MAGIC COMMUNICATIONS INC
Form 10QSB
June 23, 2005

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

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2005

[ ]TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT For the transition period from _______ to ____________

Commission file number: 0-50090

MAGIC COMMUNICATIONS, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	13-3926203
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5 West Main Street, Elmsford, New York 10523
(Address of principal executive offices)

(914) 345-0800
(Issuer's telephone number)

Check whether the registrant (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 past 90 days.
Yes[ ](1)No[X]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 3,080,000 shares of Common Stock as of June 22, 2005.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

----
(1) The late filing of this Form 10-QSB makes the Registrant current with respect to its '34 Act reporting requirements.

MAGIC COMMUNICATIONS GROUP, INC.

BALANCE SHEET

March 31, 2005
(Unaudited)
ASSETS

CURRENT ASSETS:		
Cash	$	1,904

TOTAL CURRENT ASSETS		1,904
EQUIPMENT, net		17,547
DUE FROM RELATED PARTY		1,500
	$	20,951

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$	34,052
Loan payable		50,000
Due to related parties		98,391
TOTAL CURRENT LIABILITIES		182,443
STOCKHOLDERS' DEFICIT:		
Preferred stock, $.0001 par value; authorized 1,000,000 shares; issued and outstanding -0- shares		-
Common stock, $.0001 par value; authorized 50,000,000 shares; issued and outstanding 2,880,000 shares		288
Additional paid-in capital		83,865
Accumulated deficit		(245,645)
TOTAL STOCKHOLDERS' DEFICIT		(161,492)
	$	20,951

The accompanying notes are an integral part of the financial statements.

MAGIC COMMUNICATIONS GROUP, INC.

STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,	
	2005	2004
	(Unaudited)	(Unaudited)
REVENUES	$ 19,819	$ 363

OPERATING EXPENSES:		
Depreciation	4,320	4,320
Salaries	7,910	6,200
Equipment lease	-	405
Professional fees	8,300	5,750
General and administrative	22,856	26,644
TOTAL OPERATING EXPENSES	43,386	43,319
NET LOSS	$ (23,567)	$ (42,956)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING Basic and Diluted	2,813,333	2,530,000

The accompanying notes are an integral part of the financial statements.

MAGIC COMMUNICATIONS GROUP, INC.

STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2005	2004
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (23,567)	$ (42,956)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4,320	4,320
Changes in assets and liabilities:		
Accounts payable	300	21,343

TOTAL ADJUSTMENTS	4,620	25,663
NET CASH USED IN OPERATING ACTIVITIES	(18,947)	(17,293)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Return of security deposits	-	3,850
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	3,850
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock issued for cash	20,000	-
Cash overdraft	-	8,642
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,000	8,642
NET (DECREASE) INCREASE IN CASH	1,053	(4,801)
CASH, BEGINNING OF PERIOD	851	4,801
CASH, END OF PERIOD	$ 1,904	$ -
Cash paid for:		
Interest	$ -	$ -
Taxes	$ 309	$ 100

The accompanying notes are an integral part of the financial statements.

MAGIC COMMUNICATIONS GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2005 are not necessarily indicative of results that may be expected for the year ending December 31, 2005. For further information, refer to the audited financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended December 31, 2004.

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which contemplates continuation of the Company as a going concern. However, the Company has incurred recurring losses resulting in a stockholders' deficit of ($161,492) and working capital deficit of ($180,539) at March 31, 2005. In addition, the Company's cash account is $1,904. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

In view of these matters, the continued existence of the Company is dependent upon its ability to meet its financing requirements and, ultimately, the success of its planned future operations. There can be no assurance that the Company will obtain the necessary financing nor that the planned future operations will be successful.

NOTE 3. COMMON STOCK

From March 24, 2005 through June 3, 2005, the Company sold 300,000 shares of its common stock (100,000 shares on March 24, 2005 for $20,000 and 200,000 shares on June 3, 2005 for $40,000). There were no underwriters. All securities were sold for cash for aggregate gross proceeds of $60,000.

ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Three Months Ended March 31, 2005 vs. Three Months Ended March 31, 2004

Net sales increased from $363 in the three months ended March 31, 2004 to $19,819 in the three months ended March 31, 2005. This increase is attributable to a switch in telephone carriers in which a favorable flat rate pricing structure was obtained. Operating expenses increased from $43,319 to $43,386. The change in operating expenses was due to the following items: (i) an increase in salaries from $6,200 in 2004 to $7,910 in 2005; (ii) a decrease in lease payments for phone equipment (leases expired in March 2002) of $405 from $405 for the three months ended March 31, 2004 to $0 for the three months ended March 31, 2005; (iii) a decrease in general and administrative expenses of $3,788 from $26,644 for the three months ended March 31, 2004 to $22,856 for the three months ended March 31, 2005; and (v) an increase in professional fees of $2,550 from $5,750 in the three months ended March 31, 2004 to $8,300 in the three months ended March 31, 2005. Since sales increased and operating expenses increased, the Company's net loss decreased from ($42,956) in the three months ended March 31, 2004 to ($23,567) in the three months ended March 31, 2005. The number of pay telephones in service was approximately 150 telephones during the three months ended March 31, 2004 and 80 telephones during the three months ended March 31, 2005.

Liquidity and Capital Resources

On March 31, 2005 the Company had only $1,904 cash on hand. It was the opinion of Management that the lack of funds would not enable the Company to affect its registration under the Exchange Act and file periodic reports until such time as it is able to generate revenues/cash flow from its operations. Current funds having been expended and with managements' assumption that the Company may not generate sufficient revenues from operations, the Company will (a) be dependent upon management to fund operations and/or (b) be dependent upon some form of debt or equity financing, if available, and if available, under terms deemed reasonable to management. The management of the Company has orally committed to fund the Company on an "as needed" basis. The Company's auditors have included a "going concern" opinion in their report on the Company's financial statements contained in the Company's 10-KSB for the year ended December 31, 2004.

Need for Additional Financing

The Company believes that its existing capital will be insufficient to meet the Company's cash needs, including costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. The Company may rely upon issuance of its securities to pay for services necessary to meet reporting requirements.

Forward-Looking Statements

When used in this form 10-QSB, or in any document incorporated by reference herein, the words or phrases "will likely result", "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market area and competition, that could cause actual results to differ materially from historical earnings, if any, and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such Forward- looking statements, which speak only as to the date made. The Company wishes to advise readers that the factors listed above, or in its 10-SB Registration Statement Risk Factor Section, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds:

a. From March 24, 2005 through June 3, 2005, the company sold 300,000 shares of its common stock (100,000 shares on March 24, 2005 for $20,000 and 200,000 shares on June 3, 2005 for $40,000). There were no underwriters. All securities were sold for cash for aggregate gross proceeds of $60,000. The transaction referred to herein is claimed to be exempt from registration in accordance rule 506D and section 4(2) of the 33 act as transactions by an issuer not involving any public offering

b. All proceeds received were utilized for working capital and related corp. expenses.

c. There were no Company repurchases of equity securities during the period covered by this Form 10-QSB.

Item 3. Defaults Upon Senior Securities: None

Item 4. Submission of Matters to a Vote of Securityholders: None

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K: None

Exhibit Number	Description
31.1	Section 302 Certification of Chief Executive Officer and Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

June 22, 2005

Magic Communications, Inc.

(Registrant)

By: /s/ Stephen D. Rogers

Stephen D. Rogers,
Chief Executive Officer and Chief
Accounting Officer