# SCIENTIFIC INDUSTRIES INC Form 10QSB/A April 21, 2005

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

FORM 10-QSB/A AMENDMENT NO. 1

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended DECEMBER 31, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from t

Commission File Number: 0-6658

SCIENTIFIC INDUSTRIES, INC.

(Exact name of small business as specified in its charter)

Delaware 04-2217279

(State of incorporation) (IRS Employer Identification No.)

70 ORVILLE DRIVE, BOHEMIA, NEW YORK 11716

(Address of principal executive offices)

(631) 567-4700

(Issuer's telephone number)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or  $15\,(d)$  of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ X ] No [

State the number of shares outstanding of each of the issuer's classes of common equity, as of February 6, 2005: 977,207 shares outstanding of the Company's Common Stock, par value, \$ .05.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [ x ]

#### PART I--FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

# SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

#### ASSETS

Current Assets:  Cash and cash equivalents Investment securities Trade accounts receivable, less allowance for doubtful accounts of \$11,600 Inventories Prepaid expenses and other current assets Perpaid expenses and other current assets Deferred taxes  Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Total current liabilities  Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  2,251,5		ASSEIS	D
Cash and cash equivalents Investment securities Trade accounts receivable, less allowance for doubtful accounts of \$11,600 Inventories Prepaid expenses and other current assets Prepaid expenses and other current assets  Deferred taxes  Froperty and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Rintangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable Total current liabilities  Total current liabilities  Peferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  2,251,5			December 31, 200
Investment securities Trade accounts receivable, less allowance for doubtful accounts of \$11,600 Inventories Prepaid expenses and other current assets Deferred taxes  Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable Total current liabilities  Accomposition of \$41,000  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  52,4 2,251,5	Current Assets:		
Trade accounts receivable, less allowance for doubtful accounts of \$11,600 470,7 Inventories 693,9 Prepaid expenses and other current assets 64,4 Deferred taxes 57,0 Total current assets 2,382,3 Property and equipment at cost, less accumulated depreciation of \$415,500 152,2 Deferred taxes 8,8 Intangible assets, less accumulated amortization of \$44,000 17,3 Other 59,7 S2,620,3 S2	Cash and cash equivalents		\$ 155,700
doubtful accounts of \$11,600 470,7 Inventories 693,5 Prepaid expenses and other current assets 64,4 Deferred taxes 57,0  Total current assets 2,382,3  Property and equipment at cost, less accumulated depreciation of \$415,500 152,2  Deferred taxes 8,8  Intangible assets, less accumulated amortization of \$44,000 17,3  Other 59,7  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes 141,8 Dividends payable 68,3  Total current liabilities 329,6  Deferred compensation 39,2  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities (4,2,251,5)  Less common stock held in treasury, at cost, 19,802 shares 52,4  2,251,5	Investment securities		940,600
Inventories Prepaid expenses and other current assets Deferred taxes  Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Property and equipment at cost, less accumulated amortization of \$44,000  17,3  \$2,620,3  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  For a common stock, \$119,802 shares  141,5  141,	•	allowance for	
Prepaid expenses and other current assets Deferred taxes  Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Total current liabilities  Total current liabilities  329,6  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  64,4 2,251,5			470,700
Total current assets  Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  R, 8  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities  Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  52,4  2,251,5			693,900
Total current assets  Property and equipment at cost, less accumulated depreciation of \$415,500  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Total current liabilities  22,620,3  22,620,3  23,620,3  24,7  S2,620,3  24,7  S2,620,3  25,620,3  26,620,3  27,620,3  28,620,3  29,620,3  20,620,		ent assets	64,400
Property and equipment at cost, less accumulated depreciation of \$415,500 152,2  Deferred taxes 8,8  Intangible assets, less accumulated amortization of \$44,000 17,3  Other 59,7  \$2,620,3  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable \$ 119,8 Accrued expenses and taxes 141,5 Dividends payable 68,3  Total current liabilities 329,6  Deferred compensation 39,2  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding 49,5 Additional paid-in capital 986,6 Accumulated other comprehensive loss, unrealized holding loss on investment securities (4,2 Retained earnings 1,271,6  Less common stock held in treasury, at cost, 19,802 shares 52,4	Deferred taxes		57,000
Deferred taxes  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Accommon stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  8,8  8,8  8,8  8,8  8,8  8,8  8,8  8	Total current assets		2,382,300
Deferred taxes  Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Accommon stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  8,8  8,8  8,8  8,8  8,8  8,8  8,8  8	Property and equipment at cost. 1	ess accumulated	
