

Splinx Technology Inc.
Form 10QSB
August 12, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005

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

For the transition period from _____ to _____

Commission file number 333-116817

Splinx Technology Inc.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-0715816

(IRS Employer Identification Number)

550 W. Cypress Creek Road Suite 410
Fort Lauderdale, FL 33309

(Address of principal executive offices)

(954) 660-6565

(Issuer's telephone number)

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 past 90 days. Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At July 31, 2005, the number of shares outstanding of the registrant's common stock was 100,670,270 shares.

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

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Form 10-QSB
For the Quarter Ended June 30, 2005
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SPLINEX TECHNOLOGY INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEET

ASSETS	June 30, 2005
Current assets	
Cash	\$ 149,132
Prepaid expenses and other	60,894
Loans and advances to employees - current portion	14,684
Total current assets	224,710
Property and equipment, net	43,246
Accounting software license	31,969
Other assets	9,881
Loans to employees - long term portion	5,327
Total assets	\$ 315,133
LIABILITIES AND STOCKHOLDERS' DEFICIENCY IN ASSETS	
Current liabilities	
Accounts payable	389,323
Accrued expenses	276,027
Due to related parties	79,726
Other current liabilities	55,899
Total current liabilities	800,975
Long term liabilities	
Note payable and accrued interest - related party	2,344,602
Total liabilities	3,145,577
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIENCY IN ASSETS	
Preferred stock (\$.001 par value, 150,000,000 shares authorized and no shares issued and outstanding)	-
Common stock (\$.001 par value, 300,000,000 shares authorized and 100,670,270 shares issued and outstanding)	100,670
Paid in capital	1,101,049
Deficit accumulated during the development stage	(4,032,163)
Total stockholders' deficiency in assets	(2,830,444)
Total liabilities and stockholders' deficiency in assets	\$ 315,133

See accompanying notes.

SPLINEX TECHNOLOGY INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2005	Cumulative From Inception (October 28, 2003) Through June 30, 2005
Net sales	\$ 70	119
Operating Expenses		
Sales and marketing	140,168	505,446
General and administrative	269,499	2,175,405
Research and development	301,189	1,623,711
Total operating expenses	710,856	4,304,562
Costs of merger and registration	-	512,321
Total expenses	710,856	4,816,883
Loss from operations	(710,786)	(4,816,764)
Interest expense, net	(25,188)	(38,246)
Loss before income taxes	(735,974)	(4,855,010)
Income taxes	-	-
Net loss	\$ (735,974)	\$ (4,855,010)
Net loss per basic and fully diluted share	\$ (0.01)	\$ (0.05)
Weighted average shares outstanding	100,670,270	96,656,126

See accompanying notes.

SPLINEX TECHNOLOGY INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS
OF CHANGES IN STOCKHOLDERS' DEFICIENCY IN ASSETS

	Preferred Stock		Common Stock		Additional Paid in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficiency in Assets
	Shares	Amount	Shares	Amount			
Common stock issued \$0.001 per share effective at inception on October 28, 2003	-	-	95,000,000	\$ 95,000	\$ (94,999)	-	\$ 1
Additional capital contributed during period			-	-	849,999	-	849,999
Net loss (see Note 4)	-	-	-	-	(822,847)	-	(822,847)
Balance at March 31, 2004	-	-	95,000,000	95,000	(67,847)	-	27,153
Additional capital contributed during period	-	-	-	-	1,150,000	-	1,150,000
Shares issued as executive compensation and other expenses	-	-	670,270	670	23,896	-	24,566
Shares issued in Merger	-	-	5,000,000	5,000	(5,000)	-	-
Net loss	-	-	-	-	-	(3,296,189)	(3,296,189)
Balance at March 31, 2005	-	-	100,670,270	100,670	1,101,049	(3,296,189)	(2,094,470)
Net loss	-	-	-	-	-	(735,974)	(735,974)
Balance at June 30, 2005	\$ -	\$ -	\$ 100,670,270	\$ 100,670	\$ 1,101,049	\$ (4,032,163)	\$ (2,830,444)

See accompanying notes.

