

ATLANTIC WINE AGENCIES INC
Form 10QSB
February 21, 2007

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 December 31, 2006
Commission file number 333-63432
Atlantic Wine Agencies Inc.
(Exact name of small business issuer as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

65-110237
(I.R.S. Employer
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 x 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 February 16, 2007, was 86,323,880.

ITEM 1 FINANCIAL STATEMENTS

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ITEM 1. FINANCIAL STATEMENTS

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

December 31, 2006

CURRENT ASSETS

| | | |
|----------------------------|----|---------|
| Cash | \$ | 13,942 |
| Accounts receivable | | 194,451 |
| Inventory | | 8,536 |
| Prepaid expenses and other | | 599,115 |
| Total Current Assets | | 816,044 |

OTHER ASSETS

| | | |
|------------------------------------|----|-----------|
| Property, plant and equipment, net | | 2,678,722 |
| Trademarks, net | | 1,426 |
| | \$ | 3,496,192 |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|-----------------------------------|--|-----------|
| Loans from principal shareholders | | 1,257,663 |
| Accounts payable | | 297,285 |
| Accrued expenses | | 321,837 |
| Accrued payroll taxes | | 719 |
| Total Current Liabilities | | 1,877,504 |

STOCKHOLDERS' EQUITY

| | | |
|---|----|-------------|
| Common stock authorized 150,000,000 shares; \$0.00001 par value; issued and outstanding 86,323,880 shares | | 868 |
| Additional contributed capital | | 7,829,536 |
| Accumulated other comprehensive income | | 321,530 |
| Accumulated deficit | | (6,533,246) |
| Total Stockholders' Equity | | 1,618,688 |
| | \$ | 3,496,192 |

See accompanying notes to financial statements.

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|--------------|-----------------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| NET SALES | \$ 20,577 | \$ 468,723 | \$ 121,176 | \$ 1,071,152 |
| COSTS AND EXPENSES | | | | |
| Cost of goods sold | 27,816 | 531,866 | 79,321 | 1,060,006 |
| Selling, general and administrative | 148,980 | 603,924 | 318,792 | 1,513,569 |
| Depreciation and amortization | 24,779 | 58,581 | 75,644 | 93,969 |
| Total Costs and Expenses | 201,575 | 1,194,371 | 473,757 | 2,667,544 |
| OTHER EXPENSES | | | | |
| Insurance claims | | | (9,505) | |
| Interest expense | 5,539 | 256 | 6,156 | 5,391 |
| Total Other Expenses | 5,539 | 256 | (3,349) | 5,391 |
| NET LOSS | \$ (186,537) | \$ (725,904) | \$ (349,232) | \$ (1,601,783) |
| NET LOSS PER SHARE, basic and diluted | (0.01) | (0.01) | (0.01) | (0.02) |
| Weighted average number of common shares outstanding | 86,323,880 | 84,838,077 | 86,323,880 | 84,838,077 |

See accompanying notes to financial statements.

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended December 31, | |
|---|---|----------------|
| | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for period | \$ (349,232) | \$ (1,601,783) |
| Non-cash item included in net loss: | | |
| Depreciation and amortization | 75,644 | 93,969 |
| Provision for doubtful accounts | 75,600 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 237,014 | (570,623) |
| Inventory | (274,623) | 1,142,800 |
| Receivable from officer | 48,761 | |
| Prepaid and other | 606 | 43,960 |
| Accounts payable | 23,060 | 110,071 |
| Accrued expenses | 76,091 | (113,752) |
| Accrued payroll taxes | (25,207) | (65,181) |
| Net Cash Used In Operating Activities | (161,047) | (911,778) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | | 87,831 |
| Net Cash Provided by (Used in) Investing Activities | | 87,831 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Disposal of fixed assets | 191,316 | |
| Due from factoring agent | (99,595) | 267,221 |
| Loans from shareholders | (2,200) | |
| Net capital contribution | | 505,228 |
| Due from Dominion | | (344,381) |
| Net Cash Provided by Financing Activities | 89,521 | 428,068 |
| EFFECT OF RATE CHANGE ON CASH | 7,323 | 324,214 |
| NET DECREASE IN CASH | (64,203) | (71,665) |
| CASH AND CASH EQUIVALENTS AT | | |
| BEGINNING OF PERIOD | 78,145 | 97,487 |
| CASH AT END OF PERIOD | \$ 13,942 | \$ 25,822 |

See accompanying notes to financial statements.

