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ATLANTIC WINE AGENCIES INC
Form 10QSB
November 21, 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 September 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 |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 November 16, 2005 was 84,838,027.

ITEM 1 FINANCIAL STATEMENTS

Description

FINANCIAL INFORMATION:

Financial Statements

Consolidated Balance Sheets at September 30, 2005
(Unaudited).....

Consolidated Statement of Operations for the Six Months Ended September 30, 2005 and 2004,
respectively (Unaudited).....

Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2005 and 2004, respec
(Unaudited)

Notes to Consolidated Financial Statements (Unaudited).....

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ITEM 1. FINANCIAL STATEMENTS

ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005

CURRENT ASSETS	
Cash	\$ 110,534
Accounts receivable	24,165
Inventory	149,230
Receivable from officer	5,540
Interest receivable	79,139

Total Current Assets	368,608
OTHER ASSETS	
Property, plant and equipment, net	2,618,452
Trademarks, net	40,012

	\$ 3,027,072
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Overdraft	\$ 1,044
Accounts payable	533,789

Total Current Liabilities	534,833
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	6,037,241
Accumulated other comprehensive income	(776,338)
Accumulated deficit	(3,709,513)

Total Stockholders' Equity	1,552,239

	\$ 3,027,072
	=====

See accompanying notes to financial statements.

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ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Six Months Ended September 30, 2005
	-----	-----	-----
NET SALES	\$ 237,058	\$ 78,730	\$ 331,360
COSTS AND EXPENSES-			
Cost of goods sold	167,115	(27,659)	278,140
Selling, general and administrative	495,785	231,786	914,780
Stock based compensation	536,500		
Depreciation and amortization	16,599	2,335	35,388
	-----	-----	-----
Total Costs and Expenses	679,499	206,462	1,228,308
	-----	-----	-----
NET LOSS	\$ (442,441)	\$ (127,732)	\$ (896,948)
	=====	=====	=====
NET (LOSS) PER COMMON SHARE - (Basic and diluted)	\$ (0.01)	\$ (0.01)	\$ (0.01)
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	84,838,077	85,830,887	84,838,077
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended September 30,	
	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for period	\$ (896,948)	\$ (890,497)
Non-cash items included in net loss:		
Stock based compensation		536,500
Depreciation and amortization	35,388	7,878
Changes in operating assets and liabilities:		
Accounts receivable	12,890	(30,000)
Inventory	1,394,227	(1,145,949)
Receivable from officer	43,221	
Interest receivable	(79,139)	
Prepaid and other	43,960	
Overdraft	1,044	
Accounts payable	432,408	659,423

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Accrued expenses	(113,752)	2,197
Accrued payroll taxes	(65,181)	895,152
	-----	-----
Net Cash Provided by Operating Activities	808,118	34,704
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net Disposals (Purchase) of Property, Plant and Equipment	104,161	(2,602,475)
	-----	-----
Net Cash Provided by Investing Activities	104,161	(2,602,475)
	-----	-----
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net capital contribution	6,441	2,723,880
Due to Dominion	(344,381)	
	-----	-----
Net Cash Provided by Financing Activities	(337,940)	2,723,880
	-----	-----
EFFECT OF RATE CHANGE ON CASH	(561,292)	
NET INCREASE IN CASH	13,047	156,109
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,487	
	-----	-----
CASH AT END OF PERIOD	\$ 110,534	\$ 156,109
	=====	=====

See accompanying notes to financial statements.

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ATLANTIC WINE AGENCIES, INC. and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 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 six months ended September 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. 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 \$3,709,513 since inception and is considered a company in the development stage. Management's

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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 September 30, 2005, principal stockholders have advanced the Company \$940,000 for working capital. Such loan bears interest at a rate of 5%, matures on September 30, 2006 and may be extended for another year at mutual agreement of the Company and the stockholders holding the Note.

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

Despite Atlantic Wine Agencies showing a loss for end of quarter September 30th 2005 the business has made excellent progress from development stage with several new regional wholesalers within Europe now marketing our South African brands. Significant developments which will be reflected in our next quarter include distribution agreements into the multiple off-trade including UNWINS (381 stores primarily located in the south of England) and Liquor City, a leading South African drink specialist. These results have been created from the momentum in July 2005 when 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. Recently, a double gold was achieved in the prestigious South African Veritas competition including a further 4 medals. The board notes that after significant investment into Mount Rozier, our flagship Estate in South Africa, asset valuations after nearly 2 years development does not reflect true market value and are conservative. The business is now stronger since the recent Dominion unwind in Australia, having extinguished \$2.6 million in the previous promissory note and capitalizing proceeds. As a result of our Dominion settlement, our public float was further reduced by 20 million shares. The business will continue to focus on new acquisitions within growing categories to build net asset value. Currently our key objective of raising profile for Mount Rozier is starting to deliver dividends with the following independent recent press quotes from leading trade publications:

- o THE HERALD - Joe Fattorini "Every wine writer wants to find the next big thing, and this would be my bet for the next couple of years. The Mount Rozier craftsman-made wines especially are incredibly impressive"
- o DRINKS INTERNATIONAL - David Longfield "Mount Rozier makes rapid ascent"

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- o HARPERS - "Rozier has a golden glow."

RESULTS OF OPERATIONS

We are currently in the early stages of our first sales cycle and generated \$331,360 for the six months ended September 30, 2005 compared to \$134,973 for the six months ended September 30, 2004, respectively. Total costs and expenses for the six months ended September 30, 2005 were \$1,228,308 as compared to \$1,025,470 for the six months ended September 30, 2004. Our net loss for the six months ended September 30, 2005 as compared to the six months ended September 30, 2004, was \$896,948 and \$890,497, 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 and an increase in sales.

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 six months ended September 30, 2005, net cash used to fund operating activities totaled \$808,118 as compared to \$34,704 for the corresponding three months ended September 30, 2004. Net cash utilized by investing activities for the six month period ended September 30, 2005 totaled \$(104,161) compared to \$2,602,475 for the six months ended September 30, 2004.

The cash available at September 30, 2005 was \$110,534 as compared to \$156,109 for the corresponding six months ended September 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 financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

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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.

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(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

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b. Reports on Form 8-K

On August 9, 2005, the Company filed a current report on Form 8-K/A with the Securities and Exchange Commission which amended an 8-K originally filed on May 4, 2004.

On August 26, 2005, the Company filed a current report on Form 8-K with the Securities and Exchange Commission disclosing that the Company entered into a settlement agreement effectively unwinding 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

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Title: President, Chief Financial Officer and Chairman of the Board
Date: November 16, 2005