SPLINEX TECHNOLOGY INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30, 2005	Cumulative From Inception (October 28, 2003) Through June 30, 2005
Cash flows from operating activities:		
Net loss	\$ (735,974)	\$ (4,855,010)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6,616	36,184
Executive compensation and other expenses paid with common stock	-	24,566
Non cash interest expense	25,119	33,359
Changes in operating assets and liabilities:		
Prepaid expenses and other	306	(36,964)
Due to related parties	(27,034)	79,725
Other assets	-	(9,881)
Accounts payable	(45,644)	389,323
Accrued expenses	54,455	276,027
Total adjustments	13,818	792,339
Net cash used in operating activities	(722,156)	(4,062,671)
Cash flows from investing activities:		
Purchase of equipment	-	(79,429)
Employee loans and advances, net	3,698	(20,011)
Net cash used in investing activities	3,698	(99,440)
Cash flows from financing activities:		
Note payable related party	611,243	2,311,243
Contributed capital from equity investors	-	2,000,000
Net cash provided by financing activities	611,243	4,311,243
Net increase (decrease) in cash	(107,215)	149,132
Cash at beginning of period	256,347	-
Cash at end of period	\$ 149,132	\$ 149,132
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Common stock issued in merger	\$ -	\$ 150,000
Costs of merger recorded as reduction in paid in capital	\$ -	\$ (150,000)

See accompanying notes.

SPLINEX TECHNOLOGY INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Splinx Technology Inc. (“Technology”) was organized under the laws of the State of Delaware as a wholly owned subsidiary of Splinx, LLC, a Florida limited liability company (the “Predecessor”), to conduct the business and operations of the Predecessor. Under an agreement effective April 1, 2004 (the “Contribution Agreement”), the Predecessor contributed substantially all of its assets, liabilities and operations to Technology. The financial statements include the accounts of Technology and the Predecessor (combined, the “Company”), and all material intercompany transactions have been eliminated. The Company began its development stage activity on October 28, 2003 (“Inception”).

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and Regulation S-B. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results for the interim periods presented have been included. These results have been determined on the basis of generally accepted accounting principles and practices applied consistently with those used in the preparation of the Company's Annual Financial Statements for the year ended March 31, 2005. Operating results for the three months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2006. It is recommended that the accompanying condensed consolidated financial statements be read in conjunction with the financial statements and notes for the year ended March 31, 2005 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on June 30, 2005.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Basis of Consolidation

The consolidated interim financial statements include the accounts of Splinx Technology Inc. and its wholly owned subsidiary, ANTAO Ltd., a limited liability company formed under the laws of Russia (“ANTAO”). All material intercompany accounts and transactions have been eliminated in consolidation.

Business Activity

The Company develops, licenses and services software that enables the generation, manipulation, viewing and image-based searching of complex, multi-dimensional mathematical objects and information. Since Inception, the Company has operated in a development phase typical of a software company and has focused on developing technologies and products and securing intellectual property rights while developing relationships with potential customers. Corporate activities to date have included raising capital, strategic and business planning, completing the registration of the Company's securities with the U. S. Securities and Exchange Commission, and retaining executive management. The Company has minimal sales and no sales contracts and is considered to be in the development stage as of June 30, 2005.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date and the reported amounts of expenses for the period presented. Actual results could differ from those estimates.

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Cash and Cash Equivalents

Cash and cash equivalents include highly liquid money market investments purchased with an original maturity of three months or less. At Jun 30, 2005, the Company had no cash equivalents. The Company maintains its cash in a bank deposit account, the balance of which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2005, the Company had approximately \$50,883 in excess of FDIC insured limits.

Foreign Currency Transactions

All transactions of the Company are denominated in U.S. dollars. The Company pays Russian research, programming and administrative costs under a U.S. dollar denominated agreement. Consolidated general and administrative expenses include immaterial foreign exchange rate losses on Russian bank balances maintained by ANTAO. The Company has not engaged in foreign currency hedging activities.

