

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

ATLANTIC WINE AGENCIES INC
Form 10QSB
August 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549
FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2005
Commission file number 333-63432
Atlantic Wine Agencies Inc.
(Exact name of small business issuer as specified in its charter)

Florida 65-110237
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Golden Cross House
8 Duncannon Street, London, United Kingdom WC2N 4JF
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: 011-44-207-484-5005
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

The number of shares of the issuer's outstanding common stock, which is the only class of its common equity, on August 18, 2005 was 84,838,027.

1

ITEM 1 FINANCIAL STATEMENTS

Description -----	Page No. -----
FINANCIAL INFORMATION:	
Financial Statements	
Consolidated Balance Sheets at June 30, 2005 (Unaudited).....	3
Consolidated Statement of Operations for the Three Months Ended June 30, 2005 and 2004, respectively (Unaudited).....	4
Consolidated Statements of Cash Flows for the Three Months Ended June 30, 2005 and 2004, respectively (Unaudited)	5
Notes to Consolidated Financial Statements (Unaudited).....	6

2

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

ITEM 1. FINANCIAL STATEMENTS

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES (Formerly New England Acquisitions, Inc.)

CONSOLIDATED BALANCE SHEET JUNE 30, 2005

CURRENT ASSETS	
Cash	\$ 47,939
Accounts receivable	191,492
Inventory	1,420,757
Receivable from officer	48,761
Prepaid expenses and other	13,334

Total Current Assets	1,722,283
OTHER ASSETS	
Property, plant and equipment, net	2,749,439
Intangibles net of amortization	41,034

	\$ 4,512,756
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$ 212,603
Due to Dominion Wines	344,381
Accrued expenses	136,737

Total Current Liabilities	693,721
LONG-TERM DEBT	
Due to principal stockholders	3,018,323
STOCKHOLDERS' EQUITY	
Common stock authorized 150,000,000 shares; \$0.00001 par value; issued and outstanding 84,838,027 shares	849
Additional contributed capital	3,999,531
Other comprehensive income	(182,596)
Deficit in retained earnings	(3,017,072)

Total Stockholders' Equity	800,712

	\$ 4,512,756
	=====

See accompanying notes to financial statements.

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,	
	2005	2004
NET SALES	\$ 94,302	\$ 56,143
COSTS AND EXPENSES		
Cost of goods sold	111,025	128,107
Stock Based Compensation		536,500
Selling, general and administrative	418,995	148,858
Depreciation and amortization	18,789	5,543
	548,809	819,008
NET LOSS	\$ 454,507	\$ 762,865
NET LOSS PER SHARE, basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	84,838,027	67,799,291

See accompanying notes to financial statements.

4

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES (Formerly New England Acquisitions, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended June 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for period	\$ (454,507)	\$ (762,865)
Non-cash item included in net loss:		
Stock based compensation		536,500
Depreciation and amortization	18,789	5,574
Changes in operating assets and liabilities:		
Accounts receivable	(154,437)	(4,610)
Inventory	122,700	(57,931)
Accounts payable	111,222	58,872
Prepaid expenses and other	30,626	
Accrued expenses	22,985	(13,500)
Accrued payroll taxes	(65,181)	
Increase in due to principal stockholders	297,054	298,618
	(70,749)	60,658
Net Cash (Used In) Provided by Operating Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

Cash acquired in acquisition		120,742
	-----	-----
Net Cash Provided by Financing Activities		120,742
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(11,250)	
	-----	-----
Net Cash Used in Investing Activities	(11,250)	
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	32,491	128,544
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(49,508)	309,944
	-----	-----
CASH AT END OF PERIOD	\$ 47,939	\$ 309,944
	=====	=====

See accompanying notes to financial statements.

5

ATLANTIC WINE AGENCIES,
INC. and SUBSIDIARIES
(Formerly New England Acquisitions, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005

NOTE A - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the three months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2006. For further information, refer to the financial statements and footnotes thereto included in the Atlantic Wine Agencies, Inc., formerly New England Acquisitions, Inc., annual report on Form 10-KSB for the year ended March 31, 2005.

NOTE B - GOING CONCERN

As indicated in the accompanying financial statements, the Company has incurred cumulative net operating losses of \$3,017,072 since inception. Management's plans include the raising of capital through the equity markets to fund future operations and the generating of revenue through its business. Failure to raise adequate capital and generate adequate sales revenues could result in the Company having to curtail or cease operations. Additionally, even if the Company

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

does raise sufficient capital to support its operating expenses and generate adequate revenues, there can be no assurances that the revenue will be sufficient to enable it to develop business to a level where it will generate profits and cash flows from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. However, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE C - DUE PRINCIPAL STOCKHOLDERS

During the quarter ended June 30, 2005, the principal stockholders continued to advance funds for working capital. The amount advanced during the quarter approximated \$300,000.

NOTE D - RECEIVABLE FROM OFFICER

At June 30, 2005, the Company had advanced \$48,761 to the President which was repaid in July 2005.

NOTE H - TRANSACTIONS WITH DOMINION WINES PTY, LTD AND DOMINION ESTATES PTY, LTD

On September 14, 2004, the Company entered into an agreement to acquire two Australian companies - Dominion Wines, Pty Ltd and Dominion Estates, Pty Ltd (hereafter referred to as "Dominion"). The terms of the agreement were as follows: (1) the issuance of 20,000,000 shares of the Company's common stock, (2) retire the National Australian Bank loan in the amount of \$2,508,962 (Aus \$3,136,202) (3) arrange for an additional investment of \$179,037 (Aus \$223,797) and (4) assume the Commonwealth Bank of Australia loan in the amount of \$3,265,109 (Aus \$4,081,387).

6

ATLANTIC WINE AGENCIES,
INC. and SUBSIDIARIES
(Formerly New England Acquisitions, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
June 30, 2005

NOTE H - TRANSACTIONS WITH DOMINION WINES PTY, LTD AND DOMINION ESTATES PTY, LTD (CONTINUED)

Subsequent to December 31, 2004, the Company determined that such acquisition was not in its best interest and agreed with Dominion to unwind the transaction. During this period, Dominion borrowed approximately \$3,000,000 from General Electric Credit Australia to replace the Commonwealth Bank of Australia loan and lent \$344,381 to a subsidiary of the Company.

The agreement to unwind the acquisition requires (1) the return of the 20,000,000 shares of Company common stock which is currently held in escrow, (2) the signing of a novation agreement to forgive

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

the \$344,381 note payable by the company's Subsidiary to Dominion, and (3) the issuance of a note to the Company's principal shareholder in the amount of \$2,560,000 (Aus \$3,200,000) for the retirement of the National Australian Bank loan.

At the date of this report, the transaction has been agreed to by the shareholders and management of each company and is awaiting the securitization of property as collateral for the note agreement to the Company's principal shareholder. Management believes that the transaction will be successfully unwound and accordingly, the assets, liabilities and results of operations for the year ended March 31, 2005 of Dominion have not been included in these consolidated financial statements.

NOTE G- EMPLOYMENT CONTRACTS

The company has executed 5 year employment contracts with key employees with annual salary commitments ranging from \$184,000 in the first year with annual escalation increasing salary commitments to \$247,000 in year five. In addition, the controlling stockholders gave 19,960,000 shares from their holdings to one employee and 1,500,000 shares to another. Accordingly, stock based compensation in the amount of \$536,500 based upon a per share valuation of \$0.025 per shares, was recorded in the financial statements

7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

In July 2005, our wines won a total of 6 medals in the International Wine & Spirit Competition 2005. Of note, our Mount Rozier Shiraz 2003 and Rozier Bay Chardonnay 2004 were each awarded a "Gold - Best In Class". Additionally, four of our wines were awarded Bronze medals in the same competition.

RESULTS OF OPERATIONS

We are currently in the early stages of our first sales cycle and generated \$94,302 for the three months ended June 20, 2005 compared to \$56,143 for the three months ended June 30, 2004, respectively. Total costs and expenses for the three months ended June 30, 2005 were \$548,809 as compared to \$1,281,508 for the three months ended June 30, 2004. Our net loss for the three months ended June 30, 2005 as compared to the three months ended June 30, 2004, was \$454,507 and \$1,225,365, respectively. The primary reason for the decrease in losses was a result of the lack of \$536,500 in stock based compensation for the reporting period in 2005.

We have financed our operations to date primarily through loans made to us by our shareholders and their affiliates.

Our wine distribution began in earnest after the end of the reporting period and we anticipate significant sales during the following quarters as a result of our increased presence in the marketplace.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended June 30, 2005, net cash used to fund operating activities totaled \$(70,749) as compared to \$60,658 for the corresponding three months ended June 30, 2004. Net cash utilized by investing activities for the three month period ended June 30, 2005 totaled \$(11,250 compared to \$0 for the

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

three months ended June 30, 2004.

The cash available at June 30, 2005 was \$47,939 as compared to \$309,944 for the corresponding three months ended June 30, 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, income taxes and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Item 3. Controls and Procedures.

- (a) Our principal executive officer and principal financial officer has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) as of a date within 90 days prior to the filing date of this quarterly report and has concluded that our disclosure controls and procedures are adequate.
- (b) There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.
- (c) Not applicable

PART II

Item 1. Legal Proceedings
None.

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibit Index

Exhibit 31.1 Certification of President and Principal Financial Officer

Exhibit 32.1 Certification of President and Principal Financial Officer

Edgar Filing: ATLANTIC WINE AGENCIES INC - Form 10QSB

b. Reports on Form 8-K

On April 6, 2005, the Company filed an 8-K with the Securities and Exchange Commission with respect to our placing a wholly-owned subsidiary, Dominion Estates Pty Ltd into voluntary liquidation in Australia.

On June 10, 2005, the Company filed an amended 8-K with the Securities and Exchange Commission updating the public as to the status of our discussions with certain parties regarding the unwind of our acquisitions of Dominion Wines Ltd and Dominion Estates Pty Ltd.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLANTIC WINE AGENCIES INC.

/s/ Adam Mauerberger

Name: Adam Mauerberger

Title: President, Chief Financial Officer and Chairman of the Board

Date: August 22, 2005