Paw Spa, Inc.
Form 10-Q
April 20, 2009

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2009

OR

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

Commission file number 000-53162

PAW SPA INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

1921 Denver West Court
Suite 2022
Golden, Colorado 80401
(Address of principal executive offices, including zip code.)

(303) 278-0207
(Registrant’s telephone number, including area code)

Check whether the issuer (1) 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 last 90 days. YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer, “accelerated filer,” “non-accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	¨	Accelerated Filer	¨
Non-accelerated Filer	¨	Smaller Reporting Company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES x NO o

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 5,757,900 as of April 20, 2009.

PAW SPA INC.

FORM 10-Q

February 28, 2009

TABLE OF CONTENTS

Part I Financial Information

Item 1. Financial Statements

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)

CONTENTS

Paw Spa, Inc.
(A Development Stage Company)
Balance Sheets

ASSETS

	February 28, 2009 (Unaudited)	November 30, 2008
Current Assets		
Cash	$ 77	$ 77
Prepaid expenses	-	833
Total Assets	$ 77	$ 910
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable	$ 30,698	$ 22,365
Payroll taxes payable	2,049	0
Loan payable	4,035	6,905
Stockholder loans	-	12,634
Total Current Liabilities	36,782	41,904
Commitments and Contingencies	-	-
Stockholders' Deficiency		
Preferred stock, $0.00001 par value; 100,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.00001 par value; 100,000,000 shares authorized, 5,757,900 and 5,757,900 shares issued and outstanding, respectively	58	58
Additional paid-in capital	96,017	93,632
Deficit accumulated during the development stage	(132,780)	(134,684)
Total Stockholders' Deficiency	(36,705)	(40,994)
Total Liabilities and Stockholders' Deficiency	$ 77	$ 910

See accompanying notes to condensed unaudited financial statements

Paw Spa, Inc.
(A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the Three Months Ended, February 28, 2009	For the Three Months Ended, February 29, 2008	For the Period from October 21, 2005 (inception) February 28, 2009
Operating Expenses			
Professional fees	$ 23,739	$ 10,000	$ 96,112
General and administrative	18,581	18,687	72,554
Impairment Loss	-	-	3,000
Total Operating Expenses	42,320	28,687	171,666
Loss from Operations	(42,320)	(28,687)	(171,666)
Other Income/(Expense)			
Other Income	45,000	-	45,000
Interest Expense	(774)	(440)	(6,114)
Income (Loss) from Operation before Provision for Income Taxes	1,904	(29,127)	(132,780)
Provision for Income Taxes	-	-	-
Net Income (Loss)	$ 1,904	$ (29,127)	$ (132,780)
Net Income (Loss) Per Share - Basic and Diluted	$ 0.00	$ (0.01)	
Weighted average number of shares outstanding during the period - Basic and Diluted	5,757,900	5,757,900	

See accompanying notes to condensed unaudited financial statements

Paw Spa, Inc.
(A Development Stage Company)
Condensed Statement of Changes in Stockholders' Equity/(Deficiency)
For the period from October 21, 2005 (inception) to February 28, 2009
(Unaudited)

	Preferred stock $.00001 Par Value		Common stock $.00001 Par Value					
	Shares	Amount	Shares	Amount	Additional paid-in capital	Deficit accumulated during development stage	Subscription Receivable	Total Stockholder's Equity (Deficiency)
Balance October 21, 2005 (Inception)	-	$ -	-	$ -	$ -	$ -	$ -	$ -
Common stock issued to founders for cash ($0.00001 per share)	-	-	5,000,000	50	-	-	-	50
Net loss for the period October 21, 2005 (inception) to November 30, 2005	-	-	-	-	-	(15,434)	-	(15,434)
Balance November 30, 2005	-	-	5,000,000	50	-	(15,434)	-	(15,384)
Common stock issued for cash ($0.00001 per share)	-	-	394,900	4	39,486	-	(12,490)	27,000
Net loss	-	-	-	-	-	(4,811)	-	(4,811)
Balance November 30, 2006 (Restated)	-	-	5,394,900	54	39,486	(20,245)	(12,490)	6,805
In kind contribution of services	-	-	-	-	2,800	-	-	2,800
In kind contribution of interest	-	-	-	-	3,382	-	-	3,382
Common stock issued for cash ($0.00001 per	-	-	363,000	4	36,296	-	12,490	48,790