Stock-Based Compensation

Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Accounting for Stock-Based Compensation,” requires companies to record employee stock option compensation at fair value. The Company adopted SFAS 123R during the quarter ending March 31, 2005. No options were granted during the quarter ending June 30, 2005.

Software Development Costs

The Company accounts for software development costs in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed.” Costs incurred to establish the technological feasibility of a computer software product are considered research and development costs and are expensed as incurred. When the technological feasibility of a software product has been established using the working model approach, development cost are capitalized. Capitalization of these costs ceases when the product is ready for production. The Company has expensed all software development costs since Inception.

Revenue recognition

The Company expects to recognize revenues, net of sales returns and other allowances, from the licensing of products and from service revenues.

Product revenues will consist of revenues from end-user licenses (sometimes referred to as royalties) and fees for stand-alone software and technology under time-based or perpetual licenses. Service revenues will consist of fees from professional services, which will include fees for software development services, software maintenance contracts and customer training and consulting services.

The Company will recognize revenues in accordance with Statement of Position or “SOP” 97-2, “Software Revenue Recognition,” as amended, SOP 81-1, “Accounting for Performance of Construction-Type and Certain Production-Type Contracts,” and Staff Accounting Bulletin or “SAB” 104, “Revenue Recognition.” The Company will recognize revenues when persuasive evidence of an arrangement exists, delivery has occurred, the vendor’s fee is fixed or determinable, vendor-specific objective evidence exists for all undelivered elements of the arrangement and collection is determined to be probable.

Earnings Per Share

Basic net earnings (loss) per common share are computed by dividing net earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares issuable upon exercise of common stock options. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive.

On January 18, 2005, the Company completed a 95,000 for one stock split. Stockholders' equity has been restated to give retroactive recognition to the stock split for all periods presented by reclassifying the par value of the additional shares arising from the split from paid-in-capital to common stock. All references in the financial statements and notes to number of shares and per share amounts reflect the stock split.

Advertising

Advertising expense, including direct mail and email advertising, was \$71,853 for the three months ended June, 2005.

Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash, short-term payables and borrowings under the notes payable. The Company believes that the carrying amounts approximate fair value, due to their short-term maturities and current interest rates.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset or group of assets may not be recoverable. No impairment losses were recorded during period ended June 30, 2005.

NOTE 2. GOING CONCERN CONSIDERATIONS

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company is in the development stage and has had minimal revenues since Inception. Management recognizes that the Company must raise capital sufficient to fund research, development, marketing and sales activities until such time as it can generate revenues and net cash flows in amounts necessary to enable it to continue in existence. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon the Company achieving these goals. Management's plans include continuing efforts to develop the Company's first commercial product, borrowing funds under the revolving loan agreement described below, and raising additional capital.

In accordance with the funding provisions in the Predecessor's operating agreement, certain members of the Predecessor contributed capital of \$2,000,000 to the Predecessor. As of June 30, 2005, the Company had borrowed \$2,311,242 under a \$2,500,000 revolving loan agreement with a company that is affiliated with the Company through common ownership (the "Bzifin Loan"). The Company borrowed the remaining available funds of \$188,758 under this facility in July 2005. At the Company's current rate of expenditure, the funds available to the Company from cash on hand and under the revolving loan agreement would be sufficient to fund our operations through mid-September.

In June 2005 the Company began marketing its *nViz^x* product under a Reseller Agreement with a leading mathematical computational software developer. In addition, the Company has implemented cost reduction measures including salary deferrals beginning in June 2005 and has deferred or delayed payments to some vendors until the Company achieves positive cash flow. The Company is exploring raising capital through sales of its securities in order to fund its operations until the Company achieves positive cash flow.

Management believes that actions presently being taken, as described in the preceding paragraphs, provide the opportunity for the Company to continue as a going concern; however, there is no assurance this will occur.

