

TANKLESS SYSTEMS WORLDWIDE INC
Form 10QSB/A
December 05, 2003

.U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-27549

TANKLESS SYSTEMS WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

88-0362112

(I.R.S. Employer Identification No.)

7650 E. Evans Road, Suite C, Scottsdale, Arizona 85260

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number: (602) 957-8574

Elution Technologies, Inc.

2920 E. Camelback Rd., Suite 150, Phoenix, AZ 85016

(Former Name and Address)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity. As of November 7, 2003
11,284,456 shares, \$0.001 par value.

Transitional Small Business Disclosure Format (check one): YES NO

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

BALANCE SHEETS

September 30, 2003 and December 31, 2002

| <u>ASSETS</u> | September 30, | December 31, |
|---|---------------------------|----------------------|
| | <u>2003</u> | <u>2002</u> |
| | (Unaudited) | |
| Current | | |
| Cash | \$ | \$ |
| | - | 617 |
| Prepaid expenses Note 3 | - | 16,250 |
| | _____ | _____ |
| | - | 16,867 |
| Property and equipment Note 4 | - | - |
| | _____ | _____ |
| | \$ | \$ |
| | - | 16,867 |
| | ===== | ===== |
| | <u>LIABILITIES</u> | |
| Current | | |
| Accounts payable and accrued liabilities Note 7 | \$ | \$ |
| | 27,135 | 48,782 |
| Accrued interest payable | 52,734 | 40,547 |
| Due to related parties Note 7 | 10,200 | 2,500 |
| Convertible notes payable Note 6 | 130,000 | 130,000 |
| Convertible notes payable to related parties Note 7 | _____ - | _____ - |
| | _____ <u>220,069</u> | _____ <u>221,829</u> |

STOCKHOLDERS DEFICIENCY

Stockholders deficiency
 Common stock: \$0.001 par value
 Authorized: 100,000,000

| | | |
|--|-----------------|-----------------|
| Issued and outstanding: 2,002,578 (12/31/02: 7,024,022) | 2,003 | 1,498 |
| Additional paid-in capital | 1,181,368 | 1,044,623 |
| Deficiency accumulated during the development stage | (1,403,440) | (1,251,083) |
| | _____ | _____ |
| | (220,069) | (204,962) |
| | _____ | _____ |
| | \$ | \$ |
| | 0 | 16,867 |
| | ===== | ===== |

Nature and Continuance of Operations Note 1

Commitments Notes 5 and 6

Subsequent Events and Contingency Notes 5, 8 and 10

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF OPERATIONS

for the nine months ended September 30, 2003, and 2002

and for the period from November 23, 1993 (Date of Inception) to September 30, 2003

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(Unaudited)

| | September 30 <u>2003</u> | September 30, <u>2002</u> | November 23, 1993 (Date of Inception) to September 30, <u>2003</u> |
|---|-----------------------------|------------------------------|---|
| Revenue | \$ - ----- | \$ 4,770 ----- | \$ 4,770 ----- |
| Expenses | | | |
| General and administrative Note 7 | \$ 140,170 | \$ 218,238 | \$ 1,183,527 |
| Depreciation | - | 2,178 | 18,413 |
| Research and development | - | - | 61,434 |
| Loss on disposal of capital assets | <u>-</u> | <u>-</u> | <u>3,245</u> |
| | <u>140,170</u> | <u>220,416</u> | <u>1,266,619</u> |
| Loss from operations | (140,170) | (215,646) | (1,261,849) |
| Interest expense | (12,188) | (21,696) | (141,591) |
| Net loss | <u>\$ (152,358)</u> | <u>\$ (237,342)</u> | <u>\$ (1,403,440)</u> |
| Basic and diluted loss per share | <u>\$ (0.08)</u> | <u>\$ (0.30)</u> | |
| Weighted average number of common shares outstanding | <u>2,002,578</u> | <u>779,538</u> | |

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS DEFICIENCY

for the period from November 23, 1993 (Date of Inception) to September 30, 2003

| | <u>Common Stock (Note 8)</u> | | <u>Additional</u> | <u>Deficiency</u> | |
|-------------------------------|------------------------------|---------------|-------------------|--------------------|--------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>Accumulated</u> | <u>Total</u> |
| | | | <u>Capital</u> | <u>During the</u> | |
| | | | | <u>Development</u> | |
| | | | | <u>Stage</u> | |
| Balance, at November 23, 1993 | | | | | |
| (Date of Inception) | - | \$ | \$ | \$ | \$ |
| | | - | - | - | - |
| Issuance of shares for cash | | | | | |
| on November 30, 1993, at par | 500,000 | 500 | 4,500 | - | 5,000 |
| Net loss | - | - | - | (| (|
| | | | | 4,808) | 4,808) |
| Balance, at December 31, 1993 | 500,000 | 500 | 4,500 | (| 192 |

