SCIENTIFIC INDUSTRIES INC
Form 10QSB
February 14, 2008

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

FORM 10-QSB

(Mark One)
X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For quarterly period ended DECEMBER 31, 2007

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

For the transition period from_________to_________

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 January 31, 2008: 1,157,352 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 SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 2007
Current Assets:	
Cash and cash equivalents	$1,125,600
Investment securities	722,400
Trade accounts receivable, less allowance for doubtful accounts of $11,600	1,154,800
Inventories	1,382,800
Prepaid expenses and other current assets	182,900
Deferred taxes	29,700
Total current assets	4,598,200
Property and equipment at cost, less accumulated depreciation of $579,100	247,000
Intangible assets, less accumulated amortization of $230,600	522,300
Goodwill	83,900
Deferred taxes	8,200
Other	46,100
Total assets	$5,505,700

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	$ 191,900
Customer advances	1,249,900
Accrued expenses and taxes	448,700
Dividends payable	80,200
Total current liabilities	1,970,700
Shareholders' equity:	
Common stock, $.05 par value; authorized 7,000,000 shares; 1,173,154 issued and outstanding	58,700
Additional paid-in capital	1,453,000
Accumulated other comprehensive loss, unrealized holding loss on investment securities	(18,300)
Retained earnings	2,094,000
	3,587,400
Less common stock held in treasury, at cost, 19,802 shares	52,400
	3,535,000
	$5,505,700

See notes to unaudited condensed consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Three Month Periods Ended December 31,		For the Six Month Periods Ended December 31,	
	2007	2006	2007	2006
Net sales	$1,845,600	$1,263,300	$3,345,900	$2,066,200
Cost of goods sold	1,211,700	802,300	2,070,000	1,190,800
Gross profit	633,900	461,000	1,275,900	875,400
Operating Expenses:				
General & administrative	267,700	207,600	513,300	372,200
Selling	123,900	78,600	247,700	148,800
Research & development	119,200	89,000	179,600	168,400
	510,800	375,200	940,600	689,400
Income from operations	123,100	85,800	335,300	186,000
Interest & other income, net	16,900	17,400	29,900	31,800
Income before income taxes	140,000	103,200	365,200	217,800
Income tax expense:				
Current	48,200	32,600	142,200	69,600
Deferred	(4,400)	1,500	(19,900)	1,500
	43,800	34,100	122,300	71,100
Net income	$ 96,200	$ 69,100	$ 242,900	$ 146,700
Basic earnings per common share	$ .08	$ .07	$ .21	$ .14
Diluted earnings per common share	$ .08	$ .06	$ .20	$ .14
Cash dividends declared per common share	$ -	$ -	$ .07	$ .07

See notes to unaudited condensed consolidated financial statements

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

	For the Six Month Periods Ended December 31, 2007	December 31, 2006
Operating activities:		
Net income	$ 242,900	$ 146,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investments	-	(200)
Depreciation and amortization	111,600	33,500
Deferred income taxes	(19,900)	1,500
Stock-based compensation	1,500	-
Income tax benefit of stock options exercised	7,000	-
Changes in assets and liabilities:		
Accounts receivable	(404,000)	(284,300)
Inventories	(93,200)	221,500
Prepaid expenses and other current assets	(121,700)	40,300
Other assets	(400)	18,100
Accounts payable	(40,000)	(45,400)
Customer advances	1,102,300	(70,000)
Accrued expenses and taxes	87,100	95,200
Total adjustments	630,300	10,200
Net cash provided by operating activities	873,200	156,900
Investing activities:		
Acquisition of Altamira Instruments, Inc., net of cash acquired	-	(346,500)
Additional consideration for Altamira Instruments, Inc.	(102,800)	-
Purchase of investment securities, available-for-sale	(12,600)	(11,600)
Redemptions of investment securities, available-for-sale	-	275,700
Capital expenditures	(33,300)	-
Purchase of intangible assets	(3,600)	(9,500)
Net cash used in investing activities	(152,300)	(91,900)
Financing activities, proceeds from exercise of stock options	16,000	-
Net increase in cash and cash equivalents	736,900	65,000
Cash and cash equivalents, beginning of year	388,700	227,700

Cash and cash equivalents, end of period	$1,125,600	$ 292,700
Supplemental disclosures:		
Cash paid during the period for:		
Income Taxes	$ 87,900	$ 84,500

See notes to unaudited condensed consolidated financial statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
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, 2007. The results for the three and six months ended December 31, 2007, are not necessarily an indication of the results of the full fiscal year ending June 30, 2008.