NOTE 3. SEGMENT INFORMATION

The Company's sole reportable business segment is visual communication software products and services. The Company's accounting policies for segments are the same as those described in the summary of significant accounting policies.

NOTE 4. ACCRUED EXPENSES

Accrued liabilities represent expenses that apply to the reported period and have not been billed by the provider or paid by the Company. At June 30, 2005, accrued liabilities consisted of the following:

Executive relocation and legal	\$ 85,472
Accrued vacation	47,443
Audit	40,000
Deferred wages	36,720
Travel and lodging	19,000
Russian programming costs	18,392
Consulting	14,000
Miscellaneous	15,000
	\$ 276,027

NOTE 5. STOCKHOLDERS' EQUITY

The Company has the authority to issue 300,000,000 shares of common stock having a par value of \$0.001 per share. Each holder of common stock is entitled to one vote for each share held. The Company has the authority to issue 150,000,000 shares of preferred stock, par value \$0.001 per share, which may be divided into series with the designations, powers, preferences, and relative rights and any qualifications, limitations or restrictions as determined by the Company's board of directors.

Prior to April 1, 2004, the Company operated through the Predecessor as a limited liability company. On April 1, 2004, the Predecessor contributed substantially all of its assets, liabilities and operations to Technology pursuant to a Contribution Agreement. Under SEC Staff Accounting Bulletin Topic 4 (B), the undistributed earnings (losses) of the limited liability company were treated as a constructive distribution to the owners followed by a contribution of the capital to the new C Corporation. On April, 1, 2004, the effective date of the Contribution Agreement, the Company reclassified the accumulated deficit to date of \$822,847 to additional paid in capital.

NOTE 6. RELATED PARTY TRANSACTIONS

On January 1, 2004 and February 1, 2004, the Company entered into consulting agreements with two members of the Predecessor, one of whom is also director of the Company. The consulting agreements engage the members to provide consulting services including advice regarding equity restructuring, business planning, strategic planning, and international licensing in exchange for \$100,000 per year or a monthly fee to each consultant of \$8,333. Professional fees and consulting expenses for the three months ended June 30, 2005 include \$50,000 of consulting fees under these agreements.

The Company shares personnel with Ener1 Inc. and Ener1 Group, Inc., entities affiliated with the Company by common ownership and through common control. Accordingly, amounts have been allocated to and from the Company for the services of personnel and other expenses. The Company incurred rent expense of \$15,414 for its office space under a sublease with Ener1 Group, Inc. for the three months ended June 30, 2005. Related parties reimburse the Company for the time spent by one of its employees for patent and research work; as a result, research and development wages and benefits are net of reimbursements of \$1,200 for the three months ended June 30, 2005. Administrative expenses include legal expenses payable to Ener1 Group, Inc. for the services of an Ener1 Group employee who serves as the Company's general counsel in the amounts of \$4,400 for the three months ended June 30, 2005.

The Company works with Russia-based scientists and programmers who were paid on the Company's behalf under an agreement with a Russian consultant who handled administrative matters for the Company in Russia through July 2004. This consultant became an employee of the Company in July 2004. In March 2004, the consultant formed Splinx Outsourcing LLC to handle administrative and employment matters in connection with the Company's Russian operations. In April 2004, a member of the Predecessor formed ANTAO to facilitate the payment of expenses to Splinx Outsourcing; ANTAO became a subsidiary of the Company on September 12, 2004. During the three months ending June 30, 2005, the Company paid \$64,207 (unaudited) to Splinx Outsourcing LLC through ANTAO.