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| | | | | | |
|-------------------------------|----------------|------------|----------------|----------|-----------|
| | | | | 4,808) | |
| Net loss | - | - | - | (| (|
| | | | | 124) | 124) |
| Balance, at December 31, 1994 | <u>500,000</u> | <u>500</u> | <u>4,500</u> | <u>(</u> | <u>68</u> |
| | | | | 4,932) | |
| Net loss | - | - | - | (| (|
| | | | | 39) | 39) |
| Balance, at December 31, 1995 | <u>500,000</u> | <u>500</u> | <u>4,500</u> | <u>(</u> | <u>29</u> |
| | | | | 4,971) | |
| Net loss | - | - | - | (| (|
| | | | | 439) | 439) |
| Balance, at December 31, 1996 | <u>500,000</u> | <u>500</u> | <u>4,500</u> | <u>(</u> | <u>(</u> |
| | | | | 5,410) | 410) |
| Net loss | - | - | - | (| (|
| | | | | 39) | 39) |
| Balance, at December 31, 1997 | <u>500,000</u> | <u>500</u> | <u>4,500</u> | <u>(</u> | <u>(</u> |
| | | | | 5,449) | 449) |
| Net loss | - | - | - | (| (|
| | | | | 1,496) | 1,496) |
| Balance, at December 31, 1998 | <u>500,000</u> | <u>500</u> | <u>4,500</u> | <u>(</u> | <u>(</u> |
| | | | | 6,945) | 1,945) |
| Common stock issued for | | | | | |
| services rendered | 30,000 | 30 | 121,970 | - | 122,000 |
| Capital contribution | - | - | 1,500 | - | 1,500 |
| Net loss | - | - | - | (| (|
| | | | | 422,847) | 422,847) |
| Balance, at December 31, 1999 | <u>530,000</u> | <u>530</u> | <u>127,970</u> | <u>(</u> | <u>(</u> |

| | | | | | |
|-------------------------------|---------|-------|---------|----------|----------|
| | | | | 429,792) | 301,292) |
| Common stock issued for | | | | | |
| services rendered | 50,000 | 50 | 202,950 | - | 203,000 |
| Capital contribution | - | - | 3,000 | - | 3,000 |
| Net loss | - | - | - | (| (|
| | | | | 398,214) | 398,214) |
| | _____ | _____ | _____ | _____ | _____ |
| Balance, at December 31, 2000 | 580,000 | 580 | 333,920 | (| (|
| | | | | 828,006) | 493,506) |

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS DEFICIENCY, Continued

for the period from November 23, 1993 (Date of Inception) to September 30, 2003

| | | |
|-----------------------|-----------------------|--|
| | | Deficiency Accumulated During the Development |
| Common Stock (Note 8) | Additional Paid-in | |

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| | <u>Shares</u> | <u>Amount</u> | <u>Capital</u> | <u>Stage</u> | <u>Total</u> |
|--|---------------|---------------|----------------|---------------|---------------|
| Balance, at December 31, 2000 | 580,000 | 580 | 333,920 | (828,006) | (493,506) |
| Capital stock issued for services Rendered | 52,500 | 53 | 52,447 | - | 52,500 |
| Capital contributions Note 7 | - | - | 24,265 | - | 24,265 |
| Common stock issued as payment for convertible note payable and accrued interest to related party | 60,000 | 60 | 187,022 | - | 187,082 |
| Net loss | - | - | - | (120,900) | (120,900) |
| Balance, at December 31, 2001 | 692,500 | 693 | 597,654 | (948,906) | (350,559) |
| Capital stock issued for services Rendered | 455,800 | 455 | 110,045 | - | 110,500 |
| Capital stock issued for prepaid services Note 3 | 162,500 | 163 | 16,087 | - | 16,250 |
| Capital stock issued in connection to business acquisition Note 5 | 5,525,944 | - | - | - | - |
| Capital stock issued for settlement of debt | 22,500 | 22 | 23,272 | - | 23,294 |
| Common stock issued as payment for convertible note payable and accrued interest to | | | | | |

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| | | | | | |
|-------------------------------|-----------|-------|-----------|------------|----------|
| related party | 60,000 | 60 | 200,670 | - | 200,730 |
| Issuance of shares for cash | 104,778 | 105 | 96,895 | - | 97,000 |
| Net loss (Note 9) | - | - | - | (| (|
| | | | | 311,798) | 311,798) |
| | _____ | _____ | _____ | _____ | _____ |
| Balance, at December 31, 2002 | 7,024,022 | \$ | \$ | \$ | \$ |
| | | 1,498 | 1,044,623 | (| (|
| | | | | 1,260,704) | 214,583) |

/Cont d)

SEE ACCOMPANYING NOTES.