1. Significant accounting policies:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Scientific Industries, Inc., Scientific Packaging Industries, Inc., an inactive wholly-owned subsidiary and, since November 30, 2006 (date of acquisition), Altamira Instruments, Inc. ("Altamira"), a Delaware corporation and wholly-owned subsidiary (all collectively referred to as the "Company"). All material intercompany balances and transactions have been eliminated.

2. Recent Accounting Pronouncements:

In September 2006 the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 will be applied prospectively and will be effective for periods beginning after November 15, 2007. The Company is currently evaluating the effect, if any, of SFAS No. 157 on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently evaluating the effect, if any, of SFAS No. 159 on the Company's consolidated financial statements.

In June 2006, the FASB issued Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement ("SFAS") No. 109." This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation describes a recognition threshold and measurement attribute for the financial statement disclosure of tax positions taken or expected to be taken. It also provides for guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. On July 1, 2007 the Company adopted FIN 48 and the adoption did not result in any adjustments to the Company's consolidated financial statements.

3. Acquisition of Altamira Instruments, Inc.:

On November 30, 2006, the Company acquired all of the outstanding capital stock of Altamira pursuant to a Stock Purchase Agreement dated the same date. The agreement provided for an acquisition consideration of $400,000 in cash and 125,000 shares of the Company's Common Stock and contingent consideration consisting of cash payments (which were not determinable on date of acquisition) equal to 5%, subject to possible adjustment, of the net sales (no limit) of Altamira for each of five periods - December 1, 2006 to June 30, 2007, each of the fiscal years ending June 30, 2008, 2009, and 2010, and July 1, 2010 to November 30, 2010. Under this contingency, the additional consideration paid and accrued totaled $136,600 as of December 31, 2007.

Under a separate agreement with the sellers, they agreed to permit the Company to treat the acquisition of Altamira stock as a purchase of assets for tax purposes in consideration of which the Company agreed to reimburse them for their resulting additional tax burden. The reimbursement, which was treated as additional cash consideration (see Note 9), amounted to approximately $42,000 paid in September 2007.

Altamira's principal customers are universities, government laboratories, and chemical and petrochemical companies. The products - catalyst research instruments, which are customizable to the customers' specifications, are sold on a direct basis.

In conjunction with the acquisition of Altamira, management of the Company valued the tangible and intangible assets acquired, including goodwill, customer relationships, non-compete agreements, and certain technology, trade names and trademarks. The carrying amounts of goodwill and other intangible assets are presented in Note 9, "Goodwill and Other Intangible Assets". In addition, other fair market value adjustments were made in conjunction with the acquisition, primarily adjustments to property and equipment, and inventory. The acquisition was recorded under the purchase method of accounting. The net purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair market values at the date of the acquisition. The allocation as of December 31, 2007 of the total net purchase price, as adjusted for the items described above, is as follows:

5

Current Assets	$ 734,000
Property and Equipment	140,300
Non-current Assets	25,100
Goodwill	83,900
Other Intangible Assets	639,000*
Current Liabilities	(561,900)
Net purchase price	$ 1,060,400

* Comprised of $237,000 allocated to customer relationships with a weighted-average estimated useful life of 10 years, $300,000 allocated to technology including trade names and trade marks with a useful life of 5 years, and $102,000 allocated to a non-compete agreement with a useful life of 5 years. The amount allocated to the customer relationships is being amortized on an accelerated (declining balance) method and the other intangibles are being amortized on a straight line basis.

