.....		
-----	-----	-----
----- Balance at March 31, 2005.....	\$ 4,268	\$ 25,341
	0	\$ 29,609
Expenditures.....	\$(5,712)	\$(25,341)
		\$ 0
		\$(31,053) Provision
Adjustments.....	\$ 1,444	
	-----	-----
-----	\$ 1,444	-----
----- Balance at June 30, 2005.....	\$ 0	\$ 0
	\$ 0	\$ 0
	=====	=====
	=====	=====

In addition to the provisions of the agreement relating to the withdrawal of the Baralyme(R) 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, 2005 no amounts have been received, and \$22,000 is receivable, as a result of product development activities.

In 2004, Allied's sales of Baralyme(R) 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 is to receive from Abbott will be recognized into income over the eight-year term of the agreement. Management believes the net cash flow expected to be realized by Allied under the agreement with Abbott is projected be substantially equivalent to the net cash flow Allied would have expected to realize from continued manufacture and sales of Baralyme(R) during the initial five years of the period.

13. SUBSEQUENT EVENTS

On August 25, 2005, the Board of Directors authorized repurchases of shares of the Company's common stock pursuant to open market transactions in accordance with Rule 10b-18 under the Securities Exchange Act or in privately negotiated block transactions. The authorization permits repurchases from time to time until June 30, 2007 at the discretion of the Chairman of the Board or the President and Chief Executive Officer. The authorization permits up to \$1.0 million to be applied to such repurchases. No specific number of shares are

sought in connection with the authorization. The Company received the consent of the Bank for this authorized repurchase.

As described in Note 3, the Company amended its credit facility on September 1, 2005.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as of the end of the period covered by this report and under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective in ensuring that material information relating to the Company, including its consolidated subsidiaries, is made known to the certifying officers by others within the Company and its consolidated subsidiaries during the period covered by this report.

(b) Changes in Internal Controls.

There were no changes in the Company's internal controls for financial reporting or other factors during the fourth quarter of the most recent fiscal year that could significantly affect such internal controls. However, in connection with the new rules, the Company has been engaged in the process of further reviewing and documenting its disclosure controls and procedures, including its internal accounting controls. The company may from time to time make changes aimed at enhancing the effectiveness of its disclosure controls and procedures, including its internal controls, to ensure that the Company's systems evolve with its business.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A definitive proxy statement is expected to be filed with the Securities and Exchange Commission on or about October 14, 2005. 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

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

None

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information by this item will appear in the section entitled "Audit Fees" included in the Company's definitive Proxy Statement to be filed on or about October 14, 2005, relating to the 2005 Annual Meeting of Shareowners and such information is incorporated herein by reference.



PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

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, 2005, 2004, and 2003

Consolidated Balance Sheet at June 30, 2005 and 2004

Consolidated Statement of Changes in Stockholders' Equity for the years ended June 30, 2005, 2004 and 2003

Consolidated Statement of Cash Flows for the years ended June 30, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

2. FINANCIAL STATEMENT SCHEDULE

Valuation and Qualifying Accounts and Reserves for the Years Ended June 30, 2005, 2004 and 2003

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, 2005

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 25, 2005.

SIGNATURES

TITLE ----

-----

-- \*

Chairman  
of the  
Board - --

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-----

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-----

John D.

Weil \*

President,

Chief

Executive

Officer

and

Director -

-----

-----

-----

-----

(principal

Executive

Officer)

Earl R.

Refsland \*

Director -

-----

-----

-----

-----

William A.

Peck \*

Director -

-----

-----

-----

-----

James B.

Hickey,

Jr. \*

Director -

-----

-----

-----

-----

Judy

Graves.

/s/ EARL

R.  
REFSLAND  
\*By: -----  
-----  
-----  
----- 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 COLUMN B  
 COLUMN C COLUMN D  
 COLUMN E - -----  
 -----  
 -----  
 -----

----- BALANCE AT  
 CHARGED TO CHARGED  
 TO OTHER BEGINNING  
 OF COSTS AND  
 ACCOUNTS --  
 DEDUCTIONS --  
 BALANCE AT END  
 DESCRIPTION PERIOD  
 EXPENSES DESCRIBE  
 DESCRIBE OF PERIOD -  
 -----  
 -----  
 -----

--- FOR THE YEAR  
 ENDED JUNE 30, 2005  
 Accounts Receivable  
 Allowances.....  
 (585,000) \$ (36,611)  
 \$ 56,611(1)  
 (565,000) Inventory  
 Allowance For  
 Obsolescence And  
 Excess Quantities...  
 \$(1,742,490) \$  
 (52,486)(3) \$  
 541,123(2)  
 (1,253,853) Deferred  
 Tax Asset Valuation  
 Allowance.....  
 \$(1,061,956)  
 \$1,061,956(4) -- ---  
 -----  
 -----

----- FOR THE  
 YEAR ENDED JUNE 30,  
 2004 Accounts  
 Receivable  
 Allowances.....  
 \$ (585,000)  
 \$(181,489) \$  
 181,489(1) (585,000)  
 Inventory Allowance  
 For Obsolescence And  
 Excess Quantities...  
 \$(2,324,258)  
 \$(385,451)(3) \$  
 967,219(2)  
 \$(1,742,490)  
 Deferred Tax Asset  
 Valuation  
 Allowance.....  
 \$(1,061,956)  
 (1,061,956) -----  
 -----  
 -----

----- FOR THE YEAR  
 ENDED JUNE 30, 2003  
 Accounts Receivable  
 Allowances.....  
 \$ (560,000) \$  
 (36,569) \$ 11,569(1)  
 (585,000) Inventory  
 Allowance For  
 Obsolescence And  
 Excess Quantities...  
 \$(4,812,074)

	\$2,487,816(2)
	\$(2,324,258)
	Deferred Tax Asset
	Valuation
Allowance.....	
	\$(1,061,956)
(1,061,956) -----	
-----	
-----	
-----	
-----	

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- (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.
- (4) See Note 5 to the consolidated financial statements.