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TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENT STOCKHOLDERS DEFICIENCY, Continued

for the period from November 23, 1993 (Date of Inception) to September 30, 2003

Deficiency

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| | Common Stock (Note 8) | | Additional | Accumulated | |
|--------------------------------------|-----------------------|---------------|----------------|--------------------|--------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>During the</u> | <u>Total</u> |
| | | | <u>Capital</u> | <u>Development</u> | |
| | | | | <u>Stage</u> | |
| Balance, at December 31, 2002 | 7,024,022 | \$ | \$ | \$ | \$ |
| | | 1,498 | 1,044,623 | (| (|
| | | | | 1,251,082) | 204,961) |
| Capital stock issued for services | 667,000 | 667 | 152,833 | - | 153,500 |
| Rendered | | | | | |
| Capital stock canceled issued | | | | | |
| for prepaid consulting Note 8 | (162,500) | (162) | (16,088) | | (16,250) |
| Capital stock canceled in connection | | | | | |
| with abandonment of business | | | | | |
| acquisition Note 5 | (5,525,944) | - | - | - | - |
| Net loss | - | - | - | (| (|
| | | | | 152,358) | 152,358) |
| | _____ | _____ | _____ | _____ | _____ |
| Balance, at September 30, 2003 | 2,002,578 | \$ | \$ | \$ | \$ |
| (unaudited) | | 2,003 | 1,181,368 | (| (|
| | | | | 1,403,440) | 220,069) |
| | ===== | ===== | ===== | ===== | ===== |

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

for the nine months ended September 30, 2003 and 2002

and for the period from November 23, 1993 (Date of Inception) to September 30, 2003

(Unaudited)

| | September 30, <u>2003</u> | September 30, <u>2002</u> | November 23, 1993 (Date of Inception) to September 30, <u>2003</u> |
|---|------------------------------|------------------------------|---|
| Cash flows from Operating Activities | | | |
| Net loss from operations | \$ | \$ | \$ |
| | (| (| (|
| | 152,358) | 243,016) | 1,403,440) |
| Adjustments to reconcile net loss to net cash | | | |
| used in operating activities | | | |
| Depreciation | - | 2,178 | 18,413 |
| Rent expense | - | - | 4,500 |
| Write-off of intangible assets | - | - | 61,434 |
| Stock issued for services rendered | 153,500 | 84,750 | 641,500 |
| Stock issued for interest due to related party | - | 50,790 | 87,812 |
| Loss on disposal of capital assets | - | - | 3,245 |
| Changes in non-cash working capital | | | |
| balances consist of: | | | |
| Increase (decrease) in prepaid expenses | (378) | 13,711 | (378) |
| Increase (decrease) in accounts payable | (21,269) | 2,427 | 27,967 |
| Increase (decrease) in accrued interest payable | 12,188 | (29,095) | 52,735 |

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| | | | |
|--|----------|-----------|-----------|
| Increase (decrease) in due to related party | (2,300) | 8,161 | 45,359 |
| | <hr/> | <hr/> | <hr/> |
| Net cash used in operating activities | (10,617) | (110,094) | (460,853) |
| | <hr/> | <hr/> | <hr/> |
| Cash flows used in Investing Activities | | | |
| Organizational costs | - | - | (195) |
| Deposits | - | - | (40,000) |
| Research and development | - | - | (16,920) |
| Purchase of property and equipment | - | - | (19,032) |
| | <hr/> | <hr/> | <hr/> |
| Net cash used in Investing Activities | - | - | (76,147) |
| | <hr/> | <hr/> | <hr/> |
| Cash flows from Financing Activities | | | |
| Issuance of convertible debentures | - | - | 130,000 |
| Issuance of convertible notes to related parties | - | - | 300,000 |
| Issuance of common shares | - | 101,500 | 97,000 |
| Short term loan | - | 10,000 | - |
| Cancellation of indebtedness | 10,000 | - | 10,000 |
| | <hr/> | <hr/> | <hr/> |
| Net cash provided by financing activities | 10,000 | 111,500 | 537,000 |
| | <hr/> | <hr/> | <hr/> |

/Cont d.

