FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

PENN VIRGINIA CORP
CIK:**77159**| IRS No.: **231184320** | State of Incorp.:**VA** | Fiscal Year End: **1231**
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SIC: **6795** Mineral royalty traders

Mailing Address
800 BELLEVUE, 200 S. BROAD ST
PHILADELPHIA PA 19102

Business Address
800 BELLEVUE
200 S BROAD ST
PHILADELPHIA PA 19102
2155456600

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For Quarter Ended March 31, 1994

Commission File No. 0-753

PENN VIRGINIA CORPORATION
(exact name of registrant as specified in its charter)

VIRGINIA	23-1184320
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer's Identification No.)

800 The Bellevue, 200 South Broad Street, Philadelphia, PA	19102
(Address of principal executive offices)	(Zip Code)

(215) 545-6600
(Registrant's telephone number, including area code)

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 X 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 March 31, 1994
Common Stock, $6.25 par value	4,279,540 Shares

<TABLE>

PENN VIRGINIA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<CAPTION>

	Three Months Ended March 31	
	1994	1993
	(In thousands, except per share data)	
<S>	<C>	<C>
Operating revenues:		
Sales	$ 121	$ 123
Coal royalties	3,528	3,143
Oil and gas sales and royalties	4,341	4,020
Dividends	577	541
Other income, net	578	371
Total	9,145	8,198
Expenses:		
Cost of sales	640	641
Selling, general and administrative	1,682	1,605
Exploration and development	69	243
Depreciation, depletion and amortization	1,551	1,365
Taxes other than on income	409	433
Interest	454	481
Total	4,805	4,768
Income from operations	4,340	3,430
Income taxes	1,100	832

Net income	$ 3,240	$ 2,598
Income per common share (based on 4,279,540 weighted average shares outstanding in 1994 and 1993):	$ .76	$ .61

<FN>

See accompanying notes to condensed consolidated financial statements.
</TABLE>

<TABLE>

PENN VIRGINIA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars)

<CAPTION>

	(UNAUDITED) March 31, 1994	December 31,1993
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 23,342	$ 23,869
Receivables	3,069	3,880
Current portion of long-term notes receivable	3,571	3,571
Inventory	552	438
Current deferred tax benefit	669	669
Other	411	514
Total current assets	31,614	32,941
Investments	87,498	94,562
Long-term notes receivable, net of current portion	11,120	11,841
Property, plant and equipment (net)	73,480	74,093
Other assets	813	822
Total assets	$ 204,525	$ 214,259

</TABLE>
<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current liabilities		
Current installments on long-term debt	$ 7,625	$ 7,625
Accounts payable	1,643	4,456
Accrued expenses	4,977	4,535
Deferred income	210	214
Taxes on income	100	587

Total current liabilities	14,555	17,417
Other liabilities	7,578	7,669
Deferred taxes	32,209	34,821
Long-term debt, net of current installments	15,525	16,575
Shareholders' Equity		
Preferred stock of $100 par value - authorized 100,000 shares; issued none	-	-
Common stock of $6.25 par value - authorized 8,000,000 shares; issued 4,437,517 shares in 1994 and 1993	27,734	27,734
Other paid-in capital	34,685	34,685
Retained earnings	31,925	30,603
	94,344	93,022
Less: 157,977 shares in 1994 and 1993 of common stock held in treasury	7,435	7,435
Guaranteed debt to Employee Stock Ownership Plan	750	900
Add: Unrealized holding gain - investments	48,499	53,090
Total shareholders' equity	134,658	137,777
Total liabilities and shareholders' equity	$ 204,525	$ 214,259

<FN>

See accompanying notes to condensed consolidated financial statements.
</TABLE>

<TABLE>

PENN VIRGINIA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31 (In thousands)	
<CAPTION>		
	1994	1993
<S>	<C>	<C>

Cash flows from operating activities:		
Net cash flows from operating activities	$ 2,290	$ 2,881
Cash flows from (used in) investing activities:		
Payment received on long-term notes	934	979
Proceeds from the sale of fixed assets	-	34
Purchases of fixed assets	(933)	(612)
Net cash flows provided by investing activities	1	401
Cash flows from (used in) financing activities:		
Dividends paid	(1,918)	(1,912)
Repayment of long-term debt principal	(1,050)	(150)
Reduction in Guaranteed debt to ESOP	150	150
Net cash flows (used) by financing activities	(2,818)	(1,912)
Net increase (decrease) in cash and cash equivalents	(527)	1,370
Cash and cash equivalents - beginning balance	23,869	4,153
Cash and cash equivalents - ending balance	$ 23,342	$ 5,523
Supplemental disclosures of cash flow information:		
Cash paid to date for:		
Interest	$ 295	$ 78
Income taxes	$ 1,755	$ 184

