Splinex Technology Inc.
Form 10QSB
February 21, 2006

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 2005

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

For the transition period from ____________ to_________________

Commission file number 333-116817

Splinex Technology Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	**20-0715816**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

550 W. Cypress Creek Road Suite 410
Fort Lauderdale, FL 33309
(Address of principal executive offices)

(954) 660-6565
(Issuer's telephone number)

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

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 X No

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: On February 14, 2006, the number of shares outstanding of the registrant's common stock was 100,420,270 shares.

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

SPLINEX TECHNOLOGY INC.
Form 10-QSB
For the Quarter Ended December 31, 2005
INDEX

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	December 31, 2005	March 31, 2005
ASSETS		
Current assets		
Cash	$ 3,522	$ 256,347
Prepaid expenses and other	21,886	76,119
Loans and advances to employees - current portion	1,363	13,834
Total current assets	26,771	346,300
Property and equipment, net	23,473	49,862
Accounting software license	21,874	37,000
Other assets	9,881	9,881
Loans to employees - long term portion	-	9,875
Total assets	$ 81,999	$ 452,918
LIABILITIES AND STOCKHOLDERS' DEFICIENCY IN ASSETS		
Current liabilities		
Accounts payable	504,796	434,967
Accrued expenses	731,367	221,572
Note payable and accrued interest - related party	254,278	-
Due to related parties	138,262	106,760
Other current liabilities	4,251	75,849
Total current liabilities	1,632,954	839,148
Long term liabilities		
Note payable and accrued interest - related party	2,645,832	1,708,240
Total liabilities	4,278,786	2,547,388
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	100,670
Treasury stock, at cost; 250,000 and 0 shares, respectively	(62,500)	-
Paid in capital	1,101,049	1,101,049
Deficit accumulated during the development stage	(5,336,006)	(3,296,189)
Total stockholders' deficiency in assets	(4,196,787)	(2,094,470)
Total liabilities and stockholders' deficiency in assets	$ 81,999	$ 452,918

See accompanying notes.

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

	Three Months Ended December 31, 2005	Three Months Ended December 31, 2004	Nine Months Ended December 31, 2005	Nine Months Ended December 31, 2004	Cumulative From Inception (October 28, 2003) Through December 31, 2005
Net sales	$ 907	$ 24	$ 1,594	$ 48	1,643
Operating Expenses					
Sales and marketing	5,448	67,086	195,567	185,021	560,845
General and administrative	164,092	285,388	1,122,252	867,129	3,028,158
Research and development	45,350	380,581	633,553	824,226	1,956,075
Total operating expenses	214,890	733,055	1,951,372	1,876,376	5,545,078
Costs of merger and registration	-	167,643	-	512,320	512,321
Total expenses	214,890	900,698	1,951,372	2,388,696	6,057,399
Loss from operations	(213,983)	(900,674)	(1,949,778)	(2,388,648)	(6,055,756)
Interest expense, net	(34,130)	(936)	(90,039)	(936)	(103,097)
Loss before income taxes	(248,113)	(901,610)	(2,039,817)	(2,389,584)	(6,158,853)
Income taxes	-	-	-	-	-
Net loss	$ (248,113)	$ (901,610)	$ (2,039,817)	$ (2,389,584)	$ (6,158,853)
Net loss per basic and diluted share	$ (0.002)	$ (0.009)	$ (0.020)	$ (0.025)	
Weighted average shares outstanding	100,466,466	95,000,000	100,602,088	95,000,000	

See accompanying notes.

4

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

	Preferred Stock		Common Stock			Additional	Deficit Accumulated During the	Total Stockholders'
	Shares	Amount	Shares	Amount	Treasury Stock	Paid in Capital	Development Stage	Deficiency in Assets
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 5)	-	-	-	-	-	(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)
Acquisition of treasury stock					(62,500)			(62,500)
Net loss	-	-	-	-	-	-	(2,039,817)	(2,039,817)
Balance at December 31, 2005	-	$ -	100,670,270	$ 100,670	$ (62,500)	$ 1,101,049	$ (5,336,006)	$ (4,196,787)

See accompanying notes.

