MINERALS TECHNOLOGIES INC
Form 10-Q/A
August 04, 2004

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

FORM 10-Q/A
Amendment No. 1

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2003

or

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

Commission File Number 1-3295

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MINERALS TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

DELAWARE	25-1190717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

405 Lexington Avenue, New York, New York 10174-1901

(Address of principal executive offices, including zip code)

(212) 878-1800

(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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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 October 24, 2003
Common Stock, $0.10 par value	20,373,203

EXPLANATORY NOTE

Minerals Technologies Inc. (the "Company") is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A (this "Form 10-Q/A") to reflect a revision to the accounting treatment of the reversal in the third quarter of 2003 of tax reserves for potential exposure items no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. As a result of this revision, the Company is restating its financial statements for the fiscal quarter ended September 28, 2003.

During the third quarter of 2003, the Company reversed tax reserves no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. In its Quarterly Report on Form 10-Q for the quarter ended September 28, 2003 (the "Form 10-Q"), filed with the Securities and Exchange Commission (the "Commission") on November 10, 2003, the Company reported that this reversal resulted in a reduction to the 2003 income tax provision of approximately $15 million, of which $11.5 million was reversed in the third quarter. This Form 10-Q/A reflects the Company's determination that the reversal of such tax reserves should be treated as an equity transaction and reflected as an increase in additional paid-in capital of $15 million because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the Company's common stock in October 1992. For a detailed description of the effect of the restatement of the financial statements see Note 3 to the financial statements.

This technical restatement has no impact on the income from operations, cash flows, or assets and liabilities of the Company. In addition, the original treatment or the restatement had no effect on any payments under the Company's officer and management compensation plans.

In accordance with the rules of the Commission, the affected items of the Form 10-Q, Items 1 through 4 of Part I and Item 6 of Part II, are being amended and restated in their entirety. Except as described above, no other amendments are being made to the Form 10-Q. This Form 10-Q/A does not reflect events occurring after September 28, 2003 or substantively modify or update the disclosure contained in the Form 10-Q in any way other than as required to reflect the amendments discussed above and reflected below.

MINERALS TECHNOLOGIES INC.
INDEX TO AMENDMENT NO. 1 TO QUARTERLY REPORT ON FORM 10-Q/A

PART 1. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Three Months Ended		**Nine Months Ended**	
(in thousands, except per share data)	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
Net sales	$198,234	$192,134	$602,058	$557,962
Operating costs and expenses:				
Cost of goods sold	150,748	145,737	454,809	419,823
Marketing and administrative expenses	21,854	19,464	64,853	57,257
Research and development expenses	6,093	5,304	18,713	16,833
Income from operations	19,539	21,629	63,683	64,049
Non-operating deductions, net	1,100	1,081	3,568	4,040

Income before provision for taxes				
on income and minority interests	18,439	20,548	60,115	60,009
Provision for taxes on income	5,144	5,853	16,772	17,087
Minority interests	526	482	1,374	1,169
Income before cumulative effect of				
accounting change	12,769	14,213	41,969	41,753
Cumulative effect of accounting change	--	--	3,433	--
Net income	$ 12,769	$ 14,213	$ 38,536	$ 41,753
	=====	======	=====	=====
Earnings per share:				
Basic:				
Before cumulative effect of accounting change	$ 0.63	$ 0.70	$ 2.08	$ 2.07
Cumulative effect of accounting change --	--	--	(0.17)	--
Basic earnings per share	$ 0.63	$ 0.70	$ 1.91	$ 2.07
	======	=======	======	======
Diluted:				
Before cumulative effect of accounting change	$ 0.62	$ 0.70	$ 2.06	$ 2.02
Cumulative effect of accounting change --	--	--	(0.17)	--
Diluted earnings per share	$ 0.62	$ 0.70	$ 1.89	$ 2.02
	======	=======	======	======
Cash dividends declared per common share	$ 0.025	$ 0.025	$ 0.075	$ 0.075

Shares used in computation of earnings per share:				
Basic	20,185	20,201	20,132	20,216
Diluted	20,489	20,366	20,349	20,635

See accompanying notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of dollars)	Restated September 28, 2003*	December 31, 2002**
Current assets		
Cash and cash equivalents	$ 56,799	$ 31,762
Accounts receivable, net	151,425	129,608
Inventories	86,520	82,909
Prepaid expenses and other current assets	59,682	46,686
Total current assets	354,426	290,965
Property, plant and equipment, less accumulated depreciation and depletion -- September 28, 2003 - $638,771; December 31, 2002 - $578,580	554,825	537,424
Goodwill	51,732	51,291
Other assets and deferred charges	35,593	20,197
Total assets	$996,576	$899,877
	======	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt	$ 30,000	$ 30,000
Current maturities of long-term debt	2,228	1,331
Accounts payable	42,416	37,435
	44,990	55,171
Other current liabilities		
Total current liabilities	119,634	123,937
Long-term debt	99,536	89,020
	103,494	92,763
Other non-current liabilities		
Total liabilities	322,664	305,720
Shareholders' equity:		
Common stock	2,725	2,694
Additional paid-in capital	216,787	190,144
Deferred compensation	(1,305)	--
Retained earnings	715,763	678,740
	(12,955	(35,034
Accumulated other comprehensive loss	)	)
	921,015	836,544
	247,103	242,387
Less treasury stock		
	673,912	594,157
Total shareholders' equity		
Total liabilities and shareholders' equity	$996,576	$899,877
	=====	=====