Deferred taxes  Intangible assets, less accumulated amortization of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  2,251,5		000 00000000000000000000000000000000000	152,200
Intangible assets, less accumulated amortization of \$44,000 17,3  Other 59,7  \$2,620,3  ELIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable \$119,8 Accrued expenses and taxes 141,5 Dividends payable 68,3  Total current liabilities 329,6  Deferred compensation 39,2  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding 49,9 Additional paid-in capital 986,6 Accumulated other comprehensive loss, unrealized holding loss on investment securities (4,2 Retained earnings 1,271,6  2,303,9  Less common stock held in treasury, at cost, 19,802 shares 52,4	,,,,,,, .		,
of \$44,000  Other  Dividence Span Stareholders' EQUITY  Current Liabilities:  Accounts payable  Accrued expenses and taxes  Dividends payable  Total current liabilities  Shareholders' equity:  Common stock, \$.05 par value; authorized 7,000,000 shares;  997,009 issued and outstanding  Additional paid-in capital  Accumulated other comprehensive loss, unrealized holding loss on investment securities  Retained earnings  Less common stock held in treasury, at cost,  19,802 shares  LIABILITIES AND SHAREHOLDERS' EQUITY  \$19,802 shares	Deferred taxes		8,800
of \$44,000  Other  LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  LIABILITIES AND SHAREHOLDERS' EQUITY  \$19,802  \$119,802  \$119,802  \$2,620,3  2141,5  329,6  32	Tal		
LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  LIABILITIES AND SHAREHOLDERS' EQUITY  \$ 119,802  \$ 119,802  \$ 119,802  \$ 141,5  329,60  \$ 32		ed amortization	17 200
LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  LIABILITIES AND SHAREHOLDERS' EQUITY  \$ 119,8  49,8  29,6  329,6  49,9  49,9  49,9  49,9  20,303,9  20,303,9  20,303,9	01 \$44,000		17,300
LIABILITIES AND SHAREHOLDERS' EQUITY  Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  LIABILITIES AND SHAREHOLDERS' EQUITY  \$ 119,8 249,8 2,303,9 2 2,303,9 2 2,251,5	Other		59,700
Current Liabilities: Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  \$ 119,802  \$ 119,803  \$ 129,803  \$ 2,303,93  \$ 2,251,53			\$2,620,300
Current Liabilities:  Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  329,6  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  \$ 119,80 44,5 52,4 2,251,5			
Accounts payable Accrued expenses and taxes Dividends payable  Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  \$ 119,8 44,5 2,303,9 2,303,9 2,303,9 2,303,9		AND SHAREHOLDERS' E	EQUITY
Accrued expenses and taxes Dividends payable  Total current liabilities  329,6  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities (4,2 Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  141,5 68,3 329,6 329,6 49,2 49,2 2,251,5			à 110 000
Total current liabilities  Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities ( 4,2 Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  52,45			
Total current liabilities 329,6  Deferred compensation 39,2  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding 49,9 Additional paid-in capital 986,6 Accumulated other comprehensive loss, unrealized holding loss on investment securities (4,2 Retained earnings 1,271,6  Less common stock held in treasury, at cost, 19,802 shares 52,4	_		·
Deferred compensation  Shareholders' equity: Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  Less common stock held in treasury, at cost, 19,802 shares  39,2  49,8  296,6  2,303,9  2,303,9	Dividends payable		00,300
Shareholders' equity:  Common stock, \$.05 par value; authorized 7,000,000 shares;  997,009 issued and outstanding  Additional paid-in capital  Accumulated other comprehensive loss, unrealized  holding loss on investment securities  Retained earnings  Less common stock held in treasury, at cost,  19,802 shares  Shareholders' equity:  49,9  286,6  4,2  4,2  2,303,9  2,303,9  2,251,5	Total current liabil	ities	329,600
Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  ( 4,2 1,271,6 2,303,9 Less common stock held in treasury, at cost, 19,802 shares  ( 2,251,5	Deferred compensation		39,200
Common stock, \$.05 par value; authorized 7,000,000 shares; 997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  ( 4,2 1,271,6 2,303,9 Less common stock held in treasury, at cost, 19,802 shares  ( 2,251,5	Sharahaldara! oguitu.		
997,009 issued and outstanding Additional paid-in capital Accumulated other comprehensive loss, unrealized holding loss on investment securities Retained earnings  1,271,6  2,303,9  Less common stock held in treasury, at cost, 19,802 shares  2,251,5		uthorized 7,000,000	) shares;
Additional paid-in capital  Accumulated other comprehensive loss, unrealized holding loss on investment securities  Retained earnings  ( 4,2 1,271,6 2,303,9 1,271,6 2,303,9 1,271,6 1			49,900
holding loss on investment securities  Retained earnings  2,303,9  Less common stock held in treasury, at cost, 19,802 shares  52,4	Additional paid-in capital		986,600
Retained earnings  1,271,6  2,303,9  Less common stock held in treasury, at cost, 19,802 shares  52,4	Accumulated other comprehensive	loss, unrealized	
Less common stock held in treasury, at cost, 19,802 shares  2,303,9  52,4	holding loss on investment se	curities	( 4,200)
Less common stock held in treasury, at cost, 19,802 shares 52,4	Retained earnings		1,271,600
19,802 shares 52,4 2,251,5			2,303,900
2,251,5		ury, at cost,	
	19,802 shares		52,400
\$2,620,3			2,251,500
			\$2,620,300
			=========