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

	Nine Months Ended December 31, 2005	Nine Months Ended December 31, 2004	Cumulative From Inception (October 28, 2003) Through December 31, 2005
Cash flows from operating activities:			
Net loss	$ (2,039,817)	$ (2,389,584)	$ (6,158,853)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	18,776	17,459	48,344
Other non cash expense items	(54,888)	-	(30,322)
Non cash interest expense	89,870	-	98,110
Changes in operating assets and liabilities:			
Prepaid expenses and other	(2,239)	3,857	(49,390)
Due to related parties	31,503	81,282	138,262
Accounts payable	69,829	497,351	504,796
Accrued expenses	509,795	216,906	731,367
Total adjustments	662,646	816,855	1,441,167
Net cash used in operating activities	(1,377,171)	(1,572,729)	(4,717,686)
Cash flows from investing activities:			
Purchase of equipment	-	(20,706)	(79,429)
Employee (loans) and repayments	22,346	(26,993)	(1,363)
Net cash used in investing activities	22,346	(47,699)	(80,792)
Cash flows from financing activities:			
Note payable related parties	1,102,000	350,000	2,802,000
Contributed capital from equity investors	-	1,150,000	2,000,000
Net cash provided by financing activities	1,102,000	1,500,000	4,802,000
Net increase (decrease) in cash	(252,825)	(120,428)	3,522
Cash at beginning of period	256,347	165,413	-
Cash at end of period	$ 3,522	$ 44,985	$ 3,522
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)
Treasury stock acquired upon termination of employment agreement	$ (62,500)		$ (62,500)

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

Splinex Technology Inc. ("Technology") was organized under the laws of the State of Delaware as a wholly owned subsidiary of Splinex, 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 nine months ended December 31, 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 Technology 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 December 31, 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.

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 December 31, 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 December 31, 2005, the Company had no amounts in excess of FDIC insured limits.

Foreign Currency Transactions

All transactions of the Company are denominated in U.S. dollars. The Company paid 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 nine months ending December 31, 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.

Net Loss Per Share

Basic net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net 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 $0 and $73,804 for the three months and nine months ended December 31, 2005, respectively.

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 the period ended December 31, 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 pursue its business plans until such time as the Company 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.

During September 2005, the Company implemented a change in its business strategy and took certain actions to reduce its overhead costs. The Company intends to maintain and support its existing ***nViz^x*** visualization products, including continuing to market these products under a Reseller Agreement with a leading mathematical computational software developer, but the Company does not presently plan to introduce new versions of the product or upgrades unless and until sales for the current products increase significantly. Marketing efforts under this Reseller Agreement began in June 2005. The Company has discontinued its development projects unrelated to ***nViz^x***. The Company has terminated its use of software development services previously provided to the Company by Splinex Outsourcing, Inc., a Russian outsourcing company, and significantly reduced its software development team in the United States. In addition, the Company has terminated or accepted resignations from certain executives and managers. The Company intends to explore alternative uses of its existing technology through licensing or other business development activities. The Company has borrowed funds from a related party, Ener1 Group, Inc., to pay certain ongoing expenses while it pursues such alternatives, which could include acquisitions of or joint ventures with companies that could benefit from certain of the Company's core technologies. The Company does not anticipate receiving funding from Ener1 Group, Inc. sufficient to pay past due obligations including severance obligations until it has been able to implement its business development further.

On December 13, 2005, the Company signed a letter of intent to acquire EnerSoft, Inc. ("EnerSoft"), a privately held technology company that specializes in the development of video processing filters, signal and imaging processing and video compression technologies. Ener1 Group, Inc., a company affiliated with the Company by common ownership and common control, owns 95% of the equity of EnerSoft. EnerSoft is a development stage software company with no assets or revenues.

The letter of intent contemplates that the Company would issue 199,519,730 shares of common stock in a private placement as consideration for the outstanding stock of EnerSoft. Completion of the transaction is subject to satisfactory completion of due diligence, negotiation of definitive transaction agreements and receipt of necessary corporate and third party approvals, among other customary closing conditions.

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 July 27, 2005, the Company had borrowed $2,500,000 under a $2,500,000 revolving loan agreement with a company that is affiliated with the Company through common ownership (the "Bzinfin Loan"). The Company borrowed an additional $50,000 from Bzinfin during September 2005, and the loan agreement was amended to include the additional borrowing under the same terms and conditions. In the three months ended December 31, 2005, the Company borrowed $252,000 from Ener1 Group, Inc. under a demand note.

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 expenses represent expenses that are owed at the end of the period that either have not been billed by the provider or are expenses that are estimated for services provided. Accrued expenses also include severance and other wage related expenses due to former employees. At December 31, 2005, accrued expenses consisted of the following:

Accrued severance and employment costs due to former employees	$	604,638
Accrued outsourcing costs		43,000
Audit		40,000
Accrued vacation		10,301
Miscellaneous		33,429
	$	731,367

NOTE 5. STOCKHOLDERS' EQUITY

The Company has the authority to issue 300,000,000 shares of common stock, 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 p