* Unaudited
** Condensed from audited financial statements

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
(thousands of dollars)	Restated Sept. 28, 2003	Sept. 29, 2002
Operating Activities:		
Net income	$ 38,536	$ 41,753
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Cumulative effect of accounting change	3,433	--
Depreciation, depletion and amortization	51,079	51,322
Other non-cash items	4,254	7,650
Net changes in operating assets and liabilities	(36,228)	(17,339)
Net cash provided by operating activities	61,074	83,386
Investing Activities:		
Purchases of property, plant and equipment	(40,090)	(27,772)
Acquisition of businesses	(1,900)	(34,100)
Other	1,229	193
Net cash used in investing activities	(40,761)	(61,679)
Financing Activities:		
Proceeds from issuance of short-term debt	5,318	110,350
Repayment of debt	(5,919)	(138,310)
Purchase of common shares for treasury	(4,716)	(17,332)
Proceeds from issuance of stock under option plan	9,937	29,141

Cash dividends paid	(1,513)	(1,523)
Net cash provided by (used in) financing activities	3,107	(17,674)
Effect of exchange rate changes on cash and cash equivalents	1,617	(363)
Net increase in cash and cash equivalents	25,037	3,670
Cash and cash equivalents at beginning of period	31,762	13,046
Cash and cash equivalents at end of period	$ 56,799	$ 16,716
Supplemental disclosure of cash flow information:		
Interest paid	$ 5,518	$ 5,569
Income taxes paid	$ 10,923	$ 10,459
Non-cash investing and financing activities:		
Property, plant and equipment acquired by incurring installment obligations	$ 11,368	$ --
Property, plant and equipment additions related to asset retirement obligations	$ 6,762	$ --

See accompanying Notes to Condensed Consolidated Financial Statements.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by management in accordance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial information for the periods indicated, have been included. The results for the three-month and nine-month periods ended September 28, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Note 2 -- Summary of Significant Accounting Policies

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements are capitalized, while maintenance and repair expenditures are charged to operations as incurred. The Company capitalizes interest cost as a component of construction in progress. In general, the straight-line method of depreciation is used for financial reporting purposes and accelerated methods are used for U.S. and certain foreign tax reporting purposes. The annual rates of depreciation are 3% - 6.67% for buildings, 6.67% - 12.5% for machinery and equipment, 8% - 12.5% for furniture and fixtures and 12.5% - 25% for computer equipment and software-related assets.

Property, plant and equipment are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets can generate revenue, which does not necessarily coincide with the remaining term of a customer's contractual obligation to purchase products made using those assets. The Company's sales of PCC are predominantly pursuant to long-term contracts, initially ten years in length, with paper mills at which the Company operates satellite PCC plants. The terms of many of these agreements have been extended, often in connection with an expansion of the satellite PCC plant. The Company also continues to supply PCC at one location at which the PCC contract has expired. Failure of a PCC customer to renew an agreement or continue to purchase PCC from a Company facility could result in an impairment of assets charge at such facility.

In the third quarter of 2002, the Company reduced the useful lives of satellite PCC plants at International Paper Company's ("IP") mills due to an increased risk that some or all of these PCC contracts would not be renewed. As a result of this change, the Company also reviewed the useful lives of the assets at its remaining satellite PCC facilities and other plants. During the first quarter of 2003, the Company revised the estimated useful lives of machinery and equipment pertaining to its natural stone mining and processing plants and chemical processing plants from 12.5 years (8%) to 15 years (6.67%) and reduced the useful lives of buildings at certain satellite PCC facilities from 25 years (4%) to 15 years (6.67%). The Company also reduced the estimated useful lives of certain software-related assets due to implementation of a new global enterprise resource planning system. During the second quarter of 2003, the Company reached an agreement with IP that extended eight PCC supply contracts and therefore extended the useful lives of the satellite PCC plants at those IP mills. The net effect of the changes in estimated useful lives, including the deceleration of depreciation at the IP plants, was an increase to diluted earnings per share of $0.04 in the third quarter of 2003 and $0.04 for the first nine months of 2003.

Depletion of mineral reserves is determined on a unit-of-extraction basis for financial reporting purposes and on a percentage depletion basis for tax purposes.

Mining costs associated with waste gravel and rock removal in excess of the expected average life of mine stripping ratio are deferred. These costs are charged to production on a unit-of-production basis when the ratio of waste to ore mined is less than the average life of mine stripping ratio.

