

Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

ALTRIMEGA HEALTH CORP  
Form 10QSB  
August 23, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

COMMISSION FILE NUMBER 0-29057

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

For the transition period from \_\_\_\_\_ TO \_\_\_\_\_

ALTRIMEGA HEALTH CORPORATION

-----  
(Exact name of registrant as specified in charter)

NEVADA

87-0631750

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer I.D. No.)

4702 OLEANDER DRIVE, SUITE 200,  
MYRTLE BEACH, SC

29577

-----  
(Address of principal executive offices)

-----  
(Zip)

Issuer's telephone number, including area code

(843) 497-7028  
-----

Securities registered pursuant to section 12 (b) of the Act:

Title of each class

Name of each exchange on which registered

NONE

NONE

-----

-----

Securities registered pursuant to section 12 (g) of the Act:

COMMON STOCK, PAR VALUE \$0.001 PER SHARE

-----  
(Title of Class)

As of May 21, 2004, the Company had 49,139,950 shares of common stock  
issued and outstanding.

Transitional Small Business Disclosure Format (check one).

# Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Yes

No

## PART I: FINANCIAL INFORMATION

### INTRODUCTORY NOTE

### FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains "forward-looking statements" relating to Altrimega Health Corporation ("Altrimega") which represent Altrimega's current expectations or beliefs including, but not limited to, statements concerning Altrimega's operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipation", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as losses, dependence on management, variability of quarterly results, and the ability of Altrimega to continue its growth strategy and competition, certain of which are beyond Altrimega's control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

1

### ITEM 1. FINANCIAL STATEMENTS

#### ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

#### ASSETS

	June 30, 2004
	-----
Current assets	
Cash	\$           --
Properties held for development or sale	1,382,149
Prepaid expenses	5,600
	-----
Total current assets	1,387,749
Other assets	

Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Accounts receivable - related party	59,560
Deposits	35,000
	-----
Total other assets	94,560
	-----
Total assets	\$ 1,482,309
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities	
Bank overdraft	\$ 18,502
Notes payable	1,526,575
Accounts payable - related parties	262,823
Accounts payable	125,873
	-----
Total current liabilities	1,933,773
	-----
Total liabilities	1,933,773
Commitments and contingencies	--
Minority interest	(18,156)
Stockholders' deficit	
Preferred stock; \$0.001 par value; 10,000,000 shares authorized, 1,000,000 shares issued and outstanding	1,000
Common stock; \$0.001 par value; 50,000,000 shares authorized, 49,139,950 shares issued and outstanding	49,140
Additional paid-in capital	381,560
Accumulated deficit during the development stage	(865,008)
	-----
Total stockholders' deficit	(433,308)
	-----
Total liabilities and stockholders' deficit	\$ 1,482,309
	=====

See Accompanying Notes to Financial Statements

2

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

	For the three months ended June 30, 2004	For the three months ended June 30, 2003	For the six months ended June 30, 2004
	-----	-----	-----
Revenue	\$ --	\$ 181,210	\$ --
Cost of revenue	1,629	167,639	1,629
	-----	-----	-----

Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Gross profit	(1,629)	13,571	(1,629)
Operating expenses			
Consulting and professional fees	--	45,000	--
General and administrative	28,801	25,010	55,123
	-----	-----	-----
Total operating expenses	28,801	70,010	55,123
	-----	-----	-----
Loss from operations	(30,430)	(56,439)	(56,752)
Other income (expense)			
Interest expense	(8,252)	(16,868)	(19,907)
Other income	(372)	--	2,778
	-----	-----	-----
Total other income (expense)	(8,624)	(16,868)	(17,129)
Loss before minority interest	(39,054)	(73,307)	(73,881)
Minority interest	3,765	2,291	7,958
	-----	-----	-----
Loss before provision for income taxes	(35,289)	(71,016)	(65,923)
Provision for income taxes	--	--	--
	-----	-----	-----
Net loss	\$ (35,289)	\$ (71,016)	\$ (65,923)
	=====	=====	=====
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)
	=====	=====	=====
Basic and diluted weighted average common shares outstanding	49,139,950	49,139,950	49,139,950
	=====	=====	=====

