MAGIC COMMUNICATIONS INC
Form 10QSB
December 18, 2003

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 September 30, 2003

[ ] 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[X]No[ ]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,500,000 shares of Common Stock as of December 18, 2003.

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

MAGIC COMMUNICATIONS, INC.

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MAGIC COMMUNICATIONS GROUP, INC.

BALANCE SHEET

SEPTEMBER 30, 2003
(Unaudited)

ASSETS

CURRENT ASSETS:	
Cash	$ 4,698
TOTAL CURRENT ASSETS	4,698
EQUIPMENT, net	39,148
SECURITY DEPOSITS	15,400
DUE FROM RELATED PARTY	3,800
	$ 63,046

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 48,868
Due to related parties	67,306
TOTAL CURRENT LIABILITIES	116,174
STOCKHOLDERS' DEFICIT:	
Common stock, $.0001 par value; authorized 50,000,000 shares; issued and outstanding 2,500,000 shares	250

Preferred stock, $.0001 par value; authorized 1,000,000 shares; issued and outstanding -0- shares	-
Additional paid-in capital	5,903
Accumulated deficit	(59,281)
TOTAL STOCKHOLDERS' DEFICIT	(53,128)
	$ 63,046

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

MAGIC COMMUNICATIONS GROUP, INC.

STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET SALES	$ 63,734	$ 35,304	$ 109,955	$ 69,021
OPERATING EXPENSES:				
Depreciation	8,639	4,320	17,278	12,639
Salaries	7,000	3,000	20,000	13,800
Equipment lease	523	713	3,435	11,697
Professional fees	25,425	-	36,425	3,775
General and administrative	31,191	7,159	53,938	22,575
TOTAL OPERATING EXPENSES	72,778	15,192	131,076	64,486
NET INCOME (LOSS)	$ (9,044)	$ 20,112	$ (21,121)	$ 4,535
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.00)	$ 0.01	$ (0.01)	$ 0.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING Basic and Diluted	2,500,000	2,500,000	2,500,000	2,500,000

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

MAGIC COMMUNICATIONS GROUP, INC.

STATEMENTS OF CASH FLOWS

		For the Nine Mont
		2003
		(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$	(21,12
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation		17,27
Changes in assets and liabilities:		
Accounts payable and accrued expenses		9,34
TOTAL ADJUSTMENTS		26,61
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		5,49
CASH FLOWS FROM INVESTING ACTIVITIES:		
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to related parties		(80
NET CASH USED IN FINANCING ACTIVITIES		(80
NET INCREASE IN CASH		4,69
CASH, BEGINNING OF PERIOD		
CASH, END OF PERIOD	$	4,69

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

MAGIC COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
(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 six months ended September 30, 2003 are not necessarily indicative of results that may be expected for the year ending December 31, 2003. 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, 2002.

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with 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 ($53,128) and working capital deficit of ($111,476) at September 30, 2003. In addition, the Company's only current asset is cash of $4,698. 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. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies under what circumstances a contract with initial investments meets the characteristics of a derivative and when a derivative contains a financing component. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The Company does not expect that the adoption of SFAS No. 149 will have a significant effect on the Company's financial statement presentation or disclosures.

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 in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 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. SFAS No. 150 is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The Company does not expect that the adoption of SFAS No. 150 will have a significant effect on the Company's financial statement presentation or disclosures.

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

Nine Months Ended September 30, 2003 vs. Nine Months Ended September 30, 2002

Net sales increased from $69,021 in the nine months ended September 30, 2002 to $109,955 in the nine months ended September 30, 2003. This increase is directly attributable to a reduction in telephone expenses when the Company changed its local service provider. Operating expenses increased from $64,486 or 93% of net sales to $131,076 or 119% of net sales. The change in operating expenses was due to the following items: (i) an increase in salaries of $6,200 from $13,800 in 2002 to $20,000 in 2003; (ii) a decrease in lease payments for phone equipment (leases expired in March 2002) of $8,262 from $11,697 for the nine months ended September 30, 2002 to $3,435 for the nine months ended September 30, 2003; (iii) a increase in general and administrative expenses of $31,363 from $22,575 for the nine months ended September 30, 2002 to $53,938 for the nine months ended September 30, 2003; and (iv) an increase in professional fees of $32,650 from $3,775 in the nine months ended September 30, 2002 to $36,425 in the nine months ended September 30, 2003 associated with additional registration costs. The number of pay telephones in service during the nine months ended September 30, 2002 and September 30, 2003 were approximately 150 telephones throughout these periods.

Liquidity and Capital Resources

On September 30, 2003 the Company had only $4,698 cash on hand. It was the opinion of Management that this lack of significant 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 for a period of one (1) year, with up to $50,000 in order to fund operations for such 12 month period. Management has also verbally committed to further fund up to an additional $50,000 if its' original estimate for funds needed during such 12 month period proves to be understated. The funding referred to is not subject to any limitations other than the dollar amounts indicated. 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, 2002.

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.

Item III. Controls and Procedures.

Our management, under the supervision and with the participation of our chief executive officer and chief accounting officer, conducted an evaluation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-14(c)). Based on their evaluation, our chief executive officer and chief accounting officer have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that all material information required to be filed in this Quarterly Report on Form 10-QSB has been made known to them in a timely fashion.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date set forth above.

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 a Vote of Security Holders. None

Item 5. Other Information. None

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

Exhibits

(a)	31	302 Certification by President and Chief Accounting Officer
	32	906 Certification by President and Chief Accounting Officer

(b) Reports on Form 8-K

None

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGIC COMMUNICATIONS, INC.
(Registrant)

/s/ Stephen D. Rogers
By:________________________________

Date: December 19, 2003

Stephen D. Rogers, President
and Chief Accounting Officer