<FN>

See accompanying notes to condensed consolidated financial statements.
</TABLE>

PENN VIRGINIA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 1994, and the results of operations and cash flows for the three months ended March 31, 1994 and 1993.

   At December 31, 1993, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

2. Property, plant and equipment consist of the following:

	March 31, 1994	December 31, 1993
	(In thousands)	
Property, plant and equipment	$ 102,822	$ 101,940
Less: Accumulated depreciation and depletion	(29,342)	(27,847)
Net property, plant and equipment	$ 73,480	$ 74,093

3. The amortized cost, gross unrealized holding gains and fair value for available-for-sale securities at March 31, 1994 were as follows:

	Amortized Cost	Gross Unrealized Holding Gain	Fair Value
		(In thousands)	
Available-for-sale			
Westmoreland Coal Company	$ 5,263	$ -	$ 5,263
Westmoreland Resources, Inc.	4,530	-	4,530
Norfolk Southern Corporation	3,096	74,609	77,705
	$ 12,889	$ 74,609	$ 87,498

   The amortized cost and fair value of notes receivable which are classified as held-to-maturity securities was $14,691,000 at March 31, 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of operations for the quarter ended March 31, 1994 as compared to the quarter ended March 31, 1993:

Income from operations before income taxes increased $910,000 or 27% for the first quarter of 1994 compared to the first quarter of 1993. This increase is composed of a $359,000 increase in the coal and land segment, a $154,000 increase in the investment segment, a $257,000 increase in the oil and gas segment and a $140,000 decrease in general corporate expenses and interest.

Income taxes increased as a result of an increase in book taxable income for the first quarter of 1994.

Coal and Land

	1994	1993
	(Thousands of dollars)	
Revenues:		
Sales	$ 121	$ 123
Royalties	3,528	3,143
Other	290	275
Total	3,939	3,541
Expenses:		
Cost of sales	26	5
Selling, general and administrative	309	278
Exploration and development	39	43
Depreciation, depletion and amortization	43	37
Taxes other than on income	41	56
Total	458	419
Operating Profit	$ 3,481	$ 3,122

The increase in the coal and land segment operating profit of $359,000 or 12% is mainly attributable to increased coal royalties from independent coal lessees due to increased tonnage.

Investments

	1994	1994
	(Thousands of dollars)	
Revenues:		
Dividends	$ 577	$ 541
Other	125	-
Total	702	541
Expenses:		
Selling, general and administrative	16	10

Depreciation	2	2
Taxes other than on income	1	-
Total	19	12
Operating Profit	$ 683	$ 529

The increase in the investment segment of $154,000 or 29% is mainly attributable to increased dividend income of $36,000 and interest income earned on short-term investments of $125,000 offset in part by an increase of $6,000 in salary expense.

Oil and Gas

	1994	1993
	(Thousands of dollars)	
Revenues:		
Sales	$ 3,720	$ 3,571
Royalties	621	449
Other	106	29
Total	4,447	4,049
Expenses:		
Cost of sales	613	636
Selling, general and administrative	665	497
Exploration and development	30	199
Depreciation, depletion and amortization	1,497	1,314
Taxes other than on income	326	344
Total	3,131	2,990
Operating Profit	$ 1,316	$ 1,059

Operating profit for the oil and gas segment increased $257,000 or 24% and is mainly attributable to increased gas pricing and gas royalties of $321,000, an increase in delay rental income of $77,000 and a decrease in exploration and development expense of $169,000 due to the timing of budgeted 1994 expenses. Offsetting this revenue increase is an increase in selling, general and administrative expense of $168,000 and an increase in depreciation, depletion and amortization expense of $183,000.

The increase is selling, general and administrative expenses is mainly attributable to the expenses associated with relocating Company personnel. The increase in depreciation, depletion and amortization expenses is due primarily to increased gas sales volume and higher depletion rates.