Pro forma results

The unaudited pro forma condensed financial information in the table below summarizes the results of operations of Scientific Industries, Inc. ("Scientific") and Altamira, on a pro forma basis, as though the companies had been combined as of July 1, 2006. The unaudited pro forma condensed financial information presented below for the three and six month periods ended December 31, 2006 is for informational purposes only and is not intended to represent or be indicative of the consolidated results of the operations that would have been achieved if the acquisition had been completed as of that date:

For the Three Month For the Six Month

	Period Ended December 31, 2006	Period Ended December 31, 2006
Net Sales	$1,808,700	$3,091,500
Net income	$ 219,200	205,700
Net income per share - basic	$ .19	$ .18
Net income per share - diluted	$ .18	$ .17

4. Segment Information and Concentrations:

As a result of the acquisition of Altamira, the Company views its operations as two segments: the manufacture and marketing of standard benchtop laboratory equipment for research in university, hospital and industrial laboratories sold primarily through laboratory equipment distributors ("benchtop laboratory equipment operations"), and the manufacture and marketing of custom-made catalyst research instruments for universities, government laboratories, and chemical and petrochemical companies sold on a direct basis ("catalyst research instruments operations"). Substantially all of the management and employees of Altamira were retained following the acquisition.

Segment information as of December 31, 2007 and for the three and six months ended December 31, 2007 and 2006 (the 2006 periods include the catalyst research instruments operation for only the month of December 2006) is as follows:

Three Months Ended December 31, 2007

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$ 988,800	$ 856,800	$ -	$1,845,600
Foreign Sales	579,500	-	-	579,500
Segment Profit	40,500	99,500	-	140,000
Segment Assets	2,599,800	2,061,800	844,100	5,505,700
Long-Lived Assets Expenditures	12,100	2,000	-	14,100
Depreciation and Amortization	14,800	41,000	-	55,800

Three Months Ended December 31, 2006

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated

Net Sales	$ 887,000	$ 376,300	$ -	$1,263,300
Foreign Sales	459,800	140,100	-	599,900
Segment Profit (Loss)	142,900	(39,700)	-	103,200
Long-Lived Assets Expenditures	-	-	-	-
Depreciation and Amortization	12,000	13,900	-	25,900

Approximately 71% and 70% of net sales of benchtop laboratory equipment were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories for the three month periods ended December 31, 2007 and 2006, respectively. Sales to two benchtop laboratory equipment customers, combined, accounted for approximately 26% of the segment's sales (14% of total sales) and 28% of the segment's sales (19% of total sales) for the three month periods ended December 31, 2007 and 2006, respectively.

Sales of catalyst research instruments are generally comprised of a few very large orders amounting, on average, to over $100,000 to a limited number of customers, who differ from order to order. Sales of catalyst research instruments to two customers, combined, accounted for 84% of that segment's sales (39% of total sales) for the three months ended December 31, 2007. Two other customers, combined, accounted for 99% of the catalyst research instruments segment sales for (30% of total sales) for the three month period ended December 31, 2006 (which only included December 2006).

7

Six Months Ended December 31, 2007

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$1,936,300	$1,409,600	$ -	$3,345,900
Foreign Sales	986,900	347,800	-	1,334,700
Segment Profit	214,000	151,200	-	365,200
Segment Assets	2,599,800	2,061,800	844,100	5,505,700
Long-Lived Assets Expenditures	26,000	7,300	-	33,300
Depreciation and Amortization	28,600	83,000	-	111,600

Six Months Ended December 31, 2006

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Corporate and Other	Consolidated
Net Sales	$1,689,900	$ 376,300	$ -	$2,066,200
Foreign Sales	799,700	140,100	-	939,800
Segment Profit (Loss)	257,500	(39,700)	-	217,800
Long-Lived Assets Expenditures	-	-	-	-
Depreciation and Amortization	19,600	13,900	-	33,500

Approximately 70% and 71% of net sales of benchtop laboratory equipment were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories for the six month periods ended December 31, 2007 and 2006, respectively. Two benchtop laboratory equipment customers accounted in the aggregate for approximately 31% of the segment's sales for each period (18% and 25% of total sales for the 2007 and 2006 periods, respectively).