See notes to unaudited condensed consolidated financial statements  $\ensuremath{\mathbf{1}}$ 

# SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Month Periods Ended December 31,			For the Six Month Periods Ended December 31,				
		004		003		2004		003
Net sales		845,100		\$869,700	\$1	,696,900	\$1	,743,600
Cost of goods sold		436,500		468,200		891,000		933,100
Gross profit	_	408,600	•	401,500		805,900		810,500
Operating Expenses: General & administrative Selling Research & development		167,900 81,300 88,500	•	162,900 78,600 83,800		345,400 149,200 170,400		327,000 178,500 186,400
		337,700	-	325,300		665,000		691,900
Income from operations	_	70,900	-	76,200		140,900		118,600
Interest & other income		7,900		4,500		14,500		7,100
Income before income taxes	_	78,800		80,700		155,400		125,700
Income tax expense (benefit) Current Deferred	: (	4,000) 22,000	-	20,000		14,000 22,000		35 <b>,</b> 000 -
		18,000		20,000		36,000		35,000
Net income	\$	60,800	\$	60,700	\$	119,400	\$	90,700
Basic earnings per common share	\$	.06	\$	.06	\$	.12		\$ .09
Diluted earnings per common share	\$	.06	\$	.06	\$	.11		\$ .09
Cash dividends declared per common share	\$	-	\$	_	\$	.07		\$ -

See notes to unaudited condensed consolidated financial statements

# SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Operating activities: Net income  Net income  Adjustments to reconcile net income to net cash provided by operating activities: Loss on sale of investments Depreciation and amortization Change in assets and liabilities: Deferred income taxes Exercised Exercise Exercised Exercise Exercised Exercise Exercised Exercise	Ι					ods Ended ember 31,	2003
to net cash provided by operating activities:  Loss on sale of investments		\$	119,	400	\$	90,700	
Depreciation and amortization Change in assets and liabilities: Deferred income taxes Income tax benefit of stock options exercised  Accounts receivable Inventories Other assets Other ass	to net cash provided by operating activities:	ne					
Deferred income taxes	Depreciation and amortization		32,	- 500			
Accounts receivable	Deferred income taxes		22,	000		-	
Accounts receivable		CIONS		500		_	
Inventories			(81,		(	24,800)	
Prepaid expenses and other					,		
Other assets Accounts payable Ada, 800 (10,000) 91,500 91,500 91,500 91,500 91,500 91,300 134,600  Accounts payable Accounts payable Accounts payable Ada, 800 (10,000) Accounts payable Accounts payable Ada, 800 (10,000) Accounts payable Accounts p	Prepaid expenses and other						
Accounts payable Accrued expenses and taxes Deferred compensation Deferred compensation  Total adjustments  (19,300)  Net cash provided by operating activities Purchase of investment securities, available-for-sale Purchase investment securities, available-for-sale Purchase investment securities, available-for-sale Purchase of investment securities, available-for-sale  Redemptions of investment securities, held to maturity Redemptions of investment securities, held to maturity Capital expenditures Purchase of intangible assets  (111,700) (137,700)  Redemptions of investment securities, held to maturity (40,900) (37,700)  Net cash used in investing activities (187,800)  Net cash used in investing activities (187,800)  Net increase (decrease) in cash and cash equivalents (85,700)  Redincrease (decrease) in cash and cash equivalents, beginning of year  241,400  107,600	current assets		(6,	200)		15,200	
Accrued expenses and taxes Deferred compensation 3,200 8,300  Total adjustments (19,300) 134,600  Net cash provided by operating activities 100,100 225,300  Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity (55,500 100,800 Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600			13,	100	(	8,300)	
Total adjustments (19,300) 134,600  Net cash provided by operating activities 100,100 225,300  Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale (30,000)  Redemptions of investment securities, held to maturity (55,500 100,800) Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600					(		
Total adjustments (19,300) 134,600  Net cash provided by operating activities 100,100 225,300  Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity (55,500 100,800) Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600							
Net cash provided by operating activities 100,100 225,300  Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity (55,500 100,800) Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	Deferred compensation		3,	200		8,300	
Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity (55,500 100,800) Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	Total adjustments		( 19,	300)		134,600	
Investing activities: Purchase of investment securities, available-for-sale (111,700) (137,700) Purchase investment securities, held to maturity (83,100) - Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity (55,500 100,800) Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	Net cash provided by	_		<del></del>			
Purchase of investment securities, available-for-sale  Purchase investment securities, held to maturity  Redemptions of investment securities, available-for-sale  Redemptions of investment securities, held to maturity  Solution  Redemptions of investment securities, held to maturity  Capital expenditures  Purchase of intangible assets  Net cash used in investing activities  Net cash used in investing activities  Redemptions of investment securities, held to maturity  Solution  (100,800 (37,700)  -  Net cash used in investing activities  (187,800)  Authorized (44,600)  Financing activities, exercise of stock options  2,000  -  Net increase (decrease) in cash and cash equivalents  (85,700)  180,700  Cash and cash equivalents, beginning of year  241,400  107,600			100,	100		225,300	
available-for-sale Purchase investment securities, held to maturity Redemptions of investment securities, available-for-sale  Redemptions of investment securities, held to maturity  Redemptions of investment securities, held to maturity  Capital expenditures Purchase of intangible assets  Net cash used in investing activities  Financing activities, exercise of stock options  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents, beginning of year  (111,700) (137,700)  -  (83,100) - 30,000  - 30,000  (40,900) (37,700)	Investing activities:	_					
Purchase investment securities, held to maturity  Redemptions of investment securities, available-for-sale  Redemptions of investment securities, held to maturity  Capital expenditures  Purchase of intangible assets  Net cash used in investing activities  Financing activities, exercise of stock options  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents, beginning of year  (83,100)  - 30,000  100,800 (40,900) (37,700) - (187,800)  (44,600)  -  Net increase (decrease) in cash and cash equivalents  (85,700)  180,700	Purchase of investment securities,						
held to maturity Redemptions of investment securities, available-for-sale  Redemptions of investment securities, held to maturity Capital expenditures Purchase of intangible assets  Net cash used in investing activities  Financing activities, exercise of stock options  Net increase (decrease) in cash and cash equivalents  (83,100)  - 30,000  100,800 (40,900) (37,700) -  (187,800)  (44,600)  -  Net increase (decrease) in cash and cash equivalents  (85,700)  180,700  Cash and cash equivalents, beginning of year  241,400  107,600	available-for-sale		(111,	700)	(	137,700)	
Redemptions of investment securities, available-for-sale - 30,000  Redemptions of investment securities, held to maturity 55,500 100,800 Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	Purchase investment securities,						
available-for-sale - 30,000  Redemptions of investment securities, held to maturity 55,500 100,800 Capital expenditures (40,900) (37,700) Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600			(83,	100)		_	
held to maturity  Capital expenditures  Purchase of intangible assets  Net cash used in investing activities  Exercise of stock options  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents, beginning of year  100,800  (40,900)  (37,700)  (187,800)  (44,600)	_	es,	-	-		30,000	
held to maturity  Capital expenditures  Purchase of intangible assets  Net cash used in investing activities  Exercise of stock options  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents, beginning of year  100,800  (40,900)  (37,700)  (187,800)  (44,600)							
Capital expenditures Purchase of intangible assets  Net cash used in investing activities  Financing activities, exercise of stock options  Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents, beginning of year  (40,900) (7,600)  -  (187,800) (44,600)  -  (85,700)  180,700		es,					
Purchase of intangible assets (7,600) -  Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	<u>-</u>						
Net cash used in investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600					(	37,700)	
investing activities (187,800) (44,600)  Financing activities, exercise of stock options 2,000 -  Net increase (decrease) in cash and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	Purchase of intangible assets		( /,	600)		_	
exercise of stock options  2,000  Net increase (decrease) in cash and cash equivalents  ( 85,700)  Cash and cash equivalents, beginning of year  241,400  107,600			(187,	800)	(	44,600)	
exercise of stock options  2,000  Net increase (decrease) in cash and cash equivalents  ( 85,700)  Cash and cash equivalents, beginning of year  241,400  107,600		_					
and cash equivalents (85,700) 180,700  Cash and cash equivalents, beginning of year 241,400 107,600	_		2,	000		-	
of year 241,400 107,600	,	(	85 <b>,</b>	700)		180,700	
Cash and cash equivalents, end of period \$ 155,700 \$ 288,300		ı	241,	400		107,600	
	Cash and cash equivalents, end of pe	eriod \$	155,	700	\$	288,300	

Supplemental disclosures:
Cash paid during the period for:
Income Taxes

51,600 \$ 200

See notes to unaudited condensed consolidated financial statements  $% \left( 1\right) =\left( 1\right) +\left( 1\right)$ 

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### General:

The accompanying unaudited interim condensed consolidated financial statements are prepared pursuant to the Securities and Exchange Commission's rules and regulations for reporting on Form 10-QSB. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements are not included herein. The Company believes all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature. These interim statements should be read in conjunction with the Company's financial statements and notes thereto, included in its Annual Report on Form 10-KSB, for the fiscal year ended June 30, 2004. The results for the three and six months ended December 31, 2004, are not necessarily an indication of the results of the full fiscal year.

#### 1. Significant accounting policies:

Principles of consolidation:

The accompanying condensed consolidated financial statements include the accounts of the Company and Scientific Packaging Industries, Inc., a New York corporation and an inactive wholly owned subsidiary of the Company. All intercompany items and transactions have been eliminated in consolidation.

#### 2. Line of Business and Concentrations:

The Company is engaged in the manufacturing and marketing of equipment for research in university, hospital and industrial laboratories. The Company believes that it has only one reportable segment. Sales of the Company's principal product, the Vortex-Genie(R) 2 mixer, amounted to approximately \$609,000 and \$663,000 for the three month periods ended December 31, 2004 and 2003, respectively, and \$1,235,000 and \$1,363,000 for the six month periods ended December 31, 2004 and 2003, respectively.

The Company's export sales (principally Europe and Asia) were approximately \$435,000 and \$405,000 for the three month periods ended December 31, 2004 and 2003, respectively, and \$748,000

and \$752,000 for the six month periods ended December 31, 2004 and 2003, respectively.

Three of the Company's customers accounted in the aggregate for 49% and 55% of net sales for the three month periods ended December 31, 2004 and 2003, respectively, and 49% and 57% of total net sales for the six month periods ended December 31, 2004 and 2003, respectively.

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#### 3. Inventories:

Inventories for interim financial statement purposes are based on perpetual inventory records at the end of the applicable periods. Components of inventory are as follows:

		December 31 2004			
Raw Materials Work in process Finished Goods	\$	611,600 37,300 45,000			
	\$	693,900			
	==:				

#### 4. Earnings per common share:

Basic earnings per common share is computed by dividing net income by the weighted-average number of shares outstanding. Diluted earnings per common share includes the dilutive effect of stock options and a warrant.

Earnings per common share was computed as follows:

	For the Three Month Periods Ended December 31, 2004 2003			Pe De	For the Six Month Periods Ended December 31, 2004 2003			
Net income	\$	60,800	\$	60,700	\$1 ==	19,400	\$	90,700
Weighted average common shares outstanding Effect of dilutive	97	6,736	9	60,541	9	76 <b>,</b> 139	9	60,541
securities	7	6,536		45 <b>,</b> 279		72 <b>,</b> 837		37 <b>,</b> 119
Weighted average dilutive common shares outstanding	1,05	53 <b>,</b> 272	1,0	05,820	1,0	48 <b>,</b> 975	9==	97 <b>,</b> 660
Basic earnings per common share	\$	.06	\$	.06	\$	.12	\$	.09

Diluted earnings per

common share \$ .06 \$ .06 \$ .11 \$ .09

Unexercised employee stock options to purchase 44,000 shares of common stock at \$1.92 to \$2.40 per share were outstanding as of December 31, 2003, but were not included in the foregoing computation because the exercise price of each option was greater than the average market price of the Company's common stock for the related period.

All options outstanding as of December 31, 2004 were included in the foregoing computation.

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#### 5. Comprehensive Income:

There was no significant difference between net income and comprehensive income for the three and six month periods ended December 31, 2004 and 2003.

#### 6. Stock-Based Compensation Plans:

The Company maintains an Incentive Stock Option Plan which it accounts for under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based compensation costs are reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

			ree Month	For the Six Mont			
	₽€	eriods Er	nded	Periods Ended			
	De	ecember 3	31,	December 31,			
	20	004	2003	2004 2003			
Net income:							
As reported	\$	60,800	\$ 60,700	\$119 <b>,</b> 400	\$ 90,700		
Pro Forma		60,300	57 <b>,</b> 600	118,400	87 <b>,</b> 400		
Earnings per common and							
common equivalent share:							
Basic - as reported		\$ .06	\$ .06	\$ .12	\$ .09		
Basic - pro forma		\$ .06	\$ .06	\$ .12	\$ .09		
Diluted - as reported	d	\$ .06	\$ .06	\$ .11	\$ .09		
Diluted - pro forma		\$ .06	\$ .06	\$ .11	\$ .09		

On December 16, 2004, the Financial Accounting Standards Board issued Statement No. 123 (revised 2004) that will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based

on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be measured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supercedes APB Opinion No. 25, accounting for Stock Issued to Employees. SFAS 123(R) is effective as of the first interim or annual reporting period that begins after December 15, 2005. The Company is currently assessing the impact of adopting SFAS 123(R).