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) 4.1  
Certificate of  
Designations,  
Preferences and  
Rights of  
Series A  
Preferred Stock  
of Allied  
Healthcare  
Products, Inc.  
dated August  
21, 1996 (filed  
with the  
Commission as  
Exhibit 4(1) to  
the Company's  
Annual Report  
on Form 10-K  
for the fiscal  
year ended June  
30, 1997 (the  
"1997 Form 10-  
K") 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

Allied  
Healthcare  
Products, Inc.  
1991 Employee  
Non-Qualified  
Stock Option  
Plan (filed as  
Exhibit 10(26)  
to the  
Registration  
Statement and  
incorporated  
herein by  
reference) 10.3

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 (the "1998  
Form 10-K") and  
incorporated by  
reference) 10.4

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 (the "1994  
Form 10-K") and  
incorporated  
herein by  
reference) 10.5

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 (the  
"1995 Form 10-  
K") and  
incorporated  
herein by  
reference) 10.6

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 (the "1996 Form 10-K") and incorporated herein by reference)

10.22 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).

10.25

Employment Agreement dated August 24, 1999 by and between

Allied Healthcare Products, Inc. and Earl Refsland (filed with the

Commission as Exhibit 10(25) to the 1999 Form 10-K and incorporated herein by reference)

10.26 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)

10.28 Agreement between Allied Healthcare Products, Inc.

Medical Products Division and District No. 9 International Association of Machinists and Aerospace

Workers dated August 1, 2000 through May 31, 2003 (filed with the

Commission as Exhibit 10.28 to the 2002 Form 10-K)

10.29 Letter



Agreement dated  
July 2, 2001  
between Allied  
Healthcare  
Products, Inc.  
and Daniel C.  
Dunn (filed  
with the  
Commission as  
Exhibit 10.29  
to the 2002  
Form 10-K)

10.30 Loan and  
security  
agreement dated  
April 24, 2002  
between the  
Company and  
LaSalle Bank  
National  
Association,  
including form  
of notes (filed  
with the  
Commission as  
Exhibit 10.1 to  
the Quarterly  
Report on Form  
10-Q filed May  
15, 2002)

10.30.1  
Amendment to  
Loan and  
security  
agreement dated  
September  
26, 2002 (filed  
with the  
Commission as  
an exhibit to  
Current Report  
on Form 8-K on  
October 1,  
2002)

10.30.2  
Amendment to  
Loan and  
security  
agreement dated  
September 26,  
2003

10.30.3  
Amendment to  
Loan and  
Security  
Agreement dated  
August 27, 2004  
(filed

herewith)

10.31  
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)

EXHIBIT NO.

DESCRIPTION - -----

----- 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)  
23.2 Consent of  
PricewaterhouseCoopers  
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.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-99960, 33-86019, 33-45147, 33-45146 and 333-16489) of Allied Healthcare Products, Inc. of our report dated August 12, 2005, except for Notes 3 and 13, as to which the date is September 1, 2005, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ RubinBrown LLP  
St. Louis, Missouri  
September 28, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 (Nos. 33-99960, 33-86019, 33-45147, 33-45146 and 333-16489) of Allied Healthcare Products, Inc. of our report dated September 26, 2003, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PriceWaterhouseCoopers LLP  
St. Louis, Missouri  
SEPTEMBER 28, 2005

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints Earl R. Refsland as his true and lawful attorney-in fact and agent, each with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the 2005 Annual Report on Form 10-K of Allied Healthcare Products, Inc., and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite as fully to all intents and purposes as he might or could do in person, and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

CERTIFICATION

I, EARL R. REFSLAND, certify that:

1. I have reviewed the annual report on Form 10-K of ALLIED HEALTHCARE PRODUCTS, INC..

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) omitted as not yet applicable;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 27, 2005

/s/ EARL R. REFSLAND  
Earl. R. Refsland  
President & Chief Executive Officer

CERTIFICATION

I, DANIEL C. DUNN, certify that:

1. I have reviewed the annual report on Form 10-K of ALLIED HEALTHCARE PRODUCTS, INC..

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) omitted as not yet applicable;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 27, 2005

/s/ DANIEL C. DUNN  
Daniel C. Dunn  
Vice President, Chief Financial Officer & Secretary

CERTIFICATION Pursuant to 18 U.S.C. Section 1350

The undersigned officer of ALLIED HEALTHCARE PRODUCTS, INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

September 27, 2005



CERTIFICATION Pursuant to 18 U.S.C. Section 1350

The undersigned officer of ALLIED HEALTHCARE PRODUCTS, INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel C. Dunn  
Daniel C. Dunn  
Vice President, Chief Financial Officer & Secretary

September 27, 2005