

Trafalgar Resources, Inc.
Form 10-Q
August 14, 2014

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, 2014

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

For the transition period from _____ to _____

Commission File Number: 1-32522

Trafalgar Resources, Inc.

(Exact name of registrant as specified in its charter)

Utah

91-0974149

(State or other jurisdiction of

(IRS Employer Identification No.)

incorporation or organization)

12587 S. 1745 E., Draper, Utah

84020

(Address of principal executive offices)

(Zip Code)

(801) 748-1114

(Registrant's telephone number, including area code)

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 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 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 (Do not check if a smaller reporting company) Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

5,251,309 shares of no par value common stock on August 7, 2014

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Trafalgar Resources, Inc.

FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2014

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the historical financial information of the Company.

Trafalgar Resources, Inc.**BALANCE SHEETS**

June 30, 2014

Unaudited

September 30, 2013

ASSETS		
CURRENT ASSETS		
Cash	\$ 13,565	\$ 10,580
Prepaid Expenses	-	-
TOTAL CURRENT ASSETS	13,565	10,580
TOTAL ASSETS	\$ 13,565	\$ 10,580
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 800
Interest payable - related party	33,152	24,310
Income taxes payable	-	100
Note Payable Related Party Current	110,000	60,000
TOTAL CURRENT LIABILITIES	143,152	85,210
LONG-TERM LIABILITIES		
Note payable -- Related party (Note 2)	20,000	50,000
TOTAL LIABILITIES	163,152	135,210
STOCKHOLDERS' (DEFICIT)		
Common stock no par value, 100,000,000 shares authorized, 5,251,309 shares issued and outstanding	137,413	137,413
Retained (Deficit)	(103,925)	(103,925)
(Deficit) from re-entering development stage	(183,075)	(158,118)
TOTAL STOCKHOLDERS' (DEFICIT)	(149,587)	(124,630)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	\$ 13,565	\$ 10,580

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

Trafalgar Resources, Inc.

STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Nine Months Ended June 30, 2014	Nine Months Ended June 30, 2013	Period From October 1, 2003 date of Re-entering Development Stage to June 30, 2014
Statement of Income					
Income	0	0	0	0	2
Cost of Sales	0	0	0	0	0
GROSS PROFIT	0	0	0	0	2
Expenses					
General and Administrative	4,271	3,843	16,118	16,676	147,061
Total Expenses	4,271	3,843	16,118	16,676	147,061
Other Income and (Expenses)					
Interest (Expense)	(3,350)	(2,275)	(8,842)	(6,158)	(35,069)
Other Income	2	-	3	-	53
Total other Income and (Expense)	(3,348)	(2,275)	(8,839)	(6,158)	(35,016)
(LOSS) BEFORE TAXES	(7,619)	(6,118)	(24,957)	(22,834)	(182,075)
PROVISION FOR TAXES	-	-	-	-	1,000
NET (LOSS)	\$ (7,619)	\$ (6,118)	\$ (24,957)	\$ (22,834)	\$ (183,075)
(LOSS) PER COMMON SHARE					
Basic and fully diluted loss per weighted average common share outstanding	0	0	0	0	
Weighted average number of common shares outstanding	5,251,309	5,251,309	5,251,309	5,251,309	

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

Trafalgar Resources, Inc.

STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ending		Nine Months Ending		Period from October 1, 2003 Date of Re-entering Development Stage to June 30, 2014
	June 30, 2014		June 30, 2013		
Statement of Cash Flows					
OPERATING ACTIVITIES					
NET (LOSS)	\$ (24,957)	\$	(22,834)	\$	(183,075)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:					
Changes in operating assets and liabilities:					
(Increase)/Decrease Prepaid Expenses	-		2,200		-
Increase/(Decrease) Interest payable	8,842		6,158		33,152
Increase/(Decrease) Accounts payable	(800)		-		(5,269)
Increase/ (Decrease) Income taxes payable	(100)		(100)		(1,243)
NET CASH (USED) BY OPERATING ACTIVITIES	(17,015)		(14,576)		(156,435)
FINANCING ACTIVITIES					
Loans - Notes payable - Related party	20,000		20,000		130,000
Stock Sold	-		-		40,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,000		20,000		170,000
NET INCREASE (DECREASE) IN CASH	2,985		5,424		13,565
CASH AT BEGINNING OF PERIOD	10,580		9,069		0
CASH AT END OF PERIOD	\$ 13,565	\$	14,493	\$	13,565
CASH PAID FOR TAXES	\$ 100	\$	100	\$	2,024
CASH PAID FOR INTEREST	\$ 0	\$	0	\$	2,407