share)								
Net loss	-	-	-	-	-	(33,802)	-	(33,802)
Balance November 30, 2007	-	-	5,757,900	58	81,964	(54,047)	-	27,975
In kind contribution of services	-	-	-	-	7,800	-	-	7,800
In kind contribution of automobile lease	-	-	-	-	2,100	-		2,100
In kind contribution of interest	-	-	-	-	1,768	-	-	1,768
Net loss	-	-	-	-	-	(80,637)	-	(80,637)
Balance, November 30, 2008	-	-	5,757,900	58	93,632	(134,684)	-	(40,994)
In kind contribution of services	-	-	-	-	1,950	-	-	1,950
In kind contribution of interest	-	-	-	-	435	-	-	435
Net income for the three months ended February 28, 2009	-	-	-	-	-	1,904	-	1,904
Balance February 28, 2009 (Unaudited)	-	$ -	5,757,900	$ 58	$ 96,017	$ (132,780)	$ -	$ (36,705)

See accompanying notes to condensed unaudited financial statements

Paw Spa, Inc.
(A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the Three Months Ended		For the Period from October 21, 2005 (inception) to
	February 28, 2009	February 29, 2008	February 28, 2009
Cash Flows From Operating Activities:			
Net Income (Loss)	$ 1,904	$ (29,127)	$ (132,780)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations			
In-kind contribution of services	1,950	2,390	12,550
In-kind contibution of automobile lease	-	-	2,100
In-kind contribution of interest	435	-	5,585
Impairement Loss	-	-	3,000
Changes in operating assets and liabilities:			
Increase in prepaid expenses and deposits	833	(10,983)	-
Increase in payroll taxes payable	2,049		2,049
Increase in accounts payable	8,333	(6,919)	30,698
Net Cash Provided by (Used In) Operating Activities	15,504	(44,639)	(76,798)
Cash Flows From Investing Activities:			
Purchase of Fixed Assets	-	-	(3,000)
Net Cash Used In Investing Activities	-	-	(3,000)
Cash Flows From Financing Activities:			
Proceeds from stockholder loans	-	-	17,634
Repayment of stockholder loans	(12,634)	(5,000)	(17,634)
Proceeds from Loans payable	6,525	-	13,430
Repayment of loans payable	(9,395)		(9,395)
Proceeds from issuance of common stock	-	-	75,840
Net Cash Provided by (Used in) Financing Activities	(15,504)	(5,000)	79,875
Net Increase (Decrease) in Cash	-	(49,639)	77
Cash at Beginning of Period/Year	77	52,186	-
Cash at End of Period/Year	$ 77	$ 2,547	$ 77
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ -	$ -	$ -
Cash paid for taxes	$ -	$ -	$ -

See accompanying notes to condensed unaudited financial statements

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

Activities during the development stage include developing the business plan and raising capital.

(B) Use of Estimates

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

(C) Cash and Cash Equivalents

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

(D) Equipment

Machinery and equipment was stated at cost, less accumulated depreciation. Costs greater than $500 are capitalized and depreciated on a straight-line basis over the estimated useful lives. The cost of maintenance and repairs is expensed as incurred. For the year ended November 30, 2008, the Company recognized an impairment loss of $3,000.

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

(E) Income (Loss) Per Share

Basic and diluted net Income (loss) per common share is computed based upon the weighted average common shares outstanding as defined by Financial Accounting Standards No. 128, “Earnings per Share.” As of February 28, 2009 and November 30, 2008, respectively, there were no common share equivalents outstanding.

(F) Income Taxes

The Company accounts for income taxes under the Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes” (“Statement 109”). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Under Statement 109, 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.

(G) Business Segments

The Company operates in one segment and therefore segment information is not presented.

(H) Advertising and Promotional Expense

Advertising and other product-related costs are charged to expense as incurred. Advertising expense for the period ended February 28, 2009 and February 29, 2008 was $0 and $0, respectively.

(I) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51”. This statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

-6-

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently evaluating the disclosure implications of this statement.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendments to AU section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact of SFAS 162, but does not expect the adoption of this pronouncement will have a material impact on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60." Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. The adoption of FASB 163 is not expected to have a material impact on the Company's financial position.

