RISK GEORGE INDUSTRIES INC
Form 10QSB
March 17, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended January 31, 2006

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ___________ to _____________

Commission File Number: 0-5378

GEORGE RISK INDUSTRIES, INC.
(Exact name of small business issuer as specified in its charter)

Colorado	84-0524756
(State of incorporation)	(IRS Employers Identification No.)

802 South Elm St. Kimball, NE	69145
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (308) 235-4645

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the Registrant's Common Stock outstanding, as of March 17, 2006 was 5,347,413.

Transitional Small Business Disclosure Format: Yes [X] No [ ]

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements for the three and nine month period ended January 31, 2006, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JANUARY 31, 2006

ASSETS

Current Assets	
Cash and cash equivalents	$ 5,177,000
Marketable securities (Note 2)	13,236,000
Accounts receivable:	
Trade, net of $50,000 doubtful account allowance	2,365,000
Other	2,000
Income tax overpayment	109,000
Inventories (Note 3)	2,158,000
Prepaid expenses	111,000
Deferred current income taxes	233,000
Total Current Assets	$23,391,000
Property and Equipment, net at cost	$ 975,000
Other Assets	
Investment in Land Limited Partnership, at cost	200,000
Projects in process	3,000
Other	1,000
Total Other Assets	$ 204,000
TOTAL ASSETS	$24,570,000

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JANUARY 31, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	$ 137,000
Dividends payable	46,000
Accrued expenses	
Payroll and related expenses	290,000
Property taxes	2,000
Notes payable, current	33,000
Total Current Liabilities	$ 508,000

Long-Term Liabilities	
Dividends payable	45,000
Deferred income taxes	42,000
Total Long-Term Liabilities	$ 87,000
Stockholders' Equity	
Convertible preferred stock, 1,000,000 shares authorized, Series 1-noncumulative, $20 stated value, 25,000 shares authorized, 4,100 issued and outstanding	99,000
Common stock, Class A, $.10 par value, 10,000,000 shares authorized, 8,502,832 shares issued and outstanding	850,000
Additional paid-in capital	1,736,000
Accumulated other comprehensive income	(277,000)
Retained earnings	23,532,000
Treasury stock, 3,146,929 shares, at cost	(1,965,000)
Total Stockholders' Equity	$23,975,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$24,570,000

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS

	Three months ended January 31, 2006	Nine months ended January 31, 2006	Three months ended January 31, 2005	Nine months ended January 31, 2005
Net Sales	$ 3,627,000	$10,675,000	$ 3,139,000	$ 9,512,000
Less: cost of goods sold	(1,745,000)	(5,138,000)	(1,540,000)	(4,538,000)
Gross Profit	$ 1,882,000	$ 5,537,000	$ 1,599,000	$ 4,974,000
Operating Expenses:				
General and administrative	180,000	526,000	175,000	513,000
Selling	581,000	1,801,000	546,000	1,756,000
Engineering	22,000	59,000	21,000	58,000
Rent paid to related parties	12,000	40,000	11,000	38,000
Total Operating Expenses	$ 795,000	$ 2,426,000	$ 753,000	$ 2,365,000
Income From Operations	1,087,000	3,111,000	846,000	2,609,000
Other Income (Expense)				
Other	7,000	54,000	2,000	0
Dividend and interest income	135,000	326,000	130,000	282,000
Gain (loss) on investments	(158,000)	(155,000)	(78,000)	(69,000)
	$ (16,000)	$ 225,000	$ 54,000	$ 213,000
Income Before Provisions				

for Income Tax	1,071,000	3,336,000	900,000	2,822,000
Provisions for Income Tax				
Current Expense	(448,000)	(1,410,000)	(375,000)	(1,178,000)
Deferred tax expense	74,000	88,000	0	0
Total Income Tax Expense	(374,000)	(1,322,000)	(375,000)	(1,178,000)
Net Income	$ 697,000	$ 2,014,000	$ 525,000	$ 1,644,000
Retained Earnings, beginning of period	$22,835,000	$22,054,000	$20,658,000	$20,079,000
Less: Cash Dividends Common Stock ($0.10 per share)	0	(536,000)	0	(540,000)
Retained Earnings, end of period	$23,532,000	$23,532,000	$21,183,000	$21,183,000
Income Per Share of Common Stock: (Note 6)				
Basic	$0.13	$0.38	$0.10	$0.30
Assuming Dilution	$0.13	$0.37	$0.10	$0.30