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

TRAFALGAR RESOURCES, INC.

Notes to Unaudited Financial Statements

June 30, 2014

Note 1: Summary of Significant Accounting Policies

Development stage enterprise

Trafalgar Resources, Inc. (the "Company") was incorporated under the laws of the State of Utah on October 25, 1972. The Company is considered a development stage enterprise because since October 1, 2003 it has not commenced operations that have resulted in significant revenue and the Company's efforts have been devoted primarily to activities related to raising capital and attempting to acquire an operating entity.

Unaudited Information

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q, Article 8 of Regulation S-X of the United States Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements for the nine months ending June 30, 2014, should be read in conjunction with the accompanying notes and with the historical financial information of the Company, and are not necessarily indicative of the results that may be expected for the year ending September 30, 2014.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Use of estimates

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The use of estimates and assumptions may also affect the reported amounts of revenues and expenses. Actual results could differ from those estimates or assumptions.

Net loss per share of common stock

The loss per share of common stock is computed by dividing the net loss during the period presented by the weighted average number of shares outstanding during that same period.

Income taxes

We account for income taxes in accordance with FASB ASC 740-10-05, *Accounting for Income Taxes* . Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets will be reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. A valuation allowance has currently been recorded to reduce our deferred tax asset to \$0.

TRAFALGAR RESOURCES, INC.

Notes to Unaudited Financial Statements

June 30, 2014

(Continued)

Note 1: Summary of Significant Accounting Policies (continued)

Revenue recognition

We recognize revenue in accordance with FASB ASC 605, Revenue Recognition. Under FASB ASC 605, revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. We recognize revenue as services are provided.

Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, and other current assets, accounts payable, taxes payable, accrued expenses and other current liabilities, approximate their fair values because of the short maturity of these instruments.

Going concern

As shown in the accompanying financial statements, the Company had a deficit working capital and a retained deficit incurred through June 30, 2014 which raise substantial doubt about the Company's ability to continue as a going concern. The 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. Management intends to seek new capital from a related party to provide needed funds.

New accounting pronouncements

Various ASU's through ASU No. 2014-14, which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

NOTE 2: RELATED PARTY TRANSACTIONS

At June 30, 2014 the Company owed \$33,152 of interest and \$130,000 to its President. Note 1 is for \$10,000 and bears interest of 4.5% per year. Note 2 is for \$10,000 and bears interest of 4.5% per year and \$10,450 in interest and principal was due February 28, 2011. Note 3 is for \$20,000 and bears interest of 4.5% per year. \$900 in interest is due on January 15, 2011, 2012, and 2013. \$20,900 in interest and principal is due January 15, 2014. Note 1, 2 and 3 are in default resulting in an 18% default rate of interest accruing. Note 4 is for \$10,000 and bears interest of 4.5% per year. Interest of \$450 is due on May 7, 2011, 2012, 2013, and 2014. Interest and Principal of \$10,450 is due May 7, 2015. Note 5 is for \$20,000 and bears interest of 4.75% per year. Interest of \$950 is due on February 1, 2012, 2013, and 2014. Interest and Principal of \$20,950 is due on February 1, 2015. Note 6 is for \$20,000 and bears interest of 8.0% per year. Interest of \$1,600 is due on February 1, 2013. Interest and Principal of \$21,600 is due on February 1, 2014. Note 7 is for \$20,000 and bears interest of 8.0% per year. Interest of \$1,600 is due on March 1, 2014. Interest and Principal of \$21,600 is due on March 1, 2015. Note 8 is for \$20,000 and bears interest of 8.0% per year. Interest of \$1,600 is due February 3, 2015. Interest and principle of \$21,600 is due on February 3, 2016.