See Accompanying Notes to Financial Statements

3

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the six months ended June 30, 2004	For the six months ended June 30, 2003
	-----	-----
Net loss	\$ (65,923)	\$ (78,205)
Adjustments to reconcile net loss to net cash used by operating activities:		
Minority interest	(7,958)	3,644
Changes in operating assets and liabilities		
Properties held for development or sale	(722,634)	221,695
Prepaid commissions	--	(4,441)
Accounts receivable - related party	3,000	(12,000)

Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Bank overdraft	18,502	--
Accounts payable- related parties	1,912	10,740
Accounts payable	89,787	71,945
	-----	-----
Net cash used by operating activities	(683,314)	213,378
Cash flows from financing activities		
Proceeds from notes payable, net of payments	681,575	(209,478)
	-----	-----
Net cash provided by financing activities	681,575	(209,478)
	-----	-----
Net change in cash	(1,739)	3,900
Beginning cash balance	1,739	47,053
	-----	-----
Ending cash balance	\$ --	\$ 50,953
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ --	\$ --
	=====	=====
Cash paid for interest	\$ 19,907	\$ --
	=====	=====

See Accompanying Notes to Financial Statements

4

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Form 10-KSB for the year ended December 31, 2003 of Altrimega Health Corporation and Subsidiary (the "Company").

The interim financial statements present the condensed balance sheet, statements of operations, and cash flows of Altrimega Health Corporation and Subsidiary. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly financial position of the company as of June 30, 2004 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounting for the AHC Transaction is identical to that resulting from a reverse acquisition, except goodwill or other intangible assets will not be recorded.

During November 2002, the Company acquired 80% of Sea Garden Funding, LLC by the assumption of certain liabilities. Sea Garden Funding, LLC was organized in the state of South Carolina on November 13, 2002 for the purpose of the development and sale of residential real estate. (See Note 2)

Going concern - The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of approximately \$133,000 for the year ended December 31, 2003, with an accumulated loss from inception of approximately \$799,000. The Company's current liabilities exceed its current assets by approximately \$475,000 as of December 31, 2003. The Company had a net loss of \$35,289 for the three months ended June 30, 2004 and an accumulated deficit of \$865,008 at June 30, 2004. The Company's current liabilities exceeded its current assets by \$546,024 at June 30, 2004.

5

### ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2004 (UNAUDITED)

#### 1. BASIS OF PRESENTATION (CONTINUED)

These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing or sale of its common stock as may be required and ultimately to attain profitability.

Management's plan, in this regard, is to develop and sale real estate in order to provide additional working capital for its future planned activity and to service its debt, which will enable the Company to operate for the coming year.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassification-Certain prior year balances have been reclassified to conform to the current year presentation, which have no effect on the loss.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Advertising and marketing costs - The Company recognizes advertising and marketing costs in accordance with Statement of Position 93-7 "Reporting on Advertising Costs." Accordingly, the Company expenses the costs of producing advertisements at the time production occurs, and expenses the costs of communication advertising in the period in which the advertising space or airtime is used. Advertising costs are charged to expense as incurred. Advertising expenses was \$6,790 and \$- for the year ended December 31, 2003. Advertising expenses for the three months ended June 30, 2004 was \$-0-.

Fair value of financial instruments - The carrying amounts and estimated fair values of the Company's financial instruments approximate their fair value due to the short-term nature.

Earnings (loss) per share - Basic earnings (loss) per share excludes any dilutive effects of options, warrants and convertible securities. Basic earnings (loss) per share is computed using the weighted-average number of outstanding common shares during the applicable period. Diluted earnings per share is computed using the weighted average number of common and common stock equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive.

Income taxes - The Company accounts for its income taxes in accordance with Statement of Financial Accounting Standards No. 109, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

6

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of December 31 2003, the Company has available net operating loss carryovers of approximately \$800,000 that will expire in various periods through 2023. Such losses may not be fully deductible due to the significant amounts of non-cash service costs. The Company has established a valuation allowance for the full tax benefit of the operating loss carryovers due to the uncertainty regarding realization.

Accounting methods - The Company recognizes income and expenses based on the accrual method of accounting.

Sales of property - Gains from sales of operating properties and revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and any subsequent involvement by the Company with the properties sold are met. Gains or revenues relating to transactions which do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. For land sale transactions under terms in which the Company is required to perform additional

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

services and incur significant costs after title has passed, revenues and costs of sales are recognized proportionately on a percentage of completion basis. Deposits received prior to closing are recorded as a liability until the consummation of the sale at which time such amounts are generally applied toward the purchase price.

Cost of land sales is generally determined as a specific percentage of land sales revenues recognized for each land development project. The cost percentages used are based on estimates of development costs and sales revenues to completion of each project and are revised periodically for changes in estimates or development plans. The specific identification method is used to determine cost of sales of certain parcels of land.

Properties - Properties under development are carried at cost reduced for impairment losses, where appropriate. Properties held for sale are carried at cost reduced for valuation allowances, where appropriate. Acquisition, development and construction costs of properties in development and land development projects are capitalized including, where applicable, salaries and related costs, real estate taxes, interest and preconstruction costs. The pre-construction development (or an expansion of an existing property) includes efforts and related costs to secure land control and zoning, evaluate feasibility, and complete other initial tasks, which are essential to development. Provisions are made for potentially unsuccessful preconstruction efforts by charges to operations.

7

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties held for sale are carried at the lower of their carrying values (i.e., cost less accumulated depreciation and any impairment loss recognized, where applicable) or estimated fair values less costs to sell. Generally, revenues and expenses related to property interests acquired with the intention to resell are not recognized.

Dividend policy - The Company has not adopted a policy regarding payment of dividends.

Comprehensive loss - The Company has no components of other comprehensive loss. Accordingly, net loss equals comprehensive loss for all periods.

Segment information - The Company discloses segment information in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which uses the Management approach to determine reportable segments. The Company operates under one segment.

Stock-based compensation - The Company applies Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations, in accounting for stock options issued to employees. Under APB No. 25, employee compensation cost is recognized when estimated fair value of the underlying stock on date of the grant exceeds exercise price of the stock option. For stock options and warrants issued to non-employees, the Company applies SFAS No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes option pricing model.



## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends the transition and disclosure provisions of SFAS No. 123. The Company is currently evaluating SFAS No. 148 to determine if it will adopt SFAS No. 123 to account for employee stock options using the fair value method and, if so, when to begin transition to that method.

Net loss per common share - The Company computes net loss per share in accordance with SFAS No. 128, Earnings per Share and SEC Staff Accounting Bulletin No. 98. Under the provisions of SFAS 128 and SAB 98, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share gives effect to common stock equivalents, however, potential common shares are excluded if their effect is antidilutive. For the three months ended March 31, 2004, for the year ended December 31, 2003 and the period from July 3, 2002 (Inception) through December 31, 2003, no shares were excluded from the computation of diluted earnings per share because their effect would be antidilutive.

New accounting pronouncements - In July 2001, the FASB issued SFAS No. 143, Accounting for Obligations Associated with the Retirement of Long-Lived Assets. SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset cost. Its retirement also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The adoption of SFAS No. 143 did not have a material impact on the Company's financial statements.

8

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS 144 superseded Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. The provisions of SFAS No. 144 are effective in fiscal years beginning after December 15, 2001, with early adoption permitted, and in general are to be applied prospectively. The adoption of SFAS No. 144 did not have a material impact on the Company's financial statements for the three months ended June 30, 2004 or the years ended December 31, 2003 and 2002.

In July 2002, the FASB issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, such as restructurings, involuntarily terminating employees, and consolidating facilities initiated after December 31, 2002. The implementation of SFAS No. 146 did not have a material effect on the Company's financial statements for the

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

three months ended June 30, 2004 or the years ended December 31, 2003 and 2002.

In April 2003, the FASB issued SFAS No. 149, Amendment of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 amends SFAS No. 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133, (2) in connection with other Board projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative. The Statement clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative discussed in paragraph 6(b) of SFAS No. 133, clarifies when a derivative contains a financing component, amends the definition of underlying to conform it to language used in FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and amends certain other existing pronouncements. Those changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The implementation of SFAS No. 149 did not have a material on the Company's financial statements.

9

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. In addition, the Statement requires an issuer to classify certain instruments with specific characteristics described in it as liabilities. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of SFAS No. 150 is not expected to have a material effect on the Company's financial statements.

### 3. BUSINESS COMBINATIONS AND ACQUISITIONS

Sea Garden Funding, LLC - In November 2001, the Company acquired 80% of Sea Garden Funding, LLC (a South Carolina Limited Liability Company) in exchange for the assumption of certain liabilities. The Company will account for its 80% ownership interest in Sea Garden Funding, LLC using the purchase method of accounting under APB No. 16. The results of operations for the acquired company have been included in the consolidated financial results of the Company from the date of such transaction forward. The Company acquired the project from Sea Garden, LLC on October 21, 2002 for the payment of \$210,000 and the assumption of \$1,071,344.66 in mortgages on the real property held by Horry County State Bank. The remaining 20% interest in Sea Garden Funding, LLC, is owned by an unaffiliated party, Tom Roe, an individual, of Myrtle Beach, South Carolina. The acquisition was made by exercising an option that Creative Holdings, Inc., held on the parcel. The option was not valued as no consideration was given by Creative Holdings to hold the option. The real property held by Sea Garden, LLC was acquired prior to Creative's acquisition of Sea Garden Funding, LLC.

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

In accordance with APB No. 16, all identifiable assets were assigned a portion of the cost of the acquired company (purchase price) on the basis of their respective fair values. Intangible assets were identified and valued by considering the Company's intended use of the acquired assets and analysis of data concerning products, technologies, markets, historical performance, and underlying assumptions of future performance. The economic environments in which the Company and the acquired company operate were also considered in the valuation analysis.

### 4. NOTES PAYABLE

As of June 30, 2004, the Company has two notes payable with outstanding balances of \$70,000 and \$400,000. The outstanding balances are secured by real estate, payable in quarterly installments of interest only at the prime lending rate plus 0.5% (5.0% as of June 30, 2004), which mature at March 2005 and December 2004.

During March, April and June 2004, the Company entered into various promissory notes with the ability to draw funds up to \$360,000, \$360,000, \$365,000 and \$760,000 respectively. The outstanding balances are secured by real estate, payable in monthly installments of interest only at 5%, and mature December 2004. As of June 30, 2004, the Company has drawn \$303,000, \$220,350, \$293,225 and \$240,000 on the notes respectively.

### 5. RELATED PARTY TRANSACTIONS

Accounts receivable - related party - The Company has made a non-interest bearing, due on demand loan to the minority interest holder of Sea Garden Funding LLC, which as of June 30, 2004 totaled \$59,560.

10

ALTRIMEGA HEALTH CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

### 5. RELATED PARTY TRANSACTIONS (CONTINUED)

Accounts payable-related parties - As of June 30, 2004, officers-directors, and their controlled entities, have acquired 36% of the outstanding stock of the Company, after the conversion of the preferred shares to common shares, and have made non-interest bearing, due on demand loans to the Company totaling \$262,823.

Executive employment agreement - During 2003 the Company entered into an employment agreement with the Company's president, which provides for an annual salary of \$100,000 with a 5% increase each year to a maximum of \$125,000, provided the Company has a profit in the previous year. As of July 1, 2003, the president has foregone all compensation and agreed to continued without compensation through at least June 30, 2004.

### 6. STOCKHOLDERS' DEFICIT

During 2002, the Company issued 10,500,000 shares of common stock at a weighted average fair value of approximately \$0.03 per share for services.

During 2002, the Company issued 18,499,700 shares of the Company's common stock in consideration of the AHC Transaction, as discussed in Note 1. A recipient of

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

approximately 5,000,000 shares of the common stock returned 4,879,750 shares to the Company which were cancelled accordingly.

During the first quarter of 2003, the Company issued 3,000,000 shares of common stock in satisfaction of accounts payable of \$79,500 (including interest of \$39,500).

### 7. COMMITMENTS AND CONTINGENCIES

Leased facility - The Company pays \$600 per month to lease a townhouse unit for its model on a non-cancelable lease which expired in April 2004. The owner of the unit agreed to a three-month extension of the lease for \$2,400. The lease agreement is with an unrelated couple from North Carolina, who intends to occupy the unit for vacation use when the lease expires. The Company will then have a unit in one of its other buildings currently under construction for use as a model.

The Company has a consulting agreement, with unrelated parties, which provides for a quarterly payment of \$45,000.

11

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### PLAN OF OPERATION

#### GENERAL

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements, and the Notes thereto included herein. The information contained below includes statements of Altrimega's or management's beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. For a discussion on forward-looking statements, see the information set forth in the Introductory Note to this Annual Report under the caption "Forward Looking Statements", which information is incorporated herein by reference.

#### GOING CONCERN

As reflected in Altrimega's financial statements for the three months ended June 30, 2004, Altrimega's accumulated deficit of \$865,008 and its working capital deficiency of \$546,024 raise substantial doubt about its ability to continue as a going concern. The ability of Altrimega to continue as a going concern is dependent on Altrimega's ability to raise additional debt or capital. The financial statements for June 30, 2004 do not include any adjustments that might be necessary if Altrimega is unable to continue as a going concern.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. At each balance sheet date, management evaluates its estimates. We base our estimates on historical experience and on various other assumptions that are believed to be

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates and critical accounting policies that are most important in fully understanding and evaluating our financial condition and results of operations include those listed below.

### REVENUE RECOGNITION

Gains from sales of operating properties and revenues from land sales are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and any subsequent involvement by the Company with the properties sold are met. Gains or revenues relating to transactions which do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods, as appropriate in the circumstances. For land sale transactions under terms in which the Company is required to perform additional services and incur significant costs after title has passed, revenues and costs of sales are recognized proportionately on a percentage of completion basis. Deposits received prior to closing are recorded as a liability until the consummation of the sale at which time such amounts are generally applied toward the purchase price.

Cost of land sales is generally determined as a specific percentage of land sales revenues recognized for each land development project. The cost percentages used are based on estimates of development costs and sales revenues to completion of each project and are revised periodically for changes in estimates or development plans. The specific identification method is used to determine cost of sales of certain parcels of land.

### PROPERTIES

Properties under development are carried at cost reduced for impairment losses, where appropriate. Properties held for sale are carried at cost reduced for valuation allowances, where appropriate. Acquisition, development and construction costs of properties in development and land development projects are capitalized including, where applicable, salaries and related costs, real estate taxes, interest and preconstruction costs. The pre-construction development (or an expansion of an existing property) includes efforts and related costs to secure land control and zoning, evaluate feasibility, and complete other initial tasks, which are essential to development. Provisions are made for potentially unsuccessful preconstruction efforts by charges to operations.

12

Properties held for sale are carried at the lower of their carrying values (i.e., cost less accumulated depreciation and any impairment loss recognized, where applicable) or estimated fair values less costs to sell. Generally, revenues and expenses related to property interests acquired with the intention to resell are not recognized.

Stock-based compensation - The Company applies Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations, in accounting for stock options issued to employees. Under APB No. 25, employee compensation cost is recognized when estimated fair value of the underlying stock on date of the grant exceeds exercise price of the stock option. For stock options and warrants issued to non-employees, the Company applies SFAS No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

at the grant date using the Black-Scholes option pricing model.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends the transition and disclosure provisions of SFAS No. 123. The Company is currently evaluating SFAS No. 148 to determine if it will adopt SFAS No. 123 to account for employee stock options using the fair value method and, if so, when to begin transition to that method.

### PRINCIPALS OF CONSOLIDATION

The consolidated financial statements shown in this report excludes the historical operating information of the parent before September 30, 2002, and includes the operating information of the subsidiary, Creative Holdings, Inc., from July 3, 2002 (date of inception of the subsidiary), and the operating information of Sea Garden Funding, LLC from November 2002 (the date of the purchase of 80% of the LLC) to December 31, 2002.

All intercompany transactions have been eliminated.

### RESTATEMENT OF FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

Subsequent to the issuance of the Company's financial statements, management became aware that those financial statements did not reflect account balances properly for the period from July 3, 2002 (date of inception) through December 31, 2002. Properly accounting of these items in the revised financial statements has the following effect:

For the period from July 3, 2002 (date of inception) through December 31, 2002, the change in the statement of operations primarily related to the accounting for the share exchange agreement between Altrimega and Creative Holdings, which was not properly reported as a transaction identical to that resulting from a reverse acquisition, except goodwill or other intangible assets are not recorded. The net change of \$171,756 increased the net loss from \$494,507 (\$0.01 per weighted average common share outstanding) to \$666,263 (\$0.06 per weighted average common share outstanding) for the period from July 3, 2002 (date of inception) through December 31, 2002. The Company has filed an amendment to its Form 10-KSB for fiscal year ended December 31, 2002, as well as amendments to its quarterly reports for fiscal year 2003.

### RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2004, COMPARED TO THE THREE MONTH PERIOD ENDED JUNE 30, 2003

#### REVENUES

Revenue for the three month period ended June 30, 2004, was \$0.00, a decrease of \$181,210, as compared to \$181,210 in revenues for the same period ended June 30, 2003. The decrease in revenues in 2004 was attributable to no sales of units at the Sea Garden project in the second quarter, where the Company sold 2 units in 2003. We anticipate revenues for the fiscal year ending 2004 to consist mainly or completely of the sale of units at the Sea Garden Project.

**COST OF REVENUE.** There was \$1,629 cost of revenue for the three month period ended June 30, 2004, compared to \$167,139 in the June 30, 2003 period. The difference is attributable to the 2 unit sales in 2003 compared to -0- unit sales in 2004.

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

**GROSS PROFIT.** Gross profit for the three month period ended June 30, 2004 was (\$1,629). The gross profit for the three months ended June 30, 2004 of \$13,571 related to the sale of units at the Sea Garden project.

**OPERATING EXPENSES.** Operating expenses for the three month period ended June 30, 2004, were \$28,801, as compared to \$70,010, for the three period ended June 30, 2003. Operating expenses in 2004 consisted of \$28,801 in general and administrative expenses. The decrease of \$41,209 from 2003 to 2004 was almost entirely attributable to a decrease in consulting and professional fees, which equaled \$45,000 in the three month period ended June 30, 2003.

**OTHER INCOME (EXPENSE).** Other income (expense) for the three month period ended June 30, 2004, was a net expense of \$8,624, a decrease of \$8,244, as compared to a net expense of \$16,868 for the three month period ended June 30, 2003. The decrease in other expense in 2004 was primarily attributable to less interest expense from loans used in the construction of buildings at Sea Gardens and the two mortgages on the remaining land at the Sea Garden project.

**NET LOSS.** Altrimega had a net loss of \$35,289 for the three month period ended June 30, 2004, as compared to a net loss of \$71,016 for the period ended June 30, 2003. The decrease of \$35,727 was mostly attributable to decreased consulting fees in the June 30, 2004 period.

**RESULTS OF OPERATIONS FOR THE PERIOD ENDED JUNE 30, 2004, COMPARED TO THE PERIOD ENDED JUNE 30, 2003**

### REVENUES

Revenue for the six month period ended June 30, 2004, was \$0.00, a decrease of \$363,189, as compared to \$363,189 in revenues for the six month period ended June 30, 2003. The decrease in revenues in 2004 was attributable to no sales of units at the Sea Garden project in the first half of 2004, where the Company sold four units in first half of 2003. We anticipate revenues for the fiscal year ending 2004 to consist mainly or completely of the sale of units at the Sea Garden Project.

### COST OF REVENUE

There was \$1,629 cost of revenue for the six month period ended June 30, 2004, compared to \$322,248 in the June 30, 2003 six month period. The difference is attributable to the four unit sales in 2003 compared to -0- unit sales in 2004.

### GROSS PROFIT

Gross profit for the six month period ended June 30, 2004 was (\$1,629). The gross profit relates to the sale of units at the Sea Garden project. The gross profit for the six month period ended June 30, 2003 was \$40,941.

### OPERATING EXPENSES

Operating expenses for the six month period ended June 30, 2004, were \$55,123, as compared to \$98,634, for the six month period ended June 30, 2003. Operating expenses in 2004 consisted of \$55,123 in general and administrative expenses. The decrease of \$43,511 from 2003 to 2004 was almost entirely attributable to a decrease in consulting and professional fees, which equaled \$69,500 in the six month period ended June 30, 2003.

### OTHER INCOME (EXPENSE)

Other income (expense) for the six month period ended June 30, 2004, was a

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

net expense of \$17,129, an increase of \$261, as compared to a net expense of \$16,868 for the six month period ended June 30, 2003. The increase in other expense in 2004 was primarily attributable to increased interest expense from loans used in the construction of buildings at Sea Gardens and the two mortgages on the remaining land at the Sea Garden project.

### NET LOSS

Altrimega had a net loss of \$65,923 for the six month period ended June 30, 2004, as compared to a net loss of \$78,205 for the six month period ended June 30, 2003. The decrease of \$12,282 was mostly attributable to decreased consulting fees in the June 30, 2004 six month period.