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF COMPREHENSIVE INCOME

	Three months ended January 31, 2006	Nine months ended January 31, 2006	Three months ended January 31, 2005	Nine months ended January 31, 2005
Net Income	$ 697,000	$ 2,014,000	$ 525,000	$ 1,644,000
Other Comprehensive Income, net of tax				
Unrealized gain (loss) on securities:				
Unrealized holding gains (losses) arising during period	413,000	604,000	147,000	179,000
Reclassification adjustment for (gains) losses included in net income	158,000	155,000	78,000	69,000
Income tax expense related to other comprehensive income	(239,000)	(317,000)	(94,000)	(104,000)
Other Comprehensive Income	$ 332,000	$ 442,000	$ 131,000	$ 144,000
Comprehensive Income	$ 1,029,000	$ 2,456,000	$ 656,000	$ 1,788,000

GEORGE RISK INDUSTRIES, INC.

STATEMENT OF CASH FLOWS

	Three months ended January 31, 2006	Nine months ended January 31, 2006	Three months ended January 31, 2005	Nine months ended January 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	$ 697,000	$ 2,014,000	$ 525,000	$ 1,644,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	54,000	147,000	54,000	154,000
(Gain) loss on sale of investments	158,000	155,000	78,000	69,000
Change in unrealized gain (loss) on investments	413,000	604,000	147,000	179,000
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(218,000)	(124,000)	141,000	(151,000)
Inventories	(99,000)	(103,000)	(26,000)	181,000
Prepaid expenses	24,000	(50,000)	(38,000)	(79,000)
Employee receivables	0	0	2,000	3,000
Income tax overpayment	(187,000)	(210,000)	0	0
Deferred tax asset	(74,000)	(88,000)	0	0
Increase (decrease) in:				
Accounts payable	37,000	(2,000)	88,000	61,000
Accrued expenses	(87,000)	(55,000)	(82,000)	(64,000)
Income tax payable	0	0	29,000	327,000
Net cash provided by (used in) operating activities	$ 718,000	$ 2,288,000	$ 918,000	$ 2,324,000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Other assets manufactured	40,000	37,000	16,000	9,000
(Purchase) of property and equipment	(108,000)	(335,000)	(55,000)	(145,000)
Proceeds from sale of marketable securities	773,000	2,074,000	898,000	1,332,000
(Purchase) of marketable securities	(1,551,000)	(3,715,000)	(1,379,000)	(2,245,000)
(Purchase) of treasury stock	(33,000)	(161,000)	(13,000)	(13,000)
Net cash provided by (used in) investing activities	$ (879,000)	$(2,100,000)	$ (533,000)	$(1,062,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase in long-term debt	0	100,000	0	0
Principal payments on long-term debt	(25,000)	(67,000)	0	0
Dividends paid	(3,000)	(495,000)	(22,000)	(488,000)
Net cash provided by (used in)				

financing activities	$ (28,000)	$ (462,000)	$ (22,000)	$ (488,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (189,000)	$ (274,000)	$ 363,000	$ 774,000
Cash and cash equivalents, beginning of period	$ 5,366,000	$ 5,451,000	$ 4,691,000	$ 4,280,000
Cash and cash equivalents, end of period	$ 5,177,000	$ 5,177,000	$ 5,054,000	$ 5,054,000

GEORGE RISK INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2006

Note 1 Unaudited Interim Financial Statements

The accompanying financial statements have been prepared in accordance with the instructions for Form 10QSB and do not include all of the information and footnotes required by generally accepted accounting principals for complete financial statements. These financial statements should be read in conjunction with the financial statements and notes contained in the company's annual report on Form 10KSB for the year ended April 30, 2005 with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation, have been included. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year.

Note 2 Marketable Securities

The Company has investments in publicly traded equity securities as well as certain state and municipal debt securities. These securities are classified as available-for-sale securities, and are reported at fair value. Realized gains and losses are determined on the average cost basis, and are included in the Company's statement of income. Dividend and interest income are accrued as earned.

