

ATLANTIC WINE AGENCIES INC
Form 10-Q
November 20, 2008

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from to

Commission file number 333-63432

Atlantic Wine Agencies, Inc.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
Identification No.)

65-1102237
(I.R.S. Employer or organization)

501 Madiosn Ave. 14th Floor
New York, NY 10022
C/O Sanders Ortolli Vaughn Flam Rosenstadt

(Address of principal executive offices) (Zip Code)

212-588-0022
(Registrant's telephone number, including area code)

Mount Rosier Estate (Pty) Ltd.
Farm 25 A-Sir Lowry's Pass Village
Somerset West, 7129, South Africa

(Former address of principal executive offices) (Zip Code)

011.27.218.581130
(Registrant's former telephone number, including area code)

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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 or 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.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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 or No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (November 18, 2008): 4,720,953

PART I - FINANCIAL INFORMATION

SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

We are including the following cautionary statement in this Form 10-Q to make applicable and take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statement made by, or on behalf of, us. This 10-Q, press releases issued by us, and certain information provided periodically in writing and orally by our designated officers and agents contain statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “expect”, “believe”, “goal”, “plan”, “intend”, “estimate”, and similar expressions and variations thereof used are intended to specifically identify forward-looking statements. Where any such forward-looking statement includes a statement of the assumptions or basis underlying such forward-looking statement, we caution that assumed facts or basis almost always vary from actual results, and the differences between assumed facts or basis and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, we, or our management, expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished.

Item 1. Financial Statements

Description	Page No.
FINANCIAL INFORMATION:	
Financial Statements	F-1
Consolidated Balance Sheets at September 30, 2008 (unaudited) and March 31, 2008 (audited)	F-1
Consolidated Statement of Operations for the Three Months and Six Months Ended September 30, 2008 and 2007 respectively (Unaudited)	F-2
Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2008 and 2007 respectively (Unaudited)	F-3
Notes to Consolidated Financial Statements (Unaudited)	F-4

ITEM 1. FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (Unaudited)	March 31, 2008
CURRENT ASSETS		
Cash		\$ 448
Accounts receivable		71,948
Inventory		169,832
Prepaid expenses and other		124
Total Current Assets		242,352
OTHER ASSETS		
Property, plant and equipment- net		2,229,649
Trademark		1,148
Total Assets		\$ 2,473,149
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Bank overdraft		\$ 887,037
Loans from shareholders	\$ 87,500	345,940
Accounts payable		126,049
Accrued expenses		255,840
Loan payable to principal officer		423,888
Advance payment on sale of land		148,260
Deferred revenue		68,411
Total Current Liabilities	87,500	2,255,425
STOCKHOLDERS' EQUITY (Deficit)		
Common stock authorized 150,000,000 shares; \$0.00001 par value; issued and outstanding 4,720,953 and 4,520,953 shares at September 30, 2008 and March 31, 2008, respectively		
	47	1,135
Additional contributed capital	8,434,356	8,363,268
Accumulated deficit	(8,521,903)	(8,511,289)
Accumulated other comprehensive income		364,610
Total Stockholders' Equity (Deficit)	(87,500)	217,724

Total Liabilities and Stockholders' Equity (Deficit)	\$	-	\$	2,473,149
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See accompanying notes to consolidated financial statements.

F-1

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

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
2008	2008	2007	2007	2008
NET SALES	\$ 44,499	\$ 68,393	\$ 116,705	\$ 114,413
COSTS AND EXPENSES				
Cost of goods sold	23,879	24,430	41,831	44,760
Stock based compensation	70,000		70,000	
Selling, general and administrative	136,880	98,253	403,830	255,581
Depreciation and amortization	29	32,172	31,624	64,344
Total Costs and Expenses	230,788	154,855	574,285	364,685
NET OPERATING LOSS	(186,289)	(86,462)	(430,580)	(250,272)
OTHER INCOME (EXPENSE)				
Loss on sale of assets	(31)		(33,150)	
Other miscellaneous income	7,465	4,834	34,494	7,794
Interest expense	(45,555)	(11,169)	(89,864)	(16,141)
Total Other Income (Expense)	(38,121)	(6,335)	(88,520)	(8,347)
NET LOSS	\$ (224,410)	\$ (92,797)	\$ (519,100)	\$ (258,619)
NET LOSS PER SHARE, basic and diluted	\$ (0.04)	\$ (0.02)	\$ (0.09)	\$ (0.04)
Weighted average number of common shares outstanding	4,758,423	4,754,925	4,758,423	4,754,925

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Six Months Ended
September 30,
2008 2007

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (519,100)	\$ (258,619)
Net loss of operations spun-off	361,600	
Stock based compensation	70,000	
Non-cash item included in net loss:		
Depreciation and amortization		64,344
Changes in operating assets and liabilities:		
Accounts receivable		(46,294)
Inventory		11,282
Prepaid expense and other		13
Accounts payable		(79,590)
Accrued expenses		(47,402)
Net Cash Used In Operating Activities	(87,500)	(356,266)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft		446,795
Due to shareholders	87,50	
Net Cash Provided By Financing Activities	87,500	446,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		(73,646)
Net Cash Used in Investing Activities		(73,646)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	(448)	(17,204)
NET DECREASE IN CASH	(448)	(321)
CASH AT BEGINNING OF PERIOD	448	341
CASH AT END OF PERIOD	\$ -	\$ 20

SUPPLEMENTAL INFORMATION

Non Cash Activities

Disposition of assets on spun-off	\$ 1,979,411
Disposition of liabilities on spun-off	1,854,665

See accompanying notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying 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 six months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending March 31, 2009. 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, 2008.