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

STATEMENTS OF CASH FLOWS, Continued

for the nine months ended September 30, 2003 and 2002

and for the period from November 23, 1993 (Date of Inception) to September 30, 2003

| | September 30, <u>2003</u> | September 30, <u>2002</u> | November 23, 1993 (Date of Inception) to September 30, <u>2003</u> |
|--------------------------------------|------------------------------|------------------------------|---|
| Net increase (decrease) in cash | (617) | 1,406 | - |
| Cash, beginning of period | 617 | - | - |
| Cash, end of the period | \$ | \$ | \$ |
| | (0) | 1,406 | - |
| | ===== | ===== | ===== |
| Supplemental disclosure of cash flow | | | |
| information: | | | |
| Cash paid for: | | | |
| Interest | \$ - | \$ - | \$ - |
| | ===== | ===== | ===== |
| Income taxes | \$ - | \$ - | \$ - |

===== - -
=====

Supplemental Schedule of Non-cash Activities:

During the nine months ended September 30, 2003, the Company:

--

Issued 667,000 shares of common stock for services rendered to various consultants at a total value of \$153,500.

During the year ended December 31, 2002, the Company:

-

Issued 455,800 shares of common stock for services rendered to various consultants at a total value of \$110,500.

-

Issued 162,500 shares of common stock as prepayment for consulting services totaling \$16,250. Subsequently, in 2003, these shares were returned to the Company and canceled, and the prepaid expense was reversed.

-

Issued 60,000 shares of common stock as payment for a convertible note payable and accrued interest to a related party totaling \$200,730.

-

Issued 5,525,944 shares of common stock of the Company pursuant to the June 11, 2002 proposed business acquisition. Subsequently, these shares were recovered by the Company and canceled.

-

Issued 22,500 shares of common stock as a debt settlement totaling \$23,294.

SEE ACCOMPANYING NOTES.

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2003 and 2002

Note 1

Nature and Continuance of Operations

Tankless Systems Worldwide, Inc. (formerly Elution Technologies Inc.) (the "Company"), a Nevada company, is currently a development stage company under the provisions of Statement of Financial Accounting Standards (SFAS) No. 7. The Company was originally organized on November 23, 1993 as Amexan, Inc.; the name was changed to Nostalgia Motorcars, Inc. on June 1, 1998. Prior to the name change, Amexan, Inc. was an inactive company from the date of incorporation. On June 11, 2002, the Company changed its name to Elution Technologies, Inc. and on June 4, 2003, the Company changed its name to Tankless Systems Worldwide, Inc.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has no established source of revenue, has a working capital deficiency of \$220,069 and has accumulated losses of \$1,413,062. These factors raise substantial doubt about the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. These financial statement do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Note 2

Summary of Significant Accounting Policies

The financial statements of the Company as of and for the nine and three months ended September 30, 2003 and September 30, 2002 have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments considered necessary for a fair presentation of the results of the interim period have been included. Operating results for any interim period are not necessarily indicative of the results that may be expected for the entire fiscal year. These statements should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2002 included in the Company's report on Form 10-KSB as filed with the Securities and Exchange Commission.

Note 2

Summary of Significant Accounting Policies (cont d)

Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, accounts payable and accrued liabilities, accrued interest payable and due to related parties approximate their fair value due to the short-term maturity of such instruments.

The carrying value of convertible debt approximates fair value as the related interest rate is variable and approximates market rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives, generally five to seven years, of the various classes of

assets. Maintenance and repairs are charged to expense as incurred.

Income Taxes

The Company follows Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (FAS 109) which requires the use of the asset and liability method for accounting for income taxes. Under the asset and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carryforwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

Stock-based Compensation

Statement of Financial Accounting Standards No.123, "Accounting for Stock-Based Compensation", establishes accounting policies for stock and stock-based awards issued to employees and non-employees for services rendered and goods received. The Company records transactions in which services or goods are rendered or received from non-employees for the issuance of equity securities based on the fair value of the Company's stock at the date the services are rendered or goods received.

Basic and Diluted Loss Per Share

The Company reports basic loss per share in accordance with the Statement of Financial Accounting Standards No. 128, Earnings Per Share . Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted loss per share includes the potentially dilutive effect of outstanding common stock options which are convertible into common shares. Diluted loss per share has not been provided for September 30, 2003, and 2002 as it would be anti-dilutive.

New Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards if currently adopted could have a material effect on the accompanying financial statements.

Note 3

Prepaid Expenses Note 8

Prepaid expenses represents the unearned portion of consulting services. During the second quarter of 2003, the consideration paid for these services was returned to the Company and the prepaid expense was eliminated.

