

Edgar Filing: Utalk Communications Inc. - Form 10-Q

Utalk Communications Inc.
Form 10-Q
August 07, 2009

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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 333-148266

Utalk Communications, Inc.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

98-0530295
(I.R.S. Employer Identification No.)

9121 Atlanta Ave #314
Huntington Beach, CA, 92646
(Address of principal executive offices)

(714) 475-3512
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Small reporting company
(Do not check if smaller reporting company)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,470,000 common shares issued and outstanding as at August 7, 2009.

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PART I

ITEM 1. FINANCIAL STATEMENTS - UNAUDITED.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

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UTALK COMMUNICATIONS, INC.
(A Development Stage Company)

BALANCE SHEETS
(Unaudited)

| | June 30, 2009 | December 31, 2008 |
|------------------|------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,559 | \$ 7,084 |
| Prepaid expenses | 2,300 | 7,300 |

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| | | |
|---|-----------|-----------|
| Total current assets | 3,859 | 14,384 |
| Software development | 12,000 | 12,000 |
| Total assets | \$ 15,859 | \$ 26,384 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,848 | \$ 4,200 |
| Due to stockholder | 10,500 | 5,500 |
| Total liabilities | 14,348 | 9,700 |
| Stockholders' equity | | |
| Common stock authorized - 50,000,000 common shares with a par value of \$0.001 | | |
| Common stock issued and outstanding 4,470,000 common shares | 4,470 | 4,470 |
| Additional paid-in capital | 62,530 | 62,530 |
| Deficit accumulated during the development stage | (65,489) | (50,316) |
| Total stockholders' equity | 1,511 | 16,684 |
| Total liabilities and stockholders' equity | \$ 15,859 | \$ 26,384 |

The accompanying notes are an integral part of these unaudited financial statements.

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UTALK COMMUNICATIONS, INC.
(A Development Stage Company)

STATEMENTS OF EXPENSES
(Unaudited)

| | Three Months Ended June 30, 2009 | Three Months Ended June 30, 2008 | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 |
|--------------------|---|---|---|---|
| REVENUE | \$ -- | \$ -- | \$ -- | \$ -- |
| OPERATING EXPENSES | | | | |
| Accounting fees | 4,750 | 2,274 | 4,750 | 4,524 |
| Legal fees | -- | -- | -- | -- |

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| | | | | |
|--|-------------|------------|-------------|------------|
| Website development costs | -- | -- | 412 | -- |
| General and administrative | 5,964 | 1,568 | 10,011 | 3,757 |
| | ----- | ----- | ----- | ----- |
| Loss before income taxes | (10,714) | (3,842) | (15,173) | (8,281) |
| Provision for income taxes | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Net loss | \$ (10,714) | \$ (3,842) | \$ (15,173) | \$ (8,281) |
| | ===== | ===== | ===== | ===== |
| Basic and diluted loss per Common share | 0.00 | 0.00 | 0.00 | 0.00 |
| | ===== | ===== | ===== | ===== |
| Weighted average number of common shares outstanding | 4,470,000 | 4,470,000 | 4,470,000 | 4,327,995 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these unaudited financial statements.

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UTALK COMMUNICATIONS, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
(unaudited)

| | Six Months Ended June 30, 2009 | Six Months Ended June 30, 2008 | Period Since (January June 2008) |
|---|---|---|--|
| | ----- | ----- | ----- |
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | |
| Net loss | \$ (15,173) | \$ (8,281) | \$ (6,892) |
| Changes in assets and liabilities: | | | |
| Prepaid expenses | 5,000 | -- | 5,000 |
| Accounts payable and accrued liabilities | (352) | (11,299) | (10,947) |
| | ----- | ----- | ----- |
| Net cash used in operating activities | (10,525) | (19,580) | (9,057) |
| | ----- | ----- | ----- |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Purchase of software development costs | -- | (15,500) | (15,500) |
| | ----- | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Advances from Stockholder | 5,000 | 7,000 | 2,000 |
| Proceeds from issuance of common stock | -- | 47,000 | 47,000 |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | 5,000 | 54,000 | 59,000 |
| | ----- | ----- | ----- |

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| | | |
|---|----------|-----------|
| Change in cash during the period | (5,525) | 18,920 |
| Cash, beginning of the period | 7,084 | 7,552 |
| | ----- | ----- |
| Cash, end of the period | \$ 1,559 | \$ 26,472 |
| | ===== | ===== |
| Supplemental disclosure with respect to cash flows: | | |
| Cash paid for income taxes | \$ -- | \$ -- |
| | ===== | ===== |
| Cash paid for interest | \$ -- | \$ -- |
| | ===== | ===== |

The accompanying notes are an integral part of these unaudited financial statements.

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UTALK COMMUNICATIONS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Utalk, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Utalk's Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2008 as reported in the form 10-K have been omitted.

NOTE 2 - GOING CONCERN

These financial statements have been prepared on a going concern basis. As of June 30, 2009, Utalk has not generated any revenue since inception and has accumulated losses of \$65,489. The continuation of Utalk as a going concern is dependent upon the continued financial support from its shareholders, the ability to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding Utalk's ability to continue as a going concern.