The owner of the outstanding securities of Splinx Outsourcing LLC has agreed to contribute these securities to ANTAO, at which time, if consummated, Splinx Outsourcing would become an indirect, wholly-owned subsidiary of the Company. Splinx Outsourcing LLC has minimal assets and liabilities and the contribution would be recorded at fair value. There are no immediate plans to complete this contribution of securities.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company has adopted a 2004 Stock Option Plan (the "Plan") under which options may be granted to Company employees to purchase Company common stock. Initially, the number of shares of common stock available for issuance under the Plan was 5,000,000; this number was increased to 10,000,000 as of June 30, 2005. The Company has granted options to purchase 4,825,000 shares under the Plan as of June 30, 2005.

Foreign operations

The Company outsources computer programming work to a company located in Ekaterinberg Russia. If the Company were not able to outsource all or a significant part of this work to this outsourcing company, it could have a material adverse effect on the Company. The outsourcing company's operations in Russia are subject to significant risks not typically associated with companies in North America and Western Europe. These risks include, among others, political, economic and legal risks associated with doing business in Russia, limitations on foreign currency transactions, and risks associated with evolving Russian laws on issues including creditor rights and intellectual property. The Company's ability to continue to develop products and earn revenues may be adversely affected by changes in the political, economic, legal and social conditions in Russia, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, foreign currency transactions, and rates and methods of taxation, among other things.

Item 2. Management's Discussion and Analysis or Plan of Operation.

This Quarterly Report on Form 10-QSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to our expectations, hopes, intentions or strategies regarding future events or future financial performance. Any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "intend", "believe," "estimate," "predict," "potential" or "continue," or the negative of such terms or other comparable terminology. Forward-looking statements include but are not limited to statements regarding: the expected release dates and future sales of our products; development of other products; expected hiring levels; marketing plans; increases of selling, general and administrative costs and research and development spending; our product development strategy; financing requirement and capital raising plans. These statements are only predictions and are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The following important factors, in addition to those discussed in our filings with the Commission from time to time, and other unforeseen events or circumstances, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements: general economic conditions; competition; our ability to raise capital; our ability to control costs; changes within our industries; release of new and upgraded products and services by us or our competitors; development of our sales force; employee retention; our ability to protect our intellectual property; legal and regulatory issues; changes in accounting policies or practices; and successful adoption of our products and services.

All forward-looking statements are based on information available to us on the date of this filing, and we assume no obligation to update such statements.

The following discussion should be read in conjunction with our other filings with the Securities and Exchange Commission and the consolidated interim financial statements and related notes included in this Quarterly Report.

Overview

Splinx develops, licenses and services software that enables the generation, manipulation, viewing and image-based searching of complex, multi-dimensional mathematical objects and information. We believe end-users of our software products, such as mathematicians, scientists, graphic designers or digital artists working on complex graphical three-dimensional problems, will experience greater productivity through improved interaction with, enhanced visual representation and faster manipulation of, and greater technical and artistic precision in representing, multi-dimensional mathematical objects and information.

Since inception, we have operated in a development phase typical of a software company and have focused on developing technologies and products and securing intellectual property rights while we develop relationships with potential customers and resellers. Our corporate activities to date have included raising capital, strategic and business planning, completing the registration of our securities with the Commission, and retaining executive management. We have minimal sales and no sales contracts and are considered to be in the development stage as of June 30, 2005.

We were organized under the laws of the State of Delaware in February 2004 to conduct the business and operations of Splinx, LLC, a Florida limited liability company (our "Predecessor"). Effective April 1, 2004, Splinx, LLC reorganized as a corporation and, as a result, contributed its assets, liabilities and operations to us under a contribution agreement. Our financial statements include the accounts of Splinx Technology Inc. and our Predecessor, and all material intercompany transactions have been eliminated. We began activity October 28, 2003 (inception).

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We filed a registration statement on Form S-1 with the Securities and Exchange Commission which was declared effective on January 11, 2005, and we became a public reporting company subject to the information and reporting requirements of the Securities Exchange Act of 1934. Effective July 21, 2005, Splinx common stock began trading and was quoted on the Over the Counter (OTC) Bulletin Board under the symbol "SPLX.OB".

