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ATLANTIC WINE AGENCIES INC
Form 8-K/A
January 21, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 20, 2005 (May 4, 2004)

ATLANTIC WINE AGENCIES, INC.
(Exact name of registrant as specified in its charter)

| | | |
|--|--|---|
| | Atlantic Wine Agencies Inc. 64 Knightsbridge London, UK SW1X | 65-1102237 |
| Florida | | |
| ----- | | |
| (State or other jurisdiction of incorporation or organization) | (Address of Principal Executive Offices) | (I.R.S. Employer Identification No.) |

Registrant's telephone number, including area code: 011-44-797-9057-242

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The Company is filing this Amendment No. 1 to its Form 8-K dated May 19, 2004, as previously filed with the SEC on that date, to include certain financial statements pursuant to Item 9.01 of the Form 8-K, commencing on Page F-1 immediately following the signatures.

Item 2.01. Change in Control

On May 4, 2004 the Company acquired all of the issued and outstanding shares of New Heights 560 Holdings LLC, a Cayman Islands limited liability corporation ("New Heights"), in exchange for One Hundred Million shares of its restricted common stock which is equal to 99.9% of the total outstanding shares of the Company's common stock (this transaction shall be referred to as the "Merger"). As a result of the Merger, the Company now has two wholly owned subsidiaries, Mount Rozier Estates (Pty) Limited and Mount Rozier Properties (Pty) Limited. Such companies own a world class vineyard in the Stellenbosch region of Western Cape, South Africa. The vineyard and surrounding properties consist of 105 hectares of arable land for viticultural as well as residential and commercial purposes. In the opinion of the management the site is a world class site in terms of location, soil composition and future development potential.

Mount Rozier Estates (Pty) Limited and Mount Rozier Properties (Pty) Limited produces top end quality wines on a boutique vineyard basis.

We intend to become a notable producer of quality wines from South

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Africa by further: (i) developing and expanding our wine cellars through better crop management; (ii) enhancing our strategic distribution channels with Atlantic Wine Agencies Limited; and (iii) brand development efforts.

The launch of the wines under new patent branded labeling and marketing are expected to be launched internationally in the second half of 2004.

Our wines will be initially issued in three tiers: Mount Rozier a top quality premium brand; Rozier Reef a mid price range wine; and Rozier Bay a mass market product.

Item 7.01 Regulation FD Disclosure

On February 22, 2004 the Company formed Atlantic Wine Agencies Limited, a wholly owned subsidiary in the United Kingdom for the purposes of exclusive distribution rights of wines and products in the United Kingdom, the European Community and the United States of America in perpetuity.

In addition to the Merger, Atlantic Wine Agencies Ltd. has also contracted the services of Mr. Christopher Burr a wine master internationally respected for his opinion and knowledge of wines and a former managing director of Christies Auction House in London, as well as hired a specialist wine maker, a professional viticulturalist and an experienced estate manager. Turner Townsend Plc has been retained as the construction supervision manager due to its international reputation for experience in project property development and agricultural management.

Although not yet formalized, the Company is studying the feasibility of leisure and residential development on our vineyard properties as an additional revenue stream and asset enhancement project.

Exhibit 99.01 Share Exchange Agreement between New Heights 560 Holdings LLC and Atlantic Wine Agencies Inc., dated May 4, 2004 - Filed as an exhibit to Form 8-K which was filed with the Securities and Exchange Commission on May 19, 2004

Item 9.01 Financial Statements

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 hereunto duly authorized.

Atlantic Wine Agencies Inc.