Corporate

The decrease in general corporate expenses and interest of $140,000 or

11% was due to a decline in interest expense of $24,000 as a result of lower debt balances outstanding and a $116,000 decline in general and administrative expenses due mainly to reductions in salary, legal and consulting expenses.

Financial Condition as of March 31, 1994:

There were no material changes in the Company's financial condition from that reported as of December 31, 1993.

Liquidity, Capital Resources and Other Financial Data at March 31,1994:

Working capital at March 31, 1994 was $17.0 million compared to $15.5 million at December 31, 1993. See the Condensed Consolidated Statement of Cash Flows for details regarding the change.

At March 31, 1994, there were $3.0 million in unused credit lines.

There are two main factors that could influence future earnings and cash flow of the Company. One of these is gas prices. Since the majority of the Company's gas is sold in the spot market or under contracts less than one year in duration, future earnings will be directly related to the fluctuation of those prices. Any sustained decline in these prices could result in some impairment of oil and gas assets.

The second factor is the performance of Westmoreland Coal Company, our largest coal lessee. In 1993, Westmoreland reported a loss from continuing operations of $99 million that was caused primarily by the writedown of the assets of various eastern operations. On April 18, 1994, Westmoreland Coal Company ("WCC") announced that its outside auditors had issued a qualified opinion on the Company's 1993 financial statements due to the uncertainty of its ability to continue as a going concern. The opinion was based on losses associated with WCC's eastern coal operations, a working capital deficiency caused by a reclassification of its revolving credit and insurance company debt to current liabilities, and violation of various covenants in the Company's principal credit arrangements.

After the filing of its annual report, WCC announced an agreement in principle to sell the assets of its cogeneration subsidiary for an amount in excess of $50 million plus the assumption of certain equity commitments. WCC is negotiating with its lenders to restructure its credit facilities. On May 9, 1994, WCC announced that it had suspended the payment of its preferred stock dividend as a result of negotiations with its lenders. WCC reported that it expects to repay its lenders with the proceeds from the sale of its cogeneration facilities and plans to begin payment of preferred stock dividends again at that time. It is also continuing the process of reviewing its eastern properties with potential purchasers, but no decision nor binding agreements have been made.

Westmoreland is burdened by a difficult coal price environment and significant costs for retirees and idle mines that must be borne by a shrinking production base. The Company is striving to redefine itself and establish a core of profitable operations upon which it can base its recovery. If Westmoreland cannot mine profitably, then Penn Virginia's cash flows would be adversely affected. A prolonged period of depressed prices for coal would affect the merchantability of the reserves leased to Westmoreland and could ultimately result in a curtailment of production from Penn Virginia's reserves.

The Company continues to evaluate its investment in Westmoreland and any deterioration in their financial condition that results in the carrying value for that investment being in excess of fair value could result in additional losses.

Except for matters discussed above, management is not presently aware of any trends or demands which exist or uncertainties which are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The accompanying condensed consolidated financial statements have been reviewed by the Company's independent certified public accountants, KPMG Peat Marwick, in accordance with the established professional standards and procedures for such a limited review.

PART II. OTHER INFORMATION

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

(a) Exhibits

Exhibit 15: Letter Re: Unaudited interim financial information.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed for the quarter ended March 31, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PENN VIRGINIA CORPORATION
(Registrant)

Date: May 13, 1994

Robert J. Jaeger
(Robert J. Jaeger, Vice President, Treasurer & Controller)
(Principal Financial and Accounting Officer)

INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
Penn Virginia Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Penn Virginia Corporation and subsidiaries as of March 31, 1994 and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 1994 and 1993. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Penn Virginia Corporation and subsidiaries as of December 31, 1993, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 1, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1993, is fairly presented, in all material respects in relation to the consolidated balance sheet from which it has been derived.

KPMG PEAT MARWICK

KPMG Peat Marwick

Philadelphia, PA
May 10, 1994

Exhibit 15

Penn Virginia Corporation
200 S. Broad Street
800 The Bellevue
Philadelphia, PA 19102

Re: Registration Statement Nos. 2-67355, 2-77500 and 33-40430

Gentlemen:

With respect to the subject Registration Statements, we acknowledge our awareness of the use therein of our report dated May 10, 1994 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act, such report is not considered a part of a Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

KPMG Peat Marwick

KPMG PEAT MARWICK

May 10, 1994