14

### LIQUIDITY AND CAPITAL RESOURCES

Altrimega's financial statements have been prepared on a going concern basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Altrimega incurred a net loss of \$35,289 and \$71,016 for the periods ended June 30, 2004 and June 30, 2003, respectively, and has an accumulated deficit of \$865,008 at June 30, 2004. As of June 30, 2004, we had total assets of \$1,482,309 and total liabilities of \$1,933,773, a difference of \$451,464. Additionally, our current assets were \$1,387,749 and our current liabilities were \$1,933,773, creating a working capital deficit of \$546,024. The majority of the assets, \$1,382,149 consist of building sites contained within the Sea Garden town home community.

Consequently, the majority of our liabilities, \$1,526,575 are mortgage loans on the Sea Garden assets. Accounts payable to related parties equal to \$262,823 are also included in our liabilities. Management recognizes that Altrimega must generate or obtain additional capital to enable it to continue operations. Management is planning to obtain additional capital principally through the sale of equity securities. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon Altrimega obtaining additional equity capital and ultimately obtaining profitable operations. However, no assurances can be given that Altrimega will be successful in these activities. Should any of these events not occur, the accompanying consolidated financial statements will be materially affected.

We had limited operations and revenues during the period ended June 30, 2004. Our shortfall in working capital has been met through advances from our president, John Gandy, and other shareholders who have advanced funds to pay expenses incurred by the Company from time to time. At no time during the period did these short term loans exceed \$50,000.

For the six months ended June 30, 2004, the Company used net cash in operations of \$683,314, no cash for investing activities and had \$681,575 in cash provided by financing activities.

We anticipate that we will require significant capital to maintain our corporate viability and execute our plan to develop real estate projects. We anticipate necessary funds will most likely be provided by our existing shareholders, our officers and directors, and outside investors. We will require significant loan guarantees to acquire properties for development and to complete construction on any additional construction projects. We may be required to pledge equity in the Company to induce individuals, officers or directors or other shareholders to guarantee our loans when necessary.



## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Altrimega is at present meeting its current obligations from its monthly cash flows, which during 2003, and to date in 2004 has included cash from operations, investor capital, and loans from related parties. However, due to insufficient cash generated from operations, Altrimega currently does not have internally generated cash sufficient to pay all of its incurred expenses and other liabilities. As a result, Altrimega is dependent on investor capital and loans to meet its expenses and obligations. Although related party loans have allowed Altrimega to meet its obligations in the recent past, there can be no assurances that Altrimega's present methods of generating cash flow will be sufficient to meet future obligations. There can be no assurances that Altrimega will be able to raise sufficient additional capital in the future.

We have incurred losses since inception. Management believes that it will require approximately \$150,000 in additional capital to fund overall Company operations for the next twelve months. This amount does not include monies necessary to construct new townhouse units at Sea Garden. Altrimega currently has approximately \$-0- in cash and cash equivalents as of June 30, 2004.

### PLAN OF OPERATION

The Company derives its revenue from the sale of developed or undeveloped real estate parcels. At present, the Company has one project generating revenues, Sea Garden Town Homes, located in North Myrtle Beach, South Carolina. These Town Homes sell in the \$95,000 to \$105,000 range per Town Home unit. The Company owns the building sites for an additional 49 units and is under construction on 15 units. These units have been pre-sold and construction is set to begin on another 10 units in June, 2004.

It is important for the Company to raise capital funds through the sell of its common stock in order to provide funding for additional projects. The projected revenues and subsequent net earnings from the Sea Garden project are not adequate to cover the Company's annual operating costs on an ongoing basis.

Altrimega intends to strive to locate, evaluate and proceed to finance and develop multiple projects located primarily in the Myrtle Beach, South Carolina area and the Carolinas area of the United States. Management believes that these areas provide the population growth necessary to achieve profits from new construction projects. For the last three years, Horry County, South Carolina has been one of the top three fastest growing counties in the United States. In 1997, Horry County showed a population of only 180,000. Based on current projections and the 2000 census data, the county will have a permanent population of 500,000. The principal industries of the area are tourism related. Myrtle Beach is considered a drive-in market, where tourists will drive their cars rather than fly to the destination. The tourism industry in Myrtle Beach has developed three seasons, spring golf, summer beach vacations and fall golf. The spring and fall golf seasons bring approximately 150,000 visitors per week to play on the areas over 100 golf courses. The summer vacation season brings in approximately 400,000 per week. The average tourist stay is one week.

Altrimega's business strategy includes a focus on interval ownership properties, also known as time-share properties, that cater to this major tourism industry. As well, we intend to develop projects in the medium price ranges for the areas permanent service industry population.

Management intends to attempt to seek out low-risk projects that do not require large financing commitments. In addition, we will continue to evaluate projects throughout the Carolinas in high growth areas.

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

Our continuation as a going concern is dependent on our ability to meet our obligations and obtain additional debt or equity financing required until our current and proposed real estate projects are under way and generating earnings. Until such time as these projects are generating earnings, we have taken the following steps to revise our operating and financial requirements in an effort to enable us to continue in existence:

- o We have reduced administrative expenses to a minimum by consolidating management responsibilities to our president and chief executive officer.
- o We intend to seek either equity or further debt funding.
- o We intend to attempt to obtain the professional services of third-parties through favorable financing arrangements or payment by the issuance of our common stock.

We believe that the foregoing plan should enable us to generate sufficient funds to continue its operations for the next twelve months.

Management has implemented this plan to attempt to overcome the Company's serious going concern conditions. The first step is to reduce operating costs. To this end the Company's President and Chief Executive Officer, John Gandy, has assumed almost all of the Company's functions from sales and marketing, locating and evaluating new real estate projects, most accounting functions, shareholder relations and general administrative functions. Mr. Gandy has foregone any compensation for the last half of 2003, and has committed to continue with no compensation through at least the first six months of 2004. The Company's Chief Financial Officer is receiving no compensation. The Company anticipates reduced consulting expense in the next fiscal year. Only one consultant is on hand for additional help in evaluating projects and working with the accounting and reporting functions of the Company. Administrative expenses, including mostly legal and accounting charges, will constitute the largest expense items for the year. The Company has made arrangements with these outside professionals to work more efficiently with them to help reduce the overall costs associated with these services.

In addition, the Company has located some potential sources of equity financing that could contribute to the Company's financial requirements in the upcoming fiscal year. This element is especially critical to the Company's going concern situation. Before these sources can be fully explored, the Company must correct its prior Schedule 14A Preliminary Information Statement filed with the Securities and Exchange Commission. Management is in the process of correcting this filing.

For the next 12 months we anticipate that we will need \$150,000 to continue to fund basic operations, in addition to funding necessary to acquire and develop real estate projects. The Company anticipates approximately \$50,000 in consulting fees in the next fiscal year and only minor operating expenses. Any new real estate projects will require debt financing. In summary, we expect expenses to decline in the coming fiscal year due to a decrease in consulting fees and no other increases in operating expenses.

The Company plans to continue operating with small administrative and consulting fees in the next fiscal year in order to continue operations. Continuing to work with its accounting and legal professionals more efficiently,

## Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

the Company plans to reduce its fees for such services. In addition, the Company plans to utilize only one consultant for accounting services.

From time to time, Altrimega may evaluate potential acquisitions involving complementary businesses, content, products or technologies. Altrimega has no present agreements or understanding with respect to any such acquisition. Altrimega's future capital requirements will depend on many factors, including an increase in Altrimega's real estate projects, and other factors including the results of future operations.

### ITEM 3. CONTROLS AND PROCEDURES

#### (A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered.

#### (B) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with the evaluation of the Company's internal controls during the Company's quarter ended March 31, 2004, the Company's Principal Executive Officer and Principal Financial Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

17

## PART II

### OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

None.

#### ITEM 2. CHANGES IN SECURITIES

None.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 4. SUBMISSION OF MATTERS TO BE A VOTE OF SECURITY HOLDERS

None

#### ITEM 5. OTHER INFORMATION

None.

Edgar Filing: ALTRIMEGA HEALTH CORP - Form 10QSB

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS:

EXHIBIT NUMBER -----	TITLE OF DOCUMENT -----	LOCATION -----
31.1	Certification by Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith
31.2	Certification by Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Provided herewith

(B) REPORTS ON FORM 8-K:

On April 14, 2004, the Company filed a Form 8-K reporting under Item 4 that the Company engaged L.L. Bradford & Company, LLC, as its independent auditors, replacing Seller & Andersen, L.L.C.

18

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUGUST 23, 2004

ALTRIMEGA HEALTH CORPORATION

By: /S/ JOHN GANDY

-----  
John Gandy,  
Chief Executive Officer and  
Director

By: /S/ RON HENDRIX

-----  
Ron Hendrix,  
Chief Financial Officer and  
Secretary