Sales of catalyst research instruments are generally comprised of a few very large orders amounting, on average, to over $100,000 to a limited number of customers, who differ from order to order. Sales of catalyst research instruments to three customers, combined, accounted for 72% of that segment's sales (30% of total sales) for the six months ended December 31, 2007. Two other customers accounted for 99% of the segment's sales (18% of total sales) for the six month period ended December 31, 2006 (which only included sales in December 2006).

5. Inventories:

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

	December 31, 2007
Raw Materials	$ 758,300
Work in process	465,900
Finished Goods	158,600
	$ 1,382,800

6. Earnings per common share:

Basic earnings per common share are computed by dividing net income by the weighted-average number of shares outstanding. Diluted earnings per common share include the dilutive effect of stock options. Earnings per common share were computed as follows:

	For the Three Month Periods Ended December 31,		For the Six Month Periods Ended December 31,	
	2007	2006	2007	2006
Net income	$ 96,200	$ 69,100	$ 242,900	$ 146,700
Weighted average common shares outstanding	1,145,569	1,043,830	1,145,461	1,022,091
Effect of dilutive securities	52,901	66,899	53,093	62,933
Weighted average dilutive common shares outstanding	1,198,470	1,110,729	1,198,554	1,085,024
Basic earnings per common share	$ .08	$ .07	$ .21	$ .14
Diluted earnings per common share	$ .08	$ .06	$ .20	$ .14

7. Comprehensive Income:

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" establishes standards for disclosure of comprehensive income, which includes net income and any changes in equity from non-owner sources that are not recorded in the income statement (such as changes in the net unrealized gains or losses on securities. The Company's only source of other comprehensive income is the net unrealized gain or loss on securities). The components of comprehensive income were as follows:

	For the Three Month Periods Ended December 31,		For the Six Month Periods Ended December 31,	
	2007	2006	2007	2006
Net income	$ 96,200	$ 69,100	$ 242,900	$ 146,700
Other comprehensive income (loss):				
Unrealized holding gain (loss) arising during period	(6,200)	-	(8,400)	6,200
Plus reclassification adjustment for gain included in net income	-	(200)	-	(200)
Change in unrealized holding				

gain (loss)	(6,200)	(200)	(8,400)	6,000
Comprehensive income	$ 90,000	$ 68,900	$ 234,500	$ 152,700

8. Stock-Based Compensation Plans:

The Company maintains an Incentive Stock Option Plan which through the fiscal year ended June 30, 2006, grants under this plan were accounted for under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Under this method, no stock-based compensation costs were reflected in net income, as all options granted under those plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant.

Any stock-based compensation transaction subsequent to June 30, 2006 is accounted for using Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment". This statement requires compensation costs related to stock-based payment transactions to be recognized commencing with the first reporting period in our fiscal year ended June 30, 2007. With limited exceptions, the amount of compensation cost is 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 costs are 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. The Company incurred stock-based compensation costs of $700 and $1,500 for the three and six months ended December 31, 2007. No stock-based compensation costs were incurred for the 2006 periods.

9. Goodwill and Other Intangible Assets:

In conjunction with the acquisition of Altamira, management of the Company valued the tangible and intangible assets acquired, including customer relationships, non-compete agreements and technology which encompasses trade names, trademarks and licenses. The valuation resulted in an initial negative goodwill of approximately $91,500 on the date of acquisition. Goodwill amounted to $83,900 as of December 31, 2007, mainly as a result of $136,600 of contingent consideration paid and accrued from date of acquisition through December 31, 2007. The Stock Purchase Agreement provided for contingent future payments to the former shareholders equal to 5%, subject to certain limits, of net sales (no limit) of the catalyst research instrument operations, during each of the five periods described in Note 2.

