

ALLIANCE ONE INTERNATIONAL, INC.  
Form 10-Q  
May 25, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM  
10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED December 31, 2015.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Alliance One International, Inc.

(Exact name of registrant as specified in its charter)

Virginia

001-13684

54-1746567

\_\_\_\_\_  
(State or other jurisdiction of incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

8001 Aerial Center Parkway  
Morrisville, NC 27560-8417  
(Address of principal executive offices)

(919) 379-4300  
(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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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.

Large accelerated filer   
filer

Accelerated

Non-accelerated filer

Smaller reporting company

]

(Do not check if a 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

As of January 31, 2016, the registrant had 8,894,558 shares outstanding of Common Stock (no par value) excluding 785,312 shares owned by a wholly owned subsidiary.

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## Preliminary Note

Immediately prior to the filing of this report, we filed a Form 10-K/A report for the year ended March 31, 2015 and a Form 10-Q/A report for the quarter ended June 30, 2015, restating our financial statements for the periods. These filings were made to correct errors we discovered in our accounting at our Kenya subsidiary. Certain details regarding those errors and adjustments covered by these reports are discussed in Note 1A “Restatement of Previously Issued Condensed Consolidated Financial Statements” of this Form 10-Q. The Company is also concurrently filing a Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.

## Restatement Background

On February 15, 2016, the Audit Committee of our Board of Directors (the “Audit Committee”), after discussion with management, determined that the following financial statements previously filed with the SEC should no longer be relied upon: (1) the audited consolidated financial statements included in our Annual Report on Form 10-K for the years ended March 31, 2015, 2014 and 2013; and (2) the unaudited condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2015, 2014 and 2013, September 30, 2014 and 2013, and December 31, 2014 and 2013.

In the course of downsizing and terminating certain operations of Alliance One Tobacco (Kenya) Limited (“AOTK”), and preparing our financial statements for the quarter ended September 30, 2015, the Company identified errors in accounts receivable, inventory, sales and cost of goods sold in AOTK. Specifically, the value of inventory was overstated due to improper accounting for shrinkage, deferred crop costs, lower of cost or market valuations and accurate inventory counts. Further, sales and other operating revenues, and trade and other receivables, net were incorrectly stated due to improper revenue recognition for external sales. As a result of these errors, we have restated our consolidated financial statements for the years ended March 31, 2015, 2014 and 2013 and our unaudited condensed consolidated financial information for the three months and nine months ended December 31, 2014 on this Form 10-Q.

As of December 31, 2015, the correction of these errors principally decreased the Company’s inventory by approximately \$46 million, decreased accounts receivable by approximately \$3 million, and decreased retained earnings by approximately \$49 million. Approximately \$39 million of the decrease in retained earnings is related to March 31, 2015 and prior periods, with a portion in each quarter dating back to fiscal 2011 and prior. Further, these corrections decreased operating income for the nine months ended December 31, 2015 by approximately \$10 million. Please refer to Note 1A “Restatement of Previously Issued Consolidated Financial Statements” of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for more information regarding the impact of these adjustments.

Along with restating our financial statements to correct the errors discussed above, we have recorded adjustments for certain previously identified immaterial accounting errors related to the periods covered by this Form 10-Q. When these financial statements were originally issued, we assessed the impact of these errors and concluded that they were not material to our financial statements for the three months and nine months ended December 31, 2014. However, in conjunction with our need to restate our financial statements as a result of the errors above, we have determined that it would be appropriate within this Form 10-Q to record all such previously unrecorded adjustments. Please refer to Note 1A “Restatement of Previously Issued Consolidated Financial Statements” of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q for more information regarding the impact of these adjustments.

Because our prior period financial results have been corrected for errors, they are considered to be “restated” under U.S. generally accepted accounting principles. Accordingly, the revised financial information included in this Quarterly Report on Form 10-Q has been identified as “restated.”

## Internal Control Consideration

Our Chief Executive Officer and Chief Financial Officer have determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at December 31, 2015. Accordingly, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting and our disclosure controls and procedures, as defined by SEC regulations, were not effective at December 31, 2015, as discussed in Part I, Item 4 of this Form 10-Q.