ATLANTIC WINE AGENCIES,
INC. and SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006

(Unaudited)

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 nine months ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2007. 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, 2006.

NOTE B - GOING CONCERN

As indicated in the accompanying financial statements, the Company has an accumulated deficit of \$6,533,246. 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 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

At December 31, 2006, the principal stockholders are owed \$1,257,663 for working capital advances. The amounts are unsecured and non-interest bearing.

NOTE D - POTENTIAL SALE OF PROPERTY

Pursuant to the agreement entered into with Auction Alliance, a South African auction firm, the Company's Myrtle Grove Property and Estates was auctioned subject to the minimum reserve being met. However, the reserve was not met. Therefore, the Company continues to negotiate with a number of potential purchasers and intends to close within the next 30 days.

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

On October 13, 2006, we entered into an agreement with Auction Alliance, a South African auction firm, to sell our Myrtle Grove Property and Estates, subject to the minimum reserve being met. Assets including land, vineyards, winery equipment and stock will be included in the auction sale. Our management has concluded that (i) after

expending considerable resources and efforts in developing our business and building world class wine brands from South Africa, significantly more capital is necessary to further grow the business which are unable to procure on commercially acceptable terms, (ii) The ZAR (South African Rand) has shown considerable volatility related to uncertainty regarding future political situation and (iii) the best time to maximize our South African property and operations is by selling through the public auction process locally in South Africa prior to the growing season in the southern hemisphere. While the auction was held, the reserve was not met. We therefore continue to negotiate with a number of potential purchasers and intend to close within the next 30 days. When the sale has been completed, we will seek to use the proceeds from such sale, after satisfying our current liabilities, to develop or acquire a business or businesses which we believe will best serve the long term interests of our shareholders. Such businesses may or may not be related to the wine industry.

RESULTS OF OPERATIONS

Our revenues from the previous 3-month period ending December 31, 2006 decreased from \$ 468,723 to \$20,577. Our revenues from the previous 9-month period ending December 31, 2006 decreased from \$1,071,152 to \$121,176.

Operating costs for the three-months ended December 31, 2006 aggregated \$201,575 or \$(0.01) per share as compared to \$1,194,371 or \$(0.01) per share for the year ended December 31, 2005. Operating costs for the nine-months ended December 31, 2006 aggregated \$473,757 or \$(0.01) per share as compared to \$2,667,544 or \$(0.02) per share for the year ended December 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-months ended December 31, 2006 net cash used to fund operating activities aggregated \$(161,047), net cash utilized by investing activities aggregated \$0 and net cash provided by financing activities aggregated \$89,521.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, *"Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity."* This standard requires that certain financial instruments embodying an obligation to transfer assets or to issue equity securities be classified as liabilities. It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is generally effective July 1, 2003. This standard had no impact on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment to FASB Statement No. 123."* SFAS No. 148 amends SFAS No. 123, *"Accounting for Stock-Based Compensation,"* to provide alternative methods for transition to SFAS No. 123's fair value method of accounting for stock-based compensation. As amended by SFAS No. 148, SFAS No. 123 also requires additional disclosure regarding stock-based compensation in annual and condensed interim financial statements. The new disclosure requirements became effective immediately.

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.

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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 99.1 Certification of President and Principal Financial Officer

Exhibit 99.2 Certification of President and Principal Financial Officer

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b. Reports on Form 8-K

None.

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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: February 21, 2007

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