Marketable equity securities and unrealized gains and losses consist of the following as of January 31, 2006 and January 31, 2005:

Cost Basis	$ 13,513,000	$ 12,342,000
Market Value	13,236,000	11,610,000
Net Unrealized Gain (Loss)	$ (277,000)	$ (732,000)
Gross Unrealized Gain	$ 577,000	$ 442,000
Gross Unrealized Loss	$ (854,000)	$ (1,174,000)

In accordance with SFAS 115, if the Company determines that a marketable security has an other-than temporary decline in fair value, the Company will decrease the cost of the marketable security to the new fair value and recognize a real loss. The investments are periodically evaluated to determine if impairment changes are required.

Note 3 Inventories

At January 31, 2006 and January 31, 2005, respectively, inventories consisted of the following:

Raw Materials	$ 1,419,000	$ 1,540,000
Work in Process	531,000	480,000
Finished Goods	231,000	180,000
Warehouse in England	47,000	69,000
	$ 2,228,000	$ 2,269,000
Less: allowance for obsolete inventory	(70,000)	(70,000)
Net Inventories	$ 2,158,000	$ 2,199,000

Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended January 31, 2006	2005
Net revenue:		
Pool alarm products	$ 254,000	$ 233,000
Keyboard products	151,000	144,000
Security alarm and other products	3,222,000	2,762,000
Total net revenue	$ 3,627,000	$ 3,139,000
Income from operations:		
Pool alarm products	$ 76,000	$ 63,000
Keyboard products	45,000	39,000
Security alarm and other products	966,000	744,000
Total income from operations	$ 1,087,000	$ 846,000
Identifiable assets:		
Pool alarm products	$ 218,000	$ 266,000
Keyboard products	179,000	296,000
Security alarm and other products	4,826,000	4,000,000
Corporate general	19,347,000	17,485,000
Total assets	$ 24,570,000	$ 22,047,000
Depreciation and amortization:		
Pool alarm products	$ 3,000	$ 4,000
Keyboard products	0	0
Security alarm and other products	34,000	31,000
Corporate general	17,000	19,000
Total depreciation and amortization	$ 54,000	$ 54,000
Capital expenditures:		
Pool alarm products	$ 0	$ 43,000
Keyboard products	0	0

Security alarm and other products	46,000	0
Corporate general	62,000	12,000
Total capital expenditures	$ 108,000	$ 55,000

Note 5 Revenue Recognition

George Risk Industries recognizes its revenues when goods are shipped and billed to its customers.

Note 6 Earnings per Share

Basic and diluted earning per share, assuming convertible preferred stock was converted for each period presented, are:

	For the three months ended January 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$ 697,000		
Basic EPS	$ 697,000	5,359,627	$ 0.13
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	$ 697,000	5,380,127	$ 0.13

	For the nine months ended January 31, 2006		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$2,014,000		
Basic EPS	$2,014,000	5,365,072	$ 0.38
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	$2,014,000	5,385,572	$ 0.37

	For the three months ended January 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$ 525,000		
Basic EPS	$ 525,000	5,400,663	$ 0.10
Effect of dilutive securities:			
Convertible preferred stock	0	26,750	
Diluted EPS	$ 525,000	5,427,413	$ 0.10

For the nine months ended January 31, 2005

	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$1,644,000		
Basic EPS	$1,644,000	5,401,906	$ 0.30
Effect of dilutive securities:			
Convertible preferred stock	0	26,750	
Diluted EPS	$1,644,000	5,428,656	$ 0.30

Note 7 Retirement Benefit Plan

On January 1, 1998, the Company adopted the George Risk Industries, Inc. Retirement Savings Plan (the "Plan"). The Plan is a defined contribution savings plan designed to provide retirement income to eligible employees of the corporation. The Plan is intended to be qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended. Matching contributions by the Company of approximately $4,000 were paid during each quarter ending January 31, 2006 and 2005. Likewise, the Company paid matching contributions of $13,000 during the nine-month period ending January 31, 2006 and $12,000 was paid during the corresponding nine-month period for the year before. There were no discretionary contributions paid during either the quarters or nine-month periods ending January 31, 2006 and 2005, respectively.

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached condensed consolidated financial statements, and with the George Risk Industries' audited financial statements and discussion for the fiscal year ended April 30, 2005.