MINERALS TECHNOLOGIES INC. AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Accounting for Stock-Based Compensation

In December 2002, The FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation, and requires additional disclosures in interim and annual financial statements. The disclosure in interim periods requires pro forma net income and net income per share as if the Company adopted the fair value method of accounting for stock-based awards. The fair value of stock-based awards to employees was calculated using the Black-Scholes option-pricing model, modified for dividends. Pro forma net income and earnings per share reflecting compensation cost for the fair value of stock options were as follows:

	Three Months Ended		Nine Months Ended	
(millions of dollars, except per share amounts)	Restated Sept. 28, 2003	Sept. 29, 2002	Restated Sept. 28, 2003	Sept. 29, 2002
Income before cumulative effect of				
accounting change, as reported	$ 12.8	$ 14.2	$ 42.0	$ 41.8
Deduct: Total stock-based employee compensation				
expense determined under fair value based method				
for all awards, net of related tax effects	0.5	0.5	1.4	1.6
Pro forma income before cumulative effect of				
accounting change	12.3	13.7	40.6	40.2
Cumulative effect of accounting change	--	--	3.4	--
Pro forma net income	$ 12.3	$ 13.7	$ 37.2	$ 40.2
	====	====	====	====
Net income, as reported	$ 12.8	$ 14.2	$ 38.5	$ 41.8
	====	====	====	====

Basic EPS				
Income before cumulative effect of accounting change, as reported	$ 0.63	$ 0.70	$ 2.08	$ 2.07
Pro forma income before cumulative effect of accounting change	0.61	0.68	2.02	1.99
Pro forma net income	0.61	0.68	1.85	1.99
Net income, as reported	0.63	0.70	1.91	2.07
Diluted EPS				
Income before cumulative effect of accounting change, as reported	0.62	0.70	2.06	2.02
Pro forma income before cumulative effect of accounting change	0.60	0.67	2.00	1.95
Pro forma net income	0.60	0.67	1.83	1.95
Net income, as reported	0.62	0.70	1.89	2.02

Note 3. Restatement of Previously Issued Financial Statements

The Company has restated its consolidated balance sheet at September 28, 2003, and consolidated statements of income and cash flows for the three-month and nine-month periods ended September 28, 2003. The restatement is due entirely to a revision to the accounting treatment of the reversal of tax reserves for potential exposure items no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years.

During the third and fourth quarters of 2003, the Company reversed tax reserves no longer necessary due to the expiration of the statute of limitations on the Company's U.S. tax returns for earlier years. Accordingly, the Company previously reported that this reversal resulted in a reduction to the 2003 income tax provision of

approximately $15 million, of which $11.5 million was reversed in the third quarter, and a reduction to the overall effective tax rate for 2003 from 26.4% to 5.7%.

The Company has now determined that the reversal of such tax reserves should be treated as an equity transaction and should be reflected as an increase in additional paid-in capital of $15 million because such tax reserves were established for potential exposure items related to the tax bases of assets caused by the initial public offering of the

Company's common stock in October 1992.

The following table presents the impact of the restatement adjustments on the Company's previously reported results as of September 28, 2003 and for the three and nine-month periods ended September 28, 2003 on a condensed basis:

	Three Months Ended Sept. 28, 2003		Nine Months Ended Sept. 28, 2003	
Condensed Consolidated Statement of Income	As Previously Reported	As Restated	As Previously Reported	As Restated
Net sales	$ 198,234	$ 198,234	$ 602,058	$ 602,058
Operating costs and expenses	178,695	178,695	538,375	538,375
Income from operations	19,539	19,539	63,683	63,683
Non-operating deductions, net	1,100	1,100	3,568	3,568
Income before provisions for taxes on income and minority interests	18,439	18,439	60,115	60,115
Provision (benefit) for taxes on income	(6,338)	5,144	5,290	16,772
Minority interests	526	526	1,374	1,374
Income before cumulative effect of accounting change	24,251	12,769	53,451	41,969
Cumulative effect of accounting change, net of tax benefit of $2,072	--	--	3,433	3,433
Net income	$ 24,251	$ 12,769	$ 50,018	$ 38,536

	Three Months Ended Sept. 28, 2003		Nine Months Ended Sept. 28, 2003	
Earning per share:	As Previously Reported	As Restated	As Previously Reported	As Restated
Basic:				
Before cumulative effect of accounting change	$ 1.20	$ 0.63	$ 2.65	$ 2.08
Cumulative effect of accounting change	--	--	(0.17)	(0.17)
Basic earnings per share	$ 1.20	$ 0.63	2.48	1.91
Diluted:				
Before cumulative effect of accounting change	$ 1.18	$ 0.62	$ 2.63	$ 2.06

Cumulative effect of accounting change	--	--	(0.17)	(0.17)
Diluted earnings per share	$ 1.18	$ 0.62	$ 2.46	$ 1.89