NOTE B - GOING CONCERN

As indicated in the accompanying financial statements, the Company has an accumulated deficit of \$8,521,903 as at September 30, 2008. On September 22, 2008, the Company spun out its two wholly owned subsidiaries located in South Africa, Mount Rosier Properties (Pty) Ltd. and Mount Rosier Estate (Pty) Ltd. Management currently plans to seek a merger candidate, and should the Company not be able to achieve this objective, it is doubtful that the Company will be able to survive. 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 - STOCKHOLDERS EQUITY (DEFICIT)

On April 17, 2008, the Company issued 200,000 shares to Sapphire Development, Ltd. for consulting in connection with a proposed spin-out of the assets of the Company's two wholly owned subsidiaries, Mount Rosier Properties (Pty) Ltd. and Mount Rosier Estate (Pty) Ltd. The shares were valued at \$0.35 per share.

NOTE D - DEBT RESTRUCTURING

On January 11, 2008, Atlantic Wine Agencies, Inc. (the "Company") entered into an agreement with Sapphire Developments Limited ("Sapphire") and Fairhurst Properties S.A. ("Fairhurst") to restructure certain debt held by Sapphire (the "Debt Restructuring Agreement"). The Debt Restructuring Agreement was executed to address a November 16, 2005 loan to the Company by Sapphire of One Million Two Hundred Fifty-Nine Thousand Eight Hundred Sixty-Three U.S. Dollars (US \$1,259,863). Sapphire agreed to terminate the Promissory Note and restructure its debt in exchange for the following consideration articulated in the Debt Restructuring Agreement:

- The Company to pay Three Million Two Hundred Thousand South African Rand (R \$3,200,000) to Sapphire, an amount approximately equal to Four Hundred Sixty-Eight Thousand and Ninety

F-4

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

NOTE D - DEBT RESTRUCTURING (CONTINUED)

Two U.S. Dollars (US \$468,092), in two installments, the first installment of One Million Two Hundred Thousand South African Rand (R1,200,000) to be paid by the Company on January 11, 2008 and the second installment of Two Million South African Rand (R\$2,000,000) to be paid on or before January 31, 2008;

- The Company to issue 26,699,950 restricted shares of the Company's common stock (the "Shares") to Sapphire in exchange for relief from \$533,999 of the debt underlying the Promissory Note;
- The Company, Sapphire, and Fairhurst to enter into a voting agreement concurrent with the Debt Restructuring Agreement ("Voting Agreement");
- The Company to issue a promissory note to Fairhurst for approximately \$400,000 without interest to mature on January 11, 2009;
 - Each of Sapphire and Fairhurst to execute mutual releases;
- Fairhurst to ensure that Adam Mauerberger remain as the Chief Executive Officer of the Company until such time that a material merger or share exchange occurs ("Atlantic Corporate Event"); and
- 19,960,000 shares of the Company's common stock owned by Fairhurst ("Fairhurst Shares") to be transferred to Sapphire upon the earlier of the six-month anniversary date of the Debt Restructuring Agreement or the completion of an Atlantic Corporate Event.

NOTE E - REVERSE STOCK SPLIT

On May 5, 2008, the Board of Directors approved a 25:1 reverse stock split, which became effective May 19, 2008. Accordingly, all per share figures have been restated to reflect this change.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

NOTE F - SPIN-OFF AGREEMENT

On September 22, 2008, the Company entered into a material definitive agreement with Fairhurst Properties, S.A. (“Fairhurst”). Fairhurst is a company owned 100% by the Company’s former principal shareholder and Chief Executive Officer. The spin-out agreement provides for the “split-off” of all the Company’s interests in two wholly-owned subsidiaries, Mount Rozier Properties (Pty) Ltd. and Mount Rozier Estate (Pty) Ltd. These wholly owned subsidiaries owned all the assets of the Company. In exchange for the assets surrendered and spun-off, Fairhurst assumed all of the debt and obligations of the subsidiary. Pro-forma unaudited financial statements as at September 30, 2008 are as follows:

	Atlantic Wine Agencies Prior to Spin-Off	Spin-Off Mount Rozier Estate & Properties	Pro-Forma Balance September 30, 2008
Cash	36	(36)	
Accounts receivable	114,531	(114,531)	
Inventory	199,664	(199,664)	
Prepaid expenses and other	122	(122)	
Property and equipment	1,663,920	(1,663,920)	
Trademark	1,138	(1,138)	
Bank overdraft	(967,421)	967,421	
Accounts payable	(131,358)	131,358	
Due to shareholders	(87,500)		(87,500)
Accrued expenses	(234,186)	234,186	
Loan payable to principal officer	(462,154)	462,154	
Deferred revenue	(59,546)	59,546	
Common stock	(47)		(47)
Additional paid-in capital	(8,434,356)		(8,434,356)
Accumulated deficit	9,030,389	124,746	8,521,903
		(633,232)(1)	
Accumulated comprehensive income	(633,232)	633,232(1)	

Note

(1) Realization of currency gain

F-6

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

RESULTS OF OPERATIONS

Although our revenues from the three-month period ending September 30, 2008 decreased to \$44,499 from \$68,393 for the three-month period ending September 30, 2007, our revenues from the six-month period ending September 30, 2008 increased to \$116,705 from \$114,413 for the six-month period ending September 30, 2007. As a result of the spin-off of our two wholly owned subsidiaries that operated our business, we do not anticipate that we will have revenues in the foreseeable future unless we merge with or acquire a business with an operating business that has revenues.

Operating costs for the three-months ended September 30, 2008 aggregated \$230,788 or \$(0.04) per share as compared to \$154,855 or \$(0.02) per share for the three-months ended September 30, 2007. This increase is primarily due to the payment in the 2008 period of \$70,000 in stock based compensation with no such payment in the 2007 period. Operating costs for the six-months ended September 30, 2008 aggregated \$430,580 or \$(0.09) per share as compared to \$250,272 or \$(0.04) per share for the six-months September 30, 2007. This increase is primarily due to an increase in selling, general and administrative costs to \$403,830 in the 2008 period as compared to \$255,581 in the 2007 period as well as the difference in stock based compensation previously mentioned.

LIQUIDITY AND CAPITAL RESOURCES

For the six-months ended September 30, 2008, net cash used to fund operating activities aggregated \$(87,500), there was no net cash utilized by investing activities aggregated and net cash provided by financing activities aggregated \$87,500. By way of comparison, for the six-months ended September 30, 2007, net cash used to fund operating activities aggregated \$(356,266), net cash utilized by investing activities aggregated \$73,646 and net cash provided by financing activities aggregated \$446,795.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us 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, we evaluate our estimates, including those related to bad debts, income taxes and contingencies and litigation. We base our 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 June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation 48, “Accounting for Income Tax Uncertainties” (“FIN 48”). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as “more-likely-than-not” to be sustained by the taxing authority. Recently issued literature also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. FIN 48 is effective for fiscal years beginning after December 15, 2006. We expect to adopt the provisions of FIN 48 beginning in the first quarter of 2007. We are currently in the process of determining the impact, if any, of adopting the provisions of FIN 48 on its financial position, results of operations and liquidity.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” which defines fair value, establishes a framework for measuring fair value under other accounting pronouncements that permit or require fair value measurements, changes the methods used to measure fair value and expands disclosures about fair value measurements. In particular, disclosures are required to provide information on the extent to which fair value is used to measure assets and liabilities; the inputs used to develop measurements; and the effect of certain of the measurements on earnings (or changes in net assets).

SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Early adoption, as of the beginning of an entity’s fiscal year, is also permitted, provided interim financial statements have not yet been issued. We are currently evaluating the potential impact, if any, that the adoption of SFAS No. 157 will have on our consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB No. 108”). SAB No. 108 provides guidance on how prior year misstatements should be considered when quantifying misstatements in the current year financial statements. SAB No. 108 requires registrants to quantify misstatements using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 does not change the guidance in SAB No. 99, “Materiality,” when evaluating the materiality of misstatements. SAB No. 108 is effective for fiscal years ending after November 15, 2006. Upon initial application, SAB No. 108 permits a one-time cumulative effect adjustment to beginning retained earnings. We adopted SAB No. 108 for the fiscal year ended March 31, 2007. Adoption of SAB No. 108 did not have a material impact on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (“SFAS 159”). SFAS 159 allows entities to measure at fair value many financial instruments and certain other assets and liabilities that are not otherwise required to be measured at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We have not determined what impact, if any, that adoption will have on our results of operations, cash flows or financial position.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Not applicable

Item 4/4T. – Controls and Procedures

(a) Disclosure Controls and Procedures.

As of the end of the period covering this Form 10-Q, we evaluated the effectiveness of the design and operation of our “disclosure controls and procedures”. We conducted this evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer.

(i) Definition of Disclosure Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed with the objective of ensuring that information required to be disclosed in our periodic reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. As defined by the SEC, such disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, in such a manner as to allow timely disclosure decisions.

(ii) Conclusions with Respect to Our Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer determined that, as of the end of the period covered by this report, these controls and procedures are adequate and effective in alerting them in a timely manner to material information relating to us required to be included in our periodic SEC filings.

(b) Changes in Internal Controls.

There have been no changes in our internal controls over financial reporting that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

No material changes

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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.

Exhibit 31.1 Certification of Chief Executive Officer and Acting Principal Accounting Officer

Exhibit 32.1 Certification of Chief Executive Officer and Acting Principal Accounting Officer

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.

Atlantic Wine Agencies, Inc.
(Registrant)

Date: November 19, 2008

/s/ Antonio Treminio

Antonio Treminio

President, Chief Financial Officer and Chief Executive Officer