

DAILY JOURNAL CORP
Form 10-Q
May 14, 2007
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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 March 31, 2007

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)

915 East First Street

95-4133299
(I.R.S. Employer

Identification No.)

90012-4050

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Los Angeles, California
(Address of principal executive offices)

(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer: Accelerated Filer: Non-accelerated Filer:

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
Common Stock, par value \$.01 per share

Outstanding at April 30, 2007
1,500,299 shares

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PART I

Item 1. FINANCIAL STATEMENTS

DAILY JOURNAL CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31	September 30
	2007	2006
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,091,000	\$ 617,000
U.S. Treasury Notes and Bills	10,059,000	8,953,000
Accounts receivable, less allowance for doubtful accounts of \$200,000 at March 31, 2007 and September 30, 2006	5,063,000	4,490,000
Inventories	44,000	46,000
Prepaid expenses and other assets	238,000	132,000
Deferred income taxes	1,615,000	1,710,000
Total current assets	18,110,000	15,948,000
Property, plant and equipment, at cost		
Land, buildings and improvements	12,941,000	12,922,000
Furniture, office equipment and computer software	3,687,000	3,868,000
Machinery and equipment	1,942,000	1,907,000
	18,570,000	18,697,000
Less accumulated depreciation	(6,906,000)	(6,780,000)
	11,664,000	11,917,000
U.S. Treasury Notes	7,094,000	6,977,000
Deferred income taxes	991,000	861,000
	\$ 37,859,000	\$ 35,703,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 4,282,000	\$ 4,156,000
Accrued liabilities	2,388,000	2,459,000
Income taxes	946,000	382,000
Notes payable - current portion	204,000	197,000
Deferred subscription revenue and other revenues	6,796,000	6,493,000
Total current liabilities	14,616,000	13,687,000
Long term liabilities		
Accrued liabilities	1,330,000	1,030,000
Notes payable	3,907,000	4,011,000
Total long term liabilities	5,237,000	5,041,000

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Commitments and contingencies (Notes 7 and 8)

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;		
1,500,344 and 1,500,485 shares, at March 31, 2007 and September 30, 2006, respectively, outstanding	15,000	15,000
Additional paid-in capital	1,907,000	1,908,000
Retained earnings	16,990,000	15,958,000
Less 47,445 treasury shares, at March 31, 2007 and September 30, 2006, at cost	(906,000)	(906,000)
Total shareholders' equity	18,006,000	16,975,000
	\$ 37,859,000	\$ 35,703,000

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three months	
	ended March 31	
	2007	2006
Revenues		
Advertising	\$ 4,765,000	\$ 4,336,000
Circulation	2,297,000	2,288,000
Information systems and services	994,000	695,000
Advertising service fees and other	835,000	746,000
	8,891,000	8,065,000
Costs and expenses		
Salaries and employee benefits	4,487,000	4,218,000
Newsprint and printing expenses	483,000	518,000
Other outside services	839,000	949,000
Postage and delivery expenses	383,000	417,000
Depreciation and amortization	234,000	218,000
Other general and administrative expenses	825,000	906,000
	7,251,000	7,226,000
Income from operations	1,640,000	839,000
Other income and (expense)		
Interest income	207,000	128,000
Interest expense	(171,000)	(73,000)
Income before taxes	1,676,000	894,000
Provision for income taxes	1,270,000	445,000
Net income	\$ 406,000	\$ 449,000
Weighted average number of common shares outstanding - basic and diluted	1,452,930	1,453,130
Basic and diluted net income per share	\$.28	\$.31

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Six months	
	ended March 31	
	2007	2006
Revenues		
Advertising	\$ 8,862,000	\$ 8,254,000
Circulation	4,507,000	4,658,000
Information systems and services	1,873,000	1,622,000
Advertising service fees and other	1,661,000	1,428,000
	16,903,000	15,962,000
Costs and expenses		
Salaries and employee benefits	8,709,000	8,340,000
Newsprint and printing expenses	1,042,000	1,091,000
Other outside services	1,660,000	1,818,000
Postage and delivery expenses	776,000	824,000
Depreciation and amortization	473,000	414,000
Other general and administrative expenses	1,683,000	1,713,000
	14,343,000	14,200,000
Income from operations	2,560,000	1,762,000
Other income and (expense)		
Interest income	400,000	259,000
Interest expense	(244,000)	(152,000)
Income before taxes	2,716,000	1,869,000
Provision for income taxes	1,680,000	825,000
Net income	\$ 1,036,000	\$ 1,044,000
Weighted average number of common shares outstanding - basic and diluted	1,452,970	1,453,142
Basic and diluted net income per share	\$.71	\$.72

See accompanying Notes to Consolidated Financial Statements.

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DAILY JOURNAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months	
	ended March 31	
	2007	2006
Cash flows from operating activities		
Net income	\$ 1,036,000	\$ 1,044,000
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and amortization	473,000	414,000
Deferred income taxes	(35,000)	93,000
Discount earned on U.S. Treasury Bills	(52,000)	(69,000)
Changes in assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable, net	(573,000)	692,000
Inventories	2,000	17,000
Prepaid expenses and other assets	(106,000)	(37,000)
Increase (decrease) in current liabilities		
Accounts payable	126,000	16,000
Accrued liabilities	229,000	(341,000)
Income taxes	564,000	(673,000)
Deferred subscription and other revenues	303,000	(293,000)
Cash provided by operating activities	1,967,000	863,000
Cash flows from investing activities		
Purchases of U.S. Treasury Notes and Bills	(3,664,000)	(3,562,000)
Maturities and sales of U.S. Treasury Notes and Bills	2,493,000	3,496,000
Purchases of property, plant and equipment, net	(220,000)	(526,000)
Net cash used for investing activities	(1,391,000)	(592,000)
Cash flows from financing activities		
Payment of loan principals	(97,000)	(75,000)
Purchase of common stock	(5,000)	(1,000)
Cash used for financing activities	(102,000)	(76,000)
Increase in cash and cash equivalents	474,000	195,000
Cash and cash equivalents		
Beginning of period	617,000	471,000
End of period	\$ 1,091,000	\$ 666,000
Interest paid during period	\$ 144,000	