Note 4

Property and Equipment

Property and equipment consisted of the following:

| | September 30, | |
|--------------------------------|---------------|-------------|
| | <u>2003</u> | <u>2002</u> |
| Computer equipment | \$ | \$ |
| | - | 10,132 |
| Automobile | - | 4,386 |
| | ----- | ----- |
| | - | 14,518 |
| Less: accumulated depreciation | - | (11,273) |
| | ----- | ----- |
| | \$ | \$ |
| | - | 3,245 |
| | ===== | ===== |

Note 5

Business Acquisition

Pursuant to an agreement dated June 11, 2002, the Company proposed to merge with Elution Technologies, Inc. (Arizona), a privately controlled Arizona corporation by issuing 7,500,000 common shares of the Company for 7,500,000 common shares (100%) of Arizona. Arizona is a fabless semiconductor company providing VLSI technologies in multimedia processing and compression.

Prior to December 31, 2002, in anticipation but not in consummation of the pending merger, the Company issued 5,525,944 common shares for 5,525,944 common shares of Arizona.

Subsequent to December 31, 2002, after issuing an additional 500,000 common shares of the Company for an additional 500,000 common shares of Arizona, it was determined by both the Company and Arizona that the proposed merger be terminated and a formal agreement to that end was approved by both companies on April 25, 2003. None of the Arizona shares were tendered to the Company and no consideration was paid to or received by the Company for the shares issued by it to Arizona shareholders. Subsequent to December 31, 2002, the Company recovered and cancelled 6,025,944 common shares.

Note 5

Business Acquisition -- (cont d)

As the merger did not close, the Company has not reflected any value for the acquisition in these financial statements.

By an agreement dated April 15, 2003 the Company proposed to acquire 100% of Envirotech Systems Worldwide Inc. (Envirotech), an Arizona corporation. Following the due diligence permitted by the agreement, the parties cancelled that agreement and on November 4, 2003, entered into a new agreement pursuant to which the Company proposed to acquire all of the issued and outstanding common stock of Envirotech by issuing the equivalent amount of the Company's common stock. On November 7, 2003, Tankless issued 8,366,778 shares of its common stock, \$0.001 par value, in a one-for-one stock exchange. Subsequently, Envirotech is a wholly-owned subsidiary of Tankless.

Note 6

Convertible Notes Payable

| | September 30, <u>2003</u> | September 30, <u>2002</u> |
|--|------------------------------|------------------------------|
| <p>(a) Convertible notes payable are unsecured, bear interest at 12.5% per annum and mature March 2001. Each note and accrued interest is subject to automatic conversion at the maturity date into one common share and one warrant of the Company each at 75% of the average of the closing price for 10 days prior to conversion. The warrants are exercisable on the same basis. As at September 30, 2003, these notes have not yet been converted and are in default.</p> | | |
| | \$ 100,000 | \$ 100,000 |
| <p>(b) Convertible notes payable are unsecured, bear interest at 12.5% per annum and mature March 2001. Each note and accrued interest is subject to automatic conversion at the maturity date into one common share and one warrant of the Company each at 75% of the average of the closing price for 10 days prior to conversion. The warrants are exercisable on the same basis. As at September 30, 2003, these notes have not yet been converted and are in default.</p> | | |

| | |
|------------|------------|
| \$ 30,000 | \$ 30,000 |
| ----- | ----- |
| \$ 130,000 | \$ 130,000 |
| ===== | ===== |

Note 7

Related Party Transactions

The amounts due to related parties are due to companies with common directors and are unsecured, non-interest bearing and have no specific terms of repayment. During the year ended December 31, 2001, the president was paid \$14,635 and waived the outstanding balance, resulting in a contribution to capital of \$24,265.

During the year ended December 31, 1999, the Company issued two convertible notes totalling \$300,000 to the president and vice-president of the Company. The notes matured in June 2001 and bear interest at the prime rate, adjusted quarterly. The note

holders may, at their discretion, convert all or any outstanding portion of the balance due into shares of common stock of the Company calculated as the outstanding balance to be converted divided by \$2.50.

On November 5, 2001, the president converted his note into 60,000 shares of the Company's common stock as full payment for principal of \$150,000 and accrued interest of \$37,082.

On May 7, 2002, the remaining noteholder, converted his note into 60,000 shares of the Company's common stock as full payment for principal of \$150,000 and accrued interest of \$50,730.

Note 8

Common Stock

As of December 31, 2001, the aggregate number of shares of common stock that the Company had authority to issue was 50,000,000 shares at a par value of \$0.001. As of December 31, 2002 and 2001, 7,024,022 and 692,500 were issued and outstanding, respectively. On June 11, 2002, the Company effected a 1 for 10 reverse split and also increased the authorized shares from 50,000,000 shares to 100,000,000 shares. All shares and per share amounts have been retroactively restated to reflect this 1:10 reverse split. As of September 30, 2003, the aggregate number of shares of common stock that the Company had authority to issue was 100,000,000 shares at a par value of \$0.001. As of September 30, 2003, 2,002,578 shares were issued and outstanding.