NOTE 3- RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2009 Utalk's Chief Executive Officer advanced the company an additional \$5,000. The total outstanding balance on the advance from the Shareholder as of June 30, 2009 is \$10,500 and remains unpaid.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

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OF OPERATION.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in the Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our", and "Utalk" means Utalk Communications, Inc., unless otherwise indicated.

GENERAL

We are in the process of developing our call-back services. We expect that we will be able to offer service toward the end of 2009. We were incorporated in the State of Nevada on January 30, 2007.

The address of our principal executive office is Seaford 9121 Atlanta Ave #314, Huntington Beach, CA, 92646. Our telephone number is (714) 475-3512.

OUR CURRENT BUSINESS

We were incorporated in the State of Nevada on January 30, 2007, and are a development stage company. From our inception to date, we have not generated any revenues, and our operations have been limited to organizational, start-up, and capital formation activities. We currently have no employees other than our sole officer, who is also our sole director.

We are engaged in the development and marketing of call-back services using a call-back platform. Generally, our anticipated call-back service will enable a customer to call a designated telephone number and disconnect. The system will automatically identify the caller as a customer, call the user back and provide the customer with a dial-tone to place an outbound call. In doing so, our service will enable our customers to realize cost savings when there is a substantial differential between the cost of placing and receiving calls.

As an example of how our call-back services may be utilized, some cellular providers allow their customers to receive many minutes for free (some offer unlimited free incoming minutes) but allow only a limited number of outgoing

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minutes for free and charge a substantial amount for minutes exceeding the number of free minutes. If such customer also subscribes to our service, they will be able to initiate a call from our system to their phone which will appear as an incoming call rather than an outbound one, potentially providing the customer with cost savings.

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A sample call flow would occur as follows: A customer dials a telephone number that is owned by us which automatically forwards the call to our call-back switch. The customer hangs up after three rings. Our system does not answer the call (so that the customer is not charged for a call by their phone company) but rather detects the customer's phone number. The system automatically checks our customer database and identifies whether the phone number belongs to a customer. If the answer is no, then the system takes no action. If the caller is a customer and has sufficient funds on balance with us, our system will place a call to the customer (we intend that such call will be through a Voice over IP company) and prompts the customer to enter the number they would like to call. The customer enters the destination number and our system will send the call to the VoIP carrier's network. Our system will then track the duration and cost of the call and deduct the appropriate funds from the customer account. If the balance reaches zero, customers will receive a voice prompt notifying them that their funds are running low and the call will be terminated.

The callback system is a software program that resides on a computer server that is connected to the public Internet. It will be connected with a VoIP provider across the Internet (if our system is not located in the same facility as the VoIP service provider) or directly to their equipment (if we are located in the same facility). The VoIP company will provide us with phone numbers that customers can call to initiate a call back. They will also provide us with the ability to place calls in North America and internationally.

The callback system will also have a database of all of our customers and their particular information such as name, email, address, phone numbers, account balance and call history. The system will also have telephony software that is able to receive calls, initiate calls, play prompts (messages) and connect to outside parties during a call.

We have not yet developed our call-back system. As discussed below, our initial focus will be to engage in the development of our call-back system. This is described below in our "Products and Services" section. Management intends to outsource the development of this product offshore to reduce costs. However, the intellectual property rights over our software will be retained by the Company. We expect that this will be completed within approximately eight months following the termination of this offering, after which we intend to begin marketing our services. All our services will be based on a pre-paid model where a customer must pre-pay for services. We will be marketing our services primarily through a network of regional resellers and distributors in Canada. We also plan to hire a sales/support assistant in approximately eleven months from development of our service to help our executive officer provide support to our end-users and resellers.

We have outsourced the development and deployment of our Call-back service to Netfone Inc. We have paid Netfone Inc. USD \$12,000 to perform these tasks. We anticipate the delivery of the product in the third quarter of 2009. We may opt to use Netfone Inc. to host and maintain the service on our behalf, we will pay them USD \$200 per month.

We have retained the services of Island Capital Management, LLC dba as Island Stock Transfer to act as our transfer agent on April 25, 2008.

RESULTS OF OPERATIONS

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From the date of our incorporation on January 30, 2007 to June 30 2009, we have been a development stage company that has generated minimal revenues.

THREE MONTH PERIOD ENDED JUNE 30, 2009 COMPARED WITH THREE MONTH PERIOD ENDED JUNE 30, 2008.

We experienced an operating loss of \$10,714 for the three month period ended June 30, 2009 compared to operating losses of \$3,842 for the three month period ended June 30, 2008 and operating losses of \$65,489 since inception (January 30, 2007) to June 30, 2009.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We are in the process of developing Call-back services. We expect that we will be able to offer service toward the end of 2009. Principal capital resources have been acquired through the issuance of common stock.

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At June 30, 2009, we had working capital deficit of \$10,489.

At June 30, 2009, we had total assets of \$15,859.

At June 30, 2009, our total liabilities were \$14,348.

At June 30, 2009, we had cash on hand of \$1,559.

PLAN OF OPERATION

From the date of our incorporation on January 30, 2007 to June 30, 2009, we have been a start up company that has not generated revenues. We have not generated any revenues since our inception.