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

NOTE 2 LETTER OF INTENT

On February 16, 2008 the Company entered into a non-binding letter of intent with Harbrew, Inc. Pursuant to the letter of intent, the Company received a $45,000 deposit in consideration for exclusivity on this transaction. Such deposit became non-refundable after the due diligence period ended on February 18, 2009. The parties were required to enter into a definitive agreement no later than April 17, 2009 If the parties do not enter into a definitive agreement by such date the Company retains the non-refundable deposit in accordance with the letter of intent.

NOTE 3 GOING CONCERN

As reflected in the accompanying financial statements, the Company is in the development stage with no operations, has a net loss of $132,780 for the period from October 21, 2005 (inception) to February 28, 2009, and has negative cash flow from operations of $79,798 from inception. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to find a suitable merger candidate so that it can continue to operate as a going concern.

NOTE 4 NOTE PAYABLE

On May 13, 2008, the Company received $1,000 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

During July of 2008, the Company received $3,200 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

On October 3, 2008, the Company received $700 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

On November 13, 2008, the Company received $2,005 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment

On December 8, 2008, the Company received $404 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

On January 16, 2009, the Company received $6,121 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

During February 2009 the $9,395 of loan balance was repaid, the outstanding loan balance as of February 28, 2009 is $4,036.

NOTE 5 STOCKHOLDERS' DEFICIENCY

(A) In-Kind Contribution

For the three months ended February 28, 2009 the president of the Company contributed services having a fair value of $1,950. (See Note 6)

For the year ended November 30, 2008 the president of the Company contributed services having a fair value of $7,800. (See Note 6)

For the year ended November 30, 2008, an automobile lease from a related party was terminated. $2,100 owed at November 30, 2008 was forgiven and reclassified as an in-kind contribution. (See Note 6).

For the year ended November 30, 2008, the Company recorded $1,768 of imputed interest related to shareholder loans payable (See Note 6).

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

For the three months ended February28, 2009, the Company recorded $435 of imputed interest related to shareholder loans payable (See Note 6).

For the year ended November 30, 2007 the president of the Company contributed services having a fair value of $2,800. (See Note 6)

During the year ended November 30, 2007, the Company recorded $3,382 of imputed interest related to shareholder loans payable (See Note 6).

(B) Common Stock Issued for Cash

For the year ended November 30, 2007 the Company issued 363,000 shares of common stock for cash of $36,300 ($0.10 per share).

During 2006, the Company issued 394,900 shares of common stock for cash of $39,490 ($0.10 per share).

On October 21, 2005, the Company issued 5,000,000 shares of common stock to its founders for cash of $50 ($0.00001 per share).

NOTE 6 RELATED PARTY TRANSACTIONS

During 2005, a shareholder loaned $17,634 to the Company. As of November 30, 2008, a $5,000 payment has been made towards the loan, of which $12,634 remains outstanding. This loan is bearing a 10% interest, not collateralized, and due on demand. For the three months ended February 28, 2009 the Company recorded $5,585 of imputed interest related to the shareholder loan payable. As of February 28, 2009 the loan balance of $12,634 has been repaid.

The president of the Company contributed $12,550 of services to the Company from inception (See Note 5).

On December 1, 2007, the Company executed a two-year non-cancelable operating lease for a vehicle for use in its pet care services. The lease expires on December 1, 2009 and requires the Company to make monthly payments of $350. On October 31, 2008, due to nonpayment, the Company returned the vehicle. No additional payments are due. The amount payable as of October 31, 2008 was forgiven and re-classed as an in kind contribution of services provided in the amount of $2,100.

During 2007, the Company paid $5,000 to its president for services under his employment agreement.

PAW SPA, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2009
(UNAUDITED)

NOTE 7 COMMITMENTS AND CONTINGENCIES

(A) Employment Agreement

The Company entered into an employment agreement with its President on March 14, 2006. The agreement calls for compensation at an hourly rate of $30 per hour and is valid until written notice of termination.

(B) Operating Lease

On December 1, 2007, the Company executed a two-year non-cancelable operating lease for a vehicle for use in its pet care services. The lease expires on December 1, 2009 and requires the Company to make monthly payments of $350. On October 31, 2008, due to nonpayment, the Company returned the vehicle. No additional payments are due. The amount payable as of October 31, 2008 was forgiven and re-classed as an in kind contribution of services provided in the amount of $2,100.

NOTE 8 SUBSEQUENT EVENTS

On April 14, 2009, the Company received $735 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

On April 14, 2009, the Company received $1,204 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

On April 14, 2009, the Company received $800 from a third party. The loan is non-interest bearing, unsecured and due within ten days after written demand for repayment. The note includes a 10 % penalty, if the note is not repaid within ten days of written demand for repayment.