Share Purchase Warrants

At December 31, 2002, and September 30, 2003, there were 66,667 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held at \$0.75 per share. These warrants expire in October 2005.

Common Stock Issued for Services

During the year ended December 31, 2002, the Company issued 455,800 shares of common stock for consulting services rendered valued at \$110,500. The Company issued 22,500 shares of common stock to settle debts totaling \$23,294 with a company with common directors. The Company also issued 162,500 shares of common stock for services to be rendered valued at \$16,250. Subsequent to December 31, 2002, these 162,500 common shares were returned to treasury.

During the nine months ended September 30, 2003, the Company issued 667,000 shares of common stock for services rendered valued at \$153,500.

Common Stock (cont d)

Common Stock Issued for Convertible Note Payable

During the year ended December 31, 2002, the Company issued 60,000 shares of common stock as full payment of \$150,000 note payable and accrued interest of \$50,730.

Common Stock Issued for Convertible Note Payable

During the year ended December 31, 2001, the Company issued 60,000 shares of common stock as full payment of \$150,000 note payable and accrued interest of \$37,082.

Employee Stock Incentive Plan

On July 25, 2002, the Company adopted an employee stock incentive plan (the 2002 Stock Incentive Plan) setting aside 1,000,000 shares of the Company s common stock for issuance to officers, employees, directors and consultants for services rendered or to be rendered. The proposed maximum offering price of such shares is \$1.00 per share. The plan is administered by a compensation committee appointed by the Board of Directors who shall have the right to grant awards or stock options. On October 15, 2002, the Company filed a Registration on Form S-8 with the Securities Exchange Commission covering the 1,000,000 shares provided by this plan, at a maximum offering price of \$1.00 per share.

As of December 31, 2002, 540,000 shares of common stock have been issued at an average of \$0.24 per share under this plan leaving a balance of 460,000 shares available under the plan. During the nine months ended September 30, 2003, the Company issued 587,000 shares of common stock under the plan and recovered 162,500 shares that had been issued in October, 2002, as prepaid consulting fees. As of September 30, 2003, there are 35,500 shares available under the plan.

On August 19, 2003, the Company adopted an employee stock incentive plan (the 2003 Stock Incentive Plan) setting aside 960,000 shares of the Company s common stock for issuance to officers, employees, directors and consultants for services rendered or to be rendered. The proposed maximum offering price of such shares is \$1.00 per share. The plan is administered by a compensation committee appointed by the Board of Directors who shall have the right to grant awards or stock options. On September 12, 2003, the Company filed a Registration on Form S-8 with the Securities Exchange Commission covering the 960,000 shares provided by this plan, at a maximum offering price of \$1.00 per share.

As of September 30, 2003, 80,000 shares of common stock have been issued at \$0.50 per share under this plan leaving a balance of 880,000 shares available under the plan.

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Note 9

Accrued Payroll and Payroll Taxes. During the year ended December 31, 2002, the Company accrued wages and related payroll taxes for several officers of the Company. These accruals were made even though the Company disputed any liability. Subsequently, each of the persons for whom such accruals were made have executed releases to the Company and the Company has reversed the accruals. The Net Income (Loss) from Operations and the Earnings Per Share for the periods ending September 30, 2002 and December 31, 2002, have been restated to reflect the reversal of these accruals.

Note 10

Subsequent Events and Contingency

By an agreement dated April 15, 2003 the Company proposed to acquire 100% of Envirotech Systems Worldwide Inc. (Envirotech), an Arizona corporation. Following the due diligence permitted by the agreement, the parties cancelled that agreement and on November 4, 2003, entered into a new agreement pursuant to which the Company proposed to acquire all of the issued and outstanding common stock of Envirotech by issuing the equivalent amount of the Company s common stock. On November 7, 2003, Tankless issued 8,366,378 shares of its common stock, \$0.001 par value, in a one-for-one stock exchange. Subsequently, Envirotech is a wholly-owned subsidiary of Tankless.

Subsequent to September 30, 2003, the Company has issued 915,500 shares of common stock to seven individuals pursuant to its 2002 and 2003 Stock Incentive Plans for consulting services rendered prior to that date.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following Discussion and Analysis should be read in conjunction with the financial statements and notes included in this Form 10-QSB and the Registrant's annual report on Form 10-KSB for the year ended December 31, 2002.

(a)

Plan of Operation.

As of September 30, 2003, the Company had not commenced business operations.