We have retained a company for the development and deployment of call-back services. A payment of \$12,000 was made for the development of our product and we expect that the product will be delivered in the third quarter of 2009.

During the next twelve months following the termination of our offering, we intend to engage in the following activities:

JULY THROUGH SEPTEMBER, 2009

During this period, we expect to achieve the following:

- * Complete the development of the software
- * Complete the formulation of a marketing and sales strategy
- * Complete the development of our marketing collateral
- * Purchase and configuration of computer servers to deploy our call-back services
- * Initiate sales activities

OCTOBER THROUGH DECEMBER, 2009

During this period, we expect to achieve the following:

- * Launch our advertising campaign to attract resellers
- * Launch our service in Canada

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JANUARY THROUGH MARCH 2010

- * Make our service available to resellers
- * If we have enough funding, continue the development of our product

APRIL 2010 AND THEREAFTER

During this period, we plan to focus on our marketing and sales effort.

PURCHASE OR SALE OF EQUIPMENT

We have not purchased or sold, and we do not expect over the next twelve months to purchase or sell, any plants or significant equipment.

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REVENUES

We had no revenues for the period from January 30, 2007 (date of inception) through June 30, 2009. We believe that we will be able to commence the marketing of our website immediately following the public launch of our completed product, which will be done sometimes in the fourth quarter of 2009. We expect to begin generating revenues approximately three months following the public launch of our product.

EMPLOYEES

As of June 30, 2009, we have no employees.

PERSONNEL PLAN

We do not currently plan to add more personnel to our company until the public launch of our product completed when we expect to hire a sales assistant.

CASH REQUIREMENTS

Presently, our revenues are not sufficient to meet our operating and capital expenses. Management projects that we will require additional funding to expand our current operations, although we anticipate that our current funds will enable us to address our minimal current and ongoing expenses and continue with the marketing and promotion activity connected with the development and marketing of our call-back products and services throughout the period ending June 30, 2010.

There is doubt about our ability to continue as a going concern as the continuation of our business is dependent upon the successful and sufficient market acceptance of new call-back products and services, the continuing successful promotion of our call-back products and services, obtaining additional financing, and finally, maintaining a break even or profitable level of operations. The issuance of additional equity securities by us will result in a dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

We have incurred operating losses since inception. As we had cash on hand of \$1,559 as at June 30, 2009, management projects that we may require an additional \$50,000 to fund our ongoing operating expenditures, offering expenses and working capital requirements for the twelve month period ending June 30, 2010, broken down as follows:

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Estimated Funding Required During the Twelve Month Period Ending June 30, 2010

| | |
|------------------------------------|----------|
| Operating expenditures | |
| Marketing & Sales | \$15,000 |
| General and Administrative | \$20,000 |
| Product development and deployment | \$ 7,000 |
| Working capital | \$13,000 |
| | ----- |
| Total (including Offering Costs) | \$50,000 |
| | ===== |

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the annual financial statements for the period from incorporation on January 30, 2007 to June 30, 2009, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

There are no assurances that we will be able to obtain further funds as may be required for our continued operations. If required, we will pursue various financing alternatives to meet our immediate and long-term financial requirements, which we anticipate will consist of further private placements of equity securities, advances from related parties or shareholder loans. We have

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not entered into any definitive agreements with any shareholders or related parties for the provision of loans or advances. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as of the end of the period covered by this quarterly report, being June 30, 2009, we have carried out an evaluation of the effectiveness of the design and operation of our Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our Company's management, including our Company's president (principal executive officer) and chief financial officer (principal accounting officer). Based upon that evaluation, our Company's president along with our Company's chief financial officer concluded that our Company's disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no changes in our Company's internal controls that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls subsequent to the date we carried our evaluation.

Disclosure controls and procedures are procedures that are designed to ensure

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that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our president and chief financial officer as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We sold 470,000 shares at \$0.10 per share since the inception of the company on January 30, 2007.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

| Exhibit ----- | Description ----- |
|------------------|---|
| 3.1 | Certificate of Incorporation of Registrant* |
| 3.2 | Bylaws of Registrant* |
| 4.1 | Specimen Common Stock Certificate* |
| 10.1 | HQ Agreement, dated July 16, 2007, between Utalk Communications, Inc. and Regus Management Group, LLC* |
| 10.2 | Regus Agreement, dated December 12, 2007, between Utalk Communications, Inc. and Regus Management Group, LLC* |
| 10.3 | Form of Subscription Agreement* |
| 31 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of |

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2002, dated May 15, 2009.

32 Certification pursuant to 18 U.S.C. SECTION 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 15, 2009.

* Previously filed as an exhibit to the Registration Statement on Form SB-2 (File No. 333-148266) filed with the Securities and Exchange Commission on December 21, 2007

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SIGNATURES

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

UTALK COMMUNICATIONS, INC.

By: /s/ "Mazen Hleiss"

Mazen Hleiss, President, Secretary, Treasurer and Director
(Principal Executive Officer, Principal Financial Officer
and Principal Accounting Officer)

Date: August 7, 2009

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