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#### SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Certain statements contained in this report are not based on historical facts, but are forward-looking statements that are based upon various assumptions about future conditions. Actual events in the future could differ materially from those described in the forward-looking information. Numerous unknown factors and future events could cause such differences, including but not limited to, product demand, market acceptance, impact of competition, the ability to reach final agreements, adverse economic conditions, and other factors affecting the Company's business that are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

#### Liquidity and Capital Resources

Net cash provided by operating activities was \$100,100 for the six month period of the current fiscal year as compared to \$225,300 in the comparative period for 2003. The principal factors accounting for the difference were (i) a \$57,100 increase in accounts receivable due to higher sales in December 2004 than in December 2003, (ii) \$54,700 increase in inventory and (iii) a difference of \$110,100 in accrued expenses mainly due to various higher accruals including customer allowances, trade shows, and income taxes in the prior year's six month period. Cash used in investing activities was \$187,800 for the current period as compared to \$44,600 for the six months ended December 31, 2003 reflecting higher purchases and lower redemptions of investment securities during the current year. The Company does not ordinarily have any significant financing activities other than exercises of incentive stock options. As a result of the foregoing, cash and cash equivalents decreased by \$85,700 to \$155,700 as of December 31, 2004 from a balance of \$241,400 as of June 30, 2004.

On September 21, 2004, the Board of Directors of the Company declared a cash dividend of \$.07 per share of Common Stock which was paid on January 14, 2005 to holders of record as of the close

of business on October 20, 2004.

The Company's working capital as of December 31, 2004 increased \$69,400 to \$2,052,700 from \$1,983,300 at June 30, 2004. The increase was mainly due to higher income from operations, partially offset by the dividend declared. The Company has available a secured bank line of credit of \$200,000 with North Fork Bank with interest at prime, all of which was available as of December 31, 2004. The Company has never borrowed under this line of credit. Management believes that the Company will be able to meet its cash flow needs during the 12 months ended December 31, 2005 from its available financial resources which include its cash and investment securities.

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#### SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

Results of Operations

Financial Overview

Income before income taxes of \$78,800 for the three months ended December 31, 2004 was only \$1,900 less than \$80,700 for the comparable quarter last year, mainly as a result of a slight increase in operating expenses during the quarter. Production interruptions due to problems with a supplier, which were subsequently corrected caused a 3% reduction in net sales for the current quarter from those of the comparable prior year period. The interruption in turn, resulted in a build-up of backlog to \$272,000 as of December 31, 2004, which was filled completely in January 2005. Order backlog is normally not a significant factor for the Company due to the nature of its products.

Income before income taxes of \$155,400 for the six months ended December 31, 2004 was \$29,700 (23.6%) higher than \$125,700 for the prior year's six month period, as a result of a reduction in operating expenses principally effected during the first three months of the period. The production interruption as well as lower foreign sales in the first quarter also caused a slight decrease in net sales for the current six month period compared to the year earlier period. The Company continues to feel competitive pressures from the private label brand products offered by its two major distributors and no representation can be made as to the adverse effect, if any, recent acquisitions by and ownership changes in these two customers will have on our future sales.

The Three Months Ended December 31, 2004 Compared with the Three Months Ended December 31, 2003.

Principally as a result of the production interruptions which was due to a problem suffered by a supplier but, subsequently resolved, net sales for the three months ended December 31, 2004, decreased 2.8% to \$845,100 from \$869,700 for the three months ended December 31, 2003.