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

This section of the report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words such as believe, expect, estimate, anticipate, intend, project, and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

Plan of Operation

We are a start-up corporation and have not yet initiated our business operations nor generated or realized any revenues. We raised $75,790 gross proceeds through a private placement. We will need additional funding to begin our operations. Our auditors have issued a going concern opinion. This means that there is substantial doubt that we can continue as an on-going business for the next twelve months.

We will not be conducting any product research or development. Furthermore, we do not expect significant changes in the number of employees. Our specific goal was to raise additional funds to implement our business plan,, however, we have failed to do so. Accordingly we have entered into an LOI with Harbrew to merge its business into our company. Therefore, it is our plan of operations to continue working with Harbrew to finalize the terms of the merger and close the merger as quickly as possible. At this point, we have only entered into the binding LOI and have not executed any other definitive merger documents.

Limited Operating History; Need for Additional Capital

There is no historical financial information about us upon which to base an evaluation of our performance. We have not begun our operations and generated revenues since our inception on October 21, 2005. We cannot guarantee we will be successful in our business plans. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price increases in services.

To become profitable and competitive, we would have first had to attract customers and generate revenues. We have failed to do so and have failed to raise additional capital. Therefore, we have been forced to cease operations and enter into the binding LOI with Harbrew.

Liquidity and Capital Resources

As of February 28, 2009, we have yet to generate any revenues from business operations. Edd Cockerill, our president, has provided services to us. He is not expected to loan funds to us to finance operations.

As of February 28, 2009, our total assets were $77, and our total liabilities were $36,782. We had cash of $77. We believe we can not satisfy our cash requirements for the next twelve months with our current cash. If we are unable to satisfy our cash requirements we may be unable to proceed with our plan of operations. As a result, we may not generate revenues in the future.

Results of Operations

From our date of inception, October 21, 2005, we have sold 757,900 shares of our common stock and raised $75,790 in gross proceeds for our planned operations. We have not generated any revenue. Our operating expenses from inception were $171,666. We have not initiated operations but have entered into a binding letter of intent (“LOI”) with Harbrew to merge its business into our company.

Going Concern

As reflected in the accompanying financial statements, the Company is in the development stage with no operations, has a net loss of $132,780 for the period from October 21, 2005 (inception) to February 28, 2009, and has negative cash flow from operations of $76,798 from inception. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company’s ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that it can continue to operate based on actions being taken to find a suitable merger candidate.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51”. This statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

-13-

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently evaluating the disclosure implications of this statement.

In April 2008, the FASB issued FASB Staff Position ("FSP") SFAS No. 142-3, "Determination of the Useful Life of Intangible Assets". This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other GAAP. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently evaluating the impact of SFAS FSP 142-3, but does not expect the adoption of this pronouncement will have a material impact on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board's amendments to AU section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact of SFAS 162, but does not expect the adoption of this pronouncement will have a material impact on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60." Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. The adoption of FASB 163 is not expected to have a material impact on the Company's financial position.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4(T). CONTROLS AND PROCEDURES.

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Accounting Officer (“CAO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CAO concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Controls over Financial Reporting

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of consolidated financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There has been no change in the Company’s internal control over financial reporting during the quarter ended February 28, 2009 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

The Company’s management, including the Company’s CEO and CAO, does not expect that the Company’s disclosure controls and procedures or the Company’s internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company’s internal control over financial reporting was effective as of February 28, 2009.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Currently we are not aware of any litigation pending or threatened by or against the Company.

Item 1A. Risk Factors

Not applicable because we are a smaller reporting company.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

On February 16, 2008, we entered into a binding letter of intent ("LOI") with Harbrew Imports Ltd. ("Harbrew"). Pursuant to the LOI, we will merge with Harbrew and Harbrew's business will become our main operations.

Item 6. Exhibits and Reports of Form 8-K.

The following documents are included herein:

Exhibit No.	Document Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities on this 20th day of April, 2009.

PAW SPA, INC.

By:/s/EDD COCKERILL
Edd Cockerill
President, Principal Executive Officer,
Treasurer, Principal Financial Officer,
Principal Accounting Officer
and sole member of the Board of Directors

EXHIBIT INDEX

Exhibit No.	Document Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer).