

DAILY JOURNAL CORP
Form 10-Q
August 12, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-14665

DAILY JOURNAL CORPORATION
(Exact name of registrant as specified in its charter)

South Carolina
(State or other jurisdiction of incorporation or organization)

95-4133299
(I.R.S. Employer Identification No.)

915 East First Street
Los Angeles, California
(Address of principal executive offices)

90012-4050
(Zip code)

(213) 229-5300
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

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

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Large Accelerated Filer:

Accelerated Filer:

Non-accelerated Filer:

Smaller Reporting Company:

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at July 31, 2008
Common Stock, par value \$.01 per share	1,500,299 shares

DAILY JOURNAL CORPORATION

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PART I
Item 1. FINANCIAL STATEMENTS
DAILY JOURNAL CORPORATION
CONSOLIDATED BALANCE SHEETS

	June 30 2008 (Unaudited)	September 30 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,484,000	\$ 1,069,000
U.S. Treasury Notes and Bills	16,931,000	15,396,000
Accounts receivable, less allowance for doubtful accounts of \$300,000 and \$200,000 at June 30, 2008 and September 30, 2007, respectively	8,435,000	5,537,000
Inventories	39,000	23,000
Prepaid expenses and other assets	210,000	187,000
Deferred income taxes	614,000	582,000
Total current assets	28,713,000	22,794,000
Property, plant and equipment, at cost		
Land, buildings and improvements	12,961,000	12,953,000
Furniture, office equipment and computer software	3,843,000	3,637,000
Machinery and equipment	2,044,000	1,942,000
	18,848,000	18,532,000
Less accumulated depreciation	(7,878,000)	(7,211,000)
	10,970,000	11,321,000
U.S. Treasury Notes	1,658,000	4,596,000
Deferred income taxes	1,450,000	1,211,000
	\$ 42,791,000	\$ 39,922,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,819,000	\$ 1,625,000
Accrued liabilities	3,269,000	3,120,000
Income taxes	1,044,000	662,000
Notes payable – current portion	---	209,000
Deferred subscription and other revenues	5,395,000	6,218,000
Total current liabilities	12,527,000	11,834,000
Long term liabilities		
Accrued liabilities	2,750,000	2,000,000
Notes payable	---	3,803,000
Total long term liabilities	2,750,000	5,803,000
Commitments and contingencies (Notes 8 and 9)	---	---
Shareholders' equity		
Preferred stock, \$.01 par value, 5,000,000 shares authorized and no shares issued	---	---
Common stock, \$.01 par value, 5,000,000 shares authorized; 1,500,299 shares, at June 30, 2008 and September 30, 2007, outstanding	15,000	15,000
Additional paid-in capital	1,907,000	1,907,000

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Retained earnings	26,418,000	21,269,000
Accumulated other comprehensive income	80,000	---
Less 47,445 treasury shares, at June 30, 2008 and September 30, 2007, at cost	(906,000)	(906,000)
Total shareholders' equity	27,514,000	22,285,000
	\$ 42,791,000	\$ 39,922,000

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30	
	2008	2007
Revenues		
Advertising	\$ 6,608,000	\$ 5,162,000
Circulation	2,133,000	2,245,000
Information systems and services	1,283,000	904,000
Advertising service fees and other	1,130,000	844,000
	11,154,000	9,155,000
Costs and expenses		
Salaries and employee benefits	4,611,000	4,368,000
Newsprint and printing expenses	619,000	560,000
Other outside services	912,000	843,000
Postage and delivery expenses	458,000	424,000
Depreciation and amortization	234,000	268,000
Other general and administrative expenses	993,000	861,000
	7,827,000	7,324,000
Income from operations	3,327,000	1,831,000
Other income and (expense)		
Interest income	184,000	223,000
Interest expense	(10,000)	(90,000)
Income before taxes	3,501,000	1,964,000
Provision for income taxes	1,280,000	790,000
Net income	\$ 2,221,000	\$ 1,174,000
Weighted average number of common shares outstanding - basic and diluted	1,452,854	1,452,862
Basic and diluted net income per share	\$ 1.53	\$.81

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine months ended June 30	
	2008	2007
Revenues		
Advertising	\$ 17,339,000	\$ 14,024,000
Circulation	6,499,000	6,752,000
Information systems and services	3,478,000	2,777,000
Advertising service fees and other	2,762,000	2,505,000
	30,078,000	26,058,000
Costs and expenses		
Salaries and employee benefits	13,385,000	13,077,000
Newsprint and printing expenses	1,621,000	1,602,000
Other outside services	2,595,000	2,503,000
Postage and delivery expenses	1,309,000	1,200,000
Depreciation and amortization	692,000	741,000
Other general and administrative expenses	2,745,000	2,544,000
	22,347,000	21,667,000
Income from operations	7,731,000	4,391,000
Other income and (expense)		
Interest income	687,000	623,000
Interest expense	(119,000)	(334,000)
Income before taxes	8,299,000	4,680,000
Provision for income taxes	3,150,000	2,470,000
Net income	\$ 5,149,000	\$ 2,210,000
Weighted average number of common shares outstanding - basic and diluted	1,452,854	1,452,934
Basic and diluted net income per share	\$ 3.54	\$ 1.52

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30	
	2008	2007
Cash flows from operating activities		
Net income	\$ 5,149,000	\$ 2,210,000
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and amortization	692,000	741,000
Deferred income taxes	(321,000)	(177,000)
Discount earned on U.S. Treasury Bills	(28,000)	(80,000)
Changes in assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable, net	(2,898,000)	(598,000)
Inventories	(16,000)	15,000
Prepaid expenses and other assets	(23,000)	(84,000)
Increase (decrease) in current liabilities		
Accounts payable	1,194,000	177,000
Accrued liabilities	899,000	954,000
Income taxes	382,000	795,000
Deferred subscription and other revenues	(823,000)	(66,000)
Cash provided by operating activities	4,207,000	3,887,000
Cash flows from investing activities		
Maturities and sales of U.S. Treasury Notes and Bills	11,119,000	6,493,000
Purchases of U.S. Treasury Notes and Bills	(9,558,000)	(9,851,000)
Purchases of property, plant and equipment, net	(341,000)	(232,000)
Net cash received (used) for investing activities	1,220,000	(3,590,000)
Cash flows from financing activities		
Payment of loan principals	(4,012,000)	(146,000)
Purchase of common stock	-	(7,000)
Cash used for financing activities	(4,012,000)	(153,000)
Increase in cash and cash equivalents	1,415,000	144,000
Cash and cash equivalents		