Several factors exist that raise significant doubt as to our ability to continue operating as a going concern. These factors include our history of net losses and the facts that our company is in the development stage and we have earned minimal revenues to date. We may borrow funds under a revolving loan agreement with an affiliate. At our current rate of expenditure, the funds available to us from cash on hand and under the revolving loan agreement would be sufficient to fund our operations through mid-September 2005, excluding the consideration of any revenues from the sale of our products. Our independent auditor's report on our financial statements for the year ended March 31, 2005 contains an explanatory paragraph about our ability to continue as a going concern. In the absence of attaining profitable operations and achieving positive cash flow from operations or obtaining significant additional debt or equity financing, we will have difficulty meeting current and long-term obligations.

We have taken, and continue to take, steps to address our need for additional capital. We began significant marketing and sales activities for our *nViz^x* product in late June 2005 under a Reseller Agreement with a leading mathematical computational software developer. In addition, we implemented cost reduction measures including salary deferrals beginning in June 2005 and have deferred or delayed payments to some vendors until we achieve positive cash flow. We are also exploring raising capital through sales of our securities in order to fund our operations until we achieve positive cash flow from operations.

Plan of Operation

During the period from inception on October 28, 2003 through October 1, 2004, our research and development activities were primarily directed towards developing core technologies and software libraries that could be used in various applications and market segments.

Since October 1, 2004, we have directed most of our software development activities to developing and releasing a commercial version of our software product called *nViz^x*, the first versions of which were designed for use with Mathematica and Maple, two third-party technical computing software programs published by Wolfram Research Inc. and Waterloo Maple, Inc., respectively. Mathematica and Maple are programs used for advanced mathematical functions and problem solving, such as numeric and symbolic computation plus interactive document creation. *nViz^x* is an add-on (i.e., a product sold separately and used in connection with the technical computing software) software program that allows users to visualize sophisticated and complex multi-dimensional data and objects faster and with greater control and detail than is currently possible.

The first version of *nViz^x* v1.0 for Mathematica was commercially released and made available for purchase in March 2005. *nViz^x* v1.5 for Maplesoft was commercially released and made available for purchase on June 23, 2005.

In June 2005 we entered into a Reseller Agreement with Waterloo Maple Inc., the parent company of Maplesoft, the developer of Maple software. Under the Reseller Agreement, Maplesoft and Splinx will conduct a number of joint marketing and sales initiatives. These initiatives began in July, 2005. Additionally, Maplesoft will promote *nViz^x* v1.5 for Maple through its web site and other marketing activities directed to its customer base, and its sales force and worldwide reseller network will sell the product.

Using our core software libraries, we plan to develop additional versions of *nViz^x* as visualization add-ons for other technical computing software products similar to Mathematica and Maplesoft and for spreadsheet products like Microsoft Excel. We also intend to develop additional commercial products for other applications using our core software libraries and technologies. We may also license our software and technology to users in various vertical markets.

We intend to raise additional capital to support and accelerate our product development, marketing and sales plans. At June 30, 2005, we had \$188,758 remaining available to us under the revolving loan agreement and we had cash of \$142,318. Through salary reductions and implementation of other expense controls, we have reduced our monthly cash expenses to approximately \$130,000. At our current rate of expenditure, these funds would be sufficient to fund our operations through mid-September 2005.

We estimate that we need approximately \$2 million to execute our product development, marketing and sales plans for the remainder of our fiscal year ending March 31, 2006. During the next nine months, we will seek to raise up to \$10,000,000 through debt or equity financing, including public or private sales of our securities. We expect to increase operating and development spending level to market and sell *nViz^x* and to commence additional development projects using our core technologies. If we are successful in raising additional capital, we plan to hire additional programmers, developers and other personnel and spend additional resources for sales, marketing and administration that could raise our operating expenses to up to approximately \$500,000 per month in our fiscal year ending March 31, 2006.