TRAFALGAR RESOURCES, INC.

Notes to Unaudited Financial Statements

June 30, 2014

(Continued)

NOTE 2: RELATED PARTY TRANSACTIONS (continued)

Long-term related note payable due as follows:

2014	\$60,000
2015	\$50,000
2016	\$20,000
Total	\$130,000

NOTE 3: INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Income tax periods 2011, 2012 and 2013 are open for examination by taxing authorities.

The income tax expense (benefit) for the quarter ended June 30, 2014 differs from the amount computed using the federal statutory rates as follows:

	Quarter Ended	Quarter Ended
	June 30, 2014	June 30, 2013
Income tax expense (benefit) at 35%	\$(2,667)	\$(2,141)
Valuation allowance	2,667	2,141

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Deferred tax assets for the quarter ending June 30, 2014 are comprised primarily of the following:

Net operating Loss Carryforward	\$	64,077
Valuation allowance		(64,077)
	\$	-

At June, 30, 2014 the Company had a net operating loss carry forward of approximately \$183,075 that may be offset against future taxable income through 2034. These losses will start to expire in the year 2011 through 2034. No tax benefit has been reported in the financial statements because the Company believes that it is more likely than not that the carryforwards will expire unused. The utilization of future losses may be limited under various provisions of the Internal Revenue Code pertaining to continuity of business operations limits and substantial changes in ownership.

Accordingly, the potential tax benefits of the loss carryforwards are offset by a valuation allowance of the same amount. The valuation allowance increased during the quarter ending June 30, 2014 by approximately \$2,667.

TRAFALGAR RESOURCES, INC.

Notes to Unaudited Financial Statements

June 30, 2014

(Continued)

Note 4: SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date and through the date the financial statements were issued. During this period the Company did not have any material recognizable subsequent events.

Note 5: CAPITAL STOCK

In January 2012 the Company changed its transfer agent to Colonial Stock Transfer. As part of the change in transfer agents, it was noticed the number of shares shown authorized was off by 380 shares coming from the reverse merger in 1997 as a result of rounding issues. As such, the board of directors authorized the issuance of 380 shares, which was part of the original authorization back in 1997, but now will be specifically stated as authorized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This periodic report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management. Statements in this periodic report that are not historical facts are hereby identified as forward-looking statements. Our Company and our representatives may from time to time make written or oral statements that are forward-looking, including statements contained in this Quarterly Report and other filings with the Securities and Exchange Commission and in reports to our Company's stockholders. Management believes that all statements that express expectations and projections with respect to future matters, as well as from developments beyond our Company's control including changes in global economic conditions are forward-looking statements within the meaning of the Act. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Factors that may affect forward-looking statements include a wide range of factors that could materially affect future developments and performance, including the following:

Changes in Company-wide strategies, which may result in changes in the types or mix of businesses in which our Company is involved or chooses to invest; changes in U.S., global or regional economic conditions; changes in U.S. and global financial and equity markets, including significant interest rate fluctuations, which may impede our Company's access to, or increase the cost of, external financing for our operations and investments; increased competitive pressures, both domestically and internationally; legal and regulatory developments, such as regulatory actions affecting environmental activities; the imposition by foreign countries of trade restrictions and changes in international tax laws or currency controls; adverse weather conditions or natural disasters, such as hurricanes and earthquakes; and labor disputes, which may lead to increased costs or disruption of operations.

This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited Financial Statements and accompanying notes. Management bases its estimates on

historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. The Company believes there have been no significant changes during the nine month period ended June 30, 2014, to the items disclosed as significant accounting policies since the Company's last audited financial statements for the year ended September 30, 2013.

The Company's accounting policies are more fully described in Note 1 of the financial statements. As discussed in Note 1, the preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the Uni