In previous filings, which are incorporated herein by reference, the Company discussed the fact that on June 11, 2002, it had entered into an Agreement and Plan of Merger with Elution Technologies, Inc., a private Arizona corporation ("Elution Arizona"), pursuant to which the Company agreed to acquire all of the issued and outstanding shares of stock of Elution Arizona in exchange for an equal number of shares of Common Stock of the Company. On April 25, 2003, the parties to that Merger Agreement formally abandoned and terminated the proposed acquisition and merger. The Boards of Directors of both companies approved the termination.

On April 15, 2003, the Company entered into an Agreement of Share Exchange and Plan of Reorganization with Envirotech Systems Worldwide, Inc., a private Arizona corporation (Envirotech) pursuant to which the Company agreed to acquire all of the issued and outstanding shares of stock of Envirotech in exchange for an equal number of shares of Common Stock of the Company (the Envirotech Agreement). By an agreement dated April 15, 2003 the Company proposed to acquire 100% of Envirotech Systems Worldwide Inc. (Envirotech), an Arizona corporation.

Following the due diligence permitted by the agreement, the parties cancelled that agreement and on November 4, 2003, entered into a new agreement pursuant to which the Company proposed to acquire all of the issued and outstanding common stock of Envirotech by issuing the equivalent amount of the Company's common stock. On November 7, 2003, Tankless issued 8,366,778 shares of its common stock, \$0.001 par value, in a one-for-one stock exchange. Subsequently, Envirotech is a wholly-owned subsidiary of Tankless.

As a result of the completion of the acquisition of Envirotech, the Company will design, develop, manufacture and market several models of an electronic, tankless water heater. The water heater is small, easy to install and supplies endless amounts of hot water with energy savings. The unit is a microprocessor controlled electric water heater contained in a compact unit (13.5 (W) x 16 (H) x (3.5 D), eliminating the space demands of conventional water heaters. It incorporates automatic, precise temperature controls. It saves energy, space, and water and is suitable to all areas of the U.S. and worldwide.

On June 11, 2002, the Company changed its name to Elution Technologies, Inc., and on June 4, 2003, it changed its name to Tankless Systems Worldwide, Inc.

As of September 30, 2003, the business office of the Company was located at 2920 E. Camelback Rd., Suite 150, Phoenix, Arizona 85016. These offices are leased by an unrelated party, subleased to Messrs. Thomas and David Kreitzer and made available by them to the Company on a month-by-month basis at no cost. Following the acquisition of Envirotech, the Company has relocated its offices to those currently occupied by Envirotech at 7650 E. Evans Rd., Suite C, Scottsdale, Az. 85260. The Company's fiscal year ends on December 31. At December 31, 2002, and at September 30, 2003, the Company had two part time employees (Thomas Kreitzer and David Kreitzer) both of whom served without compensation. In addition, at December 31, 2002, it had contracts with other two other persons, both of whom have since resigned and the related contracts terminated. Following the completion of the acquisition of Envirotech, the Company anticipates adding several full time employees in the near future in management and for administrative and technical support.

The foregoing Plan of Operation may contain "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Registrant's business strategies, continued growth in the Registrant's markets, projections, and anticipated trends in the Registrant's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Registrant's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Registrant's control. The Registrant cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward looking statements, including, among others, the following: reduced or lack of increase in demand for the Registrant's products, competitive pricing pressures and the level of expenses incurred in the Registrant's operations. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire or prove to be accurate. The Registrant disclaims any intent or obligation to update "forward looking statements."

(b) Liquidity and Capital Resources

As of September 30, 2003 the Company has no established source of revenue, has negative working capital of \$220,069 and has accumulated losses of \$1,413,062. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern.

ITEM 3. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Principal Accounting Officer (the Certifying Officer) is responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officer has designed such disclosure controls and procedures to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report and believes that the Company's disclosure controls and procedures are effective based on the required evaluation. During the period covered by this report, there were no changes in internal controls that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

On March 18, 2003, the Registrant was named in a lawsuit for unpaid legal fees totaling \$7,486. The Registrant disputes this claim and expects to prevail in the matter. The Registrant is unable to assess the Registrant's potential liability, if any, resulting from this action.

Envirotech is a defendant in a suit alleging patent infringements in connection with its electric tankless water heater. The Company does not believe the suit has merit and that it will either be dismissed or settled on terms favorable to Envirotech.

Except as noted above, to the best knowledge of the officers and directors of the Company, neither the Registrant nor any of its officers or directors is a party to any material legal proceeding or litigation.