We cannot assure you that we will be able to raise additional funds on terms favorable to us or at all. If we raise additional funds through the sale of equity or convertible debt securities, our current stockholders' ownership percentage of our common stock will be reduced. In addition, these transactions may dilute the value of our common stock. We may have to issue securities that have rights, preferences and privileges senior to our common stock. The terms of any additional indebtedness may include restrictive financial and operating covenants that would limit our ability to compete and expand. Our failure to obtain any required future financing could materially and adversely affect our financial condition.

If we are not able to raise a minimum of \$2,000,000, we would delay or curtail our product development activities and planned increases in sales, marketing and research and development expenses. If we are unable to raise \$10,000,000 in capital, we would need to alter our business model, reduce the number of planned additional product launches, and consider alternative revenue models, including licensing some of our planned products for development by other companies. Under these circumstances, our revenues and revenue growth may be negatively affected.

As of June 30, 2005, we have no material planned capital expenditures.

Results of Operations for the Three Month Period Ended June 30, 2005

We incurred a loss of \$735,974 for the three months ended June 30, 2005. Operating expenses of \$710,856 for the three months ended June 30, 2005 included \$140,168 for sales and marketing expenses, \$269,499 for general and administrative expenses, and \$301,189 for research and development costs.

Sales and marketing expenses for the three months ended June 30, 2005 consisted primarily of wages and benefits of \$56,685 and advertising and promotional expenses of \$71,853. General and administrative expenses for the three months ended June 30, 2005 included wages and benefits of \$104,072; consulting fees of \$50,000 paid to a director, Dr. Novak and a related party, Mike Zoi; legal expenses of \$36,928, of which \$4,040 was payable to Ener1 Group to reimburse Ener1 Group for the services of our general counsel, who is also an officer of Ener1 Group; audit fees of \$18,097; insurance costs of \$20,687; and rent of \$15,414.

Research and development expenses for the three months ended June 30, 2005 included \$205,606 for wages and benefits paid to U.S. based programmers; \$72,000 for wages and administrative costs of our Russian-based scientists and programmers; and \$12,450 paid to software consultants. The wages and benefits of our U.S. based research and development department are currently approximately \$900,000 on an annualized basis. Our Russia based programming costs are currently approximately \$300,000 on an annualized basis. We expect both of these expenses to increase substantially in the future as development activities increase.

Related parties reimburse us for the time spent by one of our employees for patent and research work; as a result, our research and development wages and benefits are net of reimbursements of \$1,200 for the three months ended June 30, 2005.

We expect that our administrative expenses will continue to increase as we continue to build our corporate infrastructure and hire additional administrative and management staff. As a new public reporting company, our legal and accounting costs have increased in connection with compliance with reporting requirements under the Securities Exchange Act of 1934, and our investor relations and communications costs have also increased.

Selling and marketing expenses consist primarily of direct mail and email advertising and other marketing related expenses, compensation-related expenses and travel costs. Sales and marketing costs are expected to significantly increase in absolute dollars and become a significant percentage of revenues in the future as we expand our advertising, marketing and sales activities associated with *nViz^x* and release additional products.

Liquidity and capital resources

At June 30, 2005, we had negative working capital of \$576,264 and cash of \$149,132. As of June 30, 2005, we had funds of \$188,758 available under a borrowing agreement.

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We are in the development stage and have had minimal revenues since inception. Our management recognizes that we must raise capital sufficient to fund start-up and development activities until such time as we can generate revenues and net cash flows in amounts necessary to enable us to continue in existence. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon our achieving these goals. Our management's plans include continuing efforts to develop our first commercial product, borrowing funds under our revolving loan agreement, and raising additional capital. The continued development of our technology and products will require significant additional capital investment.

At our current rate of expenditure, our cash on hand plus the funds available to us under the revolving loan agreement would be sufficient to fund our operations through mid-September 2005. In the absence of attaining profitable operations and achieving positive cash flows from operations or obtaining significant additional debt or equity financing, we will have difficulty meeting current and long-term obligations.