Net cash decreased $189,000 during the quarter ended January 31, 2006 as compared to an increase of $363,000 during the corresponding quarter last year. As for the year-to-date numbers, net cash decreased $274,000 for the nine months ended January 31, 2006, while, for the same period last year, net cash increased $774,000. Accounts receivable increased $218,000 during the current quarter as compared to a $141,00 decrease for the corresponding quarter last year. The year-to-date figures show an increase of $124,000 for the current nine months and a $151,000 increase for the same period last year. The increases in cash flow for accounts receivable is a reflection of the increases in sales. At January 31, 2006, 60.9% of the receivables were considered (less than 45 days) and 12.3% of the total were over 90 days past due. Inventories increased $99,000 for the current quarter as compared to a $26,000 increase for the same quarter last year. The year-to-date numbers show a $103,000 increase in inventory for the current year, while there was a $181,000 decrease for the same period last year. We have spent more on inventory this quarter and the current nine-month period and these increases go hand-in-hand with the increased sales.

For the quarter ended January 31, 2006, accounts payable increased $37,000 as compared to a $88,000 increase for the same quarter the year before. As for the year-to-date numbers, there was a $2,000 decrease for the nine months ended January 31, 2006, and a $61,000 increase for the same period ended January 31, 2005. Cash flow for income taxes was an asset for the three and nine-month periods ending January 31, 2006. There was a $187,000 increase for the quarter and a $210,000 increase for the year-to-date numbers. The asset, or overpayment, is just a precaution since the Company is generating heightened sales. As for the three and nine months ended January 31, 2005, income tax payable decreased $29,000 and $327,000, respectively.

An analysis of the Company's investing activities in relation to cash flow shows that there has been $108,000 worth of purchases of property and equipment for the quarter ending January 31, 2006. And for the nine-months ending January 31, 2006, there has been $335,000 spent on property and equipment. Our biggest, and out of the ordinary, purchase shown in the year-to-date numbers is that management decided to purchase a building for the workers at our Gering, NE facility. Previously, the Company was getting "free rent" in Gering, NE with the assistance of a community development grant that was awarded to the Company to encourage the opening of a plant in the town. But the grant period had expired and to continue in our growth it was necessary to move into a bigger building and it made sense to management to purchase instead of rent. As for the other investing activities, the Company is continuing to deposit money into marketable security investments. Also, the Company has been actively searching for the "lost" stockholders that are on record. As a result, the Company has found many and has been able to purchase stock back. For the quarter ending January 31, 2006, treasury stock of $33,000 was acquired and $161,000 was bought back for the nine-month period.

The following is a list of ratios to help analyze George Risk Industries' performance:

	For the quarter ended January 31, 2006	2005
Working capital	$ 22,883,000	$ 20,327,000
Current ratio	46.045	32.224
Quick ratio	40.902	28.495

Net sales were $3,627,000 for the quarter ended January 31, 2006, which is a 15.6% increase over the corresponding quarter last year. Year-to-date net sales at January 31, 2006 were $10,675,000, which is a 12.2% increase over the same period last year. Sales to our European distributor are up 36% for the current nine months when comparing to the same period last year. Sales should continue to rise in Europe and overseas because of new standards and regulations that will position the Company as an international contact switch leader. Cost of goods sold was 48.1% of net sales for the quarter ended January 31, 2006 and 49.1% for the same quarter last year. Year-to-date cost of goods sold percentages were 48.1% for the current nine months and 47.7% for the corresponding nine months last year. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line. Our cost of materials and direct labor fluctuate in proportion to how our sales vary.

Operating expenses were 21.9% of net sales for the quarter ended January 31, 2006 as compared to 24.0% for the corresponding quarter last year. Year-to-date operating expenses were 22.7% of net sales for the nine months ended January 31, 2006, while they were 24.9% for the same period last year. Having relatively the same percentages for operating expenses shows that management has a good grip on spending habits. Income from operations for the quarter ended January 31, 2006 was at $1,087,000, which is a 28.5% increase from the corresponding quarter last year, which had income from operations of $846,000. Income from operations for the nine months ended January 31, 2006 was at $3,111,000, which is a 19.2% increase from the corresponding nine months last year, which had income from operations of $2,609,000.

Other income and expenses showed a loss of $16,000 for the quarter and a $225,000 gain for the nine months that ended January 31, 2006. The numbers for the corresponding periods last year were gains of $54,000 and $213,000. The main reason for the loss in the current quarter is that some impaired investments had to be written down and the Company has to recognize a realized loss. Net income for the quarter ended January 31, 2006 was at $697,000, a 32.7% increase from the corresponding quarter last year, which showed net income of $525,000. Net income for the nine months ended January 31, 2006 was $2,014,000, a 22.5% increase from the same period last year. Net income for the nine months ended January 31, 2005 was $1,644,000. Earnings per common share for the quarter ended January 31, 2006 were $0.13 per share and $0.38 per share for the year-to-date numbers. EPS for the quarter and nine moths ended January 31, 2005 was $0.10 per share and $0.30 per share, respectively.

A dividend of $0.10 per common share was declared and stockholders of record as of September 30, 2005 received the dividend. The payment date was October 31, 2005. This is the second year in a row that the Company has declared a dividend and will hopefully continue this trend in the future. The reason that there is still a dividend payable on the books as of January 31, 2006 is that we did not have all the information that was needed in order to process checks to some stockholders. Once this information is obtained, a dividend check is sent out if they were a stockholder as of the date of record. Also, we have many "lost" stockholders on record, but with the continued declaration of dividends, we are finding it is easier to find the lost stockholders.

George Risk Industries does have three distinct business segments, security alarm products (and other items), keyboard products, and pool alarm products that are subject to disclosure under SFAS No. 131. See the notes to the financial statements in order to examine these segments.

The following is a product update. The new Short Roller Ball switch is in production and is available for sale. It has received a good response from distributors as an improvement to the Dome Switch.

The MagnaSphere displays are now complete. These displays are being given to our outside sales representatives and are used to demonstrate the new, high security technology. Interest continues to grow on this product line. Orders have been received from the Federal government. They are conducting their own tests to determine if these switches can be used to replace an older, more expensive technology that is presently being used.

The new Pool Alarm design is complete. This new design should be ready for ETL submittal this spring and should be available for sale by the summer of 2006. The new design was shown at the ISC East Trade Show in New York City in August 2005 and received good marks and approvals from our customers who attended the show. As a whole, Pool Alarms continue to see growth as more states enact safety legislation aimed at preventing swimming pool accidents.

The High Security Switch design is complete and several units have been sold. The product will be submitted to U.L. and the Department of Defense. This is a triple biased switch using three reeds and magnets, which makes it resistant to tampering and defeat. The U.S. Government is a major consumer of this type of switch set.

The Company is seeing growth in new customers with electrical contractors through the use of our CC-01 Current Controller. This device can turn on lights in various areas when the door is opened. We are also offering a new Extreme Duty armored cable with a pull-apart switch for applications such as securing tractors, golf carts, or any wheeled items that need to be protected.

Management is always open to the possibility to acquire a business that would complement our existing operations. This would probably not require any outside financing. The intent is to utilize the equipment, marketing techniques and established customers to increase sales and profits.

There are no known seasonal trends with any of our products, since we sell to distributors and OEM manufacturers. The products are tied to the housing industry and will fluctuate with building trends.

Item 3 Controls and Procedures

(a) Information required by Item 307

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

(b) Information required by Item 308

This disclosure is not yet required.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings
Not applicable

Item 2. Changes in Securities
Not applicable.

Item 3. Defaults upon Senior Securities
Not applicable

Item 4. Submission of Matters to a Vote of Securities
Not applicable

Item 5. Other Information
Not applicable

Item 6. Exhibits and Reports on Form 8-K
A. Exhibits

31. Certifications pursuant to Rule 13a-14(a)
    31.1 Certification of the Chief Executive Officer
    31.2 Certification of the Chief Financial Officer

32. Certifications pursuant to 18 U.S.C. 1350
    32.1 Certification of the Chief Executive Officer
    32.2 Certification of the Chief Financial Officer

B. Reports on Form 8-K
No 8-K reports were filed during the quarter ended January 31, 2006.

SIGNATURES

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.

George Risk Industries, Inc.
(Registrant)

Date 03-17-2006

By: /s/ Kenneth R. Risk
Kenneth R. Risk
President and Chairman of the Board

Date 03-17-2006

By: /s/ Stephanie M. Risk
Stephanie M. Risk
Chief Financial Officer and Controller