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ITEM 2. CHANGES IN SECURITIES

(a)

On June 11, 2002, the Company amended its Articles of Incorporation to authorize the Company to provide that each share outstanding was changed into a one-tenth (1/10th) of a share, effecting a 1:10 rollback of the number of shares of Common Stock issued and outstanding, and increase the total number of shares which the Company was authorized to issue from 50,000,000 to 100,000,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

(a)

In 1999, the Company issued two convertible notes totaling \$300,000 to the former president and former vice-president of the Company. The notes bear interest at the prime rate, adjusted quarterly, and matured in June 2001. The note holders may, at their discretion, convert all or any outstanding portion of the balance due into shares of common stock of the Company, calculated as the outstanding balance to be converted divided by \$0.25.

On November 5, 2001, the former president converted his note into 60,000 shares of the Company's common stock as full payment for principal of \$150,000 and accrued interest of \$37,082.

On May 7, 2002, the remaining note holder converted his note into 60,000 shares of common stock in full payment for principal of \$150,000 and accrued interest in the amount of \$50,790.

(b)

During the year ended December 31, 2000, the Company issued five convertible notes payable, totaling \$100,000, which matured in March 2001. These notes bear interest at the rate of 12.5% per annum. Each note is subject to automatic conversion at the maturity date. As of the date of this filing, the notes have not yet been converted and are in default.

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

(a)

On June 11, 2002, the Company filed an Amendment of Articles of Incorporation of Nostalgia Motorcars, Inc., with the Secretary of State for the State of Nevada. The number of shares of the Company outstanding and entitled to vote on an amendment to the Articles of Incorporation was 7,945,000. The June 11, 2002 amendment was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon. The amendment effected the following changes to the Company's Articles of Incorporation: (1) changed the name of the Company to Elution Technologies, Inc., (2) authorized the Company to provide that each share outstanding was changed into a one-tenth (1/10th) of a share, effecting a 1:10 rollback of the number of shares of Common Stock issued and outstanding, and (3) increased the total number of shares which the Company was authorized to issue from 50,000,000 to 100,000,000.

(b)

On June 4, 2003, the Company filed an Amendment of Articles of Incorporation with the Secretary of State for the State of Nevada changing the name of the Company to Tankless Systems Worldwide, Inc. The June 4, 2003 amendment was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon.

(c)

On September 18, 2003, the Company's 2003 Stock Incentive Plan was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon.

(d)

On November 6, 2003, the agreement to acquire Envirotech (see ITEM 2(a): MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION, above) was consented to and approved by a majority vote of the stockholders holding a majority of the stock entitled to vote thereon.

ITEM 5. OTHER INFORMATION

(a)

Changes in Management. From May 20, 1999, to June 13, 2002, Brad Randolph was the sole officer and director of the Company, serving as its President, Secretary and Treasurer. On June 13, 2002, following the change of the name of the Company to Elution Technologies, Inc. (see Item 4 above), and the execution of the Agreement and Plan of Merger (see ITEM 2(a) above), Mr. Thomas Kreitzer was appointed a director of the Company to fill a newly created directorship. On July 24, 2002, Mr. Brad Randolph resigned, leaving Mr. Thomas Kreitzer as the sole director. On July 25, 2002, Mr. David Kreitzer was appointed a director of the Company to fill the position vacated by Mr. Randolph's resignation. On July 25, 2002, Thomas Kreitzer was elected to the offices of Interim Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer; David Kreitzer were elected to the office of Interim Chief Operating Officer. On August 19, 2002, Dr. Tinku Acharya was appointed a director of the Company to fill a newly created directorship and was also elected Chairman of the Board of Directors and Chief Technology Officer of the Company. On October 28, 2002, Tinku Acharya, PhD resigned as a director of the Company. Messrs. Thomas Kreitzer and David Kreitzer will serve until the next annual meeting of the Registrant's stockholders or until their respective successors are duly elected and have qualified. Directors will be elected for a one-year term at the annual stockholders' meeting. Officers will hold their positions at the will of the board of directors, absent any employment agreement, of which none currently exist or are contemplated. There are no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders may directly or indirectly participate in or influence the management of the Registrant's affairs.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)

Exhibits

31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(a)

Reports on 8-K

1.

8-K, Report of Changes in Control of Registrant, filed November 7, 2003, which report is incorporated herein by reference.

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SIGNATURES

In accordance with Section 13 of the Exchange Act, the registrant has caused this amended report to be signed on its behalf by the undersigned, hereunto duly authorized

TANKLESS SYSTEMS WORLDWIDE, INC.

(formerly Elution Technologies, Inc.)

Date: December 5, 2003

By: /s/ Thomas Kreitzer

Thomas Kreitzer,

Chief Executive Officer

and Principal Accounting Officer