Date: January 20, 2005

/s/ Harry Chauhan

Mr. Harry Chauhan,
President

ATLANTIC WINE AGENCIES, INC.
(A DEVELOPMENT STAGE COMPANY)
AND SUBSIDIARIES

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2004

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MEYLER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
ONE ARIN PARK
1715 HIGHWAY 35
MIDDLETOWN, NJ 07748

Report of Independent Registered Public Accounting Firm

Board of Directors
Atlantic Wine Agencies, Inc. and Subsidiaries
London, United Kingdom

We have audited the accompanying consolidated balance sheet of Atlantic Wine Agencies, Inc. and Subsidiaries as of April 30, 2004 and the related consolidated statements of operations, stockholders' equity and cash flows for the two months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2004 and the results of its operations and its cash flows for the two months then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the consolidated financial statements, the Company has incurred cumulative losses of \$162,322 since inception, and there are existing uncertain conditions the Company faces relative to its ability to obtain capital and operate successfully. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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Meyler & Company, LLC

Middletown, NJ
October 8, 2004

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Consolidated Balance Sheet
April 30, 2004

Assets

| | |
|---|--------------|
| Current Assets | |
| Cash | \$ 113,086 |
| Accounts receivable | 15,851 |
| Inventory | 227,058 |
| | ----- |
| Total Current Assets | 355,995 |
| Property and equipment, net of accumulated depreciation of \$1,311 | 2,469,829 |
| Other Assets | |
| Trademarks, net of accumulated amortization of \$405 | 48,128 |
| | ----- |
| | \$ 2,873,952 |
| | ===== |
| Liabilities and Stockholders' Equity (Deficit) | |
| Current Liabilities | |
| Accounts payable and accrued expenses | \$ 16,445 |
| Loan from principal stockholder | 154,982 |
| | ----- |
| | 171,427 |
| Stockholders' Equity | |
| Common stock authorized 150,000,000 shares; \$0.00001 par value; issued and outstanding 104,063,027 shares at April 30, 2004 | 1,041 |
| Paid-in capital | 2,862,839 |
| Accumulated deficit | (162,322) |
| Accumulated other comprehensive income | 967 |
| | ----- |
| Total Stockholders' Equity | 2,702,525 |
| | ----- |
| | \$ 2,873,952 |
| | ===== |

See accompanying notes to financial statements.

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Atlantic Wine Agencies, Inc.

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(A Development Stage Company)
and Subsidiaries

Consolidated Statement of Operations

| | Two Months Ended April 30, 2004 | Inception December 15, 2003 to April 30, 2004 |
|---|---------------------------------------|---|
| | ----- | ----- |
| Net Sales | \$ 27,843 | \$ 27,843 |
| Costs and Expenses | | |
| Cost of sales | 7,314 | 7,314 |
| Selling, general and administrative | 41,127 | 41,127 |
| Stock based compensation | | 140,000 |
| Depreciation and amortization | 1,716 | 1,716 |
| | ----- | ----- |
| Total Costs and Expenses | 50,157 | 190,157 |
| | ----- | ----- |
| Loss from operations | (22,314) | (162,314) |
| | ----- | ----- |
| Other Expense | | |
| Interest expense | (8) | (8) |
| | ----- | ----- |
| Net Loss | \$ (22,322) | \$ (162,322) |
| | ===== | ===== |
| Net Loss Per Common Share (Basic and Diluted) | \$ (0.35) | \$ (0.09) |
| | ===== | ===== |
| Weighted Average Common Shares Outstanding | 1,718,763 | 1,718,763 |
| | ===== | ===== |

See accompanying notes to financial statements.

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Consolidated Statement of Stockholders' Equity April 30, 2004

| | Common Stock ----- Shares | Amount | Paid in Capital | Accumulated Deficit |
|---|---------------------------------|-----------|--------------------|------------------------|
| | ----- | ----- | ----- | ----- |
| New Heights 560 Holdings, LLC capital contribution December 15, 2003 - Note A | 50,000 | \$ 50,000 | | |

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| | | | | |
|--|-------------|----------|--------------|----------|
| Additional capital contribution March 2004 | | | \$ 2,673,880 | |
| Total New Heights 560 Holdings, LLC prior to reverse merger Merger with Atlantic Wine Agencies, Inc.: | 50,000 | 50,000 | 2,673,880 | |
| Cancellation of New Heights 560 Holdings, LLC outstanding shares | (50,000) | (50,000) | 50,000 | |
| Equity of Atlantic Wine Agencies, Inc. at March 31, 2004 | 63,027 | 1 | 69,355 | (69, |
| Capitalization of Atlantic Wine Agencies, Inc. accumulated deficit | | | (69,356) | 69,356 |
| Issuance of 100,000,000 shares to acquire New Heights 560 Holdings, LLC | 100,000,000 | 1,000 | (1,000) | |
| Issuance of common stock to consul- tants @ \$0.035 per share | 4,000,000 | 40 | 139,960 | (140, |
| Net loss for the two months ended April 30, 2004 | | | | (22,322) |
| | 100,063,027 | \$ 1,041 | \$ 2,862,839 | \$ (162, |
| | ===== | ===== | ===== | ===== |

See accompanying notes to financial statements.