The components of intangible assets as of December 31, 2007 are as follows:

	Useful Lives	Cost	Accumulated Amortization	Net
Technology	5 yrs.	$300,000	$ 65,000	$ 235,000
Customer relationships	10 yrs.	237,000	67,700	169,300
Non-compete agreement	5 yrs.	102,000	22,100	79,900
Other intangible assets	5 yrs.	113,900	75,800	38,100
		$752,900	$ 230,600	$ 522,300

10

Total amortization expense was $38,300 and $15,300 for the three months ended December 31, 2007 and 2006, respectively, and $78,100 and $18,300 for the six months ended December 31, 2007 and 2006, respectively. As of December 31, 2007, estimated future amortization expense related to intangible assets is $61,300 for the remainder of fiscal year ending June 30, 2008, $131,000 for fiscal 2009, $119,300 for fiscal 2010, $107,500 for fiscal 2011, $50,200 for fiscal 2012, and $53,000 thereafter.

11

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

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, the ability to finance and produce catalyst research instruments to customers' satisfaction, 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

Cash and cash equivalents increased by $736,900 to $1,125,600 as of December 31, 2007 from $388,700 as of June 30, 2007.

Net cash provided by operating activities was $873,200 for the six months ended December 31, 2007 as compared to $156,900 for the comparable period in 2006, mainly the result of customer advances of $1,249,900 for orders of catalyst research instruments to be shipped in the second half of the year and higher income, partially offset by higher accounts receivable. The Company usually requires advance deposits on orders for catalyst research instruments. The amount of such deposits at any given time can fluctuate significantly. Cash used in investing activities was $152,300 for the six months ended December 31, 2007 as compared to $91,900 for the six months ended December 31, 2006, which reflected significant redemptions of investments used for the November 30, 2006 acquisition of Altamira.

On September 30, 2007, the Board of Directors of the Company declared a cash dividend of $.07 per share of Common Stock which was paid on January 14, 2008 to holders of record as of the close of business on October 18, 2007.

The Company's working capital of $2,627,500 as of December 31, 2007 increased by $167,000 from the working capital of $2,460,500 at June 30, 2007. The Company has available for its working capital needs, 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, 2007. 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 ending December 31, 2008 from its available financial resources which include its cash and investment securities.

Results of Operations

Financial Overview

As a result of the Company's acquisition on November 30, 2006 of Altamira, the Company's consolidated results for the three and six months ended December 31, 2007 include the results of Altamira for a full three and six months in the current year periods and one month in each of the three and six month periods ended December 31, 2006. In addition, the depreciation and amortization expense related to the acquired assets at their fair market value on date of acquisition is also included in the Company's results from date of acquisition.

The Company's combined income before income taxes increased $36,800 (35.7%) and $147,400 (67.7%) for the three and six month periods ended December 31, 2007, respectively, compared to the same periods of the prior fiscal year; the increase primarily the result of the addition of the income of the catalyst research instruments operations. The reduction in income of the benchtop laboratory equipment operations for the three month period ended December 2007 as compared to the amount for the three months ended December 31, 2006 resulted primarily from increases of raw material costs, general and administrative expenses, and research and development costs.

The Three Months Ended December 31, 2007 Compared With the Three Months Ended December 31, 2006

Net sales for the three months ended December 31, 2007 increased by $582,300 (46.1%) to $1,845,600 as compared with $1,263,300 for the three months ended December 31, 2006 as a result of the revenues of the catalyst research instruments operations for three months of the 2007 period and only one month for the 2006 period, and a $101,800 (11.5%) increase in sales of the Company's benchtop laboratory equipment. Sales of the catalyst research instruments differ from those of the benchtop laboratory equipment in that sales of the catalyst research instruments are comprised of a small number of larger orders, typically averaging over $100,000 each; hence sales revenues can vary greatly from month to month. As of December 31, 2007, there was an order backlog of $1,600,000 for catalyst research instruments.

The gross profit percentage for the three months ended December 31, 2007 decreased to 34.4% compared to 36.5% for the three months ended December 31, 2006, mainly as a result of (i) higher basic raw material costs incurred by the benchtop laboratory equipment operations and (ii) lower gross margins for the catalyst research products resulting from product mix and engineering training costs.

