ATLANTIC WINE AGENCIES INC
Form 10QSB
February 21, 2006

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, 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 incorporation or organization)	(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 14, 2006 was 84,838,077.

ITEM 1 FINANCIAL STATEMENTS

Description

FINANCIAL INFORMATION:

Financial Statements

Notes to Consolidated Financial Statements (Unaudited)

ITEM 1. FINANCIAL STATEMENTS

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2005

CURRENT ASSETS	
Cash	$ 25,822
Accounts receivable	607,678
Inventory	400,657
Total Current Assets	1,034,157
OTHER ASSETS	
Property, plant and equipment, net	2,576,201
Trademarks, net	40,012
	$3,650,370

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 211,452
Due to factoring agent	267,221
Total Current Liabilities	478,673
LONG-TERM DEBT	
Due to principal stockholders	940,000
STOCKHOLDERS' EQUITY	
Common stock authorized 150,000,000 shares; $0.00001 par value; issued and outstanding 84,838,077 shares	849
Additional contributed capital	6,536,028
Accumulated other comprehensive income	109,168
Accumulated deficit	(4,414,348)
Total Stockholders' Equity	2,231,697
	$ 3,650,370

See accompanying notes to financial statements.

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004	Nine Months Ended December 31, 2005	Nine Mo Ende Decembe 200
		(Restated)		(Resta
NET SALES	$ 739,792	$ (6,980)	$ 1,071,152	$ 127
COSTS AND EXPENSES-				
Cost of goods sold	781,866	18,571	1060,006	119
Selling, general and administrative	603,924	404,561	1,513,569	785
Stock based compensation				536
Depreciation and amortization	58,581	22,312	93,969	30
Other expenses	256	2,404	5,391	2
Total Costs and Expenses	1,444,627	447,848	2,672,935	1,473
NET LOSS	$ (704,835)	$ (454,828)	$ (1,601,783)	$ (1,345
NET (LOSS) PER COMMON SHARE - (Basic and diluted)	$ (0.01)	$ (0.01)	$ (0.02)	$ (
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	84,838,077	85,830,887	84,838,077	85,830

See accompanying notes to consolidated financial statements.

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	For the Nine Months Ended December 31, 2005	2004
		(Restated)
Net loss for period	$(1,601,783)	$(1,345,417)
Non-cash items included in net loss:		
Stock based compensation		536,500
Depreciation and amortization	93,969	30,191
Changes in operating assets and liabilities:		
Accounts receivable	(570,623)	(2,213,439)
Inventory	1,142,800	(1,522,230)
Receivable from officer	48,761	

Prepaid and other	43,960	
Accounts payable	110,071	1,608,689
Factoring account	267,221	
Accrued expenses	(113,752)	1,799,082
Accrued payroll taxes	(65,181)	1,469,899
Net Cash Provided by (Used in) Operating Activities	(644,557)	363,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Disposals (Purchase) of Property, Plant and Equipment	87,831	(2,899,645)
Net Cash Provided by (Used in) Investing Activities	87,831	(2,899,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net capital contribution	505,228	2,723,880
Due to Dominion	(344,381)	--
Net Cash Provided by Financing Activities	160,847	2,723,880
EFFECT OF RATE CHANGE ON CASH	324,214	
NET INCREASE (DECREASE) IN CASH	(71,665)	187,510
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,487	
CASH AT END OF PERIOD	$ 25,822	$ 187,510

See accompanying notes to financial statements.

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 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 nine months ended December 31, 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. 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 $4,414,348 since inception and is considered a company in the development stage. 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 TO PRINCIPAL STOCKHOLDERS

At December 31, 2005, principal stockholders have advanced the Company $940,000 for working capital. Such loans are non-interest bearing and have no specific maturity date for repayment. The principal stockholders have additionally contributed to capital approximately $1,258,787 in previously advanced loans.

NOTE D - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151 (SFAS 151), "Inventory Costs." SFAS 151 amends the guidance in APB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 requires that those items be recognized as current period charges regardless of whether they meet the criteria of "so abnormal." In addition, SFAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for financial statements issued for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 is not expected to have a material effect on the Company's financial position or results of operations.