We have taken, and continue to take, steps to address our need for additional capital. We began marketing our *nViz^x* product in June 2005 under a Reseller Agreement with a leading mathematical computational software developer. In addition, we implemented cost reduction measures including salary deferrals beginning in June 2005 and have deferred or delayed payments to some vendors until we achieve positive cash flow. We are also exploring raising capital through sales of our securities in order to fund our operations until we achieve positive cash flow from operations.

In accordance with the funding provisions in the Predecessor's operating agreement, certain members of the Predecessor contributed capital of \$2,000,000 to the Predecessor. As of June 30, 2005, we had borrowed \$2,311,242 under a \$2,500,000 revolving loan agreement with a company that is affiliated with us through common ownership (the "Bzinfon Loan"). We borrowed the remaining available funds of \$188,758 under this facility in July 2005. Loans under this agreement bear interest at an annual rate of 5% and principal and interest must be repaid within two years from the date of the initial funding, which occurred on February 7, 2005.

Prior to April 1, 2004, we operated through our Predecessor as a limited liability company. On April 1, 2004, our Predecessor contributed all of its assets, liabilities and operations to us. Under SEC Staff Accounting Bulletin Topic 4

(B), the undistributed earnings (losses) of our Predecessor were treated as a constructive distribution to the members of our Predecessor followed by a capital contribution to us. On April, 1, 2004, the effective date of the contribution, we reclassified the accumulated deficit to date of \$822,847 to additional paid in capital.

We do not have material exposure to market risks associated with changes in interest rates related to cash equivalent securities held at June 30, 2005.

Off-balance sheet arrangements

At June 30, 2005, we did not have any off-balance sheet arrangements, as defined in item 303(c)(4)(2) of SEC Regulation S-B.

Item 3. Controls and Procedures.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 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 our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2005, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

During the quarter ended June 30, 2005, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal proceedings

From time to time, we may be involved in litigation relating to claims arising out of our intellectual property and operations. We are not currently a party to any such proceedings the outcome of which would have a material effect on our company.

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

None.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger among Ener1 Acquisition Corp., Registrant and Ener1, Inc., dated as of June 9, 2004, incorporated herein by reference to Exhibit 2.1 to Splinx's Registration Statement on Form S-1 filed with the Commission on June 24, 2004 (Registration No. 333-116817)
2.2	First Amendment to Agreement and Plan of Merger among Ener1 Acquisition Corp., Registrant and Ener1, Inc., dated as of October 13, 2004, incorporated herein by reference to Exhibit 2.2 to Splinx's Registration Statement on Form S-1 filed with the Commission on October 15, 2004 (Registration No. 333-116817)
2.3	Second Amendment to Agreement and Plan of Merger among Ener1 Acquisition Corp., Splinx and Ener1, Inc., dated as of December 23, 2004, incorporated herein by reference to Exhibit 2.3 to Splinx's Registration Statement on Form S-1 filed with the Commission on December 27, 2004 (Registration No. 333-116817)
3.1	Certificate of Incorporation of Splinx, incorporated herein by reference to Exhibit 3.1 to Splinx's Registration Statement on Form S-1 filed with the Commission on June 24, 2004 (Registration No. 333-116817)
3.2	Certificate of Merger of Splinx, incorporated herein by reference to Exhibit 3.2 to Splinx's Registration Statement on Form S-1 filed with the Commission on December 27, 2004 (Registration No. 333-116817)
3.3	Bylaws of Splinx, incorporated herein by reference to Exhibit 3.3 to Splinx's Registration Statement on Form S-1 filed with the Commission on June 24, 2004 (Registration No. 333-116817)
10.1	Reseller Agreement between Waterloo Maple Inc. and Splinx Technology Inc. dated May 27, 2005, incorporated herein by reference to Exhibit 10.1 to Splinx's Current Report on Form 8-K, filed with the Commission on June 3, 2005
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Splinx Technology Inc.

August 12, 2005

By: /s/ Gerard A. Herlihy

Name: Gerard A. Herlihy
Title: Chief Financial Officer

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