General and administrative ("G&A") expenses for the three months ended December 31, 2007 increased by $60,100 (28.9%) to $267,700 from $207,600 for the comparable 2006 period, principally the result of the G&A expenses of the catalyst research instruments operations for the full 2007 period but only one month for the 2006 period, higher salary expense for the laboratory equipment operations, and higher professional fees.

Selling expenses for the three months ended December 31, 2007 increased by $45,300 (57.6%) to $123,900 from $78,600 for the three months ended December 31, 2006, as a result of the inclusion of such expenses incurred by the catalyst research instruments operations for the full 2007 period and just one month for the 2006 period, partially offset by lower marketing expenses of the benchtop laboratory equipment operations.

Research and development expenses for the three months ended December 31, 2007 were $119,200, an increase of $30,200 (33.9%) from $89,000 for the three months ended December 31, 2006, due mainly to accelerated research and development activity for new benchtop laboratory equipment products.

Interest and other income for the three month periods ended December 31, 2007 and December 31, 2006, was $16,900 and $17,400, respectively.

Income tax expense for the three months ended December 31, 2007 was $43,800 compared to $34,100 for the three months ended December 31, 2006, mainly due to the higher income.

As a result of the foregoing, net income for the three months ended December 31, 2007 was $96,200, an increase of $27,100 (39.2%) from $69,100 for the three months ended December 31, 2006.

The Six Months Ended December 31, 2007 Compared With the Six Months Ended December 31, 2006

Net sales for the six months ended December 31, 2007 increased by $1,279,700 (61.9%) to $3,345,900 as compared with $2,066,200 for the six months ended December 31, 2006 as a result of the revenues of the catalyst research instruments operations for the full six months of the 2007 period but only one month of the 2006 period, and a $246,400 (14.6%) increase in sales of the Company's benchtop laboratory equipment. Sales of the catalyst research instruments differ from those of the benchtop laboratory equipment in that sales of the catalyst research instruments are comprised of a small number of larger orders, typically averaging over $100,000 each; hence sales revenues can vary greatly from month to month. As of December 31, 2007, there was an order backlog of $1,600,000 for catalyst research instruments.

The gross profit percentage for the six months ended December 31, 2007 decreased to 38.1% compared to 42.4% for the six months ended December 31, 2006, mainly as a result of (i) increase of basic raw material costs incurred by the benchtop laboratory equipment operations and (ii) lower than normal gross margins for the catalyst research instruments resulting from product mix and engineering training costs.

G & A expenses for the six months ended December 31, 2007 increased by $141,100 (37.9%) to $513,300 from $372,200 for the comparable period last year, principally the result of the G&A expenses of the catalyst research instruments operations for the entire six months of the 2007 period as compared to one month of the 2006 period and increased laboratory equipment operations salaries, directors fees, and professional fees.

Selling expenses for the six months ended December 31, 2007 increased by $98,900 (66.5%) to $247,700 from $148,800 for the six months ended December 31, 2006, as a result of the addition of such expenses for the catalyst research instruments operations for the full six months of the six month period ended December 31, 2007 and only one month for the 2006 period, partially offset by lower marketing expenses of the benchtop laboratory equipment operations.

Research and development expenses for the six months ended December 31, 2007 were $179,600, an increase of $11,200 (6.7%) from $168,400 for the six months ended December 31, 2006, due mainly to accelerated research and development activity for new laboratory equipment products during the last three months of the 2007 period.

Interest and other income for the six month periods ended December 31, 2007 and December 31, 2006, was $29,900 and $31,800, respectively.

Income tax expense for the six months ended December 31, 2007 was $122,300 compared to $71,100 for the six months ended December 31, 2006, mainly due to the higher income.

As a result of the foregoing, net income for the six months ended December 31, 2007 was $242,900, an increase of $96,200 (65.6%) from $146,700 for the six months ended December 31, 2006.

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 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 recent fiscal quarter that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Number: Description

Exhibit Number	Description
3(ii)	Amended and Restated By-laws as amended on December 5, 2007
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:

Registrant filed during the three months ended December 31, 2007 Reports on Form 8-K, on November 8, 2007 reporting under Item 1.01, and on December 5, 2007 reporting under Item 5.03.

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

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: February 14, 2008

17