Alliance One International, Inc. and Subsidiaries

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## Part I. Financial Information

## Item 1. Financial Statements

Alliance One International, Inc. and Subsidiaries  
CONDENSED CONSOLIDATED STATEMENTS  
OF OPERATIONSThree and Nine Months Ended December 31, 2015  
and 2014

(Unaudited)

	Three Months Ended December 31,	Nine Months Ended December 31,		
(in thousands, except per share data)	2015	2015	2014 (As Restated)	2014 (As Restated)
Sales and other operating revenues	\$491,139	\$489,227	\$1,172,274	\$1,335,341
Cost of goods and services sold	422,566	419,972	1,020,066	1,167,940
Gross profit	68,573	69,255	152,208	167,401
Selling, general and administrative expenses	29,124	38,882	86,986	106,207
Other income	594	146	125	1,273
Restructuring and asset impairment charges	625	—	4,087	500
Operating income	38,518	30,519	61,260	61,967
	—	(338	) —	(338

Debt retirement expense (income)				
Interest expense (includes debt amortization of \$2,497 and \$2,131 for the three months and \$7,123 and \$5,693 for the nine months in 2015 and 2014, respectively)	30,356	28,277	86,911	83,694
Interest income	2,744	1,486	5,393	4,411
Income (loss) before income taxes and other items	10,906	4,066	(20,258)	(16,978)
Income tax expense	1,930	2,089	21,617	13,387
Equity in net income of investee companies	2,514	1,088	5,679	1,642
	11,520	3,065	(36,196)	(28,723)



Net  
income  
(loss)  
Less:  
Net  
loss  
attributable to  
noncontrolling  
interests  
Net  
income  
(loss)  
attributable  
to Alliance  
One  
International,  
Inc.

Income (loss) per share:				
Basic	\$0.30	\$0.37	\$(4.06)	\$(3.24)
Diluted	\$0.30	\$0.37	\$(4.06)	\$(3.24)

Weighted average number of shares outstanding:				
Basic	8,889	8,841	8,878	8,821
Diluted	8,889	8,841	8,878	8,821

See notes to condensed consolidated financial statements

Alliance One International, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 Three and Nine Months Ended December 31, 2015 and 2014  
 (Unaudited)

(in thousands)	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014 (As Restated)	2015	2014 (As Restated)
Net income (loss)	\$11,520	\$ 3,065	\$(36,196)	\$(28,723)
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	(1,075 )	(2,095 )	(432 )	(6,174 )
Defined benefit pension amounts reclassified to income:				
Negative plan amendment/reclassified to liability	2,534	—	7,220	—
Curtailement	1,062	—	1,062	—
Amounts reclassified to income	725	413	2,725	1,240
Defined benefit plan adjustment	4,321	413	11,007	1,240
Total other comprehensive income (loss), net of tax	3,246	(1,682 )	10,575	(4,934 )
Total comprehensive income (loss)	14,766	1,383	(25,621 )	(33,657 )
Comprehensive loss attributable to noncontrolling interests	(50 )	(230 )	(115 )	(182 )
Comprehensive income (loss) attributable to Alliance One International, Inc.	\$14,816	\$ 1,613	\$(25,506)	\$(33,475)

See notes to condensed consolidated financial statements

Alliance One International, Inc. and  
Subsidiaries  
CONDENSED CONSOLIDATED  
BALANCE SHEETS  
(Unaudited)

	December 31, 2014	March 31, 2015
(Thousands)	(As Restated)	(As Restated)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 195,230	\$ 143,849
Trade and receivables, net	219,673	193,370
Accounts receivable, related parties	63,491	41,816
Advances to suppliers	925,810	740,943
Recoverable taxes	81,016	37,767
Current deferred taxes, net	14,802	5,257
Prepaid expenses	7,773	15,586
Other assets	27,105	23,901
Total assets	1,580,821	1,217,095
Other assets in unconsolidated	54,299	54,694

affiliates			
Goodwill			
and			
<del>20,218</del>	32,739	31,891	
intangible			
assets			
Long-term			
recoverable			
<del>7,786</del>	5,992	6,571	
income			
taxes			
Deferred			
income			
<del>24,208</del>	35,952	33,155	
taxes,			
net			
Other			
<del>15,302</del>	17,426	17,695	
charges			
Other			
<del>20,812</del>	31,876	27,631	
assets			
155,144	178,284	171,637	
Property,			
plant			
<del>228,786</del>	240,554	237,914	
equipment,			
net			
\$ 1,961,629	\$ 1,999,659	\$ 1,626,646	

LIABILITIES  
AND  
STOCKHOLDERS'  
EQUITY  
Current  
liabilities