Gross profit margins increased from 46.2% to 48.3% between the two comparable periods resulting in a \$7,100 increase in gross profit from \$401,500 to \$408,600. The higher margin was primarily due to lower indirect labor costs in this year's quarter and higher

regulatory testing costs in the prior year's comparable quarter. The production delay, however, resulted in a backlog of \$272,000 at the end of the period, which was filled in January 2005. Due to the quick turnaround between receipt of an order and shipment, backlog normally is not a material factor in the Company's operation.

General and administrative expenses for the three months ended December 31, 2004 were only 3.1% higher (\$5,000) for the current year's three month period, \$167,900 compared to \$162,900, reflecting small increases in salaries and other expenses.

Selling expenses for the three months ended December 31, 2004 increased slightly by \$2,700 (3.4%) from \$78,600 to \$81,300 due to purchases of promotional items during the current year's quarter.

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#### SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

Our continued new product development efforts resulted in a 5.6% (\$4,700) increase in research and development expenses from \$83,800 to \$88,500 between the comparable quarters.

As a result of the foregoing, the Company's income before income taxes decreased by only \$1,900 to \$78,800 for the three months ended December 31, 2004 compared to \$80,700 for the three months ended December 31, 2003.

The Six Months Ended December 31, 2004 Compared with the Six Months Ended December 31, 2003.

The 2.7% decrease in net sales from \$1,743,600 for the six months ended December 31, 2003 to \$1,696,900 for the six months ended December 31, 2004 was due to lower foreign sales in the first quarter of the current fiscal year, and a production interruption resulting from supplier related problems which were subsequently resolved. As a result, our order backlog at the end of the period was high at \$272,000, which were filled in January 2005.

Our gross profit margin increased from 46.5% to 47.5% between the comparable six month periods due primarily to lower indirect labor costs during the current six month period and higher regulatory testing costs in the prior year.

General and administrative expenses increased by \$18,400 (5.6%) from \$327,000 to \$345,400 due to increases primarily in salaries and insurance.

Selling expenses decreased by \$29,300 (16.4%) from \$178,500 to \$149,200 between the comparative six month periods, due to less advertising during the current year's six month period. However, advertising activity is expected to increase in the second half of the current fiscal year.

As a result of the significant development work for the new MicroPlate Genie(TM) mixer performed during the first half of last fiscal year, research and development expenses decreased by \$16,000

(8.6%) to \$170,400 for the six months ended December 31, 2004 from \$186,400 for the comparable prior year period.

As a result of the foregoing, the Company's income before income taxes increased by 23.6% to \$155,400 for the six months ended December 31, 2004 compared to \$125,700 for the six months ended December 31, 2003.

Net income for the first six months of the current fiscal year reflects income tax expense of \$36,000, compared to \$35,000 in the prior year due to higher expected tax credits in the current year.

#### Item 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Chief Executive and Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms.

There was no change in the Company's internal controls over financial reporting that occurred during the most reecent fiscal quarter that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

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#### SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

#### PART II OTHER INFORMATION

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

At the Company's 2004 Annual Meeting of Stockholders held on December 2, 2004, stockholders (i) re-elected as Class B Director: Mr. Joseph I. Kesselman by 559,439 shares "For" and 157,026 shares "Withheld"to serve until the Annual Meeting of Stockholders with respect to the fiscal year ending June 30, 2007, and the due election and qualification of his successor; and (ii) ratified the appointment of Nussbaum Yates & Wolpow P.C. as the independent auditors with respect to the financial statements of the Company for the year ending June 30, 2005 by a vote of 716,139 shares "For", 120 shares "Against", and 206 shares abstaining.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibit Number: Description
  - 31.1 Certification of Chief Executive Officer and Chief

Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) Reports on Form 8-K: None.

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

#### SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Scientific Industries, Inc. Registrant

/s/Helena R. Santos

Helena R. Santos President, Chief Executive Officer and Treasurer Principal Executive, Financial and Accounting Officer

Date: April 20, 2005