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Consolidated Statement of Cash Flows

| | Two Months Ended April 30, 2004 | Inception December 15, 2003 to April 30, 2004 |
|--|---------------------------------------|---|
| | ----- | ----- |
| Cash Flows From Operating Activities | | |
| Net loss | \$ (22,322) | \$ (162,322) |
| Adjustments to reconcile net loss to cash flows used in operating activities: | | |
| Stock based compensation | 140,000 | |
| Depreciation and amortization | 1,716 | 1,716 |
| Increase in accounts receivable | (15,851) | (15,851) |
| Increase in inventory | (227,058) | (227,058) |
| Increase in accrued expenses | 16,445 | 16,445 |
| | ----- | ----- |
| Net Cash Flows Used in Operating Activities | (247,070) | (247,070) |
| | ----- | ----- |
| Cash Flows From Investing Activities | | |
| Cash paid for property and equipment | (2,471,140) | (2,471,140) |
| Cash paid for trademarks | 48,532 | 48,532 |
| | ----- | ----- |

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| | | |
|---|-------------|-------------|
| Net Cash Flows Used in Operating Activities | (2,519,672) | (2,519,672) |
| | ----- | ----- |
| Cash Flows From Financing Activities | | |
| Loan from principal stockholder | 154,982 | 154,982 |
| Capital contributions | 2,723,879 | 2,723,879 |
| | ----- | ----- |
| Cash Flows Provided by Financing Activities | 2,878,861 | 2,878,861 |
| | ----- | ----- |
| Effect of Exchange Rate Changes on Cash | 967 | 967 |
| | ----- | ----- |
| Increase in cash | 113,086 | 113,086 |
| Cash, Beginning of Period | | |
| | ----- | ----- |
| Cash, End of Period | \$ 113,086 | \$ 113,086 |
| | ===== | ===== |
| Supplemental Cash Flow Information: | | |
| Cash Paid for Interest | \$ 8 | \$ 8 |
| | ===== | ===== |

See accompanying notes to financial statements.

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements
April 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Atlantic Wine Agencies, Inc., formerly New England Acquisitions, Inc., (the Company), is a company in the development stage and was organized under the laws of the State of Florida. The Company acquired New Heights 560 Holdings, LLC, a Cayman Island Limited Liability Company, on May 4, 2004 which owns two subsidiaries in South Africa and has world class vineyard producing high quality wines to be marketed principally in Europe. New Heights had no operations prior to May 4, 2004.

Reverse Merger

On May 4, 2004, the stockholders of New Heights 560 Holdings, LLC a Cayman Island Limited Liability Company, acquired 100,000,000 shares of Atlantic Wine Agencies, Inc. common stock in an exchange of shares, thereby obtaining control of the company. Subsequent to the acquisition, New Heights 560 Holdings, LLC controlled 99% of the outstanding common stock of the company. In this connection, New Heights 560 Holdings, LLC became a wholly owned subsidiary of Atlantic Wine Agencies, Inc. and its officers and directors replaced New Heights 560 Holdings', LLC officers and directors. Prior to the

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acquisition, Atlantic Wine Agencies, Inc. was a non-operating public shell corporation. Pursuant to Securities and Exchange Commission rules, the merger or acquisition of a private operating company into a non-operating public shell corporation with nominal net assets is considered a capital transaction. Accordingly, for accounting purposes, the acquisition has been treated as an acquisition of New Heights 560 Holdings, LLC by the Company and a recapitalization of Atlantic Wine Agencies, Inc. Since the merger is a recapitalization of Atlantic Wine Agencies, Inc. and not a business combination, pro-forma information is not presented.

Going Concern

As indicated in the accompanying financial statements, the Company has incurred cumulative net operating losses of \$162,322 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.

Foreign Currency Translation

The Company considers the South African Rand to be its functional currency. Assets and liabilities were translated into US dollars at the period-end exchange rates. Statement of operations amounts were translated using the average rate during the period. Gains and losses resulting from translating foreign

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
April 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translation (Continued)

currency financial statements were accumulated in other comprehensive income, a separate component of stockholders' equity.

Cash Equivalents

For purposes of reporting cash flows, cash equivalents include

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investment instruments purchased with a maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Property and equipment is stated at cost and is depreciated using the straight line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. Costs incurred in developing vineyards, including related interest costs, are capitalized until the vineyards become commercially productive. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations. The Company computes depreciation using the straight line method. Leasehold improvements are analyzed over the estimated useful lives of the improvements.

Inventory

Inventory is valued at the lower of cost or market based on the average cost method.

Revenue Recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership are transferred to the buyer.

Consolidated Financial Statements

The consolidated financial statements include the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
April 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

SFAS No. 130 establishes standards for the reporting and disclosure of comprehensive income and its components which will be presented in association with a company's financial statements. Comprehensive

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income is defined as the change in a business enterprise's equity during a period arising from transactions, events or circumstances relating to non-owner sources, such as foreign currency translation adjustments and unrealized gains or losses on available-for-sale securities. It includes all changes in equity during a period except those resulting from investments by or distributions to owners. Comprehensive income is accumulated in accumulated other comprehensive income (loss), a separate component of stockholders' equity (deficit.)

Business Combinations and Goodwill

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations". SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interests method.

In July 2001, the FASB issued SFAS NO. 142, "Goodwill and Other Intangible Assets", which the Company adopted during 2003. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairment of goodwill.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 changes the accounting for long-lived assets to be held and used by eliminating the requirement to allocate goodwill to long-lived assets to be tested for impairment, by providing a probability weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of possible future cash flows and by establishing a primary-asset approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for long-lived assets to be held and used. SFAS No. 144 changes the accounting for long-lived assets to be disposed of other than by sale by requiring that the depreciable life of a long-lived asset to be abandoned be revised to reflect a shortened useful life and by requiring the impairment loss to be recognized at the date a long-lived asset is exchanged for a similar productive asset or distributed to owners in a spin-off if the carrying amount of the asset exceeds its fair value. SFAS No 144 changes the accounting for long-lived assets to be disposed of by sale by requiring that discontinued operations no longer be recognized at a net realizable value basis (but at the lower of carrying amount or fair value less costs to sell), by eliminating the recognition of future operating losses of discontinued components before they occur, and by broadening the presentation of discontinued operations in the income statement to include a component of an entity rather than a segment of a business. A component of an entity comprises operations and cash flows that can be clearly distinguished operationally, and for financial reporting purposes, from the rest of the entity.

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(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
April 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss Per Common Share

The Company computes per share amounts in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". SFAS No. 128 requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common Stock equivalents outstanding during the periods.

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation" prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. SFAS No. 123 requires employee compensation expense to be recorded (1) using the fair value method or (2) using the intrinsic value method as prescribed by accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB25") and related interpretations with pro forma disclosure of what net income and earnings per share would have been had the Company adopted the fair value method. The Company accounts for employee stock based compensation in accordance with the provisions of APB 25.

Income Taxes

The Company has adopted Financial Accounting Statement SFAS No. 109, Accounting for Income Taxes. Under this method, the Company recognizes a deferred tax liability or asset for temporary differences between the tax basis of an asset or liability and the related amount reported on the financial statements. The principal types of differences, which are measured at the current tax rates, are net operating loss carry forwards. At April 30, 2004, these differences resulted in a deferred tax asset of approximately \$3,500. SFAS No. 109 requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Since realization is not assured, the Company has recorded a valuation allowance for the entire deferred tax asset, and the accompanying financial statements do not reflect any net asset for deferred taxes at April 30, 2004.

The Company's net operating loss carry forwards amounted to \$162,322 which will expire through 2019.

NOTE B INVENTORY

Inventory at April 30, 2004 consists of:

| | |
|-----------------|-----------|
| Work in process | \$152,270 |
| Bottled wine | 74,788 |
| | ----- |

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\$227,058

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
April 30, 2004

NOTE C PROPERTY AND EQUIPMENT

Property and equipment at April 30, 2004 consists of:

| | | | |
|-----------------------------------|-------------|---------|-----|
| Land and buildings | \$2,129,392 | 45 | yea |
| Vineyards | 302,161 | 40 | yea |
| Furniture, fixtures and equipment | 39,587 | 3 to 10 | yea |
| | ----- | | |
| | 2,471,140 | | |
| Less: accumulated depreciation | 1,311 | | |
| | ----- | | |
| | \$2,469,829 | | |

Useful Li

45 yea
40 yea
3 to 10 yea

NOTE D LOAN FROM PRINCIPAL STOCKHOLDER

At April 30, 2004, the principal stockholder advanced the company, \$154,982 for working capital. The loan is non-interest bearing and has no stated maturity date.

NOTE E STOCKHOLDERS' EQUITY

On February 14, 2004, the Company entered into a consulting agreement with Benjamin Mauerberger, whose brother Adam Mauerberger is deemed to be a related party, to locate a merger partner and consult on all aspects of the merger, to advise the Company on hiring of senior management personnel and to develop growth initiatives for the Company. Compensation for this agreement was the issuance of 4,000,000 shares of the company's common stock valued at \$0.035 per share. On May 27, 2004, the Company filed a registration statement with the Securities and Exchange Commission to register these shares on Form S-8.

NOTE F EMPLOYMENT CONTRACTS

In March 2004, the Company entered into employment contracts with key employees for a one year term which can be automatically renewed on their anniversary dates. The total commitment to the Company under the agreements aggregates \$217,000 plus expenses which have a ceiling of approximately \$6,000 per month. In addition the controlling stockholders gave 24,960,000 shares (25% of the Company) from their holdings to one employee and 15,000,000 shares to

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another.

NOTE G ACQUISITION OF AUSTRALIAN WINERY AND VINEYARD

On September 13, 2004, Atlantic Wine Agencies, Inc. entered into an agreement to issue 20,000,000 shares of its common stock to the stockholders of Dominion Wines, Ltd. and Dominion estates Pty., Ltd. in exchange for all of the issued and outstanding shares of each of those entities. Additionally, the Company agreed to make payments of \$2,508,962 to National Australian Bank to settle a loan facility held by Dominion Wines, Ltd. to advance Dominion wines \$179,038 for working capital, and assume a \$3,265,110 loan held by the Commonwealth Bank of Australia. The Company also canceled 20,000,000 shares of its common stock which were held by certain stockholders.

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Atlantic Wine Agencies, Inc.
(A Development Stage Company)
and Subsidiaries

Notes to Consolidated Financial Statements (Continued)
April 30, 2004

NOTE G ACQUISITION OF AUSTRALIAN WINERY AND VINEYARD

Because the Company is currently in the process of completing its acquisition audit and obtaining asset valuations, the effect of this transaction has not been included in the Company's pro-forma financial statement as at April 30, 2004. Preliminary and unaudited financial data is presented below:

| | |
|---------------------------|--------------|
| Balance Sheet: | |
| Current assets | \$ 3,771,605 |
| Fixed assets, net | 11,623,064 |
| Trademarks | 37,566 |
| | ----- |
| Total Assets | 15,432,235 |
| Less: current liabilities | |
| Bank debt | 5,953,110 |
| Other liabilities | 1,904,246 |
| | ----- |
| Net Assets | \$ 7,574,879 |
| | ===== |

Preliminary and unaudited operating data for the year ended June 30, 2004 is as follows:

| | |
|------------------------------------|-------------|
| Total revenue | \$3,728,564 |
| Cash and expenses: | |
| Costs of goods sold | 2,419,478 |
| General and administrative expense | 1,280,479 |
| | ----- |
| Total Expense | 3,699,957 |
| Net Income | \$ 28,607 |
| | ===== |

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