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ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

NOTE D - RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (SFAS 153), "Exchanges of Non-monetary Assets." SFAS 153 amends the guidance in APB No. 29, "Accounting for Non-monetary Assets." APB No.29 was based on the principle that exchanges of non-monetary assets should be measured on the fair value of the assets exchanged. SFAS 153 amends APB No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 151 is effective for financial statements issued for fiscal years beginning after June 15, 2005. The adoption of SFAS 153 is not expected to have a material effect on the Company's financial position or results of operations.

In December 2004, the FASB revised Statement of Financial Accounting Standards No. 123 (SFAS 123(R)), "Accounting for Stock-Based Compensation." The SFAS 123(R) revision established standards for the accounting for transactions in which t 6 6 an entity exchanges its equity instruments for goods or services and focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It does not change the accounting guidance for share-based payment transactions with parties other than employees. For public entities that do not file as small business issuers, the revisions to SFAS 123 are effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. For public entities that file as small business issuers, the revisions to SFAS 123(R) are effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. For non-public entities, the revisions to SFAS 123 are effective as of the beginning of the first annual reporting period that begins after December 15, 2005. Management has not yet determined the effects of adopting this statement on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS no. 154, "Accounting Changes and Error Corrections ("SFAS No. 154") which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of ABP Opinion No. 28. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specially, this statement requires "retrospective application" of the direct effect foe a voluntary change in accounting principle to prior periods' financial statements, if it is practical to do so. SFAS No. 154 also strictly defines the term "restatement" to mean the correction of an error revising previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and are required to be adopted by the Company in the first quarter of fiscal year 2007. Although we will continue to evaluate the application of SFAS No. 154, management does not currently believe adoption will have a material impact on our results of operations, financial position or cash flows.

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

Atlantic Wine Agencies current quarter reflects major growth in revenue and increased trading both in South Africa and Europe this current year. However due to aggressive global trading conditions, oversupply of fruit from the New world and tough trading conditions within the South African sector AWA has had to compromise with lower margin in sales. UK trading was affected by the administration of UNWINS - the largest off trade retailer in the SE of England, formally 382 stores. Despite administration process sales were insured but resulted in loss of margin to UK business.

UK strategy will now focus on consolidating an exclusive agency agreement with

Hayman Barwell Jones - an independent fine wine shipper based in Ipswich and London. HBJ will service current trade clients in the UK and will continue to develop new route to market through their extensive sales team allowing UK overheads to be reduced in the new financial year.

There has been major investment in SA's Mount Rozier estate. This will demonstrate positive net asset value growth at year end. Initial indications from Colliers international have already demonstrated this.

The 2006 vintage promises to be excellent in quality and has benefited directly from Jaco Mouton's (viticulturist) long term fruit purchasing agreements. This will prove beneficial to the business and should produce exceptional Domaine wines from the Estate.

RESULTS OF OPERATIONS

We are currently in the early stages of our first sales cycle and generated $1,071,152 for the nine months ended December 31, 2005 compared to $127,893 for the nine months ended December 31, 2004, respectively. Total costs and expenses for the nine months ended December 31, 2005 were $2,672,935 as compared to $1,473,310 for the nine months ended December 31, 2004. Our net loss for the nine months ended December 31, 2005 as compared to the nine months ended December 31, 2004, was $1,601,783 and $1,345,417, respectively. The primary reason for the increase in losses was a result of increased sales and marketing, and other administrative costs 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 during this 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 nine months ended December 31, 2005, net cash used to fund operating activities totaled $505,228 as compared to $2,723,880 for the corresponding nine months ended December 31, 2004. Net cash utilized by investing activities for the nine month period ended December 31, 2005 totaled $87,831 compared to $2,899,645 for the nine months ended December 31, 2004.

The cash available at December 31, 2005 was $25,822 as compared to $187,510 for the corresponding nine months ended December 31, 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the 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 99.1 Certification of President and Principal Financial Officer

Exhibit 99.2 Certification of President and Principal Financial Officer

b. Reports